

**VERANDAH EAST
COMMUNITY DEVELOPMENT
DISTRICT**

**REGULAR MEETING
AGENDA**

May 13, 2015

Verandah East Community Development District
2300 Glades Road, Suite 410W • Boca Raton, Florida 33431
Phone: (561) 571-0010 • Fax: (561) 561-571-0013 • Toll-free: (877) 276-0889

May 6, 2015

<p><u>ATTENDEES:</u> Please identify yourself each time you speak to facilitate accurate transcription of meeting minutes.</p>

Board of Supervisors
Verandah East Community Development District

Dear Board Members:

A Regular Meeting of the Verandah East Community Development District’s Board of Supervisors will be held on **Wednesday, May 13, 2015 at 1:00 p.m.**, at the **Verandah Sales Office, 11571 Verandah Blvd., Ft. Myers, Florida 33905**. The agenda is as follows:


1. Call to Order/Roll Call
2. Public Comments [**3 minutes per person**]
3. Presentation of Audited Financial Report for Fiscal Year Ended September 30, 2014, Prepared by Grau & Associates
4. Consideration of **Resolution 2015-4** Accepting the Audited Financial Report for the Fiscal Year Ended September 30, 2014
5. Consideration of **Resolution 2015-5**, Approving the District’s Proposed Budgets for Fiscal Year 2015/2016 and Setting a Public Hearing Thereon Pursuant to Florida Law; Addressing Transmittal, Posting and Publication Requirements; and Providing An Effective Date
6. Approval of **January 14, 2015** Regular Meeting Minutes
7. Other Business
8. Staff Reports
 - A. Attorney
 - B. Engineer
 - C. Manager
 - i. Approval of Unaudited Financial Statements as of March 31, 2015
 - ii. **295** Registered Voters in District as of April 15, 2015
 - iii. **NEXT MEETING DATE: August 12, 2015 at 1:00 P.M.**

9. Supervisors' Requests

10. Adjournment

Should you have any questions, please do not hesitate to contact me directly at (239) 464-7114.

Sincerely,



Chesley E. Adams, Jr.
District Manager

FOR BOARD MEMBERS AND STAFF TO ATTEND BY

TELEPHONE:

CALL IN NUMBER: 1-888-354-0094

CONFERENCE ID: 8593810

**VERANDAH EAST
COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Verandah East Community Development District
Lee County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Verandah East Community Development District, Lee County, Florida (the "District") as of and for the fiscal year ended September 30, 2014, 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.

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 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 District as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in conformity 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 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 our report dated March 27, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 27, 2015, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

March 27, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Verandah East Community Development District, Lee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$1,875,137.
- The change in the District's total net position in comparison with the prior year was \$177,731, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2014, the District's governmental funds reported combined ending fund balances of \$2,110,072, a decrease of (\$35,724) in comparison with the prior fiscal year. A portion of fund balance is restricted for debt service, capital projects, non-spendable for prepaid items and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being 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 and Developer revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance 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.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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, all of which are considered 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 the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the District's net position are reflected in the following table:

	NET POSITION SEPTEMBER 30,	
	2014	2013
Current and other assets	\$ 2,137,087	\$ 2,160,792
Capital assets, net of depreciation	19,473,020	19,698,452
Total assets	<u>21,610,107</u>	<u>21,859,244</u>
Current liabilities	449,970	456,838
Long-term liabilities	19,285,000	19,705,000
Total liabilities	<u>19,734,970</u>	<u>20,161,838</u>
Net position		
Net investment in capital assets	324,470	115,162
Restricted	1,521,702	1,512,591
Unrestricted	28,965	69,653
Total net position	<u>\$ 1,875,137</u>	<u>\$ 1,697,406</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

