

2020

Lakewood Ranch Community Development District 2

Financial Statements
and Independent Auditor's Report

September 30, 2020

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

**LAKEWOOD RANCH
COMMUNITY DEVELOPMENT DISTRICT 2
LAKEWOOD RANCH, FLORIDA**

SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Lakewood Ranch Community Development District 2
Lakewood Ranch, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Lakewood Ranch Community Development District 2 (the District), as of and for the 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.

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

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Board of Supervisors
Lakewood Ranch Community Development District 2
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, the major fund, and the aggregate remaining fund information of the District, as of September 30, 2020, 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 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 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 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 8, 2021
Sarasota, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lakewood Ranch Community Development District 2 (the District), our discussion and analysis of the District's financial performance provides an 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 required supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year and resulted in a net position of \$8,355,534.
- The District's net position increased by \$184,993 for the year.

Fund Financial Statements

- At September 30, 2020, the District's governmental funds reported combined ending fund balances of \$2,717,856, an increase of \$540,330 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 (where applicable) 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 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:

	<u>2020</u>	<u>2019</u>
Assets, Excluding Capital Assets	\$ 2,922,279	\$ 3,165,559
Capital Assets, Net of Depreciation	<u>6,834,232</u>	<u>7,411,714</u>
Total Assets	<u>9,756,511</u>	<u>10,577,273</u>
Liabilities, Excluding Long-Term Liabilities	215,977	1,001,732
Long-Term Liabilities	<u>1,185,000</u>	<u>1,405,000</u>
Total Liabilities	<u>1,400,977</u>	<u>2,406,732</u>
Net Position:		
Net Investment in Capital Assets	5,649,232	6,006,714
Restricted for Debt Service	-	27
Restricted for Infrastructure Improvements	400,385	399,877
Unrestricted	<u>2,305,917</u>	<u>1,763,923</u>
Total Net Position	<u>\$ 8,355,534</u>	<u>\$ 8,170,541</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

The District's net position reflects its investment in capital assets (e.g., parks and landscape improvements, buildings, 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 increased during the year by \$184,993. The increase reflects the extent to which program and general revenues were sufficient to cover the costs of operations, including depreciation.

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

	2020	2019
Revenues		
Program Revenues:		
Charges for Services	\$ 3,235,139	\$ 3,201,095
Operating Grants and Contributions	317,041	368,457
General Revenues	74,370	138,007
Total Revenues	3,626,550	3,707,559
Expenses		
General Government:		
Town Hall	70,034	44,882
Other Administration	462,499	499,378
Maintenance and Operations	2,878,292	3,673,929
Interest on Long-Term Debt	30,732	35,812
Total Expenses	3,441,557	4,254,001
Change in Net Position	184,993	(546,442)
Net Position, Beginning of Year	8,170,541	8,716,983
Net Position, End of Year	\$ 8,355,534	\$ 8,170,541

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2020, was \$3,441,557. The costs of the District's activities were primarily funded by program revenues. In the current year, program revenues are including annual assessments, FEMA reimbursement, and other contributions. Program revenues decreased \$17,372 from 2019 to 2020 for a variety of reasons. Expenses decreased \$812,444. These changes occurred for a variety of reasons, but predominantly from the reduction of infrastructure (road) projects.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$1,444,282 and total fund balance was \$2,717,856. 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 51.0% of total general fund expenditures while the total fund balance represents 96.1% of the same amount.

The debt service funds are 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 \$10,000 to balance an appropriation plan in excess of funding sources. The original appropriations budget was \$3,479,710, and there were no budget amendments during the year. Actual results *added* \$540,357 to the fund balance. Revenues were \$33,193 less than budget and expenditures were \$650,447 under budget. Transfers out were \$66,897 over budget. The unfavorable revenues and favorable expenditures variances occurred for a variety of reasons, but due primarily in expenditures resulting from the deferral of infrastructure projects, \$92,000, and reduced irrigation water usage, \$109,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets at September 30, 2020, totaled \$6,834,232 (net of accumulated depreciation). Capital assets include parks and landscape improvements, CWIP – other improvements, buildings, infrastructure, other improvements, and machinery and equipment. Current year addition was \$1,200 working in process related to the Wethersfield Run streetlights improvement project and depreciation was \$578,682. More detailed information about the District's capital assets is presented in Note 5 of the financial statements.

