

**LAKE ASHTON II
COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020**

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Lake Ashton II Community Development District
Polk County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Lake Ashton II Community Development District, Polk County, Florida ("District") as of and for the fiscal year ended September 30, 2020, 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.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Business-type Activities and the Proprietary Fund", we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on the Business-type Activities and the Proprietary Fund

During the current fiscal year, the District acquired a golf course in collaboration with Lake Ashton Community Development District. In conjunction with the acquisition, the District entered various agreements with the previous owner of the golf course, including a promissory note, however the current District management is not able to provide sufficient support on all the related agreements in a timely manner to support the values of any assets acquired or liability assumed. Furthermore, due to transitions in management and accounting for the proprietary fund, the District was unable to provide sufficient competent evidential matter to support the accuracy and completeness of revenues and expenses and disclosures related to the golf course enterprise fund. The financial information of the golf course enterprise fund is represents the business-type activities and is considered a major fund.

Disclaimer of Opinion

Because of the significance of the matters described in the “Basis for Disclaimer of Opinion on the Business-type Activities and the Proprietary Fund” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the business-type activities and the proprietary fund of the District as of September 30, 2020. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, debt service fund, and capital projects fund of the District as of September 30, 2020, and the respective changes in financial position thereof for the fiscal 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 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 September 8, 2021, 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, 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.

 *B. Han & Associates*

September 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Lake Ashton II Community Development District, Polk County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$26,439,741.
- The change in the District's total net position in comparison with the prior fiscal year was (\$19,163), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2020, the District's governmental funds reported combined ending fund balances of \$1,114,078, a decrease of (\$183,757) in comparison with the prior fiscal year. The total fund balance is non-spendable for prepaid items and deposits, restricted for debt service and capital projects, and assigned for capital reserves.
- The District's enterprise fund reported a deficit net position of (\$185,688) at the end of the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic 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 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and maintenance operations. The business-type activities of the District include a golf course operation.

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. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund which are all considered to be major funds.

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

Proprietary Funds

The District maintains one type of proprietary fund, enterprise funds. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District maintains one enterprise fund. The District uses the golf course fund to account for the operations of the golf course and related recreational facilities.

Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail.

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 exceeded liabilities at the close of the most recent fiscal year.

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure) 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 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key components of the District's net position are reflected in the following table:

	NET POSITION					
	SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,146,443	\$ 1,380,598	\$ 1,202,365	\$ -	\$ 2,348,808	\$ 1,380,598
Capital assets, net of depreciation	33,296,009	33,743,372	-	-	33,296,009	33,743,372
Total assets	34,442,452	35,123,970	1,202,365	-	35,644,817	35,123,970
Current liabilities	202,023	270,066	1,388,053	-	1,590,076	270,066
Long-term liabilities	7,615,000	8,395,000	-	-	7,615,000	8,395,000
Total liabilities	7,817,023	8,665,066	1,388,053	-	9,205,076	8,665,066
Net position						
Net investment in capital assets	25,681,038	25,348,401	-	-	25,681,038	25,348,401
Restricted	589,569	512,865	-	-	589,569	512,865
Unrestricted	354,822	597,638	(185,688)	-	169,134	597,638
Total net position	\$ 26,625,429	\$ 26,458,904	\$ (185,688)	\$ -	\$ 26,439,741	\$ 26,458,904

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the costs of operation exceeded ongoing program revenues for the golf course acquired by the District during the current fiscal year.

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

	CHANGES IN NET POSITION					
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 2,517,771	\$ 2,074,540	129,748	\$ -	\$ 2,647,519	\$ 2,074,540
Operating grants and contributions	7,935	14,410	-	-	7,935	14,410
Capital grants and contributions	-	1	373,979	-	373,979	1
General revenues						
Unrestricted investment earnings	5,905	20,986	-	-	5,905	20,986
Miscellaneous	12,939	22,455	-	-	12,939	22,455
Total revenues	2,544,550	2,132,392	503,727	-	3,048,277	2,132,392
Expenses:						
General government	400,007	564,719	-	-	400,007	564,719
Maintenance and operations	1,522,078	1,305,533	-	-	1,522,078	1,305,533
Interest	428,940	459,008	-	-	428,940	459,008
Golf course	-	-	716,415	-	716,415	-
Total expenses	2,351,025	2,329,260	716,415	-	3,067,440	2,329,260
Transfers	(27,000)	-	27,000	-	-	-
Change in net position	166,525	(196,868)	(185,688)	-	(19,163)	(196,868)
Net position - beginning	26,458,904	26,655,772	-	-	26,458,904	26,655,772
Net position - ending	\$ 26,625,429	\$ 26,458,904	\$ (185,688)	\$ -	\$ 26,439,741	\$ 26,458,904

