

**Veranda Community
Development District II**

FINANCIAL STATEMENTS

September 30, 2020



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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, 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

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, 2020, 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 December 16, 2020, 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
December 16, 2020



Management's Discussion And Analysis

Veranda Community Development District II Management's Discussion and Analysis

Our discussion and analysis of Veranda Community Development District II's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- At September 30, 2020, the liabilities of the District exceeded its assets by approximately \$1 million (deficit net position).
- During the year ended September 30, 2020, the District established infrastructure of approximately \$7.1 million and incurred approximately \$1.1 million of interest expenditures.

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 8 - 9 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 6. The fund financial statements begin on page 10 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.

<i>September 30,</i>	2020	2019	Change
Assets			
Current and other assets	\$ 6,453,410	\$ 13,078,858	\$ (6,625,448)
Capital assets, net	15,147,943	8,037,554	7,110,389
Total assets	\$ 21,601,353	\$ 21,116,412	\$ 484,941
Liabilities			
Current liabilities	\$ 1,789,886	\$ 1,317,200	\$ 472,686
Other liabilities	20,846,168	21,068,015	(221,847)
Total liabilities	22,636,054	22,385,215	250,839
Deferred inflows of resources			
Deferred revenue	-	13,019	(13,019)
Net position			
Net investment in capital assets	(1,811,845)	(1,034,878)	(776,967)
Restricted for:			
Capital projects	35,076	28,275	6,801
Debt service	336,998	-	336,998
Unrestricted	405,070	(275,219)	680,289
Total net position (deficit)	(1,034,701)	(1,281,822)	247,121
Total liabilities, deferred inflows of resources and net position	\$ 21,601,353	\$ 21,116,412	\$ 484,941

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

Veranda Community Development District II Management's Discussion and Analysis

During the fiscal year ended September 30, 2020, total assets and liabilities increased by approximately \$485,000 and \$251,000, respectively. Deferred inflows of resources remained substantially unchanged from the prior year. The increase in assets is due to the construction of infrastructure, which is partially offset by a decrease in amounts due from the developer, while the increase in liabilities is primarily due to an increase in accrued expenses payable and retainage payable on ongoing construction projects.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>For the year ended September 30,</i>	2020	2019	Change
Revenue			
Program revenue:			
Charges for services	\$ 1,394,429	\$ -	\$ 1,394,429
Grants and contributions	8,300	109,886	(101,586)
General revenue:			
Interest and other revenue	88,899	190,312	(101,413)
Total revenue	1,491,628	300,198	1,191,430
Expenses			
General government	106,437	74,350	32,087
Maintenance and operations	7,642	2,750	4,892
Cost of issuance	-	635,375	(635,375)
Interest	1,130,428	869,545	260,883
Total expenses	1,244,507	1,582,020	(337,513)
Change in net position	247,121	(1,281,822)	1,528,943
Net position (deficit), beginning of year	(1,281,822)	-	(1,281,822)
Net position (deficit), end of year	\$ (1,034,701)	\$ (1,281,822)	\$ 247,121

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

During the fiscal year ended September 30, 2020, revenue increased by approximately \$1.2 million while expenditures decreased by approximately \$338,000. The increase in revenue is primarily due to the District beginning to collect assessment revenue during the current fiscal year. The decrease in expenditures is primarily due to the costs of issuance incurred during the prior year in relation to the issuance of the Series 2018 Bonds. The overall result was a \$247,121 increase in net position for fiscal year 2020.

Veranda Community Development District II Management's Discussion and Analysis

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$5.4 million, which is a decrease from last year's balance that totaled approximately \$12.2 million. Significant transactions are discussed below.

- During the year ended September 30, 2020, the District established infrastructure of approximately \$7.1 million and incurred approximately \$1.1 million of interest expenditures.

The overall decrease in fund balance for the year ended September 30, 2020 totaled approximately \$6.9 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2020, the District had approximately \$15.1 million invested in capital assets. This amount represents an increase of approximately \$7.1 million over the fiscal year 2019 total. A listing of capital assets by major category for the current and prior year follows:

<i>Year ended September 30,</i>	2020	2019	Change
Construction in progress	\$ 15,147,943	\$ 8,037,554	\$ 7,110,389
Net capital assets	\$ 15,147,943	\$ 8,037,554	\$ 7,110,389

More information about the District's capital assets is presented in Note 3 to the financial statements.

