

**FLOW WAY
COMMUNITY
DEVELOPMENT
DISTRICT**

BASIC FINANCIAL REPORT

Year Ended September 30, 2016

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

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Year Ended September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Flow Way 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 *Flow Way Community Development District* (the "District"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

MCDIRMIT DAVIS & COMPANY, LLC

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MEMBERS: PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, 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

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 May 18, 2017 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 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.

McDiernit Davis & Company, LLC

Orlando, Florida
May 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Flow Way Community Development District's* (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2016 and 2015. Please read it in conjunction with the District's financial statements which immediately follow this discussion.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2016:

- The District's total liabilities exceeded its assets at September 30, 2016 by \$1,140,349, an increase of \$155,062.
- At September 30, 2016, the District's governmental funds reported a combined fund balance of \$1,606,669, an increase of \$344,344 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of 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, liabilities, and deferred inflows/outflows of resources, with the difference between the three 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 can be found on pages 7 and 8 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 has one fund type: 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 year. Such information may be useful in evaluating a government'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 District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 9 through 12 of this report.

Notes to Basic 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. The notes to basic financial statements can be found on pages 13 through 26 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statements of net position as of September 30, 2016 and 2015:

Flow Way Community Development District
Statement of Net Position

	September 30, 2016	September 30, 2015
Assets, excluding capital assets	\$ 1,612,032	\$ 1,278,430
Capital Assets Not Being Depreciated	12,866,595	8,722,962
Total assets	<u>14,478,627</u>	<u>10,001,392</u>
Liabilities, excluding long-term liabilities	342,357	296,803
Long-term Liabilities	15,276,619	11,000,000
Total liabilities	<u>15,618,976</u>	<u>11,296,803</u>
Net Position		
Net investment in capital assets	(2,410,024)	(2,277,038)
Restricted for debt service	1,234,701	630,926
Restricted for capital projects	2,063	331,568
Unrestricted	32,911	19,133
Total net position	<u>\$ (1,140,349)</u>	<u>\$ (1,295,411)</u>

Governmental activities for the year ended September 30, 2016 increased the District's net position by \$155,062, as reflected in the table below:

Changes in Net Position
Year ended September 30,

	2016	2015
Revenues:		
Program revenues	\$ 1,299,869	\$ 311,976
General revenues	2	-
Total revenues	<u>1,299,871</u>	<u>311,976</u>
Expenses:		
General government	362,786	386,885
Interest on long-term debt	782,023	543,271
Total expenses	<u>1,144,809</u>	<u>930,156</u>
Change in net position	155,062	(618,180)
Net position - beginning	<u>(1,295,411)</u>	<u>(677,231)</u>
Net position - ending	<u>\$ (1,140,349)</u>	<u>\$ (1,295,411)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Analysis of the Government's Funds

As noted earlier, 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 District's net resources available for spending at the end of the fiscal year. The General, Debt Service and Capital Projects Funds comprise the total governmental funds. The fund balance of the General Fund increased by \$13,778 in the current year. The Debt Service Fund increased by \$660,071 in the current year because bond proceeds and special assessments exceeded debt service payments. The fund balance of the Capital Projects Fund decreased by \$329,505 because capital outlay expenditures exceeded bond proceeds.

Capital Asset and Debt Administration

The District's investment in capital assets for its governmental activities as of September 30, 2016, amounts to \$12,866,595 and consists of construction in progress.

At the end of the year, the District had total bond debt outstanding of \$14,105,000; \$3,190,000 of which was issued in the current year. In addition, the District had total promissory notes payable to the Developer of \$1,220,879 at the end of the year.

Additional information on the District's long-term debt can be found in Note 6 on pages 23 through 25 of this report.

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 general fund budget. The legal level of budgetary control is at the fund level.

Requests for Information

This financial report is designed to provide a general overview of *Flow Way Community Development District's* finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Flow Way Community Development District; JPWard & Associates, LLC, 2041 NE 6th Avenue, Wilton Manors, Florida 33305.

