

ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT
3434 Colwell Avenue, Suite 200, Tampa, Florida 33614

ACCEPTED IN OPEN SESSION

March 4, 2013

MAR 26 2013

BOARD OF COUNTY COMMISSIONERS
MANATEE COUNTY, FLORIDA

Manatee County Clerk – R. B. “Chips” Shore
1115 Manatee Avenue W.
Bradenton, FL 34205

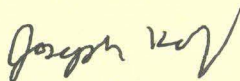
RE: Artisan Lakes Community Development District

To Whom It May Concern:

Pursuant to Section 11.45, Florida Statutes, and Section 189.418, Florida Statutes, an independent special district in one county must file its Annual Financial Audit Report with the Office of the Auditor General and the Clerk of the County governing within 45 days of audit completion and within 9 months of fiscal year end. One copy of the report must be submitted to the Clerk of the Board of County Commissioners.

Accordingly, enclosed is one copy of the Annual Financial Audit Report for the Fiscal Year Ended September 30, 2012 for the above referenced district. Please call me at (813) 933-5571 with any questions.

Sincerely,



Joseph Kennedy

Enclosures

RECEIVED
MAR 11 2013
BOARD RECORDS

**ARTISAN LAKES
COMMUNITY DEVELOPMENT DISTRICT**

FINANCIAL REPORT

Year Ended September 30, 2012



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

TABLE OF CONTENTS

Year Ended September 30, 2012

| | <u>Page</u> |
|---|-------------|
| I. Financial Section: | |
| Independent Auditor's Report | 1 |
| Management Discussion and Analysis | 3 |
| Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 7 |
| Statement of Activities | 8 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 9 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 10 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 11 |
| Notes to Financial Statements | 12 |
| II. Compliance Section: | |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 17 |
| Management Comments | 19 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Artisan Lakes Community Development District
Manatee County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Artisan Lakes Community Development District*, as of and for the year ended September 30, 2012, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the *Artisan Lakes Community Development District*, as of September 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 19, 2013 on our consideration of the *Artisan Lakes Community Development District's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with the results of our audit.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 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.

McDermitt Davis & Company, LLC

January 19, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Artisan Lakes Community Development District*, (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2012. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999. Comparative information between the current year and prior year is required to be presented in the Management's Discussion and Analysis (MD&A).

Financial Highlights

- The assets of the District matched its liabilities at September 30, 2012.
- At September 30, 2012, the District's governmental funds reported a zero fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the *Artisan Lakes Community Development District's* financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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 general government and physical environment related functions.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 one fund category: Governmental Funds.

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities, if there are differences.

The District maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

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

Notes to 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

Statement of Net Assets - The District's net assets were zero at September 30, 2012. The following analysis focuses on the net assets (deficit) of the District's governmental activities.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis (Continued):

Artisan Lakes Community Development District
Statement of Net Assets

| | September 30, | |
|--|----------------------|-------------|
| | 2012 | 2011 |
| Assets, excluding capital assets | \$ 6,296 | \$ 9,806 |
| Total assets | 6,296 | 9,806 |
| Liabilities, excluding long-term liabilities | 6,296 | 9,806 |
| Total liabilities | 6,296 | 9,806 |
| Net assets: | | |
| Unrestricted | - | - |
| Total net assets (deficit) | \$ - | \$ - |

The following is a summary of the District's Governmental activities for the fiscal year ended September 30, 2012:

Changes in Net Assets
Year ended September 30,

| | 2012 | 2011 |
|----------------------------------|-------------|-------------|
| Revenues: | | |
| Program revenues | \$ 21,809 | \$ 25,173 |
| Total revenues | 21,809 | 25,173 |
| Expenses: | | |
| General government | 21,809 | 23,039 |
| Total expenses | 21,809 | 23,039 |
| Change in net assets | - | 2,134 |
| Net assets (deficit) - beginning | - | (2,134) |
| Net assets (deficit) - ending | \$ - | \$ - |

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2012 was \$21,809, consisting entirely of general government expenses.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. 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 a government's net resources available for spending at the end of the fiscal year. At September 30, 2012, the District's governmental funds reported a zero fund balance.

In the table below we have presented the cost of the functions/programs as a percentage of total governmental funds for the fiscal year ended September 30:

| | <u>2012</u> | | <u>2011</u> | |
|--------------------|------------------|-------------|------------------|-------------|
| General government | <u>\$ 21,809</u> | <u>100%</u> | <u>\$ 23,039</u> | <u>100%</u> |
| | <u>\$ 21,809</u> | <u>100%</u> | <u>\$ 23,039</u> | <u>100%</u> |

As noted above, general government expenses comprise all of the expenditures of total governmental funds.

General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There was one amendment to the September 30, 2012 general fund budget. The legal level of budgetary control is at the fund level.

Requests for Information

If you have questions about this report or need additional financial information, contact the *Artisan Lakes Community Development District's* Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.



