

2023

Lakewood Ranch Community
Development District 2

Financial Statements and
Independent Auditor's Report

September 30, 2023

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

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

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

SEPTEMBER 30, 2023

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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, 2023, 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, 2023, 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 1, 2024, 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 1, 2024
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, 2023. 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 \$8,603,126.
- The District's net position increased by \$323,208 for the year.

Fund Financial Statements

- At September 30, 2023, the District's governmental funds reported combined ending fund balances of \$3,695,228, an increase of \$474,674 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>2023</u>	<u>2022</u>
Assets, Excluding Capital Assets	\$ 3,893,123	\$ 3,412,051
Capital Assets, Net of Depreciation	<u>5,407,725</u>	<u>5,796,482</u>
Total Assets	<u>9,300,848</u>	<u>9,208,533</u>
Liabilities, Excluding Long-Term Liabilities	202,722	198,615
Long-Term Liabilities	<u>495,000</u>	<u>730,000</u>
Total Liabilities	<u>697,722</u>	<u>928,615</u>
Net Position:		
Net Investment in Capital Assets	4,912,725	5,066,482
Restricted for Debt Service	160	-
Restricted for Infrastructure Improvements	400,388	400,388
Unrestricted	<u>3,289,853</u>	<u>2,813,048</u>
Total Net Position	<u>\$ 8,603,126</u>	<u>\$ 8,279,918</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The District's net position increased during the year by \$323,208. The increase reflects the extent to which the program and general revenues were sufficient to cover the costs of operations, including depreciation.

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

	2023	2022
Revenues		
Program Revenues:		
Charges for Services	\$ 3,460,585	\$ 3,282,938
Operating Grants and Contributions	314,759	314,453
General Revenues	239,220	61,482
Total Revenues	4,014,564	3,658,873
Expenses		
General Government:		
Town Hall	59,214	76,065
Other Administration	512,171	520,932
Maintenance and Operations	3,105,180	3,450,931
Interest on Long-Term Liabilities	14,791	22,278
Total Expenses	3,691,356	4,070,206
Change in Net Position	323,208	(411,333)
Net Position, Beginning of Year	8,279,918	8,691,251
Net Position, End of Year	\$ 8,603,126	\$ 8,279,918

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2023, was \$3,691,356. 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 \$177,953 from 2022 to 2023 for a variety of reasons. Although disaster clean-up and recovery costs associated with Hurricane Ian increased expenditures, overall expenses actually decreased \$378,850 primarily due to reductions in infrastructure maintenance and repairs.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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 \$1,846,852 and total fund balance was \$3,695,068. 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 56.3% of total general fund expenditures while the total fund balance represents 112.6% 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, 2023, was amended to increase appropriations and uses of fund balance by \$419,000.

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

- \$46,000 increase for Non-Contracted Maintenance - Master (Clean-up related to Hurricane Ian).
- \$45,000 increase for Non-Contracted Maintenance - EW (Clean-up related to Hurricane Ian).
- \$100,000 increase for Non-Contracted Maintenance - CC (Clean-up related to Hurricane Ian).
- \$13,000 increase for Landscape Contract - CC.
- \$5,000 Increase for Stormwater Pond Maintenance Contract.
- \$160,000 increase for Road repaving/resurfacing.
- \$50,000 increase for Pond Bank Erosion repairs.

The original budget required utilization of carry forward surplus of \$35,000, road reserves of \$340,000, and restricted reserves of \$144,690 to balance an appropriation plan in excess of funding sources. The original appropriations budget, which includes transfers out, was \$4,186,930. The final (amended) budget required an additional utilization of carry forward surplus of \$259,000 and road reserves of \$160,000 for a total of \$419,000 to balance an appropriation plan in excess of funding sources. The final (amended) appropriation budget, which includes transfers out, was \$4,605,930. Actual results *added* \$545,822 to fund balance. Revenues were \$161,505 better than budget and expenditures and transfers out combined were \$1,251,699 under budget. The variances occurred for a variety of reasons, but primarily due to the deferral of the road projects.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND LONG-TERM LIABILITIES ADMINISTRATION