FINANCIAL STATEMENTS

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2016

	Governmental Activities
Assets:	
Cash	\$ 38,274
Restricted assets:	
Temporarily restricted investments	1,573,758
Capital assets:	
Capital assets not being depreciated	<u>12,866,595</u>
Total assets	<u>14,478,627</u>
Liabilities:	
Accounts payable and accrued expenses	5,363
Accrued interest payable	336,994
Noncurrent liabilities:	
Due within one year	1,375,879
Due in more than one year	<u>13,900,740</u>
Total liabilities	<u>15,618,976</u>
Net Position:	
Net investment in capital assets	(2,410,024)
Restricted for debt service	1,234,701
Restricted for capital projects	2,063
Unrestricted	<u>32,911</u>
Total net position	<u>\$ (1,140,349)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General government	\$ 362,786	\$ 152,367	\$ -	\$ -
Interest on long-term debt	782,023	1,146,408	1,074	20
Total governmental activities	<u>\$ 1,144,809</u>	<u>\$ 1,298,775</u>	<u>\$ 1,074</u>	<u>\$ 20</u>
General Revenues:				
Investment income				<u>2</u>
Change in Net Position				155,062
Net Position - beginning				<u>(1,295,411)</u>
Net Position - ending				<u>\$ (1,140,349)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2016

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets:				
Cash	\$ 38,274	\$ -	\$ -	\$ 38,274
Investments	-	1,571,588	2,170	1,573,758
Due from other funds	-	107	-	107
Total assets	\$ 38,274	\$ 1,571,695	\$ 2,170	\$ 1,612,139
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 5,363	\$ -	\$ -	\$ 5,363
Due to other funds	-	-	107	107
Total liabilities	5,363	-	107	5,470
Fund Balances:				
Restricted for debt service	-	1,571,695	-	1,571,695
Restricted for capital projects	-	-	2,063	2,063
Assigned for subsequent year's expenditures	22,000	-	-	22,000
Unassigned	10,911	-	-	10,911
Total fund balances	32,911	1,571,695	2,063	1,606,669
Total liabilities and fund balances	\$ 38,274	\$ 1,571,695	\$ 2,170	

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.

12,866,595

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	(336,994)	
Bonds payable	(15,276,619)	(15,613,613)

Net Position of Governmental Activities

\$ (1,140,349)

The accompanying Notes to Financial Statements are an integral part of this statement.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended September 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Special assessments	\$ 152,367	\$ 1,146,408	\$ -	\$ 1,298,775
Investment income	2	1,074	20	1,096
Total revenues	<u>152,369</u>	<u>1,147,482</u>	<u>20</u>	<u>1,299,871</u>
Expenditures:				
Current:				
General government	126,061	-	236,725	362,786
Debt service:				
Interest	-	724,320	-	724,320
Principal	-	85,000	-	85,000
Capital outlay	-	-	2,922,754	2,922,754
Total expenditures	<u>126,061</u>	<u>809,320</u>	<u>3,159,479</u>	<u>4,094,860</u>
Excess (Deficit) of Revenues Over Expenditures	<u>26,308</u>	<u>338,162</u>	<u>(3,159,459)</u>	<u>(2,794,989)</u>
Other Financing Sources (Uses):				
Bonds issued	-	309,573	2,880,427	3,190,000
Bond discount	-	-	(50,667)	(50,667)
Transfers in	-	12,530	194	12,724
Transfers out	<u>(12,530)</u>	<u>(194)</u>	<u>-</u>	<u>(12,724)</u>
Total other financing sources (uses)	<u>(12,530)</u>	<u>321,909</u>	<u>2,829,954</u>	<u>3,139,333</u>
Net change in fund balances	13,778	660,071	(329,505)	344,344
Fund Balances - beginning of year	<u>19,133</u>	<u>911,624</u>	<u>331,568</u>	<u>1,262,325</u>
Fund Balances - end of year	<u>\$ 32,911</u>	<u>\$ 1,571,695</u>	<u>\$ 2,063</u>	<u>\$ 1,606,669</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FLOW WAY 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, 2016

