

# **Financial Statements**

**September 30, 2020**

## **Meadow Pointe II Community Development District**

	<u>Page</u>
<b>I. Financial Section:</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	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
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to Financial Statements	13
<b>II. Compliance Section:</b>	
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 <i>Government Auditing Standards</i>	22
Management Letter	23
Independent Accountant's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	25

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
*Meadow Pointe II Community Development District*

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the *Meadow Pointe II Community Development District* (the "District"), as of and for the year ended September 30, 2020, 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

The District's 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.

### Auditor's 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 principles 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 District as of September 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund 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 starting on page 3, 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 March 24, 2021, 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, 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 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.

*McDiarmid Davis*

Orlando, Florida  
March 24, 2021

Our discussion and analysis of *Meadow Pointe II Community Development District's* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2020. 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.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at September 30, 2020 by \$19,616,707, an increase in net position of \$492,987 in comparison with the prior year.
- At September 30, 2020, the District's governmental funds reported a fund balance of \$11,114,379, a decrease of \$365,766 in comparison with the prior year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the *Meadow Pointe II Community Development District's* financial statements. The District's financial statements comprise 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 position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, 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 government's net position changed during the most recent fiscal year. All changes in net position 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, physical environment, culture and recreation, transportation, and public safety related functions.

### **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.

Meadow Pointe II Community Development District  
**Management's Discussion and Analysis**

---

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, which are considered to be major funds.

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 Position - The District's net position was \$19,616,707 at September 30, 2020. The following analysis focuses on the net position of the District's governmental activities.

	<u>2020</u>	<u>2019</u>
Assets, excluding capital assets	\$ 11,207,336	\$ 11,576,893
Capital Assets, net of depreciation	<u>16,632,222</u>	<u>16,077,437</u>
<b>Total assets</b>	<u>27,839,558</u>	<u>27,654,330</u>
Liabilities, excluding long-term liabilities	216,255	223,064
Long-term Liabilities	<u>8,006,596</u>	<u>8,307,546</u>
<b>Total liabilities</b>	<u>8,222,851</u>	<u>8,530,610</u>
Net Position:		
Net investment in capital assets	13,916,151	14,047,886
Restricted for debt service	183,786	177,636
Unrestricted	<u>5,516,770</u>	<u>4,898,198</u>
<b>Total net position</b>	<u>\$ 19,616,707</u>	<u>\$ 19,123,720</u>

Meadow Pointe II Community Development District  
**Management's Discussion and Analysis**

The following is a summary of the District's governmental activities for the fiscal years ended September 30:

	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues	\$ 2,640,832	\$ 2,729,897
General revenues	235,808	105,644
<b>Total revenues</b>	<u>2,876,640</u>	<u>2,835,541</u>
Expenses:		
General government	292,886	861,366
Physical environment	999,342	1,087,114
Culture and recreation	529,378	624,878
Transportation	203,336	204,569
Public safety	54,520	45,672
Interest on long-term debt	304,191	130,366
<b>Total expenses</b>	<u>2,383,653</u>	<u>2,953,965</u>
<b>Change in net position</b>	492,987	(118,424)
Net position, beginning	<u>19,123,720</u>	<u>19,394,565</u>
Net position, ending	<u>\$ 19,616,707</u>	<u>\$ 19,276,141</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2020 was \$2,371,239. The majority of these costs are comprised of physical environment expense.

**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, 2020, the District's governmental funds reported combined ending fund balances of \$11,114,379. Of this total, \$30,457 is non-spendable, \$5,597,609 is restricted, \$2,267,819 is assigned and the remainder of \$3,218,494 is unassigned.

The general fund balance increase of \$618,572 in the current year was used to fund the operating and replacement reserves.

**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 were no amendments to the September 30, 2020 general fund budget. The legal level of budgetary control is at the fund level.

**Capital Asset and Debt Administration**

**Capital Assets** - At September 30, 2020, the District had \$16,632,222 invested in assets, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Capital Debt** - At September 30, 2020, the District has \$8,120,000 in bonds outstanding. More detailed information about the District's capital debt is presented in the notes to the financial statements.