Governmental activities

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2020 was \$2,351,025. The costs of the District's activities were funded by program revenues. Program revenues, comprised primarily of assessments, increased during the fiscal year as a result of an increase in prepayment revenue. Expenses increased from the prior fiscal year due to increased operating expenses, including payroll.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business-type activities

Business-type activities reflect the operations of the golf course of the District, which includes a pro-shop and restaurant. The cost of operations is primarily covered by charges to customers. This is the first year of operations for the golf course.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. 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. The general fund budget for the fiscal year ended September 30, 2020 was amended to increase revenues by \$125,812 and increase appropriations by \$166,096. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2020, the District had \$37,125,385 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$3,829,376 has been taken, which resulted in a net book value of \$33,296,009. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2020, the District had \$7,615,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant. During the current fiscal year end, the District purchased and acquired a golf club, consisting of two golf courses. Subsequent to the purchase, the District conveyed a portion of the underlying property to the Lake Ashton Community Development District for ownership and maintenance; however, the District is the sole operator of the golf club. It is expected that the general operations of the golf course will increase.

Subsequent to the end of the fiscal year, the District initiated procedures to refinance its Series 2005 Bonds, however, the refinancing has not yet been finalized.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors 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 Lake Ashton II Community Development District's Finance Department at 5385 N. Nob Hill Road, Sunrise, Florida, 33351.

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 37,998	\$ 948,758	\$ 986,756
Investments	434,804	-	434,804
Assessments receivable	2,569	-	2,569
Accounts receivable	352	49,199	49,551
Deposits	24,463	27,000	51,463
Prepaid items	2,952	1,104	4,056
Inventory	-	61,304	61,304
Internal balances	(115,000)	115,000	-
Restricted assets:			-
Cash	-	-	-
Investments	758,305	-	758,305
Capital assets:			-
Nondepreciable	23,308,813	-	23,308,813
Depreciable, net	9,987,196	-	9,987,196
Total assets	<u>34,442,452</u>	<u>1,202,365</u>	<u>35,644,817</u>
LIABILITIES			
Accounts payable and accrued expenses	30,315	191,509	221,824
Unearned revenue	900	1,196,544	1,197,444
Deposits payable	1,150	-	1,150
Accrued interest payable	169,658	-	169,658
Non-current liabilities:			
Due within one year	285,000	-	285,000
Due in more than one year	7,330,000	-	7,330,000
Total liabilities	<u>7,817,023</u>	<u>1,388,053</u>	<u>9,205,076</u>
NET POSITION			
Net investment in capital assets	25,681,038	-	25,681,038
Restricted for debt service	589,569	-	589,569
Unrestricted	354,822	(185,688)	169,134
Total net position	<u>\$ 26,625,429</u>	<u>\$ (185,688)</u>	<u>\$ 26,439,741</u>

See notes to the financial statements

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 400,007	\$ 400,007	-	\$ -	\$ -	-	\$ -
Maintenance and operations	1,522,078	825,317	775	-	(695,986)	-	(695,986)
Interest on long-term debt	428,940	1,292,447	7,160	-	870,667	-	870,667
Total governmental activities	2,351,025	2,517,771	7,935	-	174,681	-	174,681
Business-type activities:							
Golf course	716,415	129,748	-	373,979	-	(212,688)	(212,688)
Total business-type activities	716,415	129,748	-	373,979	-	(212,688)	(212,688)
General revenues:							
Unrestricted investment earnings					5,905	-	5,905
Miscellaneous					12,939	-	12,939.00
Total general revenues					18,844	-	18,844.00
Transfers					(27,000)	27,000	-
Change in net position					166,525	(185,688)	(19,163)
Net position - beginning					26,458,904	-	26,458,904
Net position - ending					\$ 26,625,429	\$ (185,688)	\$ 26,439,741