Long-Term Debt

At September 30, 2020, the District had \$1,185,000 in bonds and notes outstanding with a final maturity in 2025. Principal payments during 2020 totaled \$220,000. There was no new debt issued during the year. The portion of the 2012 Notes attributable to Town Hall reached final maturity on May 1, 2018. More detailed information about the District's capital debt is presented in Note 6 of the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2021 general fund budget uses carry over surplus of \$30,000 and includes a 1.46% decrease in the operations and maintenance assessment rate to balance an appropriation plan in excess of funding sources. The District anticipates a continuation of its utility infrastructure maintenance program and potential turnover of the utilities to Manatee County in fiscal year 2021.

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 2's Finance Department at Town Hall, 8175 Lakewood Ranch Blvd., Lakewood Ranch, Florida 34202.

LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020
LAKEWOOD RANCH, FLORIDA

	Governmental Activities
Assets	
Cash	\$ 175,581
Investments	2,734,342
Due from Other Governments	3,924
Other Receivables	3,382
Prepaid Items	5,050
Capital Assets:	
Depreciable Assets, Net	4,624,976
Non-Depreciable	2,209,256
Total Assets	9,756,511
 Liabilities	
Accounts Payable	55,819
Accrued Expenses	51,829
Due to Other Governments	94,966
Unearned Revenue	30
Deposits	1,779
Accrued Interest	11,554
Non-Current Liabilities:	
Due Within One Year	225,000
Due in More than One Year	960,000
Total Liabilities	1,400,977
 Net Position	
Net Investment in Capital Assets	5,649,232
Restricted for Infrastructure Improvements	400,385
Unrestricted	2,305,917
Total Net Position	\$ 8,355,534

See accompanying notes.

LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2020
LAKEWOOD RANCH, FLORIDA

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense), Revenue, and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General Government:				
Town Hall	\$ 70,034	\$ 70,695	\$ -	\$ 661
Maintenance Facility	-	259,733	-	259,733
Other Administration	462,499	361,046	-	(101,453)
Maintenance and Operations	2,878,292	2,543,662	317,041	(17,589)
Interest on Long-Term Debt	30,732	3	-	(30,729)
Total Governmental Activities	<u>\$ 3,441,557</u>	<u>\$ 3,235,139</u>	<u>\$ 317,041</u>	<u>110,623</u>
General Revenues				
				39,675
				34,695
				<u>74,370</u>
				184,993
				<u>8,170,541</u>
				<u>\$ 8,355,534</u>

See accompanying notes.

LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020
LAKEWOOD RANCH, FLORIDA

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Debt Service 2012</u>	<u>Governmental Funds</u>
Assets			
Cash	\$ 175,581	\$ -	\$ 175,581
Investments	2,734,342	-	2,734,342
Due from Other Governments	3,924	-	3,924
Other Receivables	3,382	-	3,382
Prepaid Items	5,050	-	5,050
Total Assets	<u>2,922,279</u>	<u>-</u>	<u>2,922,279</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	55,819	-	55,819
Accrued Expenses	51,829	-	51,829
Due to Other Governments	94,966	-	94,966
Unearned Revenue	30	-	30
Deposits	1,779	-	1,779
Total Liabilities	<u>204,423</u>	<u>-</u>	<u>204,423</u>
Fund Balances			
Non-Spendable:			
Prepaid Items	5,050	-	5,050
Restricted for:			
Infrastructure Improvements	400,385	-	400,385
Assigned for:			
Road Reserve	548,139	-	548,139
Special Projects	290,000	-	290,000
Subsequent Year's Expenditures	30,000	-	30,000
Unassigned:			
General Reserve	642,942	-	642,942
Unrestricted	801,340	-	801,340
Total Fund Balances	<u>2,717,856</u>	<u>-</u>	<u>2,717,856</u>
Total Liabilities and Fund Balances	<u>\$ 2,922,279</u>	<u>\$ -</u>	<u>\$ 2,922,279</u>

See accompanying notes.

**LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020
LAKEWOOD RANCH, FLORIDA**

Fund Balance - Governmental Funds \$ 2,717,856

**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	\$ 23,867,386	
(Accumulated Depreciation)	<u>(17,033,154)</u>	6,834,232

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	(11,554)	
Bonds Payable	<u>(1,185,000)</u>	<u>(1,196,554)</u>

Net Position of Governmental Activities \$ 8,355,534

See accompanying notes.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020
LAKWOOD RANCH, FLORIDA**

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Debt Service 2012</u>	<u>Governmental Funds</u>
Revenues			
Assessments	\$ 3,235,136	\$ -	\$ 3,235,136
Contributions	129,100	185,630	314,730
Grant Revenues	2,311	-	2,311
Interest	39,675	3	39,678
Other Revenues	34,695	-	34,695
Total Revenues	<u>3,440,917</u>	<u>185,633</u>	<u>3,626,550</u>
Expenditures			
Current:			
General Government:			
Town Hall	70,034	-	70,034
Other Administration	458,419	4,080	462,499
Maintenance and Operations	2,299,610	-	2,299,610
Special Projects	1,200	-	1,200
Debt Service:			
Principal	-	220,000	220,000
Interest	-	32,877	32,877
(Total Expenditures)	<u>(2,829,263)</u>	<u>(256,957)</u>	<u>(3,086,220)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>611,654</u>	<u>(71,324)</u>	<u>540,330</u>
Other Financing Sources (Uses)			
Transfer in	-	71,297	71,297
Transfer (out)	(71,297)	-	(71,297)
Total Other Financing Sources (Uses)	<u>(71,297)</u>	<u>71,297</u>	<u>-</u>
Net Change in Fund Balances	540,357	(27)	540,330
Fund Balances, Beginning of Year	<u>2,177,499</u>	<u>27</u>	<u>2,177,526</u>
Fund Balances, End of Year	<u>\$ 2,717,856</u>	<u>\$ -</u>	<u>\$ 2,717,856</u>

See accompanying notes.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
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, 2020
LAKWOOD RANCH, FLORIDA**

Net Change in Fund Balances - Total Governmental Funds \$ 540,330

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, those expenditures are eliminated
and capitalized as capital assets. 1,200

Depreciation on capital assets is not recognized in the governmental
fund statements, but is reported as an expense in the statement
of activities. (578,682)

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. 220,000

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. 2,145

Change in Net Position of Governmental Activities \$ 184,993

See accompanying notes.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

Note 1 - Nature of Organization and Reporting Entity

Lakewood Ranch Community Development District 2 (the District) is one of five community development districts in the Lakewood Ranch community in the southeast corner of Manatee County, Florida. The District is a local unit special-purpose government created on May 23, 1995, under the *Uniform Community Development District Act of 1980*, as amended (the Act), otherwise known as Chapter 190, Florida Statutes. Chapter 190 provides that a Community Development District with a size of 1,000 acres or more may be established by rule adopted under Chapter 120 by the Florida Land and Water Adjudicatory Commission. The District was established by adopting Rule 42-W-1.001-1.003. 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.

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 exercises 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 2
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. For the most part, 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 or segment. 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. Contributions and similar 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 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

The District reports the following governmental funds:

General Fund (Major 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 2012 (Non-Major 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.

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.

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.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

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, 2020.

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 parks and landscape improvements, buildings, 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 at estimated fair value if donated.

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
Buildings	15 to 40
Infrastructure	15 to 30
Other Improvements	5 to 25
Machinery and Equipment	5 to 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.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

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. There were no such items in 2020.

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.

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.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA**

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.

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 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. The District did not have a budget amendment in 2020.

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.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

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.

The District holds investments in a qualified external investments pool that measures all of its investments at amortized cost. The following investments are recorded at amortized cost at September 30, 2020:

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
Local Government Surplus Funds			Weighted Average of the
Trust Fund (Florida PRIME)	\$ 2,734,342	AAAm	Fund Portfolio: 48 Days
Total Investments	<u>\$ 2,734,342</u>		

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, 2020, is 48 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.

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.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

Note 5 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Parks - Landscape Improvements	\$ 2,208,056	\$ -	\$ -	\$ 2,208,056
CWIP - Other Improvements	-	1,200	-	1,200
Total Capital Assets Not Being Depreciated	<u>2,208,056</u>	<u>1,200</u>	<u>-</u>	<u>2,209,256</u>
Capital Assets Being Depreciated:				
Buildings	2,424,454	-	-	2,424,454
Infrastructure	12,506,566	-	-	12,506,566
Other Improvements	6,649,703	-	-	6,649,703
Machinery and Equipment	77,407	-	-	77,407
Total Capital Assets Being Depreciated	<u>21,658,130</u>	<u>-</u>	<u>-</u>	<u>21,658,130</u>
Less Accumulated Depreciation for:				
Buildings	(504,782)	(87,789)	-	(592,571)
Infrastructure	(9,434,722)	(464,082)	-	(9,898,804)
Other Improvements	(6,468,570)	(19,210)	-	(6,487,780)
Machinery and Equipment	(46,398)	(7,601)	-	(53,999)
Total Accumulated Depreciation	<u>(16,454,472)</u>	<u>(578,682)</u>	<u>-</u>	<u>(17,033,154)</u>
Total Capital Assets Being Depreciated, Net	<u>5,203,658</u>	<u>(578,682)</u>	<u>-</u>	<u>4,624,976</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,411,714</u>	<u>\$ (577,482)</u>	<u>\$ -</u>	<u>\$ 6,834,232</u>