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

Net change in fund balances - total governmental funds (page 10)	\$	344,344
Expenditures on capital assets are reported as expenditures in the governmental fund statement, however, capital assets are capitalized in the statement of net position.		2,922,754
Proceeds from issuance of bonds are reported as fund sources in governmental funds and an increase to long-term liabilities in the statement of net position.		(3,139,333)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.		85,000
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	(56,296)	
Amortization of bond discount	<u>(1,407)</u>	<u>(57,703)</u>
Change in Net Position of Governmental Activities (page 8)	\$	<u><u>155,062</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 130,887	\$ 130,887	\$ 152,367	\$ 21,480
Investment income	-	-	2	2
Total revenues	130,887	130,887	152,369	21,482
Expenditures:				
Current:				
General government	130,887	130,887	126,061	4,826
Other Financing Sources (Uses):				
Transfers Out	-	-	(12,530)	(12,530)
Net change in fund balance	-	-	13,778	13,778
Fund Balance - beginning	19,133	19,133	19,133	-
Fund Balance - ending	\$ 19,133	\$ 19,133	\$ 32,911	\$ 13,778

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2016

Note 1 - Organization and Operations

The Flow Way Community Development District (the "District") was established on March 4, 2002, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190 of the Florida Statutes by Collier County Ordinance 02-09. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purpose of planning, financing, constructing, operating and maintaining certain portions of community-wide infrastructure. The District consists of 830 acres of land and is located entirely within Collier County, Florida.

The District is governed by a Board of Supervisors (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of property within the District, and ownership of land within the District entitles the owner to one vote per acre. All of the Board members are affiliated with Taylor Morrison (the "Developer") at September 30, 2016. The District is economically dependent on the Developer. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has a final responsibility for:

- Assessing and levying special assessments
- Approving and adopting budgets
- Exercising control over facilities and property
- Controlling the use of funds generated by the District
- Hiring the District Manager, District Engineer and District Attorney
- Financing, operating and maintaining improvements.

Note 2 - Summary of Significant Accounting Policies:

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by the Governmental Accounting Standards Board (GASB). The District's more significant accounting policies are described below:

The Financial Reporting Entity

The criteria used for including component units consist of identification of legally separate organizations for which the Board of Supervisors of the District are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting district's financial statements to be misleading or incomplete. Based upon this review, there were no potential component units of the District.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Basis of Presentation

Financial Statements - Government-Wide and Fund Financial Statements

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

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the district's activities are classified as governmental activities.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2016, the District did not have any business-type activities and therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use or directly benefit from goods or services) are reported as general revenues. In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations, when and if applicable.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The net costs, by function, are also supported by general revenues. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is more on the ability to sustain the District as an entity and the change in the District's net position resulting from the current year's activities.

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

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Basis of Presentation (Continued)

Financial Statements - Fund Financial Statements

The accounts of the District are organized on the basis of funds. The operations of the funds are accounted for with separate self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures.

The District reports the following governmental funds:

General Fund - This fund is used to account for all operating activities of the District. At this time, revenues are derived principally from non-ad valorem assessments and interest income.

Debt Service Fund - This fund is used to account for the accumulation of resources for and the payment of long-term debt principal, interest and other financing costs.

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

For the year ended September 30, 2016, the District does not report any proprietary funds.

Measurement Focus, Basis of Accounting and Presentation

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statements use the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current year.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Budget

A budget is adopted for the General Fund on an annual basis. Appropriations lapse at fiscal year-end. Changes or amendments to the total budgeted expenditures of the District must be approved by the District Board of Supervisors.

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

- a. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b. A public hearing is conducted to obtain property owner's comments.
- c. Prior to October 1, the budget is legally adopted by the District Board.
- d. The budgets are adopted on a basis consistent with generally accepted accounting principles.