See notes to the financial statements

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash	\$ 37,998	\$ -	\$ -	\$ 37,998
Investments	434,804	758,276	29	1,193,109
Assessments receivable	1,618	951	-	2,569
Accounts receivable	352	-	-	352
Deposits	24,463	-	-	24,463
Prepaid items	2,952	-	-	2,952
Total assets	<u>\$ 502,187</u>	<u>\$ 759,227</u>	<u>\$ 29</u>	<u>\$ 1,261,443</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 30,315	\$ -	\$ -	\$ 30,315
Unearned revenue	900	-	-	900
Deposits payable	1,150	-	-	1,150
Due to other funds	115,000	-	-	115,000
Total liabilities	<u>147,365</u>	<u>-</u>	<u>-</u>	<u>147,365</u>
Fund balances:				
Nonspendable:				
Prepaid items and deposits	27,415	-	-	27,415
Restricted for:				
Debt service	-	759,227	-	759,227
Capital projects	-	-	29	29
Assigned to:				
Capital reserve	327,407	-	-	327,407
Total fund balances	<u>354,822</u>	<u>759,227</u>	<u>29</u>	<u>1,114,078</u>
Total liabilities and fund balances	<u>\$ 502,187</u>	<u>\$ 759,227</u>	<u>\$ 29</u>	<u>\$ 1,261,443</u>

See notes to the financial statements

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total fund balances - governmental funds \$ 1,114,078

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 any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	37,125,385	
Accumulated depreciation	<u>(3,829,376)</u>	33,296,009

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.

Accrued interest payable	(169,658)	
Bonds payable	<u>(7,615,000)</u>	<u>(7,784,658)</u>

Net position of governmental activities		<u><u>\$ 26,625,429</u></u>
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See notes to the financial statements

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 1,225,324	\$ 1,292,447	\$ -	\$ 2,517,771
Developer contributions	775	-	-	775
Interest	5,905	7,160	-	13,065
Miscellaneous	12,939	-	-	12,939
Total revenues	<u>1,244,943</u>	<u>1,299,607</u>	<u>-</u>	<u>2,544,550</u>
EXPENDITURES				
Current:				
General government	386,044	13,963	-	400,007
Maintenance and operations	1,055,799	-	-	1,055,799
Debt service:				
Principal	-	780,000	-	780,000
Interest	-	446,585	-	446,585
Capital outlay	18,916	-	-	18,916
Total expenditures	<u>1,460,759</u>	<u>1,240,548</u>	<u>-</u>	<u>2,701,307</u>
Excess (deficiency) of revenues over (under) expenditures	(215,816)	59,059	-	(156,757)
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(27,000)	-	-	(27,000)
Total other financing sources (uses)	<u>(27,000)</u>	<u>-</u>	<u>-</u>	<u>(27,000)</u>
Net change in fund balances	(242,816)	59,059	-	(183,757)
Fund balances - beginning	597,638	700,168	29	1,297,835
Fund balances - ending	<u>\$ 354,822</u>	<u>\$ 759,227</u>	<u>\$ 29</u>	<u>\$ 1,114,078</u>

See notes to the financial statements

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balances - total governmental funds	\$	(183,757)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.		18,916
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.		(466,279)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.		780,000
The change in accrued interest on long-term liabilities between the current and prior fiscal years is recorded in the statement of activities, but not in the governmental fund financial statements.		<u>17,645</u>
Change in net position of governmental activities	\$	<u><u>166,525</u></u>

See notes to the financial statements

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2020**

	Business-type Activities - Enterprise Funds	
	Golf Course	Total
ASSETS		
Current assets:		
Cash and equivalents	\$ 948,758	\$ 948,758
Accounts receivable	49,199	49,199
Due from other funds	115,000	115,000
Inventories	61,304	61,304
Deposits	27,000	27,000
Prepays and deposits	1,104	1,104
Total current assets	1,202,365	1,202,365
Total assets	1,202,365	1,202,365
LIABILITIES		
Current liabilities:		
Accounts payable	185,515	185,515
Accrued payroll	5,994	5,994
Unearned revenue	1,196,544	1,196,544
Total current liabilities	1,388,053	1,388,053
Total liabilities	1,388,053	1,388,053
NET POSITION		
Unrestricted	(185,688)	(185,688)
Total net position	\$ (185,688)	\$ (185,688)