Capital Assets

The District's investment in capital assets at September 30, 2023, totaled \$5,407,725 (net of accumulated depreciation). Capital assets include parks and landscape improvements, buildings, infrastructure, and machinery and equipment. Current year additions were \$60,458 in infrastructure, other improvements, and machinery and equipment, and depreciation was \$449,215. The current year's disposal of assets and accumulated depreciation were \$8,800. More detailed information about the District's capital assets is presented in Note 5 of the financial statements.

Long-Term Liabilities

At September 30, 2023, the District had \$495,000 in bonds outstanding with a final maturity in 2025. Principal payments during 2023 totaled \$235,000. The portion of the 2012 Notes attributable to Town Hall reached final maturity on May 1, 2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2024 general fund budget uses carry forward surplus of \$35,000, restricted reserves of \$108,620, and includes a 4.5% 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.

The District does not anticipate significant changes in its operations for fiscal year 2024. The District anticipates a continuation of its infrastructure maintenance program and road repaving/resurfacing program for fiscal year 2024.

Looking forward to the budget for fiscal year 2024, there are several key economic factors that the District should consider, including the state of the overall economy and inflation. If the cost of goods and services continues to increase, it may result in higher expenses for the District, affecting the allocation of funds in the budget. Additionally, inflation can impact maintenance costs, construction costs and material prices, which can have implications on the District's operations and planned capital improvements. Interest rates and investment income are other important economic factors to consider when looking at the fiscal year 2024 budget and forward. By taking a proactive and forward-looking approach, the District can ensure that its budget is realistic, adaptable, aligned with its goals, and able to withstand any potential changes in the economic landscape.

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, 2023
LAKWOOD RANCH, FLORIDA

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 343,274
Investments	3,537,703
Accounts Receivable	45
Deposits	240
Prepaid Items	11,701
Restricted Assets:	
Cash and Cash Equivalents	160
Capital Assets:	
Depreciable Assets, Net	3,199,669
Non-Depreciable	2,208,056
Total Assets	9,300,848
Liabilities	
Accounts Payable	62,226
Accrued Expenses	24,516
Due to Other Governments	108,915
Deposits	2,238
Accrued Interest	4,827
Long-Term Liabilities:	
Due Within One Year - Notes Payable	245,000
Due in More than One Year - Notes Payable	250,000
Total Liabilities	697,722
Net Position	
Net Investment in Capital Assets	4,912,725
Restricted for Debt Service	160
Restricted for Infrastructure Improvements	400,388
Unrestricted	3,289,853
Total Net Position	\$ 8,603,126

See accompanying notes.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2023
LAKWOOD RANCH, FLORIDA

Function/Programs	Expenses	Program Revenues		Net (Expense), Revenue, and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government:				
Town Hall	\$ 59,214	\$ 49,540	\$ -	\$ (9,674)
Maintenance Facility	-	214,592	-	214,592
Other Administration	512,171	321,504	-	(190,667)
Maintenance and Operations	3,105,180	2,874,789	314,759	84,368
Interest on Long-Term Liabilities	14,791	160	-	(14,631)
Total Governmental Activities	\$ 3,691,356	\$ 3,460,585	\$ 314,759	83,988
General Revenues				
				205,534
				33,686
				<u>239,220</u>
				323,208
				<u>8,279,918</u>
				<u>\$ 8,603,126</u>

See accompanying notes.

LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023
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	\$ 343,274	\$ 160	\$ 343,434
Investments	3,537,703	-	3,537,703
Accounts Receivable	45	-	45
Prepaid Items	11,701	-	11,701
Deposits	240	-	240
Total Assets	<u>3,892,963</u>	<u>160</u>	<u>3,893,123</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	62,226	-	62,226
Accrued Expenses	24,516	-	24,516
Due to Other Governments	108,915	-	108,915
Deposits	2,238	-	2,238
Total Liabilities	<u>197,895</u>	<u>-</u>	<u>197,895</u>
Fund Balances			
Non-Spendable:			
Prepaid Items	11,701	-	11,701
Restricted for:			
Debt Service	-	160	160
Infrastructure Improvements	400,388	-	400,388
Assigned for:			
Road Reserve	961,127	-	961,127
Special Projects	440,000	-	440,000
Subsequent Year's Expenditures	35,000	-	35,000
Unassigned:			
General Reserve	687,942	-	687,942
Unrestricted	1,158,910	-	1,158,910
Total Fund Balances	<u>3,695,068</u>	<u>160</u>	<u>3,695,228</u>
Total Liabilities and Fund Balances	<u>\$ 3,892,963</u>	<u>\$ 160</u>	<u>\$ 3,893,123</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, 2023
LAKEWOOD RANCH, FLORIDA**

Fund Balance - Governmental Funds	\$	3,695,228
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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	\$ 24,031,708	
(Accumulated Depreciation)	<u>(18,623,983)</u>	5,407,725

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

Accrued Interest	(4,827)	
Bonds Payable	<u>(495,000)</u>	<u>(499,827)</u>

Net Position of Governmental Activities	\$	<u><u>8,603,126</u></u>
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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, 2023
LAKWOOD RANCH, FLORIDA**

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Debt Service 2012</u>	<u>Governmental Funds</u>
Revenues			
Assessments	\$ 3,460,425	\$ -	\$ 3,460,425
Contributions	129,100	185,659	314,759
Interest	205,534	160	205,694
Other Revenues	33,686	-	33,686
Total Revenues	<u>3,828,745</u>	<u>185,819</u>	<u>4,014,564</u>
Expenditures			
Current:			
General Government:			
Town Hall	59,214	-	59,214
Other Administration	507,286	4,885	512,171
Maintenance and Operations	2,655,965	-	2,655,965
Special Projects	60,458	-	60,458
Debt Service:			
Principal	-	235,000	235,000
Interest	-	17,082	17,082
(Total Expenditures)	<u>(3,282,923)</u>	<u>(256,967)</u>	<u>(3,539,890)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>545,822</u>	<u>(71,148)</u>	<u>474,674</u>
Other Financing Sources (Uses)			
Transfer in	-	71,308	71,308
Transfer (out)	(71,308)	-	(71,308)
Total Other Financing Sources (Uses)	<u>(71,308)</u>	<u>71,308</u>	<u>-</u>
Net Change in Fund Balances	474,514	160	474,674
Fund Balances, Beginning of Year	<u>3,220,554</u>	<u>-</u>	<u>3,220,554</u>
Fund Balances, End of Year	<u>\$ 3,695,068</u>	<u>\$ 160</u>	<u>\$ 3,695,228</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, 2023
LAKWOOD RANCH, FLORIDA**

Net Change in Fund Balances - Total Governmental Funds \$ 474,674

**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. 60,458

Depreciation on capital assets is not recognized in the governmental
fund statements, but is reported as an expense in the statement
of activities. (449,215)

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. 235,000

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. 2,291

Change in Net Position of Governmental Activities \$ 323,208

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.

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NOTES TO THE FINANCIAL STATEMENTS
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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 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:

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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, 2023.

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
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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 2023.

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.

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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.

**LAKWOOD RANCH COMMUNITY DEVELOPMENT DISTRICT 2
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Neither the statute nor the District’s budget policy specifies the legal level of budgetary authority. The District amended its fiscal year 2023 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 24 days at September 30, 2023.

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, 2023:

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
Local Government Surplus Funds			Weighted Average of the
Trust Fund (Florida PRIME)	\$ 3,537,703	AAAM	Fund Portfolio: 35 Days
Total Investments	<u>\$ 3,537,703</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.

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

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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, 2023, 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.