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

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

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

	CHANGES IN NET POSITION	
	FOR THE FISCAL YEAR END SEPTEMBER 30,	
	2014	2013
Revenues:		
Program revenues		
Charges for services	\$ 558,005	\$ 526,388
Operating grants and contributions	1,134,615	1,184,821
General revenues		
Unrestricted investment earnings	91	159
Total revenues	<u>1,692,711</u>	<u>1,711,368</u>
Expenses:		
General government	119,392	115,134
Maintenance and operations	340,968	351,850
Interest	1,054,620	1,076,670
Total expenses	<u>1,514,980</u>	<u>1,543,654</u>
Change in net position	<u>177,731</u>	<u>167,714</u>
Net position - beginning (previously reported)	1,697,406	1,845,365
Effect of adoption of GASB No. 65	-	(315,673)
Net position - beginning, as restated	<u>1,697,406</u>	<u>1,529,692</u>
Net position - ending	<u>\$ 1,875,137</u>	<u>\$ 1,697,406</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2014 was \$1,514,980. The majority of the costs of the District's activities were paid by program revenues. Program revenues, comprised primarily of assessments, decreased slightly during the fiscal year.

GENERAL BUDGETING 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. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2014 was amended to decrease revenues by \$(169) and increase appropriations by \$50,884. The decrease in revenues is primarily the result of less than anticipated interest income being collected and the increase in appropriations is primarily due to the additional costs incurred related to maintenance and operation.

Actual general fund expenditures for the fiscal year ended September 30, 2014 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2014, the District had \$21,218,936 invested in land and water management infrastructure, for its governmental activities. In the government-wide statements, depreciation of \$1,745,916 has been taken, which resulted in a net book value of \$19,473,020. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2014, the District had \$19,285,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Verandah East Community Development District's Finance Department at 2300 Glades Road, Suite 410W, Boca Raton, Florida, 33431.

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Governmental Activities
ASSETS	
Cash	\$ 31,040
Assessments receivable	804
Due from Developer	10,959
Due from other government	3,694
Prepays	5,568
Restricted assets:	
Investments	2,085,022
Capital assets:	
Nondepreciable	12,789,435
Depreciable, net	6,683,585
Total net position	21,610,107
 LIABILITIES	
Accounts payable	16,057
Accrued interest payable	433,913
Non-current liabilities:	
Due within one year	445,000
Due in more than one year	18,840,000
Total liabilities	19,734,970
 NET POSITION	
Net investment in capital assets	324,470
Restricted for debt service	1,521,702
Unrestricted	28,965
Total net position	\$ 1,875,137

See notes to the financial statements

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary government:				
Governmental activities:				
General government	\$ 119,392	\$ 48,726	\$ 70,666	\$ -
Maintenance and operations	340,968	-	62,149	(278,819)
Interest on long-term debt	1,054,620	509,279	1,001,800	456,459
Total governmental activities	1,514,980	558,005	1,134,615	177,640
General revenues:				
Unrestricted investment earnings				91
Total general revenues				91
Change in net position				177,731
Net position - beginning				1,697,406
Net position - ending				\$ 1,875,137

See notes to the financial statements

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash	\$ 31,040	\$ -	\$ -	\$ 31,040
Investments	-	1,948,572	136,450	2,085,022
Assessments receivable	769	35	-	804
Due from Developer	10,959	-	-	10,959
Due from other funds	-	7,008	-	7,008
Due from other government	3,694	-	-	3,694
Prepays	5,568	-	-	5,568
Total assets	<u>\$ 52,030</u>	<u>\$ 1,955,615</u>	<u>\$ 136,450</u>	<u>\$ 2,144,095</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 16,057	\$ -	\$ -	\$ 16,057
Due to other funds	7,008	-	-	7,008
Total liabilities	<u>23,065</u>	<u>-</u>	<u>-</u>	<u>23,065</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	10,958	-	-	10,958
Total deferred inflows of resources	<u>10,958</u>	<u>-</u>	<u>-</u>	<u>10,958</u>
FUND BALANCES:				
Nonspendable:				
Prepays	5,568	-	-	5,568
Restricted for:				
Debt service	-	1,955,615	-	1,955,615
Capital projects	-	-	136,450	136,450
Unassigned	12,439	-	-	12,439
Total fund balances	<u>18,007</u>	<u>1,955,615</u>	<u>136,450</u>	<u>2,110,072</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 52,030</u>	<u>\$ 1,955,615</u>	<u>\$ 136,450</u>	<u>\$ 2,144,095</u>