**Requests for Information**

If you have questions about this report or need additional financial information, contact the *Meadow Pointe II Community Development District's* Finance Department at 210 North University Drive, Suite 702, Coral Springs, Florida, 33071.



## FINANCIAL STATEMENTS

Meadow Pointe II Community Development District  
**Statement of Net Position**  
September 30, 2020

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 319,312
Investments	5,226,264
Receivable from other governments	11,140
Miscellaneous receivables	79
Prepaid costs	507
Deposits	29,950
Restricted Assets:	
Temporarily restricted cash	22,475
Temporarily restricted investments	5,597,609
Capital Assets:	
Capital assets, not being depreciated	13,270,356
Capital assets, net of depreciation	3,361,866
<b>Total assets</b>	<b>27,839,558</b>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	70,482
Member deposits	22,475
Accrued Interest Payable	123,298
Noncurrent Liabilities:	
Due within one year	310,000
Due in more than one year	7,696,596
<b>Total liabilities</b>	<b>8,222,851</b>
<b>Net Position:</b>	
Net investment in capital assets	13,916,151
Restricted for debt service	183,786
Unrestricted	5,516,770
<b>Total net position</b>	<b>\$ 19,616,707</b>

Meadow Pointe II Community Development District  
**Statement of Activities**  
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenue		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
<b>Governmental Activities:</b>					
General government	\$ 292,886	\$ 273,792	\$ -	\$ -	\$ (19,094)
Physical environment	999,342	975,544	-	-	(23,798)
Culture and recreation	529,378	516,771	-	-	(12,607)
Transportation	203,336	198,494	-	-	(4,842)
Public safety	54,520	53,222	-	-	(1,298)
Interest on long-term debt	304,191	623,009	-	-	318,818
<b>Total governmental activities</b>	<b>\$ 2,383,653</b>	<b>\$ 2,640,832</b>	<b>\$ -</b>	<b>\$ -</b>	<b>257,179</b>
<b>General Revenues:</b>					
Investment and miscellaneous					235,808
<b>Total general revenues</b>					<b>235,808</b>
<b>Change in net position</b>					<b>492,987</b>
Net position, beginning					19,123,720
<b>Net position, ending</b>					<b>\$ 19,616,707</b>

Meadow Pointe II Community Development District  
**Balance Sheet - Governmental Funds**  
September 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 319,312	\$ -	\$ -	\$ 319,312
Restricted cash	22,475	-	-	22,475
Investments	5,226,264	307,084	5,290,525	10,823,873
Receivable from other governments	11,140	-	-	11,140
Miscellaneous receivables	79	-	-	79
Prepaid costs	507	-	-	507
Deposits	29,950	-	-	29,950
<b>Total assets</b>	<u>\$ 5,609,727</u>	<u>\$ 307,084</u>	<u>\$ 5,290,525</u>	<u>\$ 11,207,336</u>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable and accrued expenses	70,482	\$ -	\$ -	\$ 70,482
Member deposits	22,475	-	-	22,475
<b>Total liabilities</b>	<u>92,957</u>	<u>-</u>	<u>-</u>	<u>92,957</u>
<b>Fund Balances:</b>				
Nonspendable	30,457	-	-	30,457
Restricted for:				
Debt service	-	307,084	-	307,084
Capital projects	-	-	5,290,525	5,290,525
Assigned for:				
Operating reserves	512,421	-	-	512,421
Roadways	1,395,243	-	-	1,395,243
Ponds	269,053	-	-	269,053
Sidewalks	91,102	-	-	91,102
Unassigned	3,218,494	-	-	3,218,494
<b>Total fund balances</b>	<u>5,516,770</u>	<u>307,084</u>	<u>5,290,525</u>	<u>11,114,379</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,609,727</u>	<u>\$ 307,084</u>	<u>\$ 5,290,525</u>	

**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 in the funds.		16,632,222
Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.		
	Accrued interest payable	(123,298)
	Bonds and note payable	(8,006,596)
<b>Net Position of Governmental Activities</b>		<u>\$ 19,616,707</u>