Debt

At September 30, 2020, the District had approximately \$21.4 million of outstanding debt. This amount remains unchanged from the fiscal year 2019 total. A list of debt amounts outstanding for the current and prior year is as follows:

<i>Year ended September 30,</i>	2020	2019	Change
Special Assessment Revenue Bonds:			
Series 2018A	\$ 14,450,000	\$ 14,450,000	\$ -
Series 2018B	6,910,000	6,910,000	-
	\$ 21,360,000	\$ 21,360,000	\$ -

More information about the District's long-term debt is presented in Note 4 to the financial statements.

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 24.

The District experienced an unfavorable variance in revenue and a favorable variance in expenditures in the amounts of \$100,444 and \$315,202, respectively. The variance in revenue is primarily due to stormwater rebate income received from the city of Port St. Lucie, which was less than initially anticipated. The variance in expenditures occurred primarily due to budgeted general government contingency expenditures and maintenance and operations expenditures, which were not needed in the current year.

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. Assessment rates for fiscal year 2021 were established to provide for the operations of the District as well as the necessary debt service requirements.

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>	2020
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,351,807
Due from Developer	88,574
Prepaid expenses	13,029
Capital assets:	
Not being depreciated	15,147,943
Total assets	21,601,353
Liabilities	
Accounts payable and accrued expenses	759,971
Accrued interest payable	465,531
Retainage payable	329,384
Non-current liabilities:	
Due within one year	235,000
Due in more than one year	20,846,168
Total liabilities	22,636,054
Net position	
Net investment in capital assets	(1,811,845)
Restricted for:	
Capital projects	35,076
Debt service	336,998
Unrestricted	405,070
Total net position (deficit)	\$ (1,034,701)

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

**Veranda Community Development District II
Statement of Activities**

For the year ended September 30,

2020

Functions/Programs	Expenses	Charges for Services	<u>Program Revenue</u>		Governmental Activities	Net (Expense) Revenue and Changes in <u>Net Position</u>
			Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ (106,437)	\$ 223,865	\$ -	\$ -	\$	117,428
Maintenance and operations	(7,642)	16,073	-	-		8,431
Interest	(1,130,428)	1,154,491	1,499	6,801		32,363
<hr/>						
Total governmental activities	\$ (1,244,507)	\$ 1,394,429	\$ 1,499	\$ 6,801		158,222

General revenue

Interest and other revenue	88,899
<hr/>	
Change in net position	247,121
<hr/>	
Net position (deficit) - beginning of year	(1,281,822)
<hr/>	
Net position (deficit) - end of year	\$ (1,034,701)

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

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

September 30,

2020

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 396,313	\$ 2,157,370	\$ 3,798,124	\$ 6,351,807
Due from Developer	-	-	88,574	88,574
Prepaid expenditures	13,029	-	-	13,029
Total assets	\$ 409,342	\$ 2,157,370	\$ 3,886,698	\$ 6,453,410
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 4,272	\$ -	\$ 755,699	\$ 759,971
Retainage payable	-	-	329,384	329,384
Total liabilities	4,272	-	1,085,083	1,089,355
Fund balances				
Nonspendable	13,029	-	-	13,029
Restricted for debt service	-	2,157,370	-	2,157,370
Restricted for capital projects	-	-	2,801,615	2,801,615
Committed for stormwater repairs	279,202	-	-	279,202
Unassigned	112,839	-	-	112,839
Total fund balances	405,070	2,157,370	2,801,615	5,364,055
Total liabilities and fund balances	\$ 409,342	\$ 2,157,370	\$ 3,886,698	\$ 6,453,410

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

**Veranda Community Development District II
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
Net Position**

<u>September 30,</u>	<u>2020</u>
Total fund balances, governmental funds	\$ 5,364,055
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	15,147,943
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(21,546,699)
<u>Total net position (deficit) - governmental activities</u>	<u>\$ (1,034,701)</u>