Excess Expenditures over Appropriations

For the year ended September 30, 2016, expenditures exceeded appropriations for the General Fund.

Cash, cash equivalents and investments

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments, if applicable, are stated at their fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized. Certain money market investments are stated at amortized cost if they have a remaining maturity of one year or less when purchased.

Capital assets

Capital assets, which include land and improvements, infrastructure and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

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, 2016.

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, 2016.

Special assessments

The District's Assessments are included on the property tax bill that all landowner's receive. The Florida Statutes provide that special assessments may be collected by using the Uniform Method. Under the Uniform Method, the District's Assessments will be collected together with County and other taxes. These Assessments will appear on a single tax bill issued to each landowner subject to such. The statutes relating to enforcement of County taxes provided that County taxes become due and payable on November 1 of the year when assessed or as soon thereafter as certified tax roll is received by the Tax Collector and constitute a lien upon the land from January 1 of such year until paid or barred by operation of law. Such taxes (together with any assessments, being collected by the Uniform Method) are to be billed, and landowners in the District are required to pay all such taxes and assessments, without preference in payment of any particular increment of the tax bill, such as the increment owing for the District's Assessments. Upon any receipt of moneys by the Tax Collector from the Assessments, such moneys will be delivered to the District.

All city, county, school and special district ad valorem taxes, non-ad valorem special assessments and voter-approved ad valorem taxes levied to pay principal and interest on bonds, including the District Assessments, that are collected by the Uniform Method are payable at one time. If a taxpayer does not make complete payment of the total amount, he or she cannot designate specific line items on his or her tax bill as deemed paid in full and such partial payment is not to be accepted and is to be returned to the taxpayer, provided, however that a taxpayer may contest a tax assessment pursuant to certain conditions in Florida Statutes and other applicable law.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Special assessments (Continued)

Under the Uniform Method, if the Assessments are paid during November when due or at any time within thirty (30) days after mailing of the original tax notice or during the following three months, the taxpayer is granted a variable discount equal to 4% in November and decreasing one percentage point per month to 1% in February. March payments are without discount. Pursuant to Section 197.222, Florida Statutes, taxpayers may elect to pay estimated taxes, which may include non-ad valorem special assessments such as the District's Assessments in quarterly installments with a variable discount equal to 6% on June 30 decreasing to 3% on December 31, with no discount on March 31. All unpaid taxes and assessments become delinquent on April 1 of the year following assessment, and the Tax Collector is required to collect taxes prior to April 1 and after that date to institute statutory procedures upon delinquency to collect assessed taxes. Delay in the mailing of the notices to taxpayers may result in a delay throughout this process.

Certain taxpayers that are entitled to claim homestead tax exemption under Section 196.031(1), Florida Statutes may defer payment of a portion of the taxes and non-ad valorem assessments and interest accumulated on a tax certificate, which may include non-ad valorem special assessments. Deferred taxes and assessments bear interest at a variable rate not to exceed 7%. The amount that may be deferred varies based on whether the applicant is younger than 65 or is 65 years old or older; provided that applicants with a household income for the previous calendar year of less than \$10,000 or applicants with less than the designated amount for the additional homestead exemption under Section 196.075, Florida Statutes that are 65 year old or older may defer taxes and assessments in their entirety.

Collection of Delinquent Assessments under the Uniform Method is, in essence, based upon the sale by the Tax Collector of "tax certificates" and remittance of the proceeds of such sale to the District for payment of the Assessment due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Equity Classifications

Government-wide statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation, if applicable, and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction or improvement of those assets
- b. Restricted net position - consist of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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.

Fund Statements:

The District presents fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements presents fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has no nonspendable fund balances as of September 30, 2016.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Statements (continued):

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Supervisors (the "Board"). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed fund balance as of September 30, 2016.