Meadow Pointe II Community Development District  
**Statement of Revenues, Expenditures and Changes in the Fund Balances**  
**Governmental Funds**  
Year Ended September 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Special assessments	\$ 2,017,823	\$ 620,677	\$ -	\$ 2,638,500
Special assessments - prepayments	-	2,332	-	2,332
Investment and miscellaneous income	193,683	1,685	40,440	235,808
<b>Total revenues</b>	<u>2,211,506</u>	<u>624,694</u>	<u>40,440</u>	<u>2,876,640</u>
<b>Expenditures:</b>				
Current:				
General government	280,472	12,414	-	292,886
Physical environment	525,228	-	-	525,228
Culture and recreation	529,378	-	-	529,378
Transportation	203,336	-	-	203,336
Public safety	54,520	-	-	54,520
Debt Service:				
Principal	-	305,000	-	305,000
Interest	-	303,159	-	303,159
Capital outlay	-	-	1,028,899	1,028,899
<b>Total expenditures</b>	<u>1,592,934</u>	<u>620,573</u>	<u>1,028,899</u>	<u>3,242,406</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>618,572</u>	<u>4,121</u>	<u>(988,459)</u>	<u>(365,766)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	989	989
Transfers out	-	(989)	-	(989)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(989)</u>	<u>989</u>	<u>-</u>
<b>Net change in fund balances</b>	618,572	3,132	(987,470)	(365,766)
Fund balances, beginning of year	4,898,198	303,952	6,277,995	11,480,145
<b>Fund balances, end of year</b>	<u>\$ 5,516,770</u>	<u>\$ 307,084</u>	<u>\$ 5,290,525</u>	<u>\$ 11,114,379</u>

Meadow Pointe II Community Development District  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities**  
 Year Ended September 30, 2020

---

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (page 10) \$ (365,766)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources; however, in the statement of net position the cost of those assets is recorded as capital assets. Depreciation on capital assets is not recognized in the governmental fund statement; however, it is reported as an expense in the statement of activities.

Capital outlay	1,028,899	
Depreciation expense	<u>(474,114)</u>	554,785

Repayments of bond principal are expenditures in governmental funds while repayments reduce liabilities in the statement of net position. Also, governmental funds report the effect premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Principal		305,000
----------------	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest		3,018
Amortization of bond discount		<u>(4,050)</u>

<b>Change in Net Position of Governmental Activities (page 8)</b>		<b><u>\$ 492,987</u></b>
---	--	--------------------------

Meadow Pointe II Community Development District  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
Year Ended September 30, 2020

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Special assessments	\$ 2,012,500	\$ 2,012,500	\$ 2,017,823	\$ 5,323
Investment and miscellaneous income	49,100	49,100	193,683	144,583
<b>Total revenues</b>	<b>2,061,600</b>	<b>2,061,600</b>	<b>2,211,506</b>	<b>149,906</b>
<b>Expenditures:</b>				
Current:				
General government	306,164	306,164	280,472	25,692
Physical environment	833,491	833,491	525,228	308,263
Culture and recreation	629,895	629,895	529,378	100,517
Roads and streets	210,000	210,000	203,336	6,664
Public safety	92,050	92,050	54,520	37,530
<b>Total expenditures</b>	<b>2,071,600</b>	<b>2,071,600</b>	<b>1,592,934</b>	<b>478,666</b>
Excess (deficit) of revenues over expenditures	(10,000)	(10,000)	618,572	628,572
<b>Net change in fund balance</b>	<b>\$ (10,000)</b>	<b>\$ (10,000)</b>	<b>618,572</b>	<b>\$ 628,572</b>
Fund balance, beginning			4,898,198	
<b>Fund balance, ending</b>			<b>\$ 5,516,770</b>	

**NOTES TO FINANCIAL STATEMENTS**



**NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The *Meadow Pointe II Community Development District*, (the “District”) was established on October 7, 1994 by Pasco County Ordinance 94-13 pursuant to 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 is 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 exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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”) Statements 14, 39, and 61. 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.