See notes to the financial statements

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances - governmental funds \$ 2,110,072

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	21,218,936	
Accumulated depreciation	<u>(1,745,916)</u>	19,473,020

Assets that are not available to pay for current-period expenditures are not unavailable revenue in the fund statements.

10,958

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

Accrued interest payable	(433,913)	
Bonds payable	<u>(19,285,000)</u>	<u>(19,718,913)</u>

Net position of governmental activities		<u><u>\$ 1,875,137</u></u>
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See notes to the financial statements

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 48,726	\$ 509,279	\$ -	\$ 558,005
Developer assessments	123,378	1,001,680	-	1,125,058
Interest Income	83	120	8	211
Total revenues	<u>172,187</u>	<u>1,511,079</u>	<u>8</u>	<u>1,683,274</u>
EXPENDITURES				
Current:				
General government	119,392	-	-	119,392
Maintenance and operations	60,600	-	-	60,600
Debt service:				
Principal	-	420,000	-	420,000
Interest	-	1,064,070	-	1,064,070
Capital outlay	42,320	-	12,616	54,936
Total expenditures	<u>222,312</u>	<u>1,484,070</u>	<u>12,616</u>	<u>1,718,998</u>
Excess (deficiency) of revenues over (under) expenditures	(50,125)	27,009	(12,608)	(35,724)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	27,348	27,348
Transfers out	-	(27,348)	-	(27,348)
Total other financing sources (uses)	<u>-</u>	<u>(27,348)</u>	<u>27,348</u>	<u>-</u>
Net change in fund balances	(50,125)	(339)	14,740	(35,724)
Fund balances - beginning	<u>68,132</u>	<u>1,955,954</u>	<u>121,710</u>	<u>2,145,796</u>
Fund balances - ending	<u>\$ 18,007</u>	<u>\$ 1,955,615</u>	<u>\$ 136,450</u>	<u>\$ 2,110,072</u>

See notes to the financial statements

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$	(35,724)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.		54,936
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.		(280,368)
Revenues that do not provide current available resources are unavailable in the fund financial statements but are recognized as revenues in the statement of activities.		9,437
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.		420,000
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.		<u>9,450</u>
Change in net position of governmental activities	\$	<u><u>177,731</u></u>

See notes to the financial statements

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Verandah East Community Development District ("District") was created on December 6, 2005 by Ordinance 05-27 of the Lee County, Florida, 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, 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 the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected 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. At September 30, 2014, all of the Board members are affiliated with Verandah Development LLC, (owned by Bonita Bay Properties, Inc.), (the "Developer").

The Board has the 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 District is related to Verandah West Community Development District and shares the same Developer and two common Board members.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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 (Operating-type special assessments for maintenance and debt service are treated as charges for services.) and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are 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 government 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

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

This 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 for qualifying expenditures, then unrestricted resources as they are needed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

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

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns 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 (amount not rounded) 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 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 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>
Infrastructure – water management	30

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.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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 ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of 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.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

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) Public hearings are conducted to obtain public 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) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – 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.

Investments

The District's investments were held as follows at September 30, 2014:

	Fair Value	Credit Risk	Maturities
Money Market Mutual Funds - First American			Weighted average of the fund
Government Obligations Fund	\$ 2,085,022	S&P AAAm	portfolio: 53 days
Total Investments	<u>\$ 2,085,022</u>		

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ending September 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 12,789,435	\$ -	\$ -	\$ 12,789,435
Total capital assets, not being depreciated	12,789,435	-	-	12,789,435
Capital assets, being depreciated				
Infrastructure	8,374,565	54,936	-	8,429,501
Total capital assets, being depreciated	8,374,565	54,936	-	8,429,501
Less accumulated depreciation for:				
Infrastructure	1,465,548	280,368	-	1,745,916
Total accumulated depreciation	1,465,548	280,368	-	1,745,916
Total capital assets, being depreciated, net	6,909,017	(225,432)	-	6,683,585
Governmental activities capital assets	\$ 19,698,452	\$ (225,432)	\$ -	\$ 19,473,020

Depreciation expense was charged to the maintenance and operations function.

