

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**LAKEWOOD RANCH
COMMUNITY DEVELOPMENT DISTRICT 5
LAKEWOOD RANCH, FLORIDA**

SEPTEMBER 30, 2019

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**LAKEWOOD RANCH
COMMUNITY DEVELOPMENT DISTRICT 5
LAKEWOOD RANCH, FLORIDA**

SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Lakewood Ranch Community Development District 5
Lakewood Ranch, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lakewood Ranch Community Development District 5 (the District), as of and for the year ended September 30, 2019, 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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Supervisors
Lakewood Ranch Community Development District 5
Lakewood Ranch, Florida

INDEPENDENT AUDITOR'S REPORT

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, 2019, 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 (MD&A) and the budgetary comparison information, as listed in the table of contents (collectively, the required supplementary information), 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 February 6, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



February 6, 2020
Sarasota, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lakewood Ranch Community Development District 5 (the District), our discussion and analysis of the District's financial performance provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes, and required supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The assets (and deferred outflows) of the District exceeded its liabilities at the close of the most recent fiscal year and resulted in a net position of \$4,372,335.
- The District's total net position decreased by \$1,146,258 for the year, which was primarily a result of road repaving and resurfacing, and storm drain inlet repairs.

Fund Financial Statements

- At September 30, 2019, the District's governmental funds reported combined ending fund balances of \$1,895,029, a decrease of \$893,951 for the year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the District's financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other information and required supplementary information in addition to the basic financial statements themselves.

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 the District's assets (plus deferred outflows) and liabilities (plus deferred inflows), with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the year. All changes in net position are reported in a manner similar to the approach used by a private sector business in that revenues are recognized when earned and expenses are reported when incurred.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the following functions: general government (Town Hall, maintenance facility, and other administration), maintenance and operations, and special projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only governmental funds. There are no business-type or fiduciary funds.

Governmental Funds

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

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

The District maintains two governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, both of which are considered to be major funds.

The District adopts annual budgets for each fund. In the required supplementary information section, a budgetary comparison schedule has been provided for the general fund.

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Key components of the District's net position as of September 30 of each year are reflected in the following table:

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2019	2018
Assets, Excluding Capital Assets	\$ 2,196,636	\$ 2,912,376
Capital Assets, Net of Depreciation	5,753,841	6,202,116
Deferred Outflows of Resources	213,012	230,763
Total Assets and Deferred Outflows	8,163,489	9,345,255
Liabilities, Excluding Long-Term Liabilities	366,154	191,662
Long-Term Liabilities	3,425,000	3,635,000
Total Liabilities	3,791,154	3,826,662
Net Position:		
Net Investment in Capital Assets	2,541,853	2,797,879
Restricted for Debt Service	46,476	41,169
Unrestricted	1,784,006	2,679,545
Total Net Position	\$ 4,372,335	\$ 5,518,593

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

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

The District's net position decreased during the year by \$1,146,258. The decrease is primarily a result of roads resurfacing during the year, and other costs of operations, including depreciation, which exceeded program and general revenues.

Key elements of the change in net position are reflected in the following table:

	2019	2018
Revenues		
Program Revenues:		
Charges for Services	\$ 2,989,758	\$ 2,865,729
Operating Grants and Contributions	62,086	27,000
General Revenues	137,405	78,065
Total Revenues	3,189,249	2,970,794
Expenses		
General Government:		
Town Hall	22,881	38,295
Maintenance Facility	36,347	36,689
Other Administration	457,659	339,225
Maintenance and Operations	3,640,750	2,515,069
Interest on Long-Term Debt	177,870	186,672
Total Expenses	4,335,507	3,115,950
Change in Net Position	(1,146,258)	(145,156)
Net Position, Beginning of Year	5,518,593	5,663,749
Net Position, End of Year	\$ 4,372,335	\$ 5,518,593

MANAGEMENT'S DISCUSSION AND ANALYSIS

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2019, was \$4,335,507. The costs of the District's activities were primarily funded by program revenues. In current year, program revenues are including the management and operations assessments, FEMA reimbursement, and contributions, which include a share of the landscape contract with another District. Program revenues increased \$159,115 from 2018 to 2019 due primarily to an increase in the operations and maintenance assessment rate. Expenses increased \$1,219,557 for a variety of different reasons, but primarily due to increased activity on infrastructure improvements/repairs.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements. The District's general fund includes all activities related to providing management and operating services.

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 the District's net resources available for spending at the end of the year.

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$478,626 and total fund balance was \$1,784,006. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.0% of total general fund expenditures while the total fund balance represents 48.3% of the same amount.

The debt service fund is collecting adequate revenues to pay scheduled debt service. Restricted investment balances are in compliance with debt covenants.

GENERAL FUND BUDGETARY COMPARISON

An operating budget was adopted and maintained by 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. A budgetary comparison schedule is shown in the required supplementary information section of the report.