Depreciation expense totaling \$578,682 was allocated to the maintenance and operations function in the statement of activities.

Note 6 - Long-Term Debt

The 2012 Notes - Direct Borrowings

On November 30, 2012, the District issued direct borrowings of \$3,250,000 of Special Revenue Improvement and Refunding Notes, Series 2012 (the 2012 Notes). The proceeds from the issuance of the 2012 Notes were used to refund the outstanding principal balance of the District's Special Revenue Notes, Series 2003 (the 2003 Notes), and finance the construction and/or acquisition of a new maintenance facility. The 2012 Notes bear interest at rates from 1.48% to 2.34% per annum. Interest is due semiannually on each May 1 and November 1. Scheduled principal amounts are due each May 1 through May 1, 2025. The 2012 Notes are subject to early redemption at the option of the District prior to maturity, in whole or in part, on or after May 1, 2013 (at 101% of par), or May 1, 2018 (at par), plus accrued interest. The 2012 Notes are subject to extraordinary mandatory redemption prior to their scheduled

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

maturity from prepayments of special assessments. There were no current year extraordinary mandatory redemptions on the 2012 Notes. The portion of the 2012 Notes attributable to Town Hall reached final maturity on May 1, 2018.

Long-Term Debt Activity

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Note Payable – Direct Borrowings:					
2012 Notes	\$ 1,405,000	\$ -	\$ (220,000)	\$ 1,185,000	\$ 225,000
Total Governmental Activities	<u>\$ 1,405,000</u>	<u>\$ -</u>	<u>\$ (220,000)</u>	<u>\$ 1,185,000</u>	<u>\$ 225,000</u>

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

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 225,000	\$ 27,729	\$ 252,729
2022	230,000	22,464	252,464
2023	235,000	17,082	252,082
2024	245,000	11,583	256,583
2025	250,000	5,850	255,850
Total	<u>\$ 1,185,000</u>	<u>\$ 84,708</u>	<u>\$ 1,269,708</u>

Commitments

The District has an outstanding commitment related to the capital lease agreement for the Virtual Gatehouse Security Project. Monthly principal and interest payments of \$2,367 begin October 1, 2020, with final payment scheduled September 1, 2022.

Note 7 - Inter-Fund Transfers

Inter-Fund transfers for the fiscal year ended September 30, 2020, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>
General	\$ -	\$ (71,297)
Debt Service	71,297	-
Total	<u>\$ 71,297</u>	<u>\$ (71,297)</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. Transfers from the general fund to the debt service fund were for debt service.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

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, 4, 5, and 6 (including District 2) (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 maintenance and operations services to the Districts, under terms of an Amended Inter-local 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 Inter-local Agreement, which replaced prior Inter-local Agreements. The new Inter-local 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 2020 were \$2,680,000, of which the District's share of \$768,903 is included under "other administration" and "maintenance and operations" in the expenditure section of the financial statements. The District's shared expenses for September 2020, totaling \$94,966, are included in "due to other governments" at September 30, 2020.

Town Hall and Maintenance Facility Lease

The Lakewood Ranch Town Hall (Town Hall) was constructed and financed by the District in 2003. As discussed in Note 6, in 2013 the District 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.

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 the District 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. The Town Hall facility has been conveyed to the Authority since its applicable debt service was satisfied on May 1, 2018. The maintenance facility will be conveyed once its applicable debt service is satisfied on May 1, 2023.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

Rent payments by Districts 1, 4, 5, and 6 to District 2 are based on the allocable shares of the District’s related debt service costs (based on equivalent dwelling units – see below). Rents received by the District in 2020 totaled \$185,630 for the maintenance facility, which is included under “contributions” in the debt service fund in the accompanying fund financial statements. The District’s share of the debt service costs was \$71,297, and was transferred from the general fund to the debt service fund in 2020.