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

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

For the year ended September 30,

2020

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenue				
Assessments	\$ 239,938	\$ 1,154,491	\$ -	\$ 1,394,429
Interest and other revenue	88,899	1,499	6,801	97,199
Total revenue	328,837	1,155,990	6,801	1,491,628
Expenditures				
Current:				
General government	106,437	-	-	106,437
Maintenance and operations	7,642	-		7,642
Debt service:				
Interest	-	1,117,275	-	1,117,275
Capital outlay	-	-	7,110,389	7,110,389
Total expenditures	114,079	1,117,275	7,110,389	8,341,743
Excess (deficit) of revenue over expenditures	214,758	38,715	(7,103,588)	(6,850,115)
Fund balances, beginning of year	190,312	2,118,655	9,905,203	12,214,170
Fund balances, end of year	\$ 405,070	\$ 2,157,370	\$ 2,801,615	\$ 5,364,055

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

**Veranda Community Development District II
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**

<i>For the year ended September 30,</i>	2020
Net change in fund balances - governmental funds	\$ (6,850,115)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Assets.	7,110,389
Amortization of original issue discounts is not recognized in the governmental fund statements but is reported as an expense in the Statement of Activities.	(13,153)
Change in net position of governmental activities	\$ 247,121

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.

Veranda Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2020, 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.

Assessments, including debt service assessments along with operation and maintenance assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District's activities, operation and maintenance. Assessments are levied and certified for collection by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

Veranda Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Debt Service Fund – The Debt Service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources to be used in the acquisition or construction of major infrastructure within the District.

For the year ended September 30, 2020, 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.

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.

Veranda Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g. roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District 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 and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the primary government will be depreciated using the straight-line method over the estimated useful lives.

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

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.

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 or effective interest method. Bonds payable are reported net of these premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while 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 debt service expenditures.

Veranda Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020.

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 does not have any of this type of item at September 30, 2020.

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.

Veranda Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2020:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
<i>Capital assets, not being depreciated</i>				
Infrastructure under construction	\$ 8,037,554	\$ 7,110,389	\$ -	\$ 15,147,943
Total capital assets not being depreciated	8,037,554	7,110,389	-	15,147,943
Governmental activities capital assets, net	\$ 8,037,554	\$ 7,110,389	\$ -	\$ 15,147,943

The District contains approximately 754.75 acres of land, which are being developed as a series of single-family residential developments, in five different assessment areas. The development will be completed in phases and build out is planned for approximately 1,605 single-family homes and associated amenities. The estimated cost of the project is approximately \$47 million, which includes approximately \$5.2 million of previously funded improvements by the St. Lucie Land Holdings Special Assessment District (“SAD”) for the benefit of lands within the SAD, which include the District’s lands. During the prior year, the District issued Series 2018 Special Assessment Revenue Bonds totaling approximately \$21.4 million to fund the construction of infrastructure in the five assessment areas. Certain additional costs will be funded by the Developer to complete assessment areas one and two, and the District expects to issue additional bonds in the future to complete assessment areas three, four and five.

Veranda Community Development District II Notes to Financial Statements

NOTE 4: BONDS PAYABLE

In December 2018, the District issued \$21,360,000 of Special Assessment Revenue Bonds, Series 2018 consisting of \$7,405,000 Series 2018A (Assessment Area One – Gardens East Project), \$7,045,000 Series 2018A (Assessment Area Two – Preserve West Project), and \$6,910,000 Series 2018B (Assessment Areas Three, Four, and Five). Interest rates for the Series 2018A Bonds are fixed and range from 4.00% to 5.125%, and Series 2018B Bonds have a fixed rate of 5.875%. The Bonds were issued to finance the acquisition and construction of the 2018 projects (see Note 3). Interest is paid semiannually on each May 1 and November 1. Principal payments on the Series 2018A Bonds are made serially commencing on November 1, 2020 through November 1, 2049. Principal is due on the Series 2018B Bonds on November 1, 2032.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedure to be followed by the District on the 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 District is in compliance with the requirements of the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in the reserve accounts to meet the debt service reserve requirements as defined in the Indenture. The requirement has been met for the fiscal year ended September 30, 2020.