FINANCIAL STATEMENTS



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET ASSETS

September 30, 2012

| | Governmental Activities |
|---------------------------------------|------------------------------------|
| Assets: | |
| Cash | \$ 3,098 |
| Due from developer | 2,195 |
| Prepaid costs | 1,003 |
| Total assets | <u>6,296</u> |
| Liabilities: | |
| Accounts payable and accrued expenses | 3,253 |
| Deferred revenues | 3,043 |
| Total liabilities | <u>6,296</u> |
| Net Assets: | |
| Unrestricted | <u>-</u> |
| Total net assets | <u>\$ -</u> |



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue Operating Grants and Contributions</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Governmental Activities</u> |
|-------------------------------|------------------|---|--|
| Governmental activities: | | | |
| General government | \$ 21,809 | \$ 21,809 | \$ - |
| Total governmental activities | <u>\$ 21,809</u> | <u>\$ 21,809</u> | <u>-</u> |
| | | - Change in net assets | - |
| | | Net assets - beginning | <u>-</u> |
| | | Net assets - ending | <u>\$ -</u> |



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2012

| | <u>General</u> |
|---------------------------------------|----------------|
| Assets: | |
| Cash | \$ 3,098 |
| Due from developer | 2,195 |
| Prepaid costs | 1,003 |
| | <hr/> |
| Total assets | \$ 6,296 |
| | <hr/> <hr/> |
| Liabilities and Fund Balances: | |
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 3,253 |
| Deferred revenue | 3,043 |
| | <hr/> |
| Total liabilities | 6,296 |
| | <hr/> |
| Fund balance: | |
| Unassigned | - |
| | <hr/> |
| Total fund balance | - |
| | <hr/> |
| Total liabilities and fund balance | \$ 6,296 |
| | <hr/> <hr/> |



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended September 30, 2012

| | <u>General</u> |
|---|----------------|
| Revenues: | |
| Developer contributions | \$ 21,809 |
| Total revenues | <u>21,809</u> |
| Expenditures: | |
| Current: | |
| General government | <u>21,809</u> |
| Total expenditures | <u>21,809</u> |
| Net change in fund balance | - |
| Fund Balance - Beginning of Year (deficit) | <u>-</u> |
| Fund Balance - End of Year | <u>\$ -</u> |



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------------|-------------------------|--------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Developer contributions | \$ 20,610 | \$ 21,809 | \$ 21,809 | \$ - |
| Total revenues | 20,610 | 21,809 | 21,809 | - |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 20,610 | 21,809 | 21,809 | - |
| Total expenditures | 20,610 | 21,809 | 21,809 | - |
| Net change in fund balance | - | - | - | - |
| Fund balance (deficit) - beginning | - | - | - | - |
| Fund balance (deficit) - ending | \$ - | \$ - | \$ - | \$ - |



NOTES TO FINANCIAL STATEMENTS



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2012

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

The *Artisan Lakes Community Development District*, (the "District") was established by Manatee County Ordinance 07-64 enacted on August 7, 2004 by the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides, 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 at September 30, 2012 was composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. Four of the Board members are associated with Taylor Woodrow Communities at Artisan Lakes, LLC, (the "Developer") at September 30, 2012. The District is economically dependent on the Developer.

The Board has the final responsibility for, among other things:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

Government-Wide and Fund Financial Statements

The financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions and investment income that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

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. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified *accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental fund:

General Fund - is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities and Net Assets or Equity

Restricted Assets - These assets represent cash and investments set aside pursuant to bond covenants.

Deposits - The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

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.

Fund Balance Categories and Classifications - The District implemented GASB 54 in 2011, which established the following fund balance classifications: nonspendable, restricted, committed, assigned and unassigned. The District's general spending prioritization policy is to consider restricted resources to have been used first, followed by assigned and unassigned amounts when expenditures have been incurred for which resources are in more than one classification.

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- **Restricted** - includes fund balance amounts that are constrained for specific purposes which are externally imposed by debt covenants or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of Supervisors.
- **Assigned** - includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Board of Supervisors has authorized the District Accountant to assign amounts for specific purposes.
- **Unassigned** - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

Net assets in the government-wide statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's bond covenants.



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

Other Disclosures

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

Note 2 - Stewardship, Compliance and Accountability:

A. Budgetary Information

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

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

1. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. Subject to the provisions of the District's annual appropriation resolution, all budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.



ARTISAN LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2012

Note 3 - Deposits:

Deposits

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

Note 4 - Developer Transactions:

In the current year, the Developer contributed \$21,809 to fund all of the District operations. Of this amount, \$2,195 was receivable from the Developer at year end.

Note 5 - Going Concern:

In September 2010, the District had adopted a plan of dissolution, which was pending with Manatee County. On June 11, 2012, the Board of Supervisors voted to withdraw the pending petition for dissolution.

Note 6 - Management Company:

The District has contracted with a management company to perform management advisory services, which include financial advisory and accounting services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting and other administrative costs.

Note 7 - 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. These risks are covered by commercial insurance from independent third parties. The District has not filed any claims under this commercial coverage during the last three years.



COMPLIANCE SECTION



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

To the Board of Supervisors
Artisan Lakes Community Development District
Manatee County, Florida

We have audited the financial statements of the governmental activities and each major fund of the *Artisan Lakes Community Development District* (the "District") as of and for the year ended September 30, 2012, which collectively comprise the District's financial statements and have issued our report thereon dated January 19, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the *Artisan Lakes Community Development District* and management, and the Florida Auditor General, and is not intended to be, and should not be used by anyone other than these specified parties.

McDiarmid Davis & Company, LLC

January 19, 2013



MANAGEMENT COMMENTS

Board of Supervisors
Artisan Lakes Community Development District
Manatee County, Florida

We have audited the financial statements of the *Artisan Lakes Community Development District*, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated January 19, 2013.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated January 19, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report.

- 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 significant findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the *Artisan Lakes Community Development District* complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

MCDIRMIT DAVIS & COMPANY, LLC
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM



- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., 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. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *Artisan Lakes Community Development District* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the *Artisan Lakes Community Development District* for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McDermitt Davis & Company LLC

January 19, 2013