In connection with the 2006 project, if the amount by which the cost of the 2006 project or portion thereof to be conveyed to the District pursuant to the Acquisition Agreement exceeds the amount actually paid by the District for the 2006 project or portion thereof from proceeds of the Series 2006 Bonds, it may be determined that deferred costs exist. Upon completion of the project, certain funds available from the Bonds may be used to pay deferred costs, as outlined in the Bond Indenture.

At September 30, 2014, there is a balance of \$136,422 in the deferred cost account. The District has not yet determined if a liability exists for deferred costs.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2014 were as follows:

Fund	Receivable	Payable
General	\$ -	\$ 7,008
Debt service	7,008	-
Total	\$ 7,008	\$ 7,008

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the debt service fund relate to assessments collected in the general fund that have not yet been transferred to the debt service fund.

Interfund transfers for the fiscal year ended September 30, 2014 were as follows:

Fund	Transfer In	Transfer Out
Debt service	\$ -	\$ 27,348
Capital projects	27,348	
Total	\$ 27,348	\$ 27,348

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the debt service fund to the capital projects fund were made in accordance with the Bond Indenture

NOTE 7 – LONG TERM LIABILITIES

On June 23, 2006, the District issued \$21,815,000 of Capital Improvements Revenue Bonds, Series 2006. The Bonds are due May 1, 2037 with a fixed interest rate of 5.40%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1, commencing November 1, 2006. Principal is due serially on May 1, commencing on May 1, 2008.

The Series 2006 Bonds are subject to redemption at the option of the District prior to their maturity. In addition, the Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other 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 agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2014.

Changes in long-term liability activity for the fiscal year ending September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2006	\$ 19,705,000	\$ -	\$ (420,000)	\$ 19,285,000	\$ 445,000
Total	\$ 19,705,000	\$ -	\$ (420,000)	\$ 19,285,000	\$ 445,000

NOTE 7 – LONG TERM LIABILITIES

At September 30, 2014, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2015	\$ 445,000	\$ 1,041,390	\$ 1,486,390
2016	465,000	1,017,360	1,482,360
2017	490,000	992,250	1,482,250
2018	520,000	965,790	1,485,790
2019	545,000	937,710	1,482,710
2020-2024	3,205,000	4,213,620	7,418,620
2025-2029	4,170,000	3,249,180	7,419,180
2030-2034	5,430,000	1,994,760	7,424,760
2035-2037	4,015,000	441,180	4,456,180
Total	\$ 19,285,000	\$ 14,853,240	\$ 34,138,240

NOTE 8 – DEVELOPER TRANSACTIONS

For the fiscal year ended September 30, 2014, Developer assessments in the general and debt service funds were \$123,378 and \$1,001,680, respectively.

NOTE 9 – CONCENTRATION

The Developer owns the majority of the land; therefore, the District is economically dependent on the Developer.

NOTE 10 – MANAGEMENT COMPANY

The District has contracted with Wrathell, Hunt and Associates to perform management advisory services, which include financial and accounting services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

NOTE 11 – CONSERVATION AREA MAINTENANCE AGREEMENT

On February 28, 2014, the District and Verandah West Community Development District, (“the Districts”) entered into a conservation area maintenance agreement with Heritage Willow LLC. Heritage Willow LLC which grants to the Districts a non-exclusive maintenance easement for the installation and maintenance of certain improvements. The Districts shall use all due care to protect the easement area from damage resulting from the Districts’ use of the easement area

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks if any, have not exceeded commercial insurance coverage over the past three years.