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended September 30, 2023, was as follows:

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	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Governmental Activities					
Capital Assets Not Being Depreciated:					
Parks - Landscape Improvements	\$ 2,208,056	\$ -	\$ -	\$ -	\$ 2,208,056
Construction in Progress	32,758	-	-	(32,758)	-
Total Capital Assets Not Being Depreciated	<u>2,240,814</u>	<u>-</u>	<u>-</u>	<u>(32,758)</u>	<u>2,208,056</u>
Capital Assets Being Depreciated:					
Buildings	2,424,454	-	-	-	2,424,454
Infrastructure	12,543,376	24,000	-	-	12,567,376
Other Improvements	6,637,026	22,600	(8,800)	32,758	6,683,584
Machinery and Equipment	134,380	13,858	-	-	148,238
Total Capital Assets Being Depreciated	<u>21,739,236</u>	<u>60,458</u>	<u>(8,800)</u>	<u>32,758</u>	<u>21,823,652</u>
Less Accumulated Depreciation for:					
Buildings	(768,149)	(87,789)	-	-	(855,938)
Infrastructure	(10,828,899)	(321,919)	-	-	(11,150,818)
Other Improvements	(6,503,916)	(23,776)	8,800	-	(6,518,892)
Machinery and Equipment	(82,604)	(15,731)	-	-	(98,335)
Total Accumulated Depreciation	<u>(18,183,568)</u>	<u>(449,215)</u>	<u>8,800</u>	<u>-</u>	<u>(18,623,983)</u>
Total Capital Assets Being Depreciated, Net	<u>3,555,668</u>	<u>(388,757)</u>	<u>-</u>	<u>32,758</u>	<u>3,199,669</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,796,482</u>	<u>\$ (388,757)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,407,725</u>

Depreciation expense totaling \$449,215 was allocated to the maintenance and operations function in the statement of activities.

Note 6 - Long-Term Debt

The 2012 Notes - Direct Borrowings

On November 30, 2012, the District issued direct borrowings of \$3,250,000 of Special Revenue Improvement and Refunding Notes, Series 2012 (the 2012 Notes). The proceeds from the issuance of the 2012 Notes were used to refund the outstanding principal balance of the District's Special Revenue Notes, Series 2003 (the 2003 Notes), and finance the construction and/or acquisition of a new maintenance facility. The 2012 Notes bear interest at rates from 1.48% to 2.34% per annum. Interest is due semiannually on each May 1 and November 1. Scheduled principal amounts are due each May 1 through May 1, 2025. The 2012 Notes are subject to early redemption at the option of the District prior to maturity, in whole or in part, on or after May 1, 2013 (at 101% of par), or May 1, 2018 (at par), plus accrued interest. The 2012 Notes are subject to extraordinary mandatory redemption prior to their scheduled maturity from prepayments of special assessments. There were no current year extraordinary mandatory redemptions on the 2012 Notes. The portion of the 2012 Notes attributable to Town Hall reached final maturity on May 1, 2018.

Long-Term Debt Activity

Changes in long-term debt activity for the fiscal year ended September 30, 2023, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Note Payable - Direct Borrowings:					
2012 Notes	\$ 730,000	\$ -	\$ (235,000)	\$ 495,000	\$ 245,000
Total Governmental Activities	<u>\$ 730,000</u>	<u>\$ -</u>	<u>\$ (235,000)</u>	<u>\$ 495,000</u>	<u>\$ 245,000</u>

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At September 30, 2023, the scheduled debt service requirements on the long-term debt were as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 245,000	\$ 11,583	\$ 256,583
2025	250,000	5,850	255,850
Total	<u>\$ 495,000</u>	<u>\$ 17,433</u>	<u>\$ 512,433</u>

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:

<u>Description of Debt</u>	<u>Pledged Revenue</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percentage Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Revenue Pledged Through</u>
Special Revenue Improvement and Refunding Notes, Series 2012	Rent Payments and Assessments	\$ 256,967	\$ 252,082	100%	\$ 512,433	2025

Note 7 - Interfund Transfers

Interfund transfers for the fiscal year ended September 30, 2023, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>
General	\$ -	\$ (71,308)
Debt Service	71,308	-
Total	<u>\$ 71,308</u>	<u>\$ (71,308)</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:

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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 2023 were \$3,271,372, of which the District's share of \$944,430 is included under "other administration" and "maintenance and operations" in the expenditure section of the financial statements. The District's shared expenses for September 2023, totaling \$108,915, are included in "due to other governments" at September 30, 2023.