Assigned - This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District Manager through the budgetary process. 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. The District had an assigned fund balance of \$22,000 as of September 30, 2016.

Unassigned - This classification includes the residual fund balance for the General Fund.

When the District has expenditures for which committed, assigned or unassigned fund balance is available, the District would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

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.

Note 3 - Deposits and Investments:

Deposits

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 3 - Deposits and Investments (Continued):

Deposits (continued)

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

Investments

Investments of the General Fund are governed by Section 218.415, Florida Statutes. The authorized investments include, among others, negotiable direct or indirect obligations which are secured by the United States Government, the Local Government Surplus Funds Trust as created by Section 218.415, Florida Statutes; and interest-bearing time deposits or savings accounts in authorized financial institutions. The District adopted GASB 72 during the fiscal year. The District considered fair value, and since the District only holds money market mutual funds, GASB 72 state; money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external pools, should be measured at amortized cost as provided in in paragraph 9, Statement 31.

Investments of Debt Service and Capital Projects Fund are governed by the provisions of the Trust Indenture.

Investments of the Debt Service and Capital Projects Fund as of September 30, 2016 were \$1,573,758 and were in money market mutual funds.

Credit Risk

Florida Statutes require the money market mutual funds held by the District to have the highest credit quality rating from a nationally recognized rating agency. The money market mutual funds held by the District are rated AAAM by Standard and Poor's and AAA-mf by Moody's Investors Service.

Custodial Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 3 - Deposits and Investments (Continued):

Interest Rate Risk

Florida Statutes provide that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due.

Concentration Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2016, the District's investments were not subject to custodial credit risk.

Note 4 - Capital Assets:

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

	Beginning Balance October 1, 2015	Additions	Disposals	Balance at September 30, 2016
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 8,722,962	\$ 4,143,633	\$ -	\$ 12,866,595
 Governmental activities capital assets, net	<u>\$ 8,722,962</u>	<u>\$ 4,143,633</u>	<u>\$ -</u>	<u>\$ 12,866,595</u>

Note 5 - Interfund Transfers:

The General Fund transferred \$12,530 to the Debt Service Fund for expenses paid on behalf of that fund. The Debt Service Fund transferred \$194 to the Capital Projects Fund for expenses paid on behalf of that fund.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 6 - Long-Term Debt:

Summary of Long-Term Debt of Governmental Activities

Long-term debt of the governmental activities at September 30, 2016 is comprised of the following:

\$7,050,000 Special Assessment Revenue Bonds, Series 2013; due in annual installments commencing 2015 through 2044; interest payable semi-annually at 6% and 6.5%.	<u>\$ 6,965,000</u>
\$3,950,000 Special Assessment Revenue Bonds, Series 2015; due in annual installments commencing 2015 through 2045; interest payable semi-annually at 4.25%, 5% and 5.375%.	<u>\$ 3,950,000</u>
\$3,190,000 Special Assessment Revenue Bonds, Series 2015; due in annual installments commencing 2016 through 2047; interest payable semi-annually at 4.0%, 5.125% and 5.375%.	<u>\$ 3,190,000</u>

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2016:

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2016</u>	<u>Due Within One Year</u>
Special Assessment Revenue Bonds,					
Series 2013	\$ 7,050,000	\$ -	\$ (85,000)	\$ 6,965,000	\$ 90,000
Series 2015	3,950,000	-	-	3,950,000	65,000
Series 2015 (Phase 4)	-	3,190,000	-	3,190,000	-
Original Issue Discount	-	(50,667)	1,407	(49,260)	-
Promissory notes-Developer	-	1,220,879	-	1,220,879	1,220,879
Total	<u>\$ 11,000,000</u>	<u>\$ 4,360,212</u>	<u>\$ (83,593)</u>	<u>\$ 15,276,619</u>	<u>\$ 1,375,879</u>