Both the original and final budgets required the utilization of carry forward surplus of \$380,000 and road reserves of \$1,040,000 to balance an appropriation plan in excess of funding sources. The original appropriations budget was \$4,004,400, and there were no budget amendments during the year. Actual results *subtracted* \$895,539 from fund balance. Revenues were \$209,407 better than budget and expenditures and transfers out combined were \$315,054 under budget. The favorable variance in both revenues and expenditures occurred for a variety of reasons.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets at September 30, 2019, totaled \$5,753,841 (net of accumulated depreciation). Capital assets include land, infrastructure, other improvements, and machinery and equipment. There were no current year additions and depreciation was \$448,275. More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Long-term Debt

At September 30, 2019, the District had \$3,425,000 in Bonds outstanding with a final maturity in 2031. Principal payments during 2019 totaled \$210,000, as scheduled. There were no extraordinary mandatory redemptions. There was no new debt issued during the current year. More detailed information about the District's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2020 general fund budget uses carry over surplus of \$60,000, road reserves of \$284,200 and includes a 5.6% increase in the operations and maintenance assessment rate to balance an appropriation plan in excess of funding sources.

The District does not anticipate significant changes in its operations for 2020. The District anticipates a continuation of its infrastructure maintenance program and road repaving/resurfacing program for fiscal year 2020.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Lakewood Ranch Community Development District 5's Finance Department at Town Hall, 8175 Lakewood Ranch Blvd., Lakewood Ranch, Florida 34202.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019
LAKWOOD RANCH, FLORIDA

	<u>Governmental Activities</u>
Assets	
Cash	\$ 51,662
Investments	2,028,174
Due from Other Governments	2,673
Prepaid Items	3,248
Restricted Assets:	
Investments	110,879
Capital Assets:	
Depreciable Assets, Net	5,268,701
Non-Depreciable	485,140
Total Assets	<u>7,950,477</u>
 Deferred Outflows of Resources	
Deferred Loss on Refunding	<u>213,012</u>
 Liabilities	
Accounts Payable	193,587
Accrued Expenses	53,707
Due to Other Governments	54,313
Accrued Interest	64,547
Non-Current Liabilities:	
Due Within One Year	220,000
Due in More than One Year	3,205,000
Total Liabilities	<u>3,791,154</u>
 Net Position	
Net Investment in Capital Assets	2,541,853
Restricted for Debt Service	46,476
Unrestricted	1,784,006
Total Net Position	<u>\$ 4,372,335</u>

See accompanying notes.

**LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
LAKEWOOD RANCH, FLORIDA**

Functions/Programs	Expenses	Program Revenues		Net (Expense), Revenue, and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General Government:				
Town Hall	\$ 22,881	\$ 16,247	\$ -	\$ (6,634)
Maintenance Facility	36,347	25,857	-	(10,490)
Other Administration	457,659	152,916	-	(304,743)
Maintenance and Operations	3,640,750	2,403,696	62,086	(1,174,968)
Interest on Long-Term Debt	177,870	391,042	-	213,172
Total Governmental Activities	\$ 4,335,507	\$ 2,989,758	\$ 62,086	(1,283,663)
General Revenues				
				84,296
				53,109
				<u>137,405</u>
				(1,146,258)
				<u>5,518,593</u>
				<u>\$ 4,372,335</u>

See accompanying notes.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019
LAKWOOD RANCH, FLORIDA

	Major Funds		Total Governmental Funds
	General	Debt Service	
Assets			
Cash	\$ 51,662	\$ -	\$ 51,662
Investments	2,028,174	110,879	2,139,053
Due from Other Governments	2,673	-	2,673
Due from Other Funds	-	144	144
Prepaid Items	3,248	-	3,248
Total Assets	2,085,757	111,023	2,196,780
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	193,587	-	193,587
Accrued Expenses	53,707	-	53,707
Due to Other Funds	144	-	144
Due to Other Governments	54,313	-	54,313
Total Liabilities	301,751	-	301,751
 Fund Balances			
Non-Spendable:			
Prepaid Items	3,248	-	3,248
Restricted for:			
Debt Service	-	111,023	111,023
Assigned for:			
General Reserve	627,304	-	627,304
Road Reserves	85,628	-	85,628
Special Projects	245,000	-	245,000
Subsequent Year's Expenditures	344,200	-	344,200
Unassigned	478,626	-	478,626
Total Fund Balances	1,784,006	111,023	1,895,029
 Total Liabilities and Fund Balances	 \$ 2,085,757	 \$ 111,023	 \$ 2,196,780

See accompanying notes.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019
LAKWOOD RANCH, FLORIDA**

Fund Balance - Governmental Funds	\$	1,895,029
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**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 as assets in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation.