Pledged Revenues

Rent payments and transfers from the general fund have been pledged to pay the principal and interest on the special assessment bonds. 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 Revenue Improvement and Refunding Notes, Series 2012	Rent Payments and Assessments	\$ 252,847	\$ 252,877	100%	\$ 1,269,708	2025

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 2020 totaled \$288,260, of which the District’s allocable share was \$70,034, which is included under “Town Hall” 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.

The 2020 equivalent dwelling units (EDU) 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 2020 EDU allocation) is as follows:

Year	Principal	Interest	Total	District 2 27.75%
2021	\$ 225,000	\$ 27,729	\$ 252,729	\$ 70,131
2022	230,000	22,464	252,464	70,059
2023	235,000	17,082	252,082	69,951
2024	245,000	11,583	256,583	71,200
2025	250,000	5,850	255,850	70,998
Total	\$ 1,185,000	\$ 84,708	\$ 1,269,708	\$ 352,339

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

Landscape Contracts

The District manages a landscape contract for the benefit of the District and other entities, including Districts 5 and 6. Total revenue from the arrangement is \$129,100, which is included in “contributions” in the general fund in the accompanying fund financial statements. Overpayments totaling \$29,317 were paid back to the Districts and other agencies under these arrangements during 2020.

Contractor Land Lease

The District redistributed \$36,847, related to a contractor’s land lease, to other Districts during 2020 based on an EDU allocation. The amount is included in each District’s 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. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

Note 10 - COVID-19

The COVID-19 pandemic has created economic disruptions throughout the country as of the date of this report, causing declines in financial markets and economic activity overall. As of September 30, 2020, the District has not been adversely or significantly impacted. The ultimate impact of this pandemic is unknown and not quantifiable at this time. The District has not recognized any impairment or established any reserves as a result of the COVID-19 pandemic as of the report date.

REQUIRED SUPPLEMENTARY INFORMATION

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Assessments	\$ 3,088,640	\$ 3,088,640	\$ 3,235,136	\$ 146,496
Contributions	314,990	314,990	129,100	(185,890)
Grant Revenues	-	-	2,311	2,311
Interest	30,000	30,000	39,675	9,675
Other Revenues	40,480	40,480	34,695	(5,785)
Total Revenues	<u>3,474,110</u>	<u>3,474,110</u>	<u>3,440,917</u>	<u>(33,193)</u>
Expenditures				
Current:				
General Government:				
Town Hall	70,030	70,030	70,034	(4)
Maintenance Facility	257,290	257,290	-	257,290
Other Administration	357,650	357,650	458,419	(100,769)
Maintenance and Operations	2,519,740	2,519,740	2,299,610	220,130
Special Projects	10,000	10,000	1,200	8,800
Reserves	265,000	265,000	-	265,000
(Total Expenditures)	<u>(3,479,710)</u>	<u>(3,479,710)</u>	<u>(2,829,263)</u>	<u>650,447</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(5,600)</u>	<u>(5,600)</u>	<u>611,654</u>	<u>617,254</u>
Other Financing Sources (Uses)				
Transfer (out)	(4,400)	(4,400)	(71,297)	(66,897)
Carry Forward Surplus:				
Unrestricted	10,000	10,000	-	(10,000)
Total Other Financing Sources (Uses)	<u>5,600</u>	<u>5,600</u>	<u>(71,297)</u>	<u>(76,897)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540,357</u>	<u>\$ 540,357</u>

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 2
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, the major fund, and the aggregate remaining fund information of the Lakewood Ranch Community Development District 2 (the District), as of and for the 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 report thereon dated February 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

Board of Supervisors
Lakewood Ranch Community Development District 2
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 financial statements. 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.



February 8, 2021
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 2
Lakewood Ranch, Florida

We have examined the Lakewood Ranch Community Development District 2’s (the District) compliance with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2020. 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, 2020.

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 8, 2021
Sarasota, Florida

MANAGEMENT LETTER

Board of Supervisors
Lakewood Ranch Community Development District 2
Lakewood Ranch, Florida

Report on the Financial Statements

We have audited the financial statements of the Lakewood Ranch Community Development District 2 (the District), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 8, 2021.

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 8, 2021, 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. There were no 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.

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.

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Supervisors
Lakewood Ranch Community Development District 2
Lakewood Ranch, Florida

MANAGEMENT LETTER

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 8, 2021
Sarasota, Florida