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 46,490	\$ 46,490	\$ 48,726	\$ 2,236
Developer contributions	129,308	129,308	123,378	(5,930)
Interest Income	282	113	83	(30)
Total revenues	<u>176,080</u>	<u>175,911</u>	<u>172,187</u>	<u>(3,724)</u>
EXPENDITURES				
Current:				
General government	116,886	124,069	119,392	4,677
Maintenance and operations	59,194	102,895	60,600	42,295
Capital outlay			42,320	(42,320)
Total expenditures	<u>176,080</u>	<u>226,964</u>	<u>222,312</u>	<u>4,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (51,053)</u>	<u>(50,125)</u>	<u>\$ 928</u>
Fund balance - beginning			<u>68,132</u>	
Fund balance - ending			<u>\$ 18,007</u>	

See notes to required supplementary information

**VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2014 was amended to decrease revenues by \$(169) and increase appropriations by \$50,884. The decrease in revenues is primarily the result of less than anticipated interest income being collected and the increase in appropriations is primarily due to the additional costs incurred related to maintenance and operation.

Actual general fund expenditures for the fiscal year ended September 30, 2014 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.



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
Verandah East Community Development District
Lee 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 Verandah East Community Development District, Lee County, Florida ("District") as of and for the fiscal year ended September 30, 2014, 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 27, 2015.

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 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.

March 27, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors
Verandah East Community Development District
Lee County, Florida

We have examined Verandah East Community Development District, Lee County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2014. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on 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, accordingly, included examining, on a test basis, evidence about 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 District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2014.

This report 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, management, and the Board of Supervisors of Verandah East Community Development District, Lee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

March 27, 2015



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
Verandah East Community Development District
Lee County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Verandah East Community Development District ("District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 27, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United State; and Chapter 10.550, Rules of the Florida Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 27, 2015, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Verandah East Community Development District, Lee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Verandah East Community Development District, Lee County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

March 27, 2015

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2013.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2014.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2014.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2014 financial audit report.

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2014. It is management's responsibility to monitor 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

RESOLUTION 2015-4

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT HEREBY ACCEPTING THE AUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

WHEREAS, the District's Auditor, Grau & Associates, has heretofore prepared and submitted to the Board, for accepting, the District's Audited Financial Report for Fiscal Year 2014;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT;

1. The Audited Financial Report for Fiscal Year 2014, heretofore submitted to the Board, is hereby accepted for Fiscal Year 2014, for the period ending September 30, 2014; and

2. A verified copy of said Audited Financial Report for Fiscal Year 2014 shall be attached hereto as an exhibit to this Resolution, in the District's "Official Record of Proceedings".

PASSED AND ADOPTED this 13th day of May, 2015.

**VERANDAH EAST COMMUNITY
DEVELOPMENT DISTRICT**

Secretary/Assistant Secretary

Chair/Vice Chair

RESOLUTION 2015-5

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT APPROVING PROPOSED BUDGET FOR FISCAL YEAR 2015/2016 AND SETTING A PUBLIC HEARING THEREON PURSUANT TO FLORIDA LAW; ADDRESSING TRANSMITTAL, POSTING AND PUBLICATION REQUIREMENTS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the District Manager has heretofore prepared and submitted to the Board of Supervisors of the Verandah East Community Development District (the "Board") prior to June 15, 2015, a proposed operating budget and debt service budget for Fiscal Year 2015/2016; and

WHEREAS, the Board has considered the proposed budgets and desires to set the required public hearing thereon.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE VERANDAH EAST COMMUNITY DEVELOPMENT DISTRICT:

1. **BUDGET APPROVED.** The budget proposed by the District Manager for Fiscal Year 2015/2016 attached hereto as **Exhibit A** is hereby approved as the basis for conducting a public hearing to adopt said budget.