Capital Assets - Original Cost	\$ 18,426,126	
(Accumulated Depreciation)	<u>(12,672,285)</u>	5,753,841

Deferred refunding losses are considered deferred outflows in the government-wide statement of net position. These losses are expensed as incurred in the government fund financial statements.

Deferred Loss on Refunding	430,954	
(Accumulated Amortization)	<u>(217,942)</u>	213,012

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

Bonds Payable	(3,425,000)	
Accrued Interest	<u>(64,547)</u>	<u>(3,489,547)</u>

Net Position of Governmental Activities	\$	<u><u>4,372,335</u></u>
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See accompanying notes.

**LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
LAKEWOOD RANCH, FLORIDA**

	Major Funds		Total Governmental Funds
	General	Debt Service	
Revenues			
Assessments	\$ 2,598,716	\$ 386,951	\$ 2,985,667
Contributions	27,000	-	27,000
Grant Revenues	35,086	-	35,086
Interest	84,296	4,091	88,387
Other Revenues	53,109	-	53,109
Total Revenues	<u>2,798,207</u>	<u>391,042</u>	<u>3,189,249</u>
Expenditures			
Current:			
General Government:			
Town Hall	22,881	-	22,881
Maintenance Facility	36,347	-	36,347
Other Administration	441,043	16,616	457,659
Maintenance and Operations	3,192,475	-	3,192,475
Debt Service:			
Principal	-	210,000	210,000
Interest	-	163,838	163,838
(Total Expenditures)	<u>(3,692,746)</u>	<u>(390,454)</u>	<u>(4,083,200)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(894,539)</u>	<u>588</u>	<u>(893,951)</u>
Other Financing Sources (Uses)			
Transfer in	-	1,000	1,000
Transfer (out)	(1,000)	-	(1,000)
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>1,000</u>	<u>-</u>
Net Change in Fund Balances	(895,539)	1,588	(893,951)
Fund Balances, Beginning of Year	<u>2,679,545</u>	<u>109,435</u>	<u>2,788,980</u>
Fund Balances, End of Year	<u>\$ 1,784,006</u>	<u>\$ 111,023</u>	<u>\$ 1,895,029</u>

See accompanying notes.

**LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
LAKEWOOD RANCH, FLORIDA**

Net Change in Fund Balances - Total Governmental Funds	\$	(893,951)
 Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Depreciation on capital assets is not recognized in the governmental fund statements, but is reported as an expense in the statement of activities.		(448,275)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.		210,000
Amortization is not recognized in the governmental fund statements, but is reported as an expense in the statement of activities:		
Refunding Loss		(17,751)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities, but not in the fund financial statements.		3,719
		3,719
Change in Net Position of Governmental Activities	\$	(1,146,258)
		(1,146,258)

See accompanying notes.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

Note 1 - Nature of Organization and Reporting Entity

Lakewood Ranch Community Development District 5 (the District) is one of five community development districts in the Lakewood Ranch community in the southeast corner of Manatee County, Florida. The District was created on April 30, 2001, pursuant to the *Uniform Community Development District Act of 1980*, as amended (the Act), otherwise known as Chapter 190, Florida Statutes, and by the Florida Land and Water Adjudicatory Commission under Rule Chapter 42EE-1. The Act delineates the powers and duties of community development districts, including, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure and for its general administration, operation, and maintenance.

The District was established for the purpose of financing and managing the acquisition, construction, maintenance, and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors (the Board), which is composed of five members. The Supervisors are elected on an at-large basis by registered voters within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to the Act.

The Board has the final responsibility for:

- Assessing and Levying Assessments
- Approving Budgets
- Acquiring, Operating, and Maintaining Systems, Facilities, and Basic Infrastructures
- Controlling the Use of Funds Generated by the District
- Financing Improvements

Under applicable governmental accounting, the financial reporting entity consists of:

- a) The primary government (i.e., the District).
- b) Organizations for which the primary government is considered to be financially accountable.
- c) Other organizations for which the nature and significance of their relationship with the primary government are such that, if excluded, the financial statements of the primary government would be considered incomplete or misleading.

These financial statements include only the balances and transactions of the District. There are no component units.

Note 2 - Summary of Significant Accounting Policies

These financial statements are prepared in conformity with U.S. generally accepted accounting principles applicable to governmental entities, as established by the Governmental Accounting Standards Board (GASB). Following is a summary of the significant accounting policies:

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

A. Government-Wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Special assessments for maintenance and debt service are classified as program revenue. Other items not included among program revenues are reported instead as *general revenues*.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Other items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both *measurable* and *available*. Revenues are available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Inter-District billings are susceptible to accrual, but assessments and other revenues generally are not. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest are recorded in the period when payment is due.

Fund Accounting

The financial transactions of the District are recorded in individual funds. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined), for the determination of major funds. In addition, funds may be considered major for qualitative reasons.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

The District reports the following major governmental funds:

General Fund—The General Fund is the general operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund—The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on long-term debt.