See notes to the financial statements

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – PROPRIETARY FUND
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Business-type Activities - Enterprise	
	Golf Course	Total
Operating revenues:		
Charges for services:		
Golf Course	\$ 38,372	\$ 38,372
Pro Shop	33,958	33,958
Restaurant and concessions	57,418	57,418
Total operating revenues	129,748	129,748
 Operating expenses:		
Golf Course	369,756	369,756
Pro Shop	119,735	119,735
Restaurant and concessions	78,383	78,383
Administrative and other	148,541	148,541
Total operating expenses	716,415	716,415
 Operating income (loss)	(586,667)	(586,667)
 Nonoperating revenues (expenses):		
Miscellaneous	373,979	373,979
Total nonoperating revenues (expenses)	373,979	373,979
 Income before transfers	(212,688)	(212,688)
 Transfers:		
Transfers in (out)	27,000	27,000
Total transfers (out) in	27,000	27,000
 Change in net position	(185,688)	(185,688)
 Net position - beginning	-	-
 Net position - ending	\$ (185,688)	\$ (185,688)

See notes to the financial statements

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,277,093	\$ 1,277,093
Payments to suppliers of goods and services	(259,719)	(259,719)
Payments to employees	(327,595)	(327,595)
Net cash provided (used) by operating activities	689,779	689,779
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Miscellaneous	258,979	258,979
Net cash provided (used) by financing activities	258,979	258,979
Net increase (decrease) in cash and cash equivalents	948,758	948,758
Cash and cash equivalents - October 1	-	-
Cash and cash equivalents - September 30	\$ 948,758	\$ 948,758
	Golf Course	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (586,667)	\$ (586,667)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivables	(49,199)	(49,199)
(Increase) decrease in inventories	(61,304)	(61,304)
(Increase) decrease in prepaid items	(1,104)	(1,104)
Increase (decrease) in accounts payable	185,515	185,515
Increase (decrease) in accrued payroll	5,994	5,994
Increase (decrease) in unearned revenue	1,196,544	1,196,544
Total adjustments	1,276,446	1,276,446
Net cash provided (used) by operating activities	\$ 689,779	\$ 689,779

See notes to the financial statements

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Lake Ashton II Community Development District ("District") was created on March 2, 2005 by Ordinance 05-005 of Polk County, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, and was thereafter expanded by Ordinance 05-042 on July 27, 2005. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes 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 ("Board"), which is composed of five members. The Supervisors are elected by qualified electors of the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. For the most part, the effect of interfund activity has been removed from these statements.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and enterprise fund financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be 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 considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments

Assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually at a public hearing of the District. Debt Service Assessments are levied when Bonds are issued and assessed and collected on an annual basis. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the Debt Service Assessments on their property subject to various provisions in the Bond documents.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

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 except those required to be accounted for in another fund.

Debt Service Fund

The debt service funds are used to account for the accumulation of resources for the annual payment of principal and interest on debt.

Capital Projects Fund

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

The District reports the following major proprietary fund:

Golf Course Fund

This enterprise fund is used to account for the operations of the golf course and related amenities that are to be financed and operated in a manner similar to private business enterprises. The costs of providing services to customers are to be recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity

Restricted Assets

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

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.

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The District has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Inventories and Prepaid Items

Inventories are recorded as expenditures when consumed rather than when purchased.

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.

Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets (Continued)

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

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	30
Equipment and other	10

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.

Unearned Revenue

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

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position

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.

The District can establish limitations on the use of fund balance as follows:

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. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

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.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – 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.

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) A public hearings is conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) Certain budget changes must be approved by the District Board, as further provided in its budget resolution.
- 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 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District's investments were held as follows at September 30, 2020:

	Amortized	Credit Risk	Maturities
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	\$ 434,804	S&P AAAM	Weighted average of the fund portfolio: 48 days
US Bank Money Market Account - Managed	556,364	Not available	Not available
US Bank Mmkt 5 - Ct	201,941	Not available	Not available
	<u>\$ 1,193,109</u>		

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

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.

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.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the District's investments have been reported at amortized cost above.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

External Investment Pool – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2020 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ 115,000
Golf Course	115,000	-
Total	<u>\$ 115,000</u>	<u>\$ 115,000</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the golf fund relate to amounts related to the acquisition of the golf course held in the general fund that have not yet been transferred to the golf fund.

