

**Veranda Community  
Development District II**

**FINANCIAL STATEMENTS**

September 30, 2018



**CRI** CARR  
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INGRAM

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**September 30, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Supervisors  
Veranda Community Development District II  
St. Lucie County, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Veranda Community Development District II (hereinafter referred to as "District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Veranda Community Development District II as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2019, on our consideration of the District's internal control over financial reporting and 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 28, 2019



## **Management's Discussion And Analysis**

## Veranda Community Development District II Management's Discussion and Analysis

Our discussion and analysis of the Veranda Community Development District II's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the District's financial statements, which begin on page 7.

### FINANCIAL HIGHLIGHTS

- The City of Port St. Lucie Ordinance 18-30 established the District on July 9, 2018.
- At September 30, 2018, the District recorded developer contributions and general government expenditures of \$19,881.

### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 7 – 8 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

#### ***Reporting the District as a Whole***

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and related changes during the current year. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

## Veranda Community Development District II Management's Discussion and Analysis

### ***Reporting the District's Most Significant Funds***

Our analysis of the District's major funds begins on page 5. The fund financial statements begin on page 9 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

### **THE DISTRICT AS A WHOLE**

The following table reflects the condensed Statement of Net Position and is compared to the prior year. The District has no comparative information for the prior year due to the District's inception on July 9, 2018.

<i>September 30,</i>	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 20,654	\$ -	\$ 20,654
<b>Total assets</b>	<b>\$ 20,654</b>	<b>\$ -</b>	<b>\$ 20,654</b>
<b>Liabilities</b>			
Current liabilities	\$ 5,535	\$ -	\$ 5,535
<b>Total liabilities</b>	<b>5,535</b>	<b>-</b>	<b>5,535</b>
<b>Deferred inflows of resources</b>			
Deferred revenue	15,119	-	15,119
<b>Net position</b>			
Unrestricted	-	-	-
<b>Total net position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 20,654</b>	<b>\$ -</b>	<b>\$ 20,654</b>

For more detailed information, see the accompanying Statement of Net Position.

During the fiscal year ended September 30, 2018, total assets, liabilities and deferred inflows of resources increased by approximately \$6,000 and \$15,000, respectively. The increase in assets is primarily due to a developer contribution made in August of the current year. The increase in liabilities is primarily due to the timing of payments to vendors while the increase in deferred inflows of resources is primarily due to the excess of developer contributions received in the current year.

## Veranda Community Development District II Management's Discussion and Analysis

The following schedule compares the Statement of Activities for the current and previous fiscal year. The District has no comparative information for the prior year due to the District's inception on July 9, 2018.

<i>Year ended September 30,</i>	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 19,881	\$ -	\$ 19,881
<b>Total revenues</b>	<b>19,881</b>	<b>-</b>	<b>19,881</b>
<b>Expenses:</b>			
General government	19,881	-	19,881
<b>Total expenses</b>	<b>19,881</b>	<b>-</b>	<b>19,881</b>
Change in net position	-	-	-
Net position, beginning of year	-	-	-
<b>Net position, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

For more detailed information, see the accompanying Statement of Activities.

During the fiscal year ended September 30, 2018, revenues and expenditures totaled approximately \$20,00. The increase in revenues is primarily due to developer contributions received during the year. The increase in expenditures is primarily due to an increase in activity within the District in the current year. The overall result was no change in net position for fiscal year 2018.

### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 9) reported no combined fund balance. Significant transactions are discussed below.

- The City of Port St. Lucie Ordinance 18-30 established the District on July 9, 2018.
- At September 30, 2018, the District recorded developer contributions and general government expenditures of \$19,881.

There was no change in fund balance for the year ended September 30, 2018.



# Veranda Community Development District II Management's Discussion and Analysis

## **GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the General Fund, including the original budget and final adopted budget, is shown on page 17.

The District experienced an unfavorable variance in revenues and a favorable variance in expenditures in the amount of \$70,619. The variance in expenditures is primarily due to anticipated general government expenditures that were not necessary. Revenues varied in a similar manner because the Developer currently funds the operations of the District generally to the extent it makes expenditures.