The District has no non-major funds.

Assessments

Assessments are non-ad valorem assessments on benefited property within the District. The Manatee County Tax Collector bills the assessments each November 1, and collects the assessments on behalf of the District, after receiving a 3% collector's fee. Discounts are available for payments through February. Assessments become delinquent after March 31.

Operating and maintenance assessments are determined annually during the budget process at a public hearing of the District.

Debt service assessments are calculated by the District in conjunction with the issuance of the related debt, but billed and collected annually by the Tax Collector on behalf of the District, after receiving a 3% collector's fee. Property owners may prepay a portion or all of the debt service assessments on their property at a discount, subject to various provisions in the debt instruments.

All assessments are reported as revenue in the year collected. Future receivables on debt service assessments are not accrued. Delinquent receivables are considered insignificant.

C. Financial Statement Balances

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and money market funds with original maturities of three months or less from the date of acquisition. The District also holds assets that are defined as investments. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance of GASB Statement No. 79, which allows under certain criteria, these investments to be recorded at amortized cost.

Cash on the balance sheet and the statement of net position includes cash on hand and demand deposits in qualified public depositories.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
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The District has adopted a written investment policy, which complies with the requirements of Section 218.415, 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.

Debt covenants may provide other options for the investment of debt proceeds and related accounts.

The separate funds do not pool their cash or investments. Interest income is reported in the fund where the related cash or investments are reported.

Receivables/Due from Other Governments

All receivables are reported at their gross value, and where appropriate are reduced by the estimated portion that is expected to be uncollectible. There are no estimated uncollectible amounts at September 30, 2019.

Prepaid Items

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

Restricted Assets

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

Capital Assets

Capital assets include land, infrastructure, other improvements, and machinery and equipment, and are reported as assets in the governmental activities column of the statement of net position.

Capital assets are defined in the District's policy as tangible assets with a cost of at least \$5,000 and an estimated useful life of five years or more. Capital assets are recorded at historical cost if purchased or constructed, and estimated fair value if donated.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major projects are reported as construction in progress until completed and placed in service. Road repaving and resurfacing, and storm drain inlet repairs are expensed as incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	25 to 30
Other Improvements	5 to 20
- Machinery and Equipment	5

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Unamortized Refunding Loss

In the case of an advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is termed a refunding loss. Under GASB Statement No. 65, refunding losses are recorded as deferred outflows in the government-wide statement of net position. Refunding losses were amortized over the remaining term of the refunded debt or the term of the new *refunding* debt, whichever is shorter.

The refunding loss related to the issuance of the 2007 Bonds totaled \$430,954, and is being amortized over the debt term using the straight-line method. At September 30, 2019, accumulated amortization was \$217,942.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net 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 (expenditure) until then. In addition to liabilities, the statement of net 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.

Long-Term Obligations

In the government-wide financial statements, the principal amount outstanding on long-term debt is reported as a liability in the governmental activities column of the statement of net position. The liability is increased by unamortized premiums, and reduced by unamortized discounts. Premiums and discounts, if applicable, are amortized over the debt term using the straight-line method.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

In the fund financial statements, debt proceeds are reported as other financing sources in the year of issuance, increased or decreased by original issue premiums or discounts, where applicable. Principal and interest are reported as expenditures, when due.

Net Position/Fund Balance

In the government-wide financial statements, equity is referred to as *net position*, and is classified as: a) net investment in capital assets, b) restricted, or c) unrestricted. Restricted net position represents net assets constrained by the District's debt covenants or other contractual requirements.

In the fund financial statements, equity is referred to as fund balance, and is reported according to the following classifications:

- *Non-Spendable*—Amounts that are: a) not in spendable form; or b) legally or contractually required to be maintained intact.
- *Restricted*—Amounts that are constrained for specific purposes either: a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) by law through constitutional provisions or enabling legislation.
- *Committed*—Amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action (resolution) of the District's Board. These committed amounts may not be used for any other purpose unless the Board removes or changes the specified use by taking the same type of formal action (resolution) that imposed the constraint originally.
- *Assigned*—Amounts that are constrained by action of the Board, or by an individual or body to whom the Board has delegated this responsibility. The Board has not delegated this responsibility.
- *Unassigned*—This classification is used for: a) negative unrestricted fund balance in any fund, or b) fund balances within the general fund that are not restricted, committed, or assigned for specific purposes.

Flow Assumption—When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as needed. Within the unrestricted categories when various classifications of fund balances are available for a specific expenditure, the District first uses committed fund balance, followed by assigned and then unassigned.

Debt Issuance Costs

Debt issuance costs are recorded as expenditures/expenses in the period incurred at both the fund and government-wide levels.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

D. Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying financial statements and notes. Actual results could differ from those estimates.

Note 3 - Budgetary Information

Annual budgets are prepared and adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end.