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, 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 2023 totaled \$185,659 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 \$71,308 and was transferred from the general fund to the debt service fund in 2023.

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 2023 totaled \$243,731, of which the District's allocable share was \$59,214, 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.

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The 2023 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><u>6,800</u></u>	<u><u>100.00%</u></u>	District 6	444	5.71%
			Total	<u><u>7,767</u></u>	<u><u>100.00%</u></u>

The future debt service requirements on District 2's 2012 Notes (and the District's share based on the 2023 EDU allocation) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>District 2 27.75%</u>
2024	\$ 245,000	\$ 11,583	\$ 256,583	\$ 71,201
2025	250,000	5,850	255,850	70,998
Total	<u><u>\$ 495,000</u></u>	<u><u>\$ 17,433</u></u>	<u><u>\$ 512,433</u></u>	<u><u>\$ 142,199</u></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 \$23,405 were paid back to the Districts and other agencies under these arrangements during 2023.

Short-Term Contractor Land Lease

The District redistributed \$18,413, related to a short-term contractor's land lease, to the other Districts during 2023 based on an EDU allocation. The amount is included in each District's other revenues at year-end. The District's share amount was \$5,110.

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, 2023, and the date of the release 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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Assessments	\$ 3,325,130	\$ 3,325,130	\$ 3,460,425	\$ 135,295
Contributions	314,410	314,410	129,100	(185,310)
Interest	6,000	6,000	205,534	199,534
Other Revenues	21,700	21,700	33,686	11,986
Total Revenues	<u>3,667,240</u>	<u>3,667,240</u>	<u>3,828,745</u>	<u>161,505</u>
Expenditures				
Current:				
General Government:				
Town Hall	59,220	59,220	59,214	6
Maintenance Facility	256,520	256,520	-	256,520
Other Administration	384,320	384,320	507,286	(122,966)
Maintenance and Operations	3,067,470	3,436,470	2,655,965	780,505
Special Projects	90,000	140,000	60,458	79,542
Reserves	325,000	325,000	-	325,000
(Total Expenditures)	<u>(4,182,530)</u>	<u>(4,601,530)</u>	<u>(3,282,923)</u>	<u>1,318,607</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(515,290)</u>	<u>(934,290)</u>	<u>545,822</u>	<u>1,480,112</u>
Other Financing Sources (Uses)				
Transfer (out)	(4,400)	(4,400)	(71,308)	(66,908)
Carry Forward Surplus:				
Unrestricted	35,000	294,000	-	(294,000)
Road Reserves	340,000	500,000	-	(500,000)
Restricted Reserves	144,690	144,690	-	(144,690)
Total Other Financing Sources (Uses)	<u>515,290</u>	<u>934,290</u>	<u>(71,308)</u>	<u>(1,005,598)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,514</u>	<u>\$ 474,514</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, 2023, 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 1, 2024.

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 1, 2024
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, 2023. 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, 2023.

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 1, 2024
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, 2023, and have issued our report thereon dated February 1, 2024.

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 1, 2024, 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 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 \$28,851.
- e. No construction project with a total cost of at least \$65,000 approved by the District that is 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 27.

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, 2023, as an average rate of \$1,895.
- b. The total amount of special assessments collected by or on behalf of the District as of September 30, 2023, as \$3,460,425.
- c. Total outstanding bonds as of September 30, 2023, as \$495,000 with an interest rate of 2.34% and maturity date of May 1, 2025.

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

MANAGEMENT LETTER

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and 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 1, 2024
Sarasota, Florida

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