

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2
FINANCIAL STATEMENTS
September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tradition Community Development District 2
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Tradition Community Development District 2 (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

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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2016, and the respective changes in financial position 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 and budgetary comparison information on pages 3 through 4 and page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2017, on our consideration of Tradition Community Development District 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Tradition Community Development District 2's internal control over financial reporting and compliance.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.

Fort Pierce, Florida

May 26, 2017

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Tradition Community Development District 2 (the "District") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity and financial statements, (c) identify changes in the District's financial position, (d) identify any material deviations from the District's budget, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Auditor's Report (beginning on page 1) and the District's financial statements (beginning on page 5).

FINANCIAL HIGHLIGHTS

- Net position increased \$669.
- Total costs of all programs were \$140,301 in 2016 compared to \$146,220 in 2015.
- At September 30, 2016, the District's governmental funds reported combined ending fund balance of \$4,365. Fund balance is unassigned which is available for spending at the District's discretion.
- During fiscal year 2016, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application and GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Please see New Accounting Standards Adopted in Note A of the financial statements for additional information.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities (pages 5 & 6) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund Financial Statements begin on page 7. For governmental activities, these Statements tell how these services were financed in the short term as well as what remains for future spending. Fund Financial Statements also report the District's operations in more detail by providing information about the District's most significant funds.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District as a whole begins on page 5. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These Statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two Statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, *increases* or *decreases* in the District's net position, is one indicator of whether its *financial* health is improving or deteriorating.

Governmental Activities

In the Statement of Net Position and the Statement of Activities, the District has one activity. The changes in net position of governmental activities were \$669.

FUND FINANCIAL STATEMENTS

Governmental funds – all of the District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Governmental Type Funds

As of year-end, the governmental funds (as presented on page 7) reported a fund balance of \$4,365 which represented an increase of \$669 from prior year.

Debt

As of September 30, 2016 the District had no debt.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND OTHER INFORMATION

For the fiscal year 2017, the District anticipates that the cost of general operations will remain fairly constant. In connection with the District's future infrastructure maintenance and replacement plan, the District Board has included in the budget, an estimate of those anticipated future costs and has assigned a portion of current available resources for that purpose.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and members with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District Finance Department at 12051 Corporate Blvd, Orlando, Florida 32817.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

STATEMENT OF NET POSITION

September 30, 2016

ASSETS

Cash	\$ 6,976
Prepaid Items	<u>8,895</u>
TOTAL ASSETS	<u><u>\$ 15,871</u></u>

LIABILITIES AND NET POSITION

LIABILITIES

Due to Other Governments	\$ <u>11,506</u>
TOTAL LIABILITIES	<u>11,506</u>

NET POSITION

Unrestricted	<u>4,365</u>
TOTAL NET POSITION	<u><u>\$ 4,365</u></u>

The accompanying notes are an integral part of this financial statement

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenues and Changes in Net Position
		Operating Contributions	Governmental Activities
Governmental Activities			
General Government	\$ 140,301	\$ 140,970	\$ 669
Total Governmental Activities	\$ 140,301	\$ 140,970	669
			669
			3,696
			\$ 4,365

The accompanying notes are an integral part of this financial statement

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2016

ASSETS

Cash	\$ 6,976
Prepaid Items	<u>8,895</u>
TOTAL ASSETS	<u><u>\$ 15,871</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Governments	<u>\$ 11,506</u>
TOTAL LIABILITIES	<u>11,506</u>

FUND BALANCE

Unassigned	<u>4,365</u>
TOTAL FUND BALANCE	<u>4,365</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 15,871</u></u>

The accompanying notes are an integral part of this financial statement

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
Year Ended September 30, 2016

REVENUE	
Stormwater Fees	\$ 48,368
On-Roll Assessments	91,933
Other Income & Other Financing Sources	669
TOTAL REVENUE	140,970
 EXPENDITURES	
General Government	140,301
TOTAL EXPENDITURES	140,301
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	669
 FUND BALANCE	
Beginning of Year	3,696
End of Year	\$ 4,365

The accompanying notes are an integral part of this financial statement

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Tradition Community Development District 2 (the "District") conform to generally accepted accounting principles as applicable to governments. The District was formerly known as Westchester Community Development District 2 and lawfully changed its name to Tradition Community Development District 2 effective August 14, 2006. The following is a summary of the more significant policies:

Reporting Entity

The District is an independent unit of special-purpose local government of the State of Florida created by law and established in accordance with the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended by ordinance of St. Lucie County, Florida, effective on August 21, 2001 as amended. The Act provides for a five member Board of Supervisors to serve as the governing body of the District. The District has no component units. Its purpose is to manage and finance basic community development systems, facilities and services, including capital infrastructure.

Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements, including the statement of net position and statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliation is presented with each of the governmental fund financial statements.

Major Governmental Fund Types

General Fund - The general fund is the general operating fund of the District. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

New Accounting Standards Adopted

During fiscal year 2016, the District adopted three new accounting standards as follows:

GASB 72, Fair Value Measurement and Application

The Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No.6, Measurement of Elements of Financial Statements, and other relevant literature.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

The Statement identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments for operations are billed and collected by the County Tax Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

Equity Classifications

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-Spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned Fund Balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (continued)

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

Cash and Cash Equivalents

Florida Statutes require state and local governmental units to deposit monies with a financial institution classified as a “Qualified Public Depository,” which is a state insurance pool for banks and other financial institutions. The pool requires each bank to render as collateral a percentage of all state and local monies on deposit. Upon default of a particular financial institution within the pool, the pooled collateral is used to reinstate the state and local government deposits. This pool is additional insurance above the federal depository insurance. The District has cash deposits only with qualifying institutions as of September 30, 2016.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (continued)

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

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 District holdings are exempt from this requirement at September 30, 2016.