**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 position and the statement of activities) report information on all of the non-fiduciary activities of the District. 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 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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance special assessments are levied by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. These assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District.

Assessments 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. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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 governmental funds, which are considered to be major funds:

**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.

**Debt Service Fund** - accounts for the accumulation of resources for the annual payment of principal and interest on long-term debt.

**Capital Projects Fund** - accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

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

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

Investments of the District are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District's investments consist of investments authorized in accordance with Section 218.415, Florida Statutes.

**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.

**Capital Assets** - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 20
Infrastructure	10 - 30
Equipment	3 - 20
Vehicles	10 - 15

**Long Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial 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 (expense/expenditure) until then. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2020.

In addition to liabilities, the statement of financial 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. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2020.

**Net Position Flow Assumption** - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted- net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted-net position is applied.

**Fund Balance Flow Assumptions** - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies** - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

**NOTE 1                    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above and additional action is essential to either remove or revise a commitment.

**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.

**New Accounting Standards**

In fiscal year 2020, the District implemented Government Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of provisions in certain other statements. There was no effect on beginning balances of the District for implementation of this Statement.

**NOTE 2                    STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**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. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. 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.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**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.

Cash balances of \$22,475 are held as deposits for fitness facility member access cards. This cash is considered restricted as it is refundable to the members.

**Investments**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Under GASB 72, assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted prices for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes and the District Trust Indenture. Authorized District investments include, but are not limited to:

1. The Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury;

Investments made by the District at September 30, 2020 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
US Bank Commercial Paper	\$ 5,597,609	A1	NA
Money Market Funds	5,006,076	NA	NA
Certificates of Deposit	220,188	NA	6 months
	<u>\$ 10,823,873</u>		

*Credit Risk:*

The District's limits credit risk by restricting authorized investments to those described which are either backed by the full faith and credit of the United States Government or maintain the highest credit quality ratings of Moody's or S&P.

**NOTE 3            DEPOSITS AND INVESTMENTS (CONTINUED)**

*Custodial Credit Risk:*

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2020, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2020, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

*Concentration of Credit Risk:*

There is no limit on the amount the District may invest in any one issuer.

*Interest Rate Risk:*

The District does not specifically address interest rate risk; however, their practice is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District invests to provide sufficient liquidity to pay obligations as they come due.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land and land improvements	\$ 11,197,145	\$ -	\$ -	\$ 11,197,145
Construction in progress	1,044,312	1,028,899	-	2,073,211
<b>Total capital assets not being depreciated</b>	<b>12,241,457</b>	<b>1,028,899</b>	<b>-</b>	<b>13,270,356</b>
Capital Assets Being Depreciated:				
Building and improvements	6,691,759	-	-	6,691,759
Infrastructure	9,719,984	-	-	9,719,984
Machinery and equipment	340,524	-	-	340,524
Vehicles	93,007	-	-	93,007
<b>Total capital assets being depreciated</b>	<b>16,845,274</b>	<b>-</b>	<b>-</b>	<b>16,845,274</b>
Less Accumulated Depreciation for:				
Building and improvements	(5,949,612)	(140,779)	-	(6,090,391)
Infrastructure	(6,795,795)	(308,642)	-	(7,104,437)
Machinery and equipment	(244,076)	(16,602)	-	(260,678)
Vehicles	(19,811)	(8,091)	-	(27,902)
<b>Total accumulated depreciation</b>	<b>(13,009,294)</b>	<b>(474,114)</b>	<b>-</b>	<b>(13,483,408)</b>
<b>Total capital assets being depreciated, net</b>	<b>3,835,980</b>	<b>(474,114)</b>	<b>-</b>	<b>3,361,866</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 16,077,437</b>	<b>\$ 554,785</b>	<b>\$ -</b>	<b>\$ 16,632,222</b>

Depreciation was charged to physical environment expense.