Interfund transfers for the fiscal year ended September 30, 2020 were as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 27,000
Golf Course	27,000	-
Total	<u>\$ 27,000</u>	<u>\$ 27,000</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the general fund to the golf were to facilitate the acquisition of the golf course during the current fiscal year.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land & land improvements	\$ 23,308,813	\$ -	\$ -	\$ 23,308,813
Total capital assets, not being depreciated	23,308,813	-	-	23,308,813
Capital assets, being depreciated				
Infrastructure	13,613,856	11,671	-	13,625,527
Equipment and other	183,800	7,245	-	191,045
Total capital assets, being depreciated	13,797,656	18,916	-	13,816,572
Less accumulated depreciation for:				
Infrastructure	3,346,011	453,865	-	3,799,876
Equipment and other	17,086	12,414	-	29,500
Total accumulated depreciation	3,363,097	466,279	-	3,829,376
Total capital assets, being depreciated, net	10,434,559	(447,363)	-	9,987,196
Governmental activities capital assets	\$ 33,743,372	\$ (447,363)	\$ -	\$ 33,296,009

For governmental activities, depreciation expense was charged to the maintenance and operations function.

NOTE 7 – LONG TERM LIABILITIES

Series 2005

On August 5, 2005, the District issued \$22,525,000 of Capital Improvement Revenue Bonds, Series 2005 consisting of \$7,705,000 Term Bonds Series 2005A due on May 1, 2036 with a fixed interest rate of 5.375% and \$14,820,000 Term Bonds Series 2005B due in November 1, 2010 with a fixed interest rate of 4.875%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2007 through May 1, 2036. The Series 2005B Bonds have been fully paid off.

The Series 2005A Bonds are subject to redemption at the option of the District prior to their maturity on or after May 1, 2014. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and paying off the debt on the golf course parcels, and prepaid \$460,000 of the Series 2005A Bonds. See Note 14 - Subsequent Events for additional call amounts subsequent to the fiscal year end.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2020.

Series 2006

On November 20, 2006, the District issued \$25,445,000 of Capital Improvement Revenue Bonds, Series 2006 consisting of \$5,025,000 Term Bonds Series 2006A due on May 1, 2038 with a fixed interest rate of 5.300% and \$20,420,000 Term Bonds Series 2006B due in November 1, 2011 with a fixed interest rate of 5.000%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2009 through May 1, 2038. The Series 2006B Bonds have been fully paid off.

NOTE 7 – LONG TERM LIABILITIES (Continued)

Series 2006 (Continued)

The Series 2006A Bonds are subject to redemption at the option of the District prior to their maturity on or after May 1, 2016. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and paying off the debt on the golf course parcels, and prepaid \$35,000 of the Series 2006A Bonds. See Note 14 - Subsequent Events for additional call amounts subsequent to the fiscal year end.

The Bond Indenture established certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service. The District was in compliance with the requirements at September 30, 2020.

Long-term debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2020 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2005	\$ 4,700,000	\$ -	\$ 630,000	\$ 4,070,000	\$ 165,000
Series 2006	3,695,000	-	150,000	3,545,000	120,000
Total	<u>\$ 8,395,000</u>	<u>\$ -</u>	<u>\$ 780,000</u>	<u>\$ 7,615,000</u>	<u>\$ 285,000</u>

At September 30, 2020, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2021	\$ 285,000	\$ 406,648	\$ 691,648
2022	305,000	391,419	696,419
2023	320,000	375,123	695,123
2024	335,000	358,024	693,024
2025	355,000	340,123	695,123
2026-2030	2,085,000	1,394,440	3,479,440
2031-2035	2,715,000	774,611	3,489,611
2036-2038	1,215,000	110,518	1,325,518
Total	<u>\$ 7,615,000</u>	<u>\$ 4,150,906</u>	<u>\$ 11,765,906</u>

NOTE 8 – DEVELOPER TRANSACTIONS

The Developer owns a portion of land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developer.

NOTE 9 – CONCENTRATION

The District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

NOTE 10 – INTERLOCAL AGREEMENTS

In a prior year, the District and Lake Ashton Community Development District (the “Parties”) entered into an interlocal agreement whereby the Parties agreed to grant non-exclusive right to their residents of the Amenities located within each Party’s boundaries. Furthermore, the Parties agreed to jointly construct certain roadway connections and that the actual costs associated with the maintenance and operation of the roadways that have been incurred and paid will be prorated between the Parties based on the number of platted lots that have been approved as of September 15 of each fiscal year. This occurred in a prior fiscal year as Lake Ashton CDD performed certain roadways repairs costing a total of \$292,300 and billed the District \$79,929 for its portion of the cost. This amount has been paid in full. During a prior fiscal year, the Interlocal Agreement with Lake Ashton CDD was amended to automatically make all current and future roadways and appurtenances owned by and located within each District subject to the Interlocal Agreement as of the date of acquisition or control by the respective District without need for further amendment. Also, the Districts agreed to each reimburse the other for prior roadway costs paid under the Interlocal Agreement to the other District. Accordingly, the District was reimbursed \$190,219 during a prior fiscal year.