Interest Rate Risk:

Florida Statutes state that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. All holdings are currently liquid.

Concentration of Credit Risk:

GASB 40 requires disclosure when investments are more than 5% in any one issuer. All investments held by the District are exempt from this requirement.

Custodial Credit 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 is exempt from this requirement.

Fair Value Measurement - When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- Level 1: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- Level 2: Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- Level 3: Investments whose inputs are unobservable.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (continued)

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Management Company

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to September 30, 2016, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2016. Management has performed their analysis through May 26, 2017.

NOTE B - BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - BUDGETARY INFORMATION (CONTINUED)

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) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE C - 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; natural disasters; and environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years. The District budgeted a deficit that would be funded from prior year surpluses of Tradition Community Development District 1 (TD 1). The Districts are bound by an Inter-Local agreement where revenues and expenses are received and paid out of TD1, and revenues and expenses are allocated out of TD1 to the other Districts, District 1 is the Master District of the inter-local agreement. A reduction of available surplus would have a substantial effect on the District's assessments.

NOTE D – DEPENDENCY ON SUPPORT

The District receives the majority of its funding from local tax revenue. A reduction in the level of taxes would have a substantial effect on the District's projects and activities.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended September 30, 2016

	* BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE			
Stormwater Fees	\$ 53,916	\$ 48,368	\$ (5,548)
On-Roll Assessments	88,658	91,933	3,275
Other Income & Other Financing Sources	-	669	669
TOTAL REVENUE	<u>142,574</u>	<u>140,970</u>	<u>(1,604)</u>
EXPENDITURES			
Arbitrage Calculation	170	-	170
Audit	5,500	5,500	-
Bank Fees	43	24	19
Building Maintenance	1,448	1,200	248
Contingency	4,258	3,352	906
Contractual Services	2,555	5,288	(2,733)
Copies	146	193	(47)
Dissemination Agent	341	468	(127)
District Counsel	1,877	3,081	(1,204)
Dues, Licenses & Fees	175	181	(6)
Electric	9,367	6,042	3,325
Engineering	3,209	3,371	(162)
Field Management	20,584	20,584	-
Financial Advisor	-	1,130	(1,130)
Flower & Plant Replacement	-	362	(362)
Fountain Maintenance & Chemicals	596	842	(246)
Holiday Decorations	2,129	2,052	77
Hydrilla Control	4,258	3,708	550
Impact Fee Administration	961	961	-
Insurance	10,605	8,728	1,877
Irrigation	12,347	12,091	256
Irrigation Parts	1,703	1,934	(231)
Lake Maintenance	8,941	8,017	924
Landscaping Maintenance & Material	37,917	34,884	3,033
Legal Advertising	146	248	(102)
Lighting	7,664	-	7,664
Management	3,449	3,450	(1)
Meeting Room	38	33	5
Miscellaneous	10	-	10
Office Supplies	8	24	(16)
Postage & Shipping	25	24	1
Road Repair	553	228	325
Road Cleaning	85	-	85
Security	1,958	1,780	178
Sidewalk Maintenance & Cleaning	639	432	207
Stormwater Management	2,129	408	1,721
Streetlights	-	2,065	(2,065)
Supervisor Fees	4,496	2,520	1,976
Telephone	10	6	4
Travel & Per Diem	102	288	(186)
Tree Trimming	2,980	2,285	695
Trustee Services	1,192	961	231
Web Site Maintenance	1,500	1,500	-
Wetland Upland Maintenance	1,022	56	966
Wetlands Monitoring	213	-	213
TOTAL EXPENDITURES	<u>157,349</u>	<u>140,301</u>	<u>17,048</u>
Surplus/(Deficit) (Notes to RSI)	<u>(14,775)</u>	<u>669</u>	<u>15,444</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>\$ -</u>	<u>\$ 669</u>	<u>\$ 669</u>

* Original and Final Budget.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

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. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2016.

The District budgeted a deficit that would be funded by prior year surpluses per an inter-local agreement with the master District (Tradition Community Development District 1).

The variance between budgeted and actual general fund revenues is not considered significant. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

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

Board of Directors
Tradition Community Development District 2
Port St. Lucie, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tradition Community Development District 2, as of September 30, 2016 and for the year ended, which collectively comprise the Tradition Community Development District 2's basic financial statements and have issued our report thereon dated May 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Purpose of this Report

This report is intended 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 purpose.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
May 26, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF
SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA

Board of Directors
Tradition Community Development District 2
Port St. Lucie, Florida

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

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

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee Hartley & Barnes, P.A.
Fort Pierce, Florida
May 26, 2017

Management Letter

Board of Directors
Tradition Community Development District 2
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the financial statements of the Tradition Community Development District 2 as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 26, 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 26, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Tradition Community Development District 2 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Tradition Community Development District 2 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 Tradition Community Development District 2'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.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Tradition Community Development District 2 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 Chairman and Members of the Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
May 26, 2017