The District has adopted a budget policy consistent with Florida Statute 190.008. The District follows these procedures in establishing and adopting the budget:

- a) Starting in January of each year, budget proposals are accepted for the upcoming year, and a series of budget workshops are held with District representatives, staff, and the public. The assessment amounts for the upcoming year are proposed.
- b) A budget summary is ready by June, and a formal public hearing is conducted in August to obtain comments.
- c) The Board adopts the final original budget in August for the fiscal year beginning October 1. The budget is adopted by resolution.
- d) Budget amendments, if any, are approved by the Board during the year.

Neither the statute nor the District's budget policy specifies the legal level of budgetary authority. There were no budget amendments in 2019.

Note 4 - Deposits and Investments

Deposits

The District's bank deposits are held in qualified public depositories (QPDs) pursuant to Chapter 280, Florida Statutes. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

Investments

The District holds assets that are defined as investments. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
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The District holds investments in a qualified external investment pool that measures all of its investments at amortized cost. The following investments are recorded at amortized cost at September 30, 2019:

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
First American Government Obligations Fund Class Y	\$ 110,879	AAAm	Weighted Average of the Fund Portfolio: 24 Days
Local Government Surplus Funds Trust Fund (Florida PRIME)	<u>2,028,174</u>	AAAm	Weighted Average of the Fund Portfolio: 37 Days
Total Investments	<u>\$ 2,139,053</u>		

The First American Government Obligations Fund, Class Y, is an open-end mutual fund investing primarily in short-term U.S. government securities, and repurchase agreements secured by U.S. government securities. The fund has a Standard & Poor's rating of AAAm and a weighted average maturity of 24 days at September 30, 2019.

Florida PRIME is a local government investment pool administered by the Florida State Board of Administration (SBA) and managed by professional money managers. Florida PRIME invests exclusively in short-term, high-quality fixed income securities rated in the highest short-term rating category by one or more nationally recognized statistical rating agencies, or securities of comparable quality. The District's investment in this pool is through shares owned in the fund and not the underlying investments. Florida PRIME is considered a stable value investment pool. The account balances approximate fair value, and balances are available for immediate withdrawal. The weighted average maturity of Florida PRIME at September 30, 2019, is 37 days. Florida PRIME has a Standard & Poor's rating of AAAm. The pool was not exposed to foreign currency risk during the year.

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 the investments or collateral securities that are in the possession of an outside party. The District investments are not evidenced by securities that exist in physical or book entry form. Therefore, the custodial credit risk associated with these investments is minimal.

Credit Risk—For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration Risk—The District places no limit on the amount the District may invest in any one issuer, but emphasizes diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District minimizes this risk by structuring the portfolio so that securities mature to meet cash flow requirements for ongoing operations, and thereby avoiding the need to sell securities on the open market prior to maturity.

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended September 30, 2019, was as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 485,140	\$ -	\$ -	\$ 485,140
Total Capital Assets Not Being Depreciated	485,140	-	-	485,140
Capital Assets Being Depreciated:				
Infrastructure	12,258,629	-	-	12,258,629
Other Improvements	5,640,316	-	-	5,640,316
Machinery and Equipment	42,041	-	-	42,041
Total Capital Assets Being Depreciated	17,940,986	-	-	17,940,986
Less Accumulated Depreciation for:				
Infrastructure	(6,670,346)	(434,135)	-	(7,104,481)
Other Improvements	(5,513,986)	(12,958)	-	(5,526,944)
Machinery and Equipment	(39,678)	(1,182)	-	(40,860)
Total Accumulated Depreciation	(12,224,010)	(448,275)	-	(12,672,285)
Total Capital Assets Being Depreciated, Net	5,716,976	(448,275)	-	5,268,701
Governmental Activities Capital Assets, Net	\$ 6,202,116	\$ (448,275)	\$ -	\$ 5,753,841

*Certain capital assets and their related depreciation have been reclassified from prior year presentation. These reclassifications had no impact on net position as previously reported.

Depreciation expense totaling \$448,275 was allocated to the maintenance and operations function in the statement of activities.

Note 6 - Long-Term Debt

Series 2007 Bonds

On July 24, 2007, the District issued \$5,515,000 of Special Assessment Revenue Refunding Bonds, Series 2007 (the 2007 Bonds). The proceeds from the issuance of the 2007 Bonds were used primarily to refund the outstanding principal balance of the District's Special Assessment Revenue Bonds, Series 2001 (the 2001 Bonds). The 2001 Bonds were used to finance various public infrastructure and related

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

improvements in the District, generally consisting of roads, street lighting, water and wastewater facilities, surface water management system, and landscaping. The 2007 Bonds bear remaining interest at rates from 4.25% to 4.60% per annum. Interest is due semiannually on each May 1 and November 1. Scheduled principal amounts are due each May 1 through May 1, 2031. Payment of the principal and interest on the 2007 Bonds is secured by a pledge of and first lien on the special assessments and related accounts of the District. The 2007 Bonds are subject to early redemption prior to maturity at the option of the District, in whole or in part on any date on or after May 1, 2017, at par plus accrued interest. The Bonds are subject to extraordinary mandatory redemption prior to their scheduled maturity from prepayments of special assessments. The current year principal payments of \$210,000 included no extraordinary mandatory redemptions.