During the current fiscal year, the District purchased and acquired a golf club, consisting of two golf courses. In accordance with the purchase the District has entered into an interlocal agreement with Lake Ashton whereby Lake Ashton has paid the District a sum of \$115,000 at closing and will pay another \$115,000 in one year from the date of closing to acquire a portion of the land underlying the golf course located within its boundaries, the East Golf Course. Under the agreement, Lake Ashton leased back the golf course located within its boundaries to the District to operate. The District will solely bare the costs of operation and maintenance of the golf course, except for the Golf Course’s pathways, bridges, and ponds located within the East Golf Course that are to be funded by Lake Ashton.

NOTE 11 - GOLF COURSE ACQUISITION

In December 2019, the District purchased and acquired a golf club, consisting of two golf courses. Subsequent to the purchase, the District conveyed a portion of the underlying property to the Lake Ashton Community Development District for ownership and maintenance. Under the purchase agreement, the Golf Course purchase price was \$477,000, subject to adjustments and credits at closing. In addition, the District would assume certain equipment leases and enter into a promissory note agreement with the seller. The promissory note bears an original principal balance of \$638,379, bearing interest at 3%, and payable in five annual installments over the period of January 5, 2021 through January 5, 2025. Furthermore, the District assume all golf memberships at the time of closing for up to one year. The District also agreed to provide one year memberships for new homes constructed within the District and Lake Ashton until all residences built out and sold to residential end users, and for homes listed for resale within 180 days prior to closing. In return for the membership considerations, the seller agreed to provide a \$240,000 contribution credit towards the acquisition of the golf course. Furthermore, the District entered a deficit funding agreement with the seller, whereby the seller agrees to advance funding on an as-needed basis to cover deficits in the payment of operating costs of the golf course for up to a period of five years after the closing date. Under the deficit funding agreement, the maximum outstanding amount is \$300,000, and the District agrees to repay outstanding sums by August 30th of each year. In the event of default, the default interest rate is the lesser of the maximum permitted by law or 6%. The District was unable to record the acquisition of the golf course in a timely manner, and did not record the full effects of the transactions relating to the acquisition and operation of the golf course in the financial statements, including the recording of assets acquired and liabilities assumed.

The District is expected to amend it’s boundary to remove certain properties from Lake Ashton Community Development District and add to the District.

The District will solely bear the costs of operation and maintenance of the golf course, except for the Golf Course’s pathways, bridges, and ponds located within the East Golf Course that are to be funded by Lake Ashton Community Development District.

NOTE 12 – MANAGEMENT COMPANIES

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 of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

The District has also contracted with a management company to manage the operations of the golf course. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs. The management company also provides personnel and payroll to the District under a separate agreement.

NOTE 13 – 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. There were no settled claims during the past three years.

NOTE 14 – SUBSEQUENT EVENTS

Bond Payments

Subsequent to fiscal year end, the District prepaid a total of \$170,000 of the Series 2005A Bonds and \$50,000 of the Series 2006A Bonds. The prepayments were considered extraordinary mandatory redemptions as outlined in the Bond Indenture.

Bond Refinancing

Subsequent to the end of the fiscal year, the District initiated procedures to refinance its Series 2005 Bonds, however, the refinancing has not yet closed.

Boundary Amendment

Subsequent to the end of the fiscal year, the Board authorized amendment of the District boundaries to move certain parcels related to the golf course from Lake Ashton to the District. A formal petition has not yet been initiated.

