

# 2022

Lakewood Ranch Community  
Development District 2

Financial Statements and  
Independent Auditor's Report

September 30, 2022

**PURVIS GRAY**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

**SEPTEMBER 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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## INDEPENDENT AUDITOR'S REPORT

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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, as listed in the table of contents (collectively, the required supplementary information), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to

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

### INDEPENDENT AUDITOR'S REPORT

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 2, 2023, 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 2, 2023  
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, 2022. 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 \$8,279,918.
- The District's net position decreased by \$411,333 for the year.

#### Fund Financial Statements

- At September 30, 2022, the District's governmental funds reported combined ending fund balances of \$3,220,554, a decrease of \$121,319 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. The *statement of net position* and *statement of activities* focus on the government "taken as a whole" rather than on fund types.

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. 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>2022</u>	<u>2021</u>
Assets, Excluding Capital Assets	\$ 3,412,051	\$ 3,541,638
Capital Assets, Net of Depreciation	<u>5,796,482</u>	<u>6,345,088</u>
<b>Total Assets</b>	<u>9,208,533</u>	<u>9,886,726</u>
Liabilities, Excluding Non-Current Liabilities	198,615	209,125
Non-Current Liabilities	<u>730,000</u>	<u>986,350</u>
<b>Total Liabilities</b>	<u>928,615</u>	<u>1,195,475</u>
Net Position:		
Net Investment in Capital Assets	5,066,482	5,358,738
Restricted for Infrastructure Improvements	400,388	400,388
Unrestricted	<u>2,813,048</u>	<u>2,932,125</u>
<b>Total Net Position</b>	<u>\$ 8,279,918</u>	<u>\$ 8,691,251</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 decreased during the year by \$411,333. The decrease reflects the extent to which the costs of operations, including depreciation, exceeded program and general revenues.

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

	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 3,282,938	\$ 3,175,820
Operating Grants and Contributions	314,453	314,645
General Revenues	61,482	42,334
<b>Total Revenues</b>	<b>3,658,873</b>	<b>3,532,799</b>
<b>Expenses</b>		
General Government:		
Town Hall	76,065	68,985
Other Administration	520,932	416,261
Maintenance and Operations	3,450,931	2,680,568
Interest on Non-Current Liabilities	22,278	31,268
<b>Total Expenses</b>	<b>4,070,206</b>	<b>3,197,082</b>
<b>Change in Net Position</b>	(411,333)	335,717
<b>Net Position, Beginning of Year</b>	<b>8,691,251</b>	<b>8,355,534</b>
<b>Net Position, End of Year</b>	<b>\$ 8,279,918</b>	<b>\$ 8,691,251</b>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2022, was \$4,070,206. The costs of the District's activities were primarily funded by program revenues. In the current year, program revenues are including annual assessments and other contributions. Program revenues increased \$106,926 from 2021 to 2022 for a variety of reasons. Expenses increased \$873,124 primarily due to the road repair projects during the year.

### 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 \$1,706,639 and total fund balance was \$3,220,554. 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 48.4% of total general fund expenditures while the total fund balance represents 91.4% 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 \$75,000, road reserves of \$646,000, and restricted reserves of \$130,530 to balance an appropriation plan in excess of funding sources. The original appropriations budget was \$4,333,520, and there were no budget amendments during the year. Actual results reduced fund balance by \$50,128. Revenues were \$12,870 less than budget and expenditures were \$809,872 under budget. Transfers out were \$66,791 over budget. The unfavorable revenues occurred mainly due to transfers out to debt service fund for the bond payments. The favorable expenditures variances occurred for a variety of reasons, but primarily due to the deferral of ongoing infrastructure maintenance, \$172,865, gatehouse/gates contract and maintenance, \$48,457, and various landscape maintenance, \$72,785.

### CAPITAL ASSETS AND NON-CURRENT LIABILITIES ADMINISTRATION

#### Capital Assets

The District's investment in capital assets at September 30, 2022, totaled \$5,796,482 (net of accumulated depreciation). Capital assets include parks and landscape improvements, Construction Work in Progress (CWIP) – infrastructure, buildings, infrastructure, and machinery and equipment. Current year additions were \$39,958 in CWIP and infrastructure, and depreciation was \$588,564. Current year disposal of assets in other improvements was \$23,250 related to Edgewater Gate House overhang removal cost. More detailed information about the District's capital assets is presented in Note 5 of the financial statements.

#### Non-Current Liabilities

At September 30, 2022, the District had \$730,000 in bonds outstanding with a final maturity in 2025. Principal payments during 2022 totaled \$230,000. The portion of the 2012 Notes attributable to Town Hall reached final maturity on May 1, 2018.

The District entered into a tax-exempt agreement on August 20, 2020, with KS State Bank Government Obligation Contract to finance the purchase of Edgewater Gate virtual gatehouse security equipment. More detailed information about the District's debt is presented in Note 6 of the financial statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The 2023 general fund budget uses carry forward surplus of \$35,000, road reserves of \$340,000, and restricted reserves of \$144,690 and includes a 5.6% increase in the operations and maintenance assessment rate to balance an appropriation plan in excess of funding sources. The District anticipates a continuation of its utility infrastructure maintenance program and potential turnover of the utilities to Manatee County, and road repaving and resurfacing projects in fiscal year 2023. In addition, Hurricane Ian which made landfall in the area on September 28, 2022, presented unforeseen cleanup and recovery expenses for FY2023. There is expectation that due to this item a budget amendment would be required for FY2023.

### **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.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2022**  
**LAKWOOD RANCH, FLORIDA**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 144,491
Investments	3,261,292
Accounts Receivable	2,018
Due from Other Governments	1,610
Deposits	240
Prepaid Items	2,400
Capital Assets:	
Depreciable Assets, Net	3,555,668
Non-Depreciable	2,240,814
<b>Total Assets</b>	<b>9,208,533</b>
 <b>Liabilities</b>	
Accounts Payable	40,157
Retainage Payable	27,474
Accrued Expenses	22,126
Due to Other Governments	83,711
Unearned Revenue	15,623
Deposits	2,406
Accrued Interest	7,118
Non-Current Liabilities:	
Due Within One Year - Notes Payable	235,000
Due in More than One Year - Notes Payable	495,000
<b>Total Liabilities</b>	<b>928,615</b>
 <b>Net Position</b>	
Net Investment in Capital Assets	5,066,482
Restricted for Infrastructure Improvements	400,388
Unrestricted	2,813,048
<b>Total Net Position</b>	<b>\$ 8,279,918</b>

See accompanying notes.

**LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2**  
**STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2022**  
**LAKEWOOD RANCH, FLORIDA**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense), Revenue, and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities:</b>				
General Government:				
Town Hall	\$ 76,065	\$ 63,985	\$ -	\$ (12,080)
Maintenance Facility	-	216,087	-	216,087
Other Administration	520,932	321,885	-	(199,047)
Maintenance and Operations	3,450,931	2,680,981	314,453	(455,497)
Interest on Non-Current Liabilities	22,278	-	-	(22,278)
<b>Total Governmental Activities</b>	<u>\$ 4,070,206</u>	<u>\$ 3,282,938</u>	<u>\$ 314,453</u>	<u>(472,815)</u>
<b>General Revenues</b>				
				35,879
				25,603
				<u>61,482</u>
				(411,333)
				<u>8,691,251</u>
				<u>\$ 8,279,918</u>

See accompanying notes.

**LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**  
**LAKEWOOD RANCH, FLORIDA**

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Debt</u>	<u>Governmental</u>
	<u>General</u>	<u>Service 2012</u>	<u>Funds</u>
<b>Assets</b>			
Cash	\$ 144,491	\$ -	\$ 144,491
Investments	3,261,292	-	3,261,292
Accounts Receivable	2,018	-	2,018
Due from Other Governments	1,610	-	1,610
Prepaid Items	2,400	-	2,400
Deposits	240	-	240
<b>Total Assets</b>	<b>3,412,051</b>	<b>-</b>	<b>3,412,051</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	40,157	-	40,157
Retainage Payable	27,474	-	27,474
Accrued Expenses	22,126	-	22,126
Due to Other Governments	83,711	-	83,711
Unearned Revenue	15,623	-	15,623
Deposits	2,406	-	2,406
<b>Total Liabilities</b>	<b>191,497</b>	<b>-</b>	<b>191,497</b>
<b>Fund Balances</b>			
Non-Spendable:			
Prepaid Items	2,400	-	2,400
Restricted for:			
Infrastructure Improvements	400,388	-	400,388
Assigned for:			
Road Reserve	346,127	-	346,127
Special Projects	390,000	-	390,000
Subsequent Year's Expenditures	375,000	-	375,000
Unassigned:			
General Reserve	687,942	-	687,942
Unrestricted	1,018,697	-	1,018,697
<b>Total Fund Balances</b>	<b>3,220,554</b>	<b>-</b>	<b>3,220,554</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,412,051</b>	<b>\$ -</b>	<b>\$ 3,412,051</b>

See accompanying notes.

**LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022  
LAKEWOOD RANCH, FLORIDA**

**Fund Balance - Governmental Funds** \$ 3,220,554

**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	\$ 23,980,050	
(Accumulated Depreciation)	<u>(18,183,568)</u>	5,796,482

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

Accrued Interest	(7,118)	
Bonds Payable	<u>(730,000)</u>	<u>(737,118)</u>

**Net Position of Governmental Activities** \$ 8,279,918

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, 2022  
LAKWOOD RANCH, FLORIDA**

	Major Fund	Non-Major Fund	Total
	General	Debt Service 2012	Governmental Funds
<b>Revenues</b>			
Assessments	\$ 3,282,938	\$ -	\$ 3,282,938
Contributions	129,100	185,353	314,453
Interest	35,879	-	35,879
Other Revenues	25,603	-	25,603
<b>Total Revenues</b>	<u>3,473,520</u>	<u>185,353</u>	<u>3,658,873</u>
<b>Expenditures</b>			
Current:			
General Government:			
Town Hall	76,065	-	76,065
Other Administration	516,852	4,080	520,932
Maintenance and Operations	2,862,367	-	2,862,367
Special Projects	39,958	-	39,958
Debt Service:			
Principal	26,350	230,000	256,350
Interest	2,056	22,464	24,520
<b>(Total Expenditures)</b>	<u>(3,523,648)</u>	<u>(256,544)</u>	<u>(3,780,192)</u>
<b>(Deficiency) of Revenues</b>			
<b>(Under) Expenditures</b>	<u>(50,128)</u>	<u>(71,191)</u>	<u>(121,319)</u>
<b>Other Financing Sources (Uses)</b>			
Transfer in	-	71,191	71,191
Transfer (out)	(71,191)	-	(71,191)
<b>Total Other Financing Sources (Uses)</b>	<u>(71,191)</u>	<u>71,191</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(121,319)	-	(121,319)
<b>Fund Balances, Beginning of Year</b>	<u>3,341,873</u>	<u>-</u>	<u>3,341,873</u>
<b>Fund Balances, End of Year</b>	<u>\$ 3,220,554</u>	<u>\$ -</u>	<u>\$ 3,220,554</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, 2022  
LAKWOOD RANCH, FLORIDA**

**Net Change in Fund Balances - Total Governmental Funds** \$ (121,319)

**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. 39,958

The net effect of the disposals of capital assets is to decrease net position.

Cost of Disposals of Capital Assets	(23,250)	
Accumulated depreciation of disposals capital assets	23,250	-

Depreciation on capital assets is not recognized in the governmental fund statements, but is reported as an expense in the statement of activities. (588,564)

Repayment of non-current 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. 256,350

The change in accrued interest on non-current liabilities between the current and prior fiscal year is recorded in the statement of activities, but not in the fund financial statements. 2,242

**Change in Net Position of Governmental Activities** \$ (411,333)

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 Board is 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.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2**  
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**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:

**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 interfund 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.

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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.

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 non-current 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:

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2**  
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- a) The Local Government Surplus Trust Funds or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*.
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c) Interest bearing time deposits or savings accounts in qualified public depositories.
- d) Direct obligations of the U.S. Treasury.

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

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

**Receivables/Due from Other Governments**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. There are no estimated uncollectible amounts at September 30, 2022.

**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. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

**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:

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<u>Assets</u>	<u>Years</u>
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.

**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 2022.

**Non-Current Debt Obligations**

In the government-wide financial statements, the principal amount outstanding on non-current 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.

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- *Committed*—Amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action (resolution) of the Board. These committed amounts may not be used for any other purpose unless the Board removes or changes the specified use by taking the same type of formal action (resolution) that imposed the constraint originally.
- *Assigned*—Amounts that are constrained by action of the Board, or by an individual or body to whom the Board has delegated this responsibility. The Board has not delegated this responsibility.
- *Unassigned*—This classification is used for: (a) negative unrestricted fund balance in any fund, or (b) fund balances within the general fund that are not restricted, committed, or assigned for specific purposes.

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

**Debt Issuance Costs**

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

**D. Other Disclosures**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. 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 U.S. 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 fiscal year, and a series of budget workshops are held with District representatives, staff, and the public. The assessment amounts for the upcoming fiscal 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.

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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 2022.

**Note 4 - Deposits and Investments**

**Deposits**

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

**Investments**

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

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, 2022:

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
Local Government Surplus Funds			Weighted Average of the
Trust Fund (Florida PRIME)	\$ 3,261,292	AAAm	Fund Portfolio: 21 Days
<b>Total Investments</b>	<u>\$ 3,261,292</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, 2022, is 21 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.

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*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.

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Parks - Landscape Improvements	\$ 2,208,056	\$ -	\$ -	\$ 2,208,056
Construction in Progress - Infrastructure	-	32,758	-	32,758
Total Capital Assets Not Being Depreciated	<u>2,208,056</u>	<u>32,758</u>	<u>-</u>	<u>2,240,814</u>
Capital Assets Being Depreciated:				
Buildings	2,424,454	-	-	2,424,454
Infrastructure	12,536,176	7,200	-	12,543,376
Other Improvements	6,660,276	-	(23,250)	6,637,026
Machinery and Equipment	134,380	-	-	134,380
Total Capital Assets Being Depreciated	<u>21,755,286</u>	<u>7,200</u>	<u>(23,250)</u>	<u>21,739,236</u>
Less Accumulated Depreciation for:				
Buildings	(680,360)	(87,789)	-	(768,149)
Infrastructure	(10,363,478)	(465,421)	-	(10,828,899)
Other Improvements	(6,507,519)	(19,647)	23,250	(6,503,916)
Machinery and Equipment	(66,897)	(15,707)	-	(82,604)
Total Accumulated Depreciation	<u>(17,618,254)</u>	<u>(588,564)</u>	<u>23,250</u>	<u>(18,183,568)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>4,137,032</u>	<u>(581,364)</u>	<u>-</u>	<u>3,555,668</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 6,345,088</u>	<u>\$ (548,606)</u>	<u>\$ -</u>	<u>\$ 5,796,482</u>

Depreciation expense totaling \$588,564 was allocated to the maintenance and operations function in the statement of activities.



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**Note 6 - Non-Current 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 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.

**Government Obligation Contract**

The District entered into a Government Obligation Contract tax-exempt agreement on August 20, 2020, with KS State Bank, to finance \$49,023 for the purchase of Edgewater Gate virtual gatehouse security equipment. Monthly principal and interest payments of \$2,367 began October 1, 2020. The contract's final maturity date was September 1, 2022.

**Non-Current Debt Activity**

Changes in non-current debt activity for the fiscal year ended September 30, 2022, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Note Payable - Direct Borrowings:					
2012 Notes	\$ 960,000	\$ -	\$ (230,000)	\$ 730,000	\$ 235,000
Government Obligation	<u>26,350</u>	<u>-</u>	<u>(26,350)</u>	<u>-</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u>\$ 986,350</u>	<u>\$ -</u>	<u>\$ (256,350)</u>	<u>\$ 730,000</u>	<u>\$ 235,000</u>

At September 30, 2022, the scheduled debt service requirements on the non-current 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>
2023	\$ 235,000	\$ 17,082	\$ 252,082
2024	245,000	11,583	256,583
2025	<u>250,000</u>	<u>5,850</u>	<u>255,850</u>
<b>Total</b>	<u>\$ 730,000</u>	<u>\$ 34,515</u>	<u>\$ 764,515</u>

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2**  
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**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	\$ 256,544	\$ 252,464	100%	\$ 764,515	2025

**Note 7 - Interfund Transfers**

Interfund transfers for the fiscal year ended September 30, 2022, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>
General	\$ -	\$ (71,191)
Debt Service	71,191	-
<b>Total</b>	<u>\$ 71,191</u>	<u>\$ (71,191)</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. See note 8 for more details.

**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 2022 were \$2,858,082, of which the District's share of \$823,862 is included under "other administration" and "maintenance and operations" in the expenditure section of the financial statements. The District's shared expenses for September 2022, totaling \$83,711, are included in "due to other governments" at September 30, 2022.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2  
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**Town Hall and Maintenance Facility**

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 used by District 2 under terms of a mutual agreement (the mutual agreement) between the parties dated November 15, 2012. The mutual agreement is for 25 years beginning on the effective date, unless terminated earlier by agreement of the parties. There is no annual payment for use of the land; consideration lies in the mutual promises contained in the mutual agreement.

The shared expenses for both Town Hall and the maintenance facility are covered under the terms of an amended non-exclusive and operating agreement dated November 15, 2012, among the Districts and the Authority (the agreement). The original term of the agreement is thirteen years ending on November 15, 2025. The agreement will be extended automatically for additional five-year terms; however, any District 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 within ninety (90) days of the applicable debt service being satisfied on May 1, 2023.

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). Contributions received by the District in 2022 totaled \$185,353 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 \$71,191 and was transferred from the general fund to the debt service fund in 2022.

Monthly 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. Contributions received by the Authority in 2022 totaled \$313,088, of which the District’s allocable share was \$76,065, 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 District 3, shares in this allocation.

The 2022 equivalent dwelling units (EDU) for allocation purposes were as follows:

<u>District 2 Rent Payments</u>			<u>Authority Rent Payments</u>		
	<u>EDU</u>	<u>Percent</u>		<u>EDU</u>	<u>Percent</u>
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%
<b>Total</b>	<u>6,800</u>	<u>100.00%</u>	District 6	444	5.71%
			<b>Total</b>	<u>7,767</u>	<u>100.00%</u>

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2**  
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The future debt service requirements on District 2’s 2012 Notes (and the District’s share based on the 2022 EDU allocation) is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>District 2 27.75%</u>
2023	\$ 235,000	\$ 17,082	\$ 252,082	\$ 69,951
2024	245,000	11,583	256,583	71,200
2025	<u>250,000</u>	<u>5,850</u>	<u>255,850</u>	<u>70,998</u>
<b>Total</b>	<u>\$ 730,000</u>	<u>\$ 34,515</u>	<u>\$ 764,515</u>	<u>\$ 212,149</u>

**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 \$29,667 were paid back to the Districts and other agencies under these arrangements during 2022.

**Short-Term Contractor Land Lease**

The District redistributed \$23,044, related to a short-term contractor’s land lease, to the other Districts during 2022 based on an EDU allocation. The amount is included in each District’s other revenues at year-end. The District’s share amount was \$6,395.

**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 - Subsequent Events**

**Hurricane Ian Impact**

On September 24, 2022, Governor Ron DeSantis issued Executive Order Number 22-219, Emergency Management – Hurricane Ian. By virtue of issuing the Executive Order, the Governor declared a state of emergency for every county in the State of Florida. On September 28, 2022, Hurricane Ian made landfall in Southwest Florida. The storm traveled up the state and entered Lakewood Ranch in the late evening hours of September 28, 2022. The Districts sustained damage related to the storm, in most part, with debris, trees, and falling limbs.

The Authority, on behalf of the Districts, has applied for public assistance grants through the Federal Emergency Management Agency (FEMA) for storm related damages. Preliminary recovery scoping meetings have been conducted to assess damage inventory, identify relevant documentation required to support damage claims, schedule site inspections, and develop a program delivery plan.

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

The Authority has submitted FEMA reimbursement claims in Category A – Debris Removal, Category B – Emergency Protective Measures, Category C – Roads and Bridges (includes signage), Category D – Water Control Facilities (includes stormwater pond bank erosion), and Category G – Parks, Recreation Areas, Other Facilities, on behalf of itself and each of the Districts.

Application for public assistance grant reimbursement in all the categories approximates \$1,500,000 as of the date of this report. Final submission deadline is February 18, 2023, and additional identifiable and eligible claims as well as claim adjustments may be included in the final submission. The estimated expenditures and grant reimbursement request breakdown by each District is: CDD1 \$356,000; CDD2 \$648,000; CDD4 \$221,000; CDD5 \$265,000; CDD6 \$10,000. The amounts are estimates and may change prior to final submission to FEMA. Since FEMA has yet to approve the project worksheet, no recognition has been given to these claims in the accompanying financial statements.

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

**Bid Protest, Settlement Agreement**

The Lakewood Ranch Community Development Districts released RFPs for their Landscape Maintenance and Irrigation Services Contracts (the Contract) with a submission date of July 6, 2021. Based on the Selection Committee's evaluation and recommendation to the District Board, the Board awarded the Contract at its August 2021 Board meeting. As a result of the award, Down To Earth Care II, Inc (Plaintiff) filed a Notice of Intent to Protest on August 30, 2021. The Formal Protest was dated September 7, 2021.

On the advice of the District Attorney, the District Board (Defendant) engaged Special Counsel to act as litigation attorney at a Special Hearing which was conducted on January 25, 2022. Both parties to the protest agreed upon the Hearing Officer who presided at the Special Hearing. The Special Hearing was continued from January 25, 2022, to February 14, 2022. The Special Hearing closing arguments were conducted on March 15, 2022.

After the Special Hearing, Proposed Recommended Orders from the plaintiff's and defendant's attorneys were filed with the Hearing Officer by March 30, 2022, for review and consideration. On April 14, 2022, the Hearing Officer issued a Recommended Order in favor of the District to which the Defendant took exception to one item, the recovery of the costs and fees incurred by the District relative to the protest. Exceptions to the Recommended Order were filed to the Board prior to the Board meeting (the Special Joint Meeting) held on June 14, 2022. Each Board was required to issue a Final Order within ninety (90) days from May 3, 2022. The Final Orders were discussed and approved at the June 14, 2022, Special Joint Meeting with each being done and ordered as of June 30, 2022.

A Motion For Entry of Final Orders quantifying the amount of attorneys' fees and costs incurred and directing payment from the Bid Protest Bonds was filed on July 12, 2022. A Mediation Hearing was conducted on October 6, 2022, to come to a settlement agreement. A Settlement Agreement and Mutual Release was executed in October 2022. The District received its proportionate share of the settlement on October 27, 2022, in the amount of \$12,666. The matter is now closed.

**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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Assessments	\$ 3,150,100	\$ 3,150,100	\$ 3,282,938	\$ 132,838
Contributions	314,690	314,690	129,100	(185,590)
Interest	6,000	6,000	35,879	29,879
Other Revenues	15,600	15,600	25,603	10,003
<b>Total Revenues</b>	<u>3,486,390</u>	<u>3,486,390</u>	<u>3,473,520</u>	<u>(12,870)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Town Hall	76,070	76,070	76,065	5
Maintenance Facility	256,900	256,900	-	256,900
Other Administration	382,680	382,680	516,852	(134,172)
Maintenance and Operations	3,187,340	3,187,340	2,862,367	324,973
Special Projects	102,124	102,124	39,958	62,166
Principal *	26,350	26,350	26,350	-
Interest *	2,056	2,056	2,056	-
Reserves	300,000	300,000	-	300,000
<b>(Total Expenditures)</b>	<u>(4,333,520)</u>	<u>(4,333,520)</u>	<u>(3,523,648)</u>	<u>809,872</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(847,130)</u>	<u>(847,130)</u>	<u>(50,128)</u>	<u>797,002</u>
<b>Other Financing Sources (Uses)</b>				
Transfer (out)	(4,400)	(4,400)	(71,191)	(66,791)
Carry Forward Surplus:				
Unrestricted	75,000	75,000	-	(75,000)
Road Reserves	646,000	646,000	-	(646,000)
Restricted Reserves	130,530	130,530	-	(130,530)
<b>Total Other Financing Sources (Uses)</b>	<u>847,130</u>	<u>847,130</u>	<u>(71,191)</u>	<u>(918,321)</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (121,319)</u>	<u>\$ (121,319)</u>

\* In the current year, the principle and interest payments were originally budgeted in Maintenance and Operations. We have presented a financial statement reclassification to separately identify the budget for Debt Service.

## **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, 2022, 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 2, 2023.

**Report on 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 or significant deficiencies may exist that were not identified.

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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**

**Report on 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 2, 2023  
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, 2022. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2022.

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 2, 2023  
Sarasota, Florida

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## 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, 2022, and have issued our report thereon dated February 2, 2023.

### 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 2, 2023, 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.

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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.

### Specific Information

The specific information below has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the District reported:

- a. The total number of District employees compensated in the last pay period of the District's fiscal year as 5.
- b. The total number of independent contractors to whom non-employee compensation was paid in the last month of the District's fiscal year as 4.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$24,000.
- d. All compensation earned by or awarded to non-employee independent contractors, whether paid or accrued, regardless of contingency as \$44,340.
- e. Each construction projects with a total cost of at least \$65,000 approved by the District that are scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:
- f. No budget amendments for the fiscal year ended September 30, 2022.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, *Rules of the Auditor General*, the District reported:

- a. The rate of non-ad valorem special assessments imposed by the District as of September 30, 2022, as an average rate of \$1,802.
- b. The total amount of special assessments collected by or on behalf of the District as of September 30, 2022, as \$3,282,938.
- c. Total outstanding bonds of \$730,000 with an interest rate of 2.34% and maturity date of May 1, 2025.

### 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.

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

## MANAGEMENT LETTER

### **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 2, 2023  
Sarasota, Florida

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