The Master Trust Indenture, as amended, established a debt service reserve requirement for the 2007 Bonds, which was met by the District through the purchase of reserve account surety policy. The Indenture also has certain restrictions and requirements including a requirement to levy special assessments in amounts adequate to provide payment of debt service.

Pledged Revenues

The District has pledged certain special assessment revenue to pay the principal and interest on special assessment bonds issued to pay for infrastructure improvements. The pledged revenue information is noted as follows:

Description of Debt	Pledged Revenue	Revenue Received	Principal and Interest Paid	Estimated Percentage Pledged	Outstanding Principal and Interest	Revenue Pledged Through
Special Assessment Revenue						
Refunding Bonds, Series 2007	Special Assessments	\$ 386,951	\$ 373,838	100%	\$ 4,522,901	2031

Long-Term Debt Activity

Changes in long-term debt activity for the fiscal year ended September 30, 2019, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
2007 Bonds	\$ 3,635,000	\$ -	\$ (210,000)	\$ 3,425,000	\$ 220,000

At September 30, 2019, the scheduled debt service requirements on the long-term debt were as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 220,000	\$ 154,913	\$ 374,913
2021	230,000	145,288	375,288
2022	235,000	135,225	370,225
2023	255,000	124,650	379,650
2024	265,000	113,175	378,175
2025-2029	1,515,000	375,660	1,890,660
2030-2031	705,000	48,990	753,990
Total	\$ 3,425,000	\$ 1,097,901	\$ 4,522,901

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

Note 7 - Inter-Fund Balances

Inter-fund balances at September 30, 2019, included the following:

Due to/from Other Funds

The district reports inter-fund balances between funds. Total of all balances agrees with the sum of inter-fund balances presented in the balance sheet for governmental funds.

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ -	\$ (144)
Debt Service	<u>144</u>	<u>-</u>
Total	<u>\$ 144</u>	<u>\$ (144)</u>

Inter-Fund Transfers

The district reports inter-fund transfers between general fund and debt service fund. The sum of transfers presented in the governmental funds financial statement.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>
General	\$ -	\$ (1,000)
Debt Service	<u>1,000</u>	<u>-</u>
Total	<u>\$ 1,000</u>	<u>\$ (1,000)</u>

Note 8 - Related-Party Transactions

Related Parties

The District is one of five community development districts in the community of Lakewood Ranch, Florida. The other Districts are Lakewood Ranch Community Development Districts 1, 2, 4, and 6 (including District 5) (the Districts). The Districts are the public entities responsible for providing operation and maintenance of various elements of infrastructure and landscaping within Lakewood Ranch. The Lakewood Ranch Inter-District Authority (the Authority) is a separate public entity created by the Districts, which provides administrative, financial, and operations and maintenance services to the Districts, under terms of an Amended Interlocal Agreement among the parties. A representative from each District sits on the five-member Board of the Authority.

On November 15, 2012, the Districts and Authority entered into an Interlocal Agreement, which replaced prior Interlocal Agreements. The new Interlocal Agreement identified the Authority as the District Manager for the Districts, and clarified the relationship and financial agreements among the entities, as they related to the following transactions:

Shared Expenses

As District Manager, the Authority provides certain administrative, financial, and operation and maintenance services to the Districts. The costs of these services are borne by the Authority, and then allocated and reimbursed by the Districts on a monthly basis. Total shared expenses for 2019 were \$2,572,535, of which the District's share of \$497,865 is included under "other administration" and "maintenance and operations" in the expenditure section of the financial statements. The District's shared expenses for September 2019, totaling \$54,313, are included in "due to other governments" at September 30, 2019.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

Town Hall and Maintenance Facility Lease

The Lakewood Ranch Town Hall (Town Hall) was constructed and financed by District 2 in 2003. In 2013, District 2 issued \$3,250,000 of Special Revenue Improvement and Refunding Notes (the 2012 Notes) to finance the construction of a shared maintenance facility, and to retire the remaining principal balance of the 2003 Notes in the approximate outstanding amount of \$634,000. The portion of the 2012 Notes attributable to Town Hall reached final maturity on May 1, 2018, which included a principal payment of \$120,000.

The land on which the maintenance facility had been constructed was acquired by the Authority in 2013 for \$126,114, and is being leased to District 2 under terms of a ground lease (the Ground Lease) between the parties dated November 15, 2012. The Ground Lease is for 25 years beginning on the effective date, unless terminated earlier by agreement of the parties.

There is no annual lease payment; consideration lies in the mutual promises contained in the Ground Lease.

The lease payments for both Town Hall and the maintenance facility are covered under the terms of an Amended Non-Exclusive Lease Agreement and Operating Agreement dated November 15, 2012, among the Districts and the Authority (the Lease). The original term of the Lease is thirteen years ending on November 15, 2025. The Lease will be extended automatically for additional five-year terms; however, any lessee may give notice at least one year prior to the expiration of its desire not to extend. In accordance with the Lease, the Town Hall facilities had been conveyed from the Lakewood Ranch Community Development District 2 to the Authority within ninety (90) days of the date that all of the financing costs (as re-financed) for the construction of the Town Hall had been satisfied (May 1, 2018).

Rent payments by the Districts to District 2 are equal to their allocable share of District 2's related debt service costs (based on equivalent dwelling units (see below)). Rent received by District 2 in 2019 totaled \$185,627 for the maintenance facility, of which the District's share was \$36,347, respectively.

Monthly "rent" payments are also required by each District to the Authority for their allocable share of the costs (including insurance costs) to operate and maintain the two facilities, as determined in the annual budget of the Authority. Rent received by the Authority in 2019 totaled \$184,738, of which the District's allocable share was \$22,881, which is included under "Town Hall" and "Maintenance Facility" in the expenditure section of the financial statements. The Lakewood Ranch Town Center Owners Association, Inc., (TCOA), the successor entity to CDD 3, shares in this allocation. Total rent to District 2 and the Authority was therefore \$59,228.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

The 2019 equivalent dwelling units (EDUs) for allocation purposes were as follows:

District 2 Rent Payments			Authority Rent Payments		
	EDU	Percent		EDU	Percent
District 1	1,819	26.75%	District 1	1,819	23.42%
District 2	1,887	27.75%	District 2	1,887	24.30%
District 4	1,688	24.82%	TCOA	967	12.45%
District 5	962	14.15%	District 4	1,688	21.73%
District 6	444	6.53%	District 5	962	12.39%
Totals	6,800	100.00%	District 6	444	5.71%
			Totals	7,767	100.00%

The future debt service requirements on District 2's 2012 Notes (and the District's share based on the 2019 EDU allocation), is as follows:

Year	Principal	Interest	Total	District 5 14.15%
2020	\$ 220,000	\$ 32,877	\$ 252,877	\$ 35,782
2021	225,000	27,729	252,729	35,762
2022	230,000	22,464	252,464	35,724
2023	235,000	17,082	252,082	35,670
2024	245,000	11,583	256,583	36,307
2025	250,000	5,850	255,850	36,203
Total	\$ 1,405,000	\$ 117,585	\$ 1,522,585	\$ 215,448

Landscape Contracts

District 2 manages a landscape contract for the benefit of the District and other entities, including District 6. Total revenue for District 2 from the arrangement is \$129,100, of which the District's cost of \$51,290, less the overpayments described below, is included in maintenance and operations in the accompanying financial statements. Overpayments totaling \$9,492 were paid back to the District under this arrangement, and included in "other revenues" at September 30, 2019.

Contractor Land Lease

Other revenues collected by District 2 under a contractor land lease and paid back to the District totaled \$3,460 for 2019. This amount is included in "other revenues" at year-end.

Note 9 - 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. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. In prior years, the District incurred significant costs for drainage repairs, which were not covered by commercial insurance.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

Note 10 - Hurricane Irma Related Expenditures and Revenues

On September 4, 2017, Governor Rick Scott issued Executive Order Number 17-235, *Emergency Management—Hurricane Irma*. By virtue of issuing the Executive Order, the Governor declared a state of emergency for every county in the State of Florida. On September 10, 2017, Hurricane Irma made landfall in southwest Florida. The storm traveled up the state and entered Lakewood Ranch in the late evening hours of September 10, 2017.

The Districts sustained damage related to the storm, in most part, with debris, trees, and falling limbs. The Authority had previously submitted FEMA reimbursement claims in Category A – Debris Clearance, Category B – Protective Measures, Category C – Roads and Bridges (includes signage), Category G – Parks, Recreational, Other, and Category Z, DAC, on behalf of itself and each of the Districts.

FEMA Reimbursements for Categories A, B, C and G received through September 30, 2019, by the Lakewood Ranch IDA, as applicant on behalf of the Districts, equaled \$201,681. The IDA transferred to District 5 its applicable entitlement of the FEMA Reimbursements, \$33,522. The District is anticipating an additional reimbursement of \$1,564 for Category Z, which is included in Due from Other Governments on the Balance Sheet – Governmental Funds. The total FEMA reimbursement of \$35,086 is included as Grant Revenues on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

The Authority's and Districts' insurance carrier Florida League of Cities/Florida Municipal Insurance Trust had already determined that the storm related expenditures are ineligible for reimbursement as they all relate to uninsurable property (landscape).

Note 11 - Subsequent Events

On December 24, 2019, the District issued direct placements of \$3,425,000 of Special Assessment Revenue Refunding Bond, Series 2019 (the 2019 Bond). The proceeds from the issuance of the 2019 Bond, together with District cash of \$227,884, were used to fully refund the outstanding principal, interest, and prepayment premium on the Series 2007 Bonds, fund a sinking fund, and pay issuance costs. The transaction yielded gross debt service savings of \$497,838 and net present value savings of \$297,588.

The 2019 Bond bears interest at a fixed rate of 2.44% per annum. Interest is due semiannually on each May 1 and November 1. Scheduled principal amounts are due each May 1 through May 1, 2031.

The 2019 Bond is subject to early redemption at the option of the District prior to maturity, in whole or in part, after the 5 year anniversary date without a prepayment penalty. However, if the 2019 Bond is paid, in whole or in part on or before the 5 year anniversary date, a prepayment penalty equal to 1.0% of the principal amount prepaid will be imposed.

Payments of the principal and interest on the 2019 Bond are secured equally and ratably by a pledge of and first lien on the special assessments and related accounts of the District.

REQUIRED SUPPLEMENTARY INFORMATION

LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 5
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Assessments	\$ 2,492,750	\$ 2,492,750	\$ 2,598,716	\$ 105,966
Contributions	27,000	27,000	27,000	-
Grant Revenues	-	-	35,086	35,086
Interest	25,000	25,000	84,296	59,296
Other Revenues	44,050	44,050	53,109	9,059
Total Revenues	<u>2,588,800</u>	<u>2,588,800</u>	<u>2,798,207</u>	<u>209,407</u>
Expenditures				
Current:				
General Government:				
Town Hall	22,880	22,880	22,881	(1)
Maintenance Facility	36,410	36,410	36,347	63
Other Administration	215,330	215,330	441,043	(225,713)
Maintenance and Operations*	3,384,780	3,384,780	3,192,475	192,305
Reserves	345,000	345,000	-	345,000
(Total Expenditures)	<u>(4,004,400)</u>	<u>(4,004,400)</u>	<u>(3,692,746)</u>	<u>311,654</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,415,600)</u>	<u>(1,415,600)</u>	<u>(894,539)</u>	<u>521,061</u>
Other Financing Sources (Uses)				
Transfer (out)	(4,400)	(4,400)	(1,000)	3,400
Carry Forward Surplus:				
Road Reserves	1,040,000	1,040,000	-	(1,040,000)
Unrestricted	380,000	380,000	-	(380,000)
Total Other Financing Sources (Uses)	<u>1,415,600</u>	<u>1,415,600</u>	<u>(1,000)</u>	<u>(1,416,600)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (895,539)</u>	<u>\$ (895,539)</u>

*Includes storm drain inlet repairs and road repaving and resurfacing costs totaling \$1,409,178.

See accompanying notes.

OTHER INFORMATION

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

Board of Supervisors
Lakewood Ranch Community Development District 5
Lakewood Ranch, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Lakewood Ranch Community Development District 5 (the District), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated February 6, 2020.

Internal Control over Financial Reporting

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

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

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144
5001 Lakewood Ranch Blvd., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350
1560 N. Orange Ave., Suite #450 • Winter Park, Florida 32789
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Supervisors
Lakewood Ranch Community Development District 5
Lakewood Ranch, Florida

**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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Purvis Gray". The signature is written in a cursive style.

February 6, 2020
Sarasota, Florida

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Board of Supervisors
Lakewood Ranch Community Development District 5
Lakewood Ranch, Florida

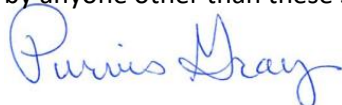
We have examined the Lakewood Ranch Community Development District 5's (the District) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 during the fiscal year ended September 30, 2019.

This report is intended solely for the information and use of the Florida Auditor General, the Board of Supervisors of the District, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



February 6, 2020
Sarasota, Florida

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MANAGEMENT LETTER

Board of Supervisors
Lakewood Ranch Community Development District 5
Lakewood Ranch, Florida

Report on the Financial Statements

We have audited the financial statements of the Lakewood Ranch Community Development District 5 (the District), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated February 6, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on 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 Compliance with Section 218.415, Florida Statutes. Disclosures in those reports, which are dated February 6, 2020, 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 financial audit report. Corrective actions have been taken to address the findings or recommendations made in the preceding 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. See Note 1 of the District's financial statements, for this information. There are no component units related to the District.

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Board of Supervisors
Lakewood Ranch Community Development District 5
Lakewood Ranch, Florida

MANAGEMENT LETTER

Financial Condition and Management

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

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

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

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Board of Supervisors of the District, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



February 6, 2020
Sarasota, Florida