Summary of Significant Debt Terms of Governmental Activities

\$7,050,000 Special Assessment Revenue Bonds, Series 2013 - The District issued \$7,050,000 Series 2013 Bonds for the purpose of funding certain capital projects within the boundaries of the District. The bonds bear interest at 6% and 6.5% and mature in November 2044. Interest is payable semi-annually on the first day of each May and November. The bonds are secured by a pledge of revenues derived from the collection of non-ad valorem special assessments.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for the payment of principal and interest on the Bonds as they become due.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 6 - Long-Term Debt (Continued):

Summary of Significant Debt Terms of Governmental Activities (continued)

The Bonds are subject to mandatory redemption at par on a schedule of annual redemptions starting November 1, 2015 through November 1, 2044, the maturity date. The District is required to redeem the Bonds at par prior to the schedule from the proceeds of any assessments prepaid in full, or moneys received as a result of condemnation or destruction of the project. The Bonds are subject to redemption at the option of the District anytime on or after November 1, 2024 as described in the bond indenture.

The Bond Indenture requires the District to fund a debt service reserve account, as described in the bond indenture. As of September 30, 2016, the reserve fund account balance was sufficient to satisfy this requirement.

Total principal and interest remaining on the 2013 Bonds is \$15,337,874. For the current year ended September 30, 2016, total interest paid on the Bonds was \$447,575 and principal payments of \$85,000. Special assessment revenue pledged in the current year was \$869,853.

\$3,950,000 Special Assessment Revenue Bonds, Series 2015 - The District issued \$3,950,000 Series 2015 Bonds for the purpose of funding certain capital projects within the boundaries of the District. The bonds bear interest at 4.25%, 5% and 5.375% and mature in November 2045. Interest is payable semi-annually on the first day of each May and November. The bonds are secured by a pledge of revenues derived from the collection of non-ad valorem special assessments.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for the payment of principal and interest on the Bonds as they become due.

The Bonds are subject to mandatory redemption at par on a schedule of annual redemptions starting November 1, 2016 through November 1, 2045, the maturity date. The District is required to redeem the Bonds at par prior to the schedule from the proceeds of any assessments prepaid in full, or moneys received as a result of condemnation or destruction of the project. The Bonds are subject to redemption at the option of the District anytime on or after November 1, 2025 as described in the bond indenture.

The Bond Indenture requires the District to fund a debt service reserve account, as described in the bond indenture. As of September 30, 2016, the reserve fund account balance was sufficient to satisfy this requirement.

Total principal and interest remaining on the 2015 Bonds is \$7,760,943. For the current year ended September 30, 2016, interest of \$211,380 was paid during the current year. No principal was due. Special assessment revenue pledged in the current year was \$276,555.

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 6 - Long-Term Debt (Continued):

Summary of Significant Debt Terms of Governmental Activities (continued)

\$3,190,000 Special Assessment Revenue Bonds, Series 2015 (Phase 4) - The District issued \$3,190,000 Series 2015 Bonds for the purpose of funding certain capital projects within the boundaries of the District. The bonds bear interest at 4.0%, 5.125% and 5.375% and mature in November 2046. Interest is payable semi-annually on the first day of each May and November. The bonds are secured by a pledge of revenues derived from the collection of non-ad valorem special assessments.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for the payment of principal and interest on the Bonds as they become due.

The Bonds are subject to mandatory redemption at par on a schedule of annual redemptions starting November 1, 2017 through November 1, 2046, the maturity date. The District is required to redeem the Bonds at par prior to the schedule from the proceeds of any assessments prepaid in full, or moneys received as a result of condemnation or destruction of the project. The Bonds are subject to redemption at the option of the District anytime on or after November 1, 2025 as described in the bond indenture.

The Bond Indenture requires the District to fund a debt service reserve account, as described in the bond indenture. As of September 30, 2016, the reserve fund account balance was sufficient to satisfy this requirement.

Total principal and interest remaining on the 2015 (Phase 4) Bonds is \$6,494,917. For the current year ended September 30, 2016, interest of \$65,365 was paid during the current year. No principal was due and no special assessment revenue was pledged.