**NOTE 5 ASSIGNED FUNDS**

The District has assigned \$2,267,819 of the general fund balance for use as follows; \$1,395,243 for future repair and replacement of roadways, \$269,053 for pond repair, \$91,102 for sidewalk repair and \$512,421 has been budgeted as a general operating reserve, representing approximately three months of operations expense.

**NOTE 6 LONG-TERM LIABILITIES**

**Series 2018 Special Assessment Revenue Bonds - Public Offering**

On October 1, 2018, the District issued \$8,425,000 of Special Assessment Revenue Bonds Series 2018 consisting of \$3,465,000 Serial Series 2018 due from May 1, 2020 to May 1, 2029 with interest rates ranging from 2.375% to 3.500%; \$1,750,000 Term Bonds Series 2018 due on May 1, 2033 with a fixed interest rate of 3.875% and \$3,210,000 Term Bonds Series 2018 due on May 1, 2039 a fixed interest rate of 4.125%. Interest is due semiannually on each May 1 and November 1. Principal on the Series 2018 Bonds is due annually commencing May 1, 2020 through May 1, 2039.

The Series 2018 Bonds are subject to redemption at the option of the District prior to their maturity and extraordinary mandatory redemption prior to their maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement was met at September 30, 2020.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The principal and interest on the Series 2018 Special Assessment Revenue Bonds issued under the Indenture are secured by all revenues received by the District from Series 2018 assessments levied and collected on the District lands benefited by the 2018 Project.

As of September 30, 2020, total principal and interest remaining on the Series 2018 Bonds totaled \$11,628,420. For the year ended September 30, 2020, \$608,159 principal and interest was paid. Special assessment revenue pledged was \$610,595.

Long-term debt activity for the year ended September 30, 2020 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Bonds Payable:					
Revenue Bond Series 2018	\$ 8,425,000	\$ -	\$ (305,000)	\$ 8,120,000	\$ 310,000
Original Issue Discount	(117,454)	-	4,050	(113,404)	-
Governmental activity long-term liabilities	<u>\$ 8,307,546</u>	<u>\$ -</u>	<u>\$ (300,950)</u>	<u>\$ 8,006,596</u>	<u>\$ 310,000</u>



**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

At September 30, 2020, the scheduled debt service requirements on the bonds payable were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 310,000	\$ 295,915
2022	320,000	288,165
2023	330,000	279,765
2024	340,000	270,690
2025	350,000	260,915
2026 - 2030	1,920,000	1,130,995
2031 - 2035	2,320,000	747,469
2036 - 2039	2,230,000	234,506
	<u>\$ 8,120,000</u>	<u>\$ 3,508,420</u>

**NOTE 7 LITIGATION**

The District is engaged in a liability claim related to a death that took place in December 2013, at the clubhouse owned by the District. The ultimate outcome of the litigation and insurance coverage cannot be determined at this time.

**NOTE 8 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. Settled claims from these risks have not exceeded commercial insurance coverage since inception of the District.

**COMPLIANCE SECTION**

**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**

To the Board of Supervisors  
*Meadow Pointe II Community Development District*

We have audited, 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, the financial statements of the governmental activities, and each major fund of the *Meadow Pointe II Community Development District* (the "District") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2021.

**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 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McDermitt Davis*

Orlando, Florida  
March 24, 2021

## MANAGEMENT LETTER

Board of Supervisors  
*Meadow Pointe II Community Development District*

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

We have audited the financial statements of the *Meadow Pointe II Community Development District*, (the "District") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 24, 2021.

### **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 Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor'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 those reports, which are dated March 24, 2021, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings in the preceding annual 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. This information has been disclosed in the notes to the financial statements.

### **Financial Condition and Management**

Section 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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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 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.

### **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 note any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, 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.

*McDiarmid Davis*

Orlando, Florida  
March 24, 2021



934 North Magnolia Avenue, Suite 100  
Orlando, Florida 32803  
407-843-5406  
www.mcdermittdavis.com

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH  
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

Board of Supervisors  
*Meadow Pointe II Community Development District*

We have examined Meadow Pointe II Community Development District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2020. 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 and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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, 2020.

*McDermitt Davis*

Orlando, Florida  
March 24, 2021