The balance of the long-term bonds at September 30, 2020 is summarized as follows:

<i>Year Ending September 30,</i>	2020
Bond principal balance	\$ 21,360,000
Less unamortized bond discount	(278,832)
	\$ 21,081,168

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2018A	\$ 14,450,000	\$ -	\$ -	\$ 14,450,000	\$ 235,000
Series 2018B	6,910,000	-	-	6,910,000	-
	\$ 21,360,000	\$ -	\$ -	\$ 21,360,000	\$ 235,000

Veranda Community Development District II
Notes to Financial Statements

NOTE 4: BONDS PAYABLE (Continued)

At September 30, 2020, the scheduled debt service requirements on long-term debt were as follows:

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2021	\$ 235,000	\$ 1,112,575	\$ 1,347,575
2022	240,000	1,103,075	1,343,075
2023	250,000	1,093,275	1,343,275
2024	260,000	1,083,075	1,343,075
2025	270,000	1,072,475	1,342,475
2026 - 2030	1,535,000	5,168,763	6,703,763
2031 - 2035	8,860,000	3,741,344	12,601,344
2036 - 2040	2,480,000	2,174,688	4,654,688
2041 - 2045	3,170,000	1,462,163	4,632,163
2046 - 2050	4,060,000	540,688	4,600,688
	\$ 21,360,000	\$ 18,552,121	\$ 39,912,121

NOTE 5: 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 6: 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.

Veranda Community Development District II Notes to Financial Statements

NOTE 7: 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 year ended September 30, 2020, the District recorded off-roll assessments received from the Developer of \$215,291 and \$921,877 in the General Fund and Debt Service Fund, respectively, as reported on the accompanying financial statements. During the prior year, the District entered into cost sharing agreements with the Developer for construction of Phases I and II of Veranda Preserve West and Phase I of Veranda Gardens East. At September 30, 2020, the Developer owed the District \$88,574 in connection with these agreements, which is recorded as Due from Developer on the accompanying financial statements.

NOTE 8: INTERLOCAL AGREEMENT

In July 2018, the District entered into a cost sharing agreement with the City of Port St. Lucie whereby the City will collect fees for stormwater management within the area identified as being within the boundaries of the District platted for urban development and the District will assume the city's responsibility to maintain the stormwater system in exchange for a portion of the City's stormwater fees collected.

In consideration of the District assuming sole responsibility for the maintenance of the stormwater system, the City has agreed to pay the District 75% of stormwater utility fees collected by the City from areas within District boundaries. Payment is to be made monthly, as fees are collected by the City. For the fiscal year ended September 30, 2020, the City remitted \$88,162 to the District, which is included in Interest and other revenue on the accompanying financial statements.

NOTE 9: COMMITMENTS

In February 2020, the District entered into a contract for the construction of Veranda Preserve West, Phase II (assessment area two) totaling \$2,688,438. The District has approved change orders totaling \$31,888, increasing the total contract amount to \$2,720,326. At September 30, 2020, there was \$1,527,095 remaining on the contract and work is expected to be completed during fiscal year 2021. A portion of these costs will be reimbursed by the Developer, and are included in Due from Developer on the accompanying financial statements.

In September 2020, the District entered into a contract for the construction of Veranda Gardens East, Phase III (assessment area two) totaling \$1,892,679. At September 30, 2020, there was \$1,750,535 remaining on the contract and work is expected to be completed during fiscal year 2021. A portion of these costs will be reimbursed by the Developer, and are included in Due from Developer on the accompanying financial statements.

Veranda Community Development District II Notes to Financial Statements

NOTE 10: CONTINGENCY

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

The District is seeking liquidated and special damages pursuant to an agreement with a contractor. The parties are currently in negotiations, and the ultimate outcome is unknown at this time.



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

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

For the year ended September 30,

2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenue				
Assessments	\$ 373,775	\$ 239,125	\$ 239,938	\$ 813
Interest and other revenue	190,156	190,156	88,899	(101,257)
Total revenue	563,931	429,281	328,837	(100,444)
Expenditures				
General government	154,375	124,725	106,437	18,288
Maintenance and operations	409,556	304,556	7,642	296,914
Total expenditures	563,931	429,281	114,079	315,202
Excess of revenue over expenditures	\$ -	\$ -	\$ 214,758	\$ 214,758

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
St. Lucie County, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated December 16, 2020.

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
December 16, 2020

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, 2020, and have issued our report thereon dated December 16, 2020.

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 December 16, 2020, 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. There were no findings or recommendations made in the preceding 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 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 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 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
December 16, 2020



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, 2020. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements 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, 2020.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
December 16, 2020