The annual debt service requirements for the Special Assessment Revenue Bonds consist of:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 1,375,879	\$ 804,705	\$ 2,180,584
2018	210,000	795,393	1,005,393
2019	225,000	784,524	1,009,524
2020	235,000	772,999	1,007,999
2021	245,000	760,968	1,005,968
2022 - 2026	1,415,000	3,598,405	5,013,405
2027 - 2031	1,860,000	3,152,862	5,012,862
2032 - 2036	2,460,000	2,534,648	4,994,648
2037 - 2041	3,270,000	1,697,192	4,967,192
2042 - 2046	3,830,000	581,663	4,411,663
2047 - 2051	200,000	5,375	205,375
	<u>\$ 15,325,879</u>	<u>\$ 15,488,734</u>	<u>\$ 30,814,613</u>

FLOW WAY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 6 - Long-Term Debt (Continued):

Summary of Significant Debt Terms of Governmental Activities (continued)

The District executed three promissory notes totaling \$1,220,879 during the current year for the purchase of water and sewer infrastructure from the Developer. The promissory notes were made and shall be subject to the terms and conditions of an Acquisition Agreement with the Developer in conjunction with the transfer and conveyance of the water and sewer infrastructure. In accordance with the Acquisition Agreement, the District will pay the Developer solely from Special Assessment Bonds levied on real property in the District benefitted by the infrastructure improvements, provided there are sufficient funds from the said Bonds to pay for the infrastructure improvements. Notwithstanding the forgoing provision, in the event that the District does not issue any applicable Bonds on or before five (5) years after the date of the Acquisition Agreement, then these promissory notes shall be forgiven by the Developer and cancelled. These promissory notes are limited obligations of the District. The District is under no obligation to issue such Bonds at any time, and the Developer has no right to compel the District to issue such Bonds or to pay such principal from any source of funds. The District paid the promissory notes in November 2016 (See Note 9).

Note 7 - 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. To mitigate this risk, the District purchases an insurance policy that provides coverage of up to a \$2,000,000 general liability for each occurrence and an annual aggregate coverage of approximately \$4,000,000 for the policy year ending September 30, 2016. Another insurance policy carried by the District during the year includes public official's liability. Deductible amounts ranged from \$0 to \$2,500. There have been no claims against the District during the last three fiscal years.

Note 8 - Concentration:

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, Taylor Morrison, the loss of which could have a materially adverse effect on the District's ability to pay the principal and interest on the District Series 2013 and 2015 Bonds, along with the operations of the District. For the period ending September 30, 2016, the Developer owned 100% of the assessable property. For the same period, the Developer's share of total assessment revenue was 100%.

All of the members of the Board of Supervisors are affiliated with the Developer.

Note 9 - Subsequent Events:

The District issued Series 2016 (Phase 5 Project) Bonds in November 2016 in the amount of \$5,425,000 to fund a portion of the costs of the Phase 5 Project and pay in full the outstanding promissory notes to the Developer (See Note 6) of \$1,220,879. The final maturity of the Bonds is November 1, 2046 with interest rates from 3.4% to 5.0%

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
Flow Way 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 *Flow Way Community Development District* (the "District") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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 and 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*.

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.

McDiarmid Davis & Company, LLC

Orlando, Florida
May 18, 2017

MANAGEMENT COMMENTS

Board of Supervisors
Flow Way Community Development District

Report on the Financial Statements

We have audited the financial statements of the *Flow Way Community Development District*, (the "District") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 18, 2017.

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 Reports

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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 18, 2017, 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 audit findings in the previous year.

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

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report 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 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.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, 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.

McDiernit Davis & Company, LLC

Orlando, Florida
May 18, 2017

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

Board of Supervisors
Flow Way Community Development District

We have examined Flow Way Community Development District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and 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, District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
May 18, 2017

MCDIRMIT DAVIS & COMPANY, LLC

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MEMBERS: PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS