

2025

Lakewood Ranch Community
Development District 2

Financial Statements and
Independent Auditor's Report

September 30, 2025

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

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

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

SEPTEMBER 30, 2025

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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, 2025, 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, 2025, 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 other 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 9, 2026, 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.

Purvis Gray

February 9, 2026
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, 2025. 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 \$6,804,711.
- The District's net position decreased by \$1,629,006 for the year.

Fund Financial Statements

- At September 30, 2025, the District's governmental funds reported combined ending fund balances of \$3,642,000, a decrease of \$73,361 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 (major fund) and the debt service fund (non-major fund).

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>2025</u>	<u>2024</u>
Assets, Excluding Capital Assets	\$ 3,909,252	\$ 3,955,172
Capital Assets, Net of Depreciation	<u>3,162,711</u>	<u>4,970,794</u>
Total Assets	<u>7,071,963</u>	<u>8,925,966</u>
Liabilities, Excluding Long-Term Liabilities	267,252	242,249
Long-Term Liabilities	<u>-</u>	<u>250,000</u>
Total Liabilities	<u>267,252</u>	<u>492,249</u>
Net Position		
Net Investment in Capital Assets	3,162,711	4,720,794
Restricted for Debt Service	-	859
Restricted for Infrastructure Improvements	-	400,388
Unrestricted	<u>3,642,000</u>	<u>3,311,676</u>
Total Net Position	<u>\$ 6,804,711</u>	<u>\$ 8,433,717</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 \$1,629,006. The decrease reflects the extent to which the costs of operations, including depreciation, exceed program and general revenues.

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

	<u>2025</u>	<u>2024</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 3,852,673	\$ 3,620,289
Operating Grants and Contributions	354,626	317,960
General Revenues	<u>247,242</u>	<u>286,669</u>
Total Revenues	<u>4,454,541</u>	<u>4,224,918</u>
Expenses		
General Government:		
Town Hall	91,920	71,200
Other Administration	631,148	612,298
Maintenance and Operations	3,942,183	3,701,635
Capital Contributions	1,414,884	-
Interest on Long-Term Liabilities	<u>3,412</u>	<u>9,194</u>
Total Expenses	<u>6,083,547</u>	<u>4,394,327</u>
Change in Net Position	(1,629,006)	(169,409)
Net Position, Beginning of Year	<u>8,433,717</u>	<u>8,603,126</u>
Net Position, End of Year	<u>\$ 6,804,711</u>	<u>\$ 8,433,717</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2025, was \$6,083,547. The costs of the District's activities were primarily funded by program revenues. In the current year, program revenues include annual assessments and other contributions. Program revenues increased \$269,050 from 2024 to 2025 for a variety of reasons. Expenses increased by \$1,689,220, primarily as a result of the Capital Contribution of Maintenance Facility to the Lakewood Ranch Inter-District Authority, which totaled \$1,414,884 (net of accumulated depreciation) and for a variety of other reasons, such as road resurfacing projects, costs for labor and maintenance, hurricane-related cleanup and repairs, common areas upkeep, increases in operating costs and repair materials driven by price fluctuations and current market conditions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

The focus of the District's *governmental funds* is to provide information on *near-term* inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the year.

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,153,943 and total fund balance was \$3,642,000. 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 50.5% of total general fund expenditures while the total fund balance represents 85.3% 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. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors through resolution and in compliance with the statutory budget adoption process, which includes a Public Hearing to consider the amendment. The general fund budget for the fiscal year ended September 30, 2025, was amended; however, there was no overall impact on final appropriations or uses of the fund balance.

The difference between the original expenditures budget and the final budget are summarized as follows:

Increases:

- \$4,000 - District Attorney Services
- \$13,000 - District Engineering Services
- \$38,000 - Special Engineering Services (Special Projects)
- \$18,000 - General and Property Insurance
- \$7,000 - Non-Contracted Misc. Maintenance – Master (Hurricane cleanup)
- \$38,000 - Non-Contracted Misc. Maintenance – Edgewater (Hurricane cleanup)
- \$216,000 - Non-Contracted Misc. Maintenance – CC (Hurricane cleanup)
- \$21,000 - Irrigation Usage (Braden River Utility)
- \$13,000 - Drainage Maintenance
- \$9,000 - Signage
- \$13,000 - Hardscapes
- \$25,000 - Parks Maintenance
- \$181,000 - Special Projects (Real Time SCADA System, Pond Bank Erosion Repairs)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Decreases:

- \$4,000 - Special Attorney Services (Special Projects)
- \$31,000 - Conservation/Preserve/Wetland Maintenance
- \$5,000 - Gas/Electric (FPL, Peace River)
- \$176,000 - Storm Drain/Inlet Repairs
- \$251,000 - Road Repaving/Resurfacing
- \$5,000 - Roads & Sidewalks
- \$60,000 - Potable Water System R&M
- \$8,000 - Street Lighting
- \$16,000 - Irrigation Main Line Repairs/Valve Replacement
- \$12,000 - Sanitary Sewer System CCTV/Cleaning
- \$28,000 - Special Projects (Park Basketball Court Resurfacing/Overlay)

The original budget required utilization of carry forward surplus of \$70,000, road reserves of \$510,000, special Project (CIP) reserves of \$28,000, and restricted reserves of \$16,480 to balance an appropriation plan in excess of funding sources. The original appropriations budget, which includes transfers out, was \$4,953,230. The final (amended) budget had no impact to the total appropriation or the fund balance. Actual results *reduced* fund balance by \$72,502. Revenues and transfers in combined were under the budget by \$61,974 and expenditures and transfers out combined were \$613,952 under the budget. The variances occurred for a variety of reasons.

A budgetary comparison schedule is shown in the required supplementary information section of the report.

CAPITAL ASSETS AND LONG-TERM LIABILITIES ADMINISTRATION

Capital Assets

The District's investment in capital assets at September 30, 2025, totaled \$3,162,711 (net of accumulated depreciation). Capital assets include parks and landscape improvements, buildings, infrastructure, other improvements, and machinery and equipment. Current year additions were \$32,700 in Machinery and Equipment and depreciation was \$425,899. The current year disposals of assets were \$1,414,884 (net of accumulated depreciation), which is due to the capital contribution of Maintenance Facility to the Authority (described below). More detailed information about the District's capital assets is presented in Note 5 of the financial statements.

Long-Term Liabilities

At September 30, 2025, the District had no outstanding bonds or new debt issued. The 2012 Notes matured during the fiscal year. Principal payments during fiscal year 2025 totaled \$250,000. The portion of the 2012 Notes attributable to the Maintenance Facility reached final maturity on May 1, 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2026 general fund budget uses carry forward surplus of \$70,000, road reserves of \$22,000 special project reserves of \$15,000, and includes a 7.6% 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The District does not anticipate significant changes in its operations for fiscal year 2026. The District anticipates a continuation of its infrastructure maintenance program for fiscal year 2026.

As we prepare for the budget for fiscal year 2026, the District should take several critical economic factors into account, notably the current state of the economy and inflation trends. If the prices of goods and services keep rising, it may result in higher expenses for the District, which would consequently impact the budget allocations. Additionally, inflation can affect maintenance costs, construction expenses, and material prices, which can potentially influence the District's operations and planned capital improvements. It is essential to continuously monitor overall economic conditions and consider these variables. By taking a proactive and forward-thinking approach, the District can ensure that its budget is realistic, aligned with its strategic goals, and resilient in the face of potential economic fluctuations.

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, 2025
LAKEWOOD RANCH, FLORIDA

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 404,428
Investments	3,504,213
Accounts Receivable	597
Deposits	14
Capital Assets:	
Depreciable Assets, Net	954,655
Non-Depreciable	2,208,056
Total Assets	7,071,963
Liabilities	
Accounts Payable	92,198
Accrued Expenses	36,732
Due to Other Governments	138,192
Unearned Revenue	30
Deposits	100
Total Liabilities	267,252
Net Position	
Net Investment in Capital Assets	3,162,711
Unrestricted	3,642,000
Total Net Position	\$ 6,804,711

See accompanying notes.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2025
LAKWOOD 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>	<u>Governmental Activities</u>
Governmental Activities:				
General Government:				
Town Hall	\$ 91,920	\$ 79,860	\$ -	\$ (12,060)
Maintenance Facility	-	226,547	187,751	414,298
Other Administration	631,148	572,363	-	(58,785)
Maintenance and Operations	3,942,183	2,973,670	166,875	(801,638)
Capital Contributions	1,414,884	-	-	(1,414,884)
Interest on Long-Term Liabilities	3,412	233	-	(3,179)
Total Governmental Activities	<u>\$ 6,083,547</u>	<u>\$ 3,852,673</u>	<u>\$ 354,626</u>	<u>(1,876,248)</u>
General Revenues				
				218,633
Unrestricted Investment Earnings				28,609
Other Revenues				<u>247,242</u>
Total General Revenues				<u>247,242</u>
Change in Net Position				(1,629,006)
Net Position, Beginning of Year				<u>8,433,717</u>
Net Position, End of Year				<u>\$ 6,804,711</u>

See accompanying notes.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025
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>
Assets			
Cash and Cash Equivalents	\$ 404,428	\$ -	\$ 404,428
Investments	3,504,213	-	3,504,213
Accounts Receivable	597	-	597
Deposits	14	-	14
Total Assets	<u>3,909,252</u>	<u>-</u>	<u>3,909,252</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	92,198	-	92,198
Accrued Expenses	36,732	-	36,732
Due to Other Governments	138,192	-	138,192
Unearned Revenue	30	-	30
Deposits	100	-	100
Total Liabilities	<u>267,252</u>	<u>-</u>	<u>267,252</u>
Fund Balances			
Assigned for:			
Road Reserve	904,303	-	904,303
Utility Reserve	70,000	-	70,000
Special Projects	406,754	-	406,754
Subsequent Year's Expenditures	107,000	-	107,000
Unassigned:	2,153,943	-	2,153,943
Total Fund Balances	<u>3,642,000</u>	<u>-</u>	<u>3,642,000</u>
Total Liabilities and Fund Balances	<u>\$ 3,909,252</u>	<u>\$ -</u>	<u>\$ 3,909,252</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, 2025
LAKEWOOD RANCH, FLORIDA**

Fund Balance - Governmental Funds	\$	3,642,000
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**Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation.

Capital Assets	\$	21,606,663	
(Accumulated Depreciation)		<u>(18,443,952)</u>	<u>3,162,711</u>

Net Position of Governmental Activities	\$	<u><u>6,804,711</u></u>
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See accompanying notes.

**LAKEWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
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>
Revenues			
Assessments	\$ 3,852,440	\$ -	\$ 3,852,440
Contributions	166,875	187,751	354,626
Interest	218,633	233	218,866
Other Revenues	28,609	-	28,609
Total Revenues	<u>4,266,557</u>	<u>187,984</u>	<u>4,454,541</u>
Expenditures			
Current:			
General Government:			
Town Hall	91,920	-	91,920
Other Administration	626,262	4,886	631,148
Maintenance and Operations	3,516,284	-	3,516,284
Capital Outlay	32,700	-	32,700
Debt Service:			
Principal	-	250,000	250,000
Interest	-	5,850	5,850
(Total Expenditures)	<u>(4,267,166)</u>	<u>(260,736)</u>	<u>(4,527,902)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(609)</u>	<u>(72,752)</u>	<u>(73,361)</u>
Other Financing Sources (Uses)			
Transfer in	219	72,112	72,331
Transfer (out)	(72,112)	(219)	(72,331)
Total Other Financing Sources (Uses)	<u>(71,893)</u>	<u>71,893</u>	<u>-</u>
Net Change in Fund Balances	(72,502)	(859)	(73,361)
Fund Balances, Beginning of Year	<u>3,714,502</u>	<u>859</u>	<u>3,715,361</u>
Fund Balances, End of Year	<u>\$ 3,642,000</u>	<u>\$ -</u>	<u>\$ 3,642,000</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, 2025
LAKWOOD RANCH, FLORIDA**

Net Change in Fund Balances - Total Governmental Funds \$ (73,361)

**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. 32,700

The net effect of disposals of capital assets decreases net position in the statement of activities, but does not appear in the governmental funds because they are not financial resources.

Disposal of Capital Assets	\$ (2,424,454)	
Accumulated Depreciation of Disposals of Capital Assets	<u>1,009,570</u>	(1,414,884)

Depreciation on capital assets is not recognized in the governmental fund statements, but is reported as an expense in the statement of activities. (425,899)

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. 250,000

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. 2,438

Change in Net Position of Governmental Activities \$ (1,629,006)

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* (the Act), as amended, 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
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

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 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 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.

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

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 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 Cash Equivalents 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
NOTES TO THE FINANCIAL STATEMENTS
LAKWOOD RANCH, FLORIDA

- 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, 2025.

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, cash equivalents, 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:

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

<u>Assets</u>	<u>Years</u>
Buildings	10 to 50
Improvements other than Buildings	5 to 50
Machinery and Equipment	5 to 10
Infrastructure	25 to 50

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 2025.

Long-Term Debt 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.

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

- *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.

Minimum Fund Balance Levels—Board policy CDD2-2012-04, adopted September 13, 2012, established guidelines for the District to maintain certain fund balance levels as follows:

- General Reserves - Maintain an amount equal to a minimum of 20% of Annual Appropriations less Other Funding Sources, Projects, and Reserve Contributions.
- Unassigned - Maintain an amount equal to a minimum of 17% of Annual Appropriations less Other Funding Sources, Projects, and Reserve Contributions.

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.

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

- 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 amended its fiscal year 2025 budget.

Note 4 - Deposits, Cash Equivalents, and Investments

Cash 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.

Cash Equivalents

The First American Government Obligations Fund, Class Y, is a money market fund that seeks to provide maximum current income and daily liquidity by investing primarily in U.S. government securities and repurchase agreements collateralized by such obligations. The fund has a Standard & Poor’s rating of AAAM and a weighted average maturity of 45 days at September 30, 2025.

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.

Florida Prime:

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, 2025:

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
Local Government Surplus Funds			Weighted Average of the
Trust Fund (Florida PRIME)	\$ 3,504,213	AAAm	Fund Portfolio: 47 Days
Total Investments	<u>\$ 3,504,213</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.

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

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

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

As of September 30, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Foreign Currency Risk—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, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Parks - Landscape Improvements	\$ 2,208,056	\$ -	\$ -	\$ 2,208,056
Total Capital Assets Not Being Depreciated	<u>2,208,056</u>	<u>-</u>	<u>-</u>	<u>2,208,056</u>
Capital Assets Being Depreciated:				
Buildings	2,424,454	-	(2,424,454)	-
Infrastructure	12,523,378	-	-	12,523,378
Other Improvements	6,694,291	-	-	6,694,291
Machinery and Equipment	148,238	32,700	-	180,938
Total Capital Assets Being Depreciated	<u>21,790,361</u>	<u>32,700</u>	<u>(2,424,454)</u>	<u>19,398,607</u>
Less Accumulated Depreciation for:				
Buildings	(943,727)	(65,843)	1,009,570	-
Infrastructure	(11,427,752)	(320,927)	-	(11,748,679)
Other Improvements	(6,542,052)	(20,102)	-	(6,562,154)
Machinery and Equipment	(114,092)	(19,027)	-	(133,119)
Total Accumulated Depreciation	<u>(19,027,623)</u>	<u>(425,899)</u>	<u>1,009,570</u>	<u>(18,443,952)</u>
Total Capital Assets Being Depreciated, Net	<u>2,762,738</u>	<u>(393,199)</u>	<u>(1,414,884)</u>	<u>954,655</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,970,794</u>	<u>\$ (393,199)</u>	<u>\$ (1,414,884)</u>	<u>\$ 3,162,711</u>

On July 8, 2025, the District and the Lakewood Ranch Inter-District Authority (the Authority) executed the Amended Non-Exclusive Lease Agreement and Operating Agreement. This agreement stipulated that the Maintenance Facility would be transferred from the District to the Authority within ninety (90) days of the date when all financing costs for the construction of the Maintenance Facility had been paid in full, which occurred on May 1, 2025. The capital assets, including the Maintenance Facility and its contents, were transferred from the Capital Assets schedule for the District to the Authority. The total capital asset transfer reflected a decrease of \$2,424,454 in capital assets, with a corresponding accumulated depreciation of \$1,009,570.

Depreciation expense totaling \$425,899 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 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

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

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. The final scheduled payment of \$250,000 Principal and \$2,925 interest was made on May 1, 2025.

Long-Term Debt Activity

Changes in long-term debt activity for the fiscal year ended September 30, 2025, 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	\$ 250,000	\$ -	\$ (250,000)	\$ -	\$ -
Total Governmental Activities	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ (250,000)</u>	<u>\$ -</u>	<u>\$ -</u>

Note 7 - Interfund Transfers

Interfund transfers for the fiscal year ended September 30, 2025, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>
General	\$ 219	\$ (72,112)
Debt Service	72,112	(219)
Total	<u>\$ 72,331</u>	<u>\$ (72,331)</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 2025 were \$3,740,926, of which the District's share of \$1,079,238 is included under "other administration" and

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

“maintenance and operations” in the expenditure section of the financial statements. The District’s shared expenses for September 2025, totaling \$118,512, are included in “due to other governments” at September 30, 2025.

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. 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 portion of the 2012 Notes attributable to Maintenance Facility matured on May 1, 2025, which included a principal payment of \$250,000.

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 premises has been conveyed to the Authority since its applicable debt service was satisfied on May 1, 2018. The Maintenance Facility was conveyed from Lakewood Ranch Community Development District 2 (CDD2) to the Authority within ninety (90) days after all financing costs associated with its construction were fully satisfied, which occurred on May 1, 2025.

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 2025 totaled \$187,751 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 \$72,112 and was transferred from the general fund to the debt service fund in 2025.

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 2025 totaled \$378,330, of which the District’s allocable share was \$91,920, 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.

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

The 2025 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%
Total	<u>6,800</u>	<u>100.00%</u>	District 6	444	5.71%
			Total	<u>7,767</u>	<u>100.00%</u>

The debt service requirements on District 2’s 2012 Notes (and the District’s share based on the 2025 EDU allocation) matured on May 1, 2025. There are no future debt service requirements for 2026.

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 \$166,875, which is included in “contributions” in the general fund in the accompanying fund financial statements.

Short-Term Contractor Land Lease

The District will redistribute \$27,238, related to a short-term contractor’s land lease, to the other Districts based on an EDU allocation. The amount is included in each District’s other revenues and due to other governments at year-end. The District’s share amount was \$7,558. The short-term land lease for the contractor was transferred from District 2 to the Authority at the same time the Maintenance Facility and its contents were conveyed to the Authority.

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

No subsequent events have occurred between September 30, 2025 and the date of the financial statements.

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, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Assessments	\$ 3,814,560	\$ 3,814,560	\$ 3,852,440	\$ 37,880
Contributions	317,490	317,490	166,875	(150,615)
Interest	175,000	175,000	218,633	43,633
Other Revenues	21,700	21,700	28,609	6,909
Total Revenues	<u>4,328,750</u>	<u>4,328,750</u>	<u>4,266,557</u>	<u>(62,193)</u>
Expenditures				
Current:				
General Government:				
Town Hall	91,920	91,920	91,920	-
Maintenance Facility	260,760	260,760	-	260,760
Other Administration	589,800	658,800	626,262	32,538
Maintenance and Operations	3,644,750	3,422,750	3,516,284	(93,534)
Capital Outlay	56,000	209,000	32,700	176,300
Reserves	310,000	310,000	-	310,000
(Total Expenditures)	<u>(4,953,230)</u>	<u>(4,953,230)</u>	<u>(4,267,166)</u>	<u>686,064</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>(624,480)</u>	<u>(624,480)</u>	<u>(609)</u>	<u>623,871</u>
Other Financing Sources (Uses)				
Transfer (in)	-	-	219	219
Transfer (out)	-	-	(72,112)	(72,112)
Carry Forward Surplus:				
Unrestricted	70,000	70,000	-	(70,000)
Road Reserves	510,000	510,000	-	(510,000)
Special Projects	28,000	28,000	-	(28,000)
Restricted Reserves	16,480	16,480	-	(16,480)
Total Other Financing Sources (Uses)	<u>624,480</u>	<u>624,480</u>	<u>(71,893)</u>	<u>(696,373)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (72,502)</u>	<u>\$ (72,502)</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, 2025, 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 9, 2026.

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 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.

Purvis Gray

February 9, 2026
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, 2025. 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, 2025.

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.

Purvis Gray

February 9, 2026
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, 2025, and have issued our report thereon dated February 9, 2026.

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 an examination conducted in accordance with *American Institute of Certified Public Accountants Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated February 9, 2026, 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.

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MANAGEMENT LETTER

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and 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)7, *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 1.
- 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 \$52,955.
- e. No 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.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes. This information is included as a budget to actual schedule in the required supplementary information on page 28.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)9, *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, 2025, as an average rate of \$2,104.

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

MANAGEMENT LETTER

- b. The total amount of special assessments collected by or on behalf of the District as of September 30, 2025, as \$3,852,440.
- c. There are no outstanding bonds as of September 30, 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 fraud, waste, or abuse, that has occurred, or is likely to have occurred, that has 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.

Purvis Gray

February 9, 2026
Sarasota, Florida

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