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Developer contributions	\$ -	\$ -	\$ 775	\$ 775
Assessments	1,218,686	1,223,706	1,225,324	1,618
Interest	1,500	1,617	5,905	4,288
Rental Fees	5,200	750	750	-
Miscellaneous	-	125,125	12,189	(112,936)
Total revenues	1,225,386	1,351,198	1,244,943	(106,255)
EXPENDITURES				
Current:				
General government	107,011	339,483	386,044	(46,561)
Maintenance and operations	1,241,510	1,175,134	1,055,799	119,335
Capital outlay	-	-	18,916	(18,916)
Total expenditures	1,348,521	1,514,617	1,460,759	53,858
Excess (deficiency) of revenues over (under) expenditures	(123,135)	(163,419)	(215,816)	(52,397)
OTHER FINANCING SOURCES				
Transfers In/Out	(79,398)	27,000	(27,000)	(54,000)
Carry forward	202,533	136,419	-	(136,419)
Total other financing sources	123,135	163,419	(27,000)	(190,419)
Net change in fund balances	\$ -	\$ -	(242,816)	\$ (242,816)
Fund balance - beginning			597,638	
Fund balance - ending			\$ 354,822	

See notes to required supplementary information

**LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT
POLK COUNTY, FLORIDA
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).

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. The general fund budget for the fiscal year ended September 30, 2020 was amended to increase revenues by \$125,812 and increase appropriations by \$166,096. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020.



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

To the Board of Supervisors
Lake Ashton II Community Development District
Polk County, 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, the business-type activities and each major fund of Lake Ashton II Community Development District, Polk County, Florida ("District") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated September 8, 2021, which includes an explanatory paragraph regarding the disclaimer of opinion on the business-type activities and the proprietary fund.

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, we considered finding 2020-01 to be a material weakness. However, other material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated September 8, 2021.

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



September 8, 2021



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**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**

To the Board of Supervisors
Lake Ashton II Community Development District
Polk County, Florida

We have examined Lake Ashton II Community Development District, Polk County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2020. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on 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 specified requirements referenced in Section 218.415, Florida Statutes. 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 noncompliance, 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 for the fiscal year ended September 30, 2020.

This report 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, management, and the Board of Supervisors of Lake Ashton II Community Development District, Polk County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

September 8, 2021



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
Lake Ashton II Community Development District
Polk County

Report on the Financial Statements

We have audited the accompanying basic financial statements of Lake Ashton II Community Development District, Polk County, Florida ("District") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated September 8, 2021, which includes an explanatory paragraph regarding the disclaimer of opinion on the business-type activities and the proprietary fund.

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 Florida 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 Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated September 8, 2021, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Lake Ashton II Community Development District, Polk County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Lake Ashton II Community Development District, Polk County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

September 8, 2021

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Material Weakness

2020-01 Accounting Internal Controls and Procedures for Enterprise Fund Transactions

Observation: During the audit, we noted that the District purchased and acquired a golf club, consisting of two golf courses. Under the purchase agreement, the District would assume certain equipment leases and enter into a promissory note agreement with the seller. The District also agreed to provide one year memberships for new homes constructed within the District and Lake Ashton until all residences built out and sold to residential end users, and for homes listed for resale within 180 days prior to closing. In return for the membership considerations, the seller agreed to provide a \$240,000 contribution credit towards the acquisition of the golf course. The District's was unable to provide sufficient audit evidence to support the details of all the transactions relating to the acquisition of the golf course in a timely manner, and did not record the full effects of the transactions relating to the acquisition and operation of the golf course in the financial statements, including the recording of assets acquired and liabilities assumed. Furthermore, due to transitions in management and accounting for the proprietary fund, the District was unable to provide sufficient competent evidential matter to support the accuracy and completeness of revenues and expenditures recorded in the golf course enterprise fund. The financial information of the golf course enterprise fund is part of the business-type activities and is considered a major fund.

Recommendation: The District should ensure that all transactions are accurately and timely recorded, and that errors and omissions are detected and corrected in a timely manner. Recommended areas of improvements include:

- The District should implement procedures and controls to ensure that transactions are properly classified, including refraining from inappropriately netting transactions. Expenses should be reported separately from revenues generated.
- The District should implement procedures and controls to ensure that all assets and liabilities, including capital assets, obligations to the seller of the golf course, leases, and other long term debt as applicable are completely and accurately recorded.

Management Response: The District purchase of the golf course was a unique and extremely complicated with provisions associated with the transaction that made it very difficult for the District's staff to properly record all the financial implications to the Enterprise Fund and not due to ineffective procedures and controls. In addition, when the District enters into complex financial transactions it is common practice for the staff to rely on the expertise of the District's auditors to ensure the activity is properly recorded. The District will take additional measures in the future to more accurately record the financial activities of the District in accordance with the auditors recommendations.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2019.

REPORT TO MANAGEMENT (Continued)

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2020, except as noted above.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2020, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2020. It is management's responsibility to monitor 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.