## **FUTURE FINANCIAL FACTORS**

Veranda Community Development District II is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Developer contributions for fiscal year 2019 are anticipated to provide for the operations of the District.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Veranda Community Development District II's finance department at 12750 Citrus Park Lane, Suite 115, Tampa, Florida 33625.



## **Basic Financial Statements**

**Veranda Community Development District II  
Statement of Net Position**

<i>September 30,</i>	<b>2018</b>	
	<b>Governmental Activities</b>	
<b>Assets</b>		
Cash and cash equivalents	\$	15,654
Prepaid expenses		5,000
Total assets		20,654
<b>Liabilities</b>		
Accounts payable and accrued expenses		5,535
Total liabilities		5,535
<b>Deferred inflows of resources</b>		
Deferred revenue		15,119
Total deferred inflows of resources		15,119
<b>Net position</b>		
Unrestricted		-
Total net position	\$	-

*The accompanying notes are an integral part of these financial statements.*

## Veranda Community Development District II Statement of Activities

Year ended September 30,

2018

Functions/Programs	Expenses	Charges for Services	<u>Program Revenues</u> Operating Grants and Contributions	Governmental Activities	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary government:					
Governmental activities:					
General government	\$ (19,881)	\$ 19,881	\$ -	\$ -	-
Total governmental activities	\$ (19,881)	\$ 19,881	\$ -	-	-
Change in net position					-
Net position - beginning of year					-
Net position - end of year					\$ -

*The accompanying notes are an integral part of these financial statements.*

**Veranda Community Development District II  
Balance Sheet - Governmental Funds**

September 30,

2018

		<b>General Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$	15,654
Prepaid expenditures		5,000
Total assets	\$	20,654
<b>Liabilities and Fund Balances</b>		
Liabilities		
Accounts payable and accrued expenditures	\$	5,535
Total liabilities		5,535
Deferred inflows of resources		
Deferred revenue		15,119
Total deferred inflows of resources		15,119
Fund balances		
Nonspendable		5,000
Unassigned		(5,000)
Total fund balances		-
Total liabilities, deferred inflows of resources and fund balances	\$	20,654

*The accompanying notes are an integral part of these financial statements.*

**Veranda Community Development District II  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds**

*Year ended September 30,*

**2018**

		<b>General</b>
<b>Revenues</b>		
Developer contributions	\$	19,881
Total revenues		19,881
<b>Expenditures</b>		
Current:		
General government		19,881
Total expenditures		19,881
Excess of revenues over expenditures		-
Fund balances, beginning of year		-
Fund balances, end of year	\$	-

*The accompanying notes are an integral part of these financial statements.*

## Veranda Community Development District II Notes to Financial Statements

### NOTE 1: NATURE OF ORGANIZATION

The Veranda Community Development District II (the “District”) was established on July 9, 2018 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by City of Port St. Lucie Ordinance 18-30. The Act provides, among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes 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 a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by qualified electors that reside within the District. All supervisors are affiliated with the Developer of the District, Veranda St. Lucie Land Holdings, LLC. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

1. Allocating and levying special 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.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB). Based on the foregoing criteria, no potential component units were found.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

#### ***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 the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from

## Veranda Community Development District II Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2018, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting and Basis of 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 the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other similar items are to be 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 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Developer contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

For the year ended September 30, 2018, the District does not report any proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.



## Veranda Community Development District II Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as needed.

#### ***Cash, Deposits and Investments***

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB Statement Number 40, *Deposits and Investment Disclosures (An Amendment of Governmental Accounting Standards Board Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others direct obligations of the United States Treasury; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position and balance sheet – governmental funds includes 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 (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2018.

In addition to liabilities, the statement of financial position and balance sheet – governmental funds 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. The District only has one item, deferred revenue, due to excess developer contributions over expenditures, which qualifies for reporting in this category at September 30, 2018.

## Veranda Community Development District II Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *Fund Equity*

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by the District's bond covenants.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

#### *Budgets*

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. A public hearing is conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

## Veranda Community Development District II Notes to Financial Statements

### **NOTE 3: CONCENTRATION**

A significant portion of the District's activity going forward is dependent upon the continued involvement of the Developer, Veranda St. Lucie Land Holdings, LLC, which currently owns the majority of the assessable property located within the District's boundaries. The loss of support could potentially have a material adverse effect on the District's operations. During the current year, the Developer contributed \$35,000 to the District, of which \$19,881 is recorded in Developer contributions on the Statement of Activities and \$15,119 is recorded as Deferred revenue on the Statement of Net Position.

### **NOTE 4: 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 maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. The District has not incurred any losses or received any insurance claims exceeding the commercial coverage since inception.

### **NOTE 5: MANAGEMENT COMPANY**

The District has contracted with a management company to perform management services, which include financial 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 6: SUBSEQUENT EVENTS**

In December 2018, the District issued \$21,360,000 of Special Assessment Bonds, Series 2018 consisting of \$7,405,000 Series 2018-A Service Area 1 bonds with fixed interest rates from 4.000% to 5.125%, \$7,045,000 Series 2018-A Service Area 2 bonds with fixed interest rates from 4.000% to 5.125%, and \$6,910,000 Series 2018-B bonds with a fixed interest rate of 5.875%. The Series 2018 Bonds were issued to finance the acquisition and construction of the 2018 Project. Interest will be paid semiannually on each May 1 and November 1, commencing May 1, 2019. Principal will be paid annually on each November 1, commencing November 1, 2020. The Series 2018 Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption at the times, in the amounts and at the redemption prices as more fully described in the Bond Indenture.

**Veranda Community Development District II  
Notes to Financial Statements**

**NOTE 6: SUBSEQUENT EVENTS (Continued)**

Scheduled debt service payments are as follows:

<i>Year Ending September 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2020	\$ -	\$ 952,787	\$ 952,787
2021	235,000	1,117,275	1,352,275
2022	240,000	1,107,875	1,347,875
2023	250,000	1,098,275	1,348,275
2024	260,000	1,088,275	1,348,275
2025 - 2029	1,470,000	5,268,100	6,738,100
2030 - 2034	8,765,000	4,490,113	13,255,113
2035 - 2039	2,365,000	2,354,938	4,719,938
2040 - 2044	3,020,000	1,697,488	4,717,488
2045 - 2049	3,860,000	842,550	4,702,550
2050	895,000	45,869	940,869
	\$ 21,360,000	\$ 20,063,544	\$ 41,423,544



**Required Supplemental Information  
(Other Than MD&A)**

**Veranda Community Development District II  
Budget to Actual Comparison Schedule - General Fund**

<i>Year ended September 30,</i>	<b>2018</b>		
	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Developer contributions	\$ 90,500	\$ 19,881	\$ (70,619)
<b>Total revenues</b>	<b>90,500</b>	<b>19,881</b>	<b>(70,619)</b>
<b>Expenditures</b>			
General government	65,500	19,881	45,619
Maintenance and operations	25,000	-	25,000
<b>Total expenditures</b>	<b>90,500</b>	<b>19,881</b>	<b>70,619</b>
<b>Excess of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**INDEPENDENT AUDITORS' 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  
Veranda Community Development District II  
City of Port St. Lucie, 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 and each major fund of Veranda Community Development District II (hereinafter referred to as the "District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated June 28, 2019.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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, 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*.

## **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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

June 28, 2019



## MANAGEMENT LETTER

(850) 837-3141  
(850) 654-4619 (fax)  
CRlcpa.com

To the Board of Supervisors  
Veranda Community Development District II  
St. Lucie County, Florida

### Report on the Financial Statements

We have audited the financial statements of the Veranda Community Development District II ("District") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 28, 2019.

### 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 Florida Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated June 28, 2019, 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 annual financial audit report. This is the District's first annual 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. The information required is disclosed in the notes to the financial statements.

## **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 our determination as to whether or not the District 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 District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 28, 2019



**Carr, Riggs & Ingram, LLC**  
Certified Public Accountants  
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Suite 210  
Miramar Beach, Florida 32550

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## **INDEPENDENT ACCOUNTANTS' REPORT**

To the Board of Supervisors  
Veranda Community Development District II  
St. Lucie County, Florida

We have examined Veranda Community Development District II's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. 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 specified 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 noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 28, 2019