2. **SETTING A PUBLIC HEARING.** A public hearing on said approved budget is hereby declared and set for the following date, hour and location:

DATE: August 12, 2015

HOUR: 1:00 P.M.

LOCATION: Verandah Sales Office
11571 Verandah Blvd.
Ft. Myers, Florida 33905

3. **TRANSMITTAL OF BUDGET TO LOCAL GENERAL PURPOSE GOVERNMENT.** The District Manager is hereby directed to submit a copy of the proposed budgets to Lee County at least 60 days prior to the hearing set above.

4. **POSTING OF BUDGET.** In accordance with Section 189.016, Florida Statutes, the District's Secretary is further directed to post these approved budgets on the District's website at least two days before the budget hearing date as set forth in Section 2. If the District does not have its own website, the District's Secretary is directed to transmit these approved budgets to the manager or administrator of Lee County for posting on its website.

5. **PUBLICATION OF NOTICE.** Notice of this public hearing shall be published in the manner prescribed in Florida law.

6. **EFFECTIVE DATE.** This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED THIS ____ DAY OF _____, 2015.

ATTEST:

**VERANDAH EAST COMMUNITY
DEVELOPMENT DISTRICT**

Secretary

By: _____
Its: _____

Exhibit A: Fiscal Year 2015/2016 Budgets

1 **MINUTES OF MEETING**
2 **VERANDAH EAST**
3 **COMMUNITY DEVELOPMENT DISTRICT**
4

5 A Regular Meeting of the Verandah East Community Development District's Board of
6 Supervisors was held on **Wednesday, January 14, 2015 at 1:00 p.m.**, at the **Verandah Sales**
7 **Office, 11571 Verandah Blvd., Ft. Myers, Florida 33905.**
8

9 **Present and constituting a quorum were:**

10
11 Paul Martin Supervisor-Elect
12 David Langhout Supervisor-Elect
13 Steve Benson Assistant Secretary
14 Harvey Congdon, II Supervisor-Elect
15

16 **Also present were:**

17
18 Chuck Adams District Manager
19 Cleo Crismond Assistant Regional Manager
20 Alyssa Cameron Hopping Green & Sams
21 Dave Robson District Engineer
22

23
24 **FIRST ORDER OF BUSINESS**

Call to Order/Roll Call

25
26 Mr. Adams called the meeting to order at 1:00 p.m., and noted, for the record, that
27 Supervisors Martin, Langhout, Congdon and Benson were present, in person. Supervisor Harvey
28 was not present.
29

30 **SECOND ORDER OF BUSINESS**

Public Comments [3 minutes per person]

31
32 There being no public comments, the next item followed.
33

34 **THIRD ORDER OF BUSINESS**

**Administration of Oath of Office to Newly
Elected Supervisors, Paul Martin [Seat 1],
David Langhout [Seat 2] and Harvey
Congdon, II [Seat 4] (*the following to be
provided in separate package*)**

35
36
37
38
39
40 Mr. Adams, a Notary of the State of Florida and duly authorized, administered the Oath
41 of Office to Supervisors Martin, Langhout and Congdon.

42 Mr. Adams indicated that all Supervisors are incumbents; therefore, he would will forego
43 an explanation of the following disclosure documents:

- 44 **A. Guide to Sunshine Amendment and Code of Ethics for Public Officers and**
- 45 **Employees**
- 46 **B. Membership, Obligations and Responsibilities**
- 47 **C. Financial Disclosure Forms**
 - 48 **i. Form 1: Statement of Financial Interests**
 - 49 **ii. Form 1X: Amendment to Form 1, Statement of Financial Interests**
 - 50 **iii. Form 1F: Final Statement of Financial Interests**
- 51 **D. Form 8B: Memorandum of Voting Conflict**

52

53 **FOURTH ORDER OF BUSINESS** **Consideration of Resolution 2015-1,**

54 **Canvassing and Certifying the Results of**

55 **the Landowners’ Election**

56

57 Mr. Adams presented Resolution 2015-1 for the Board’s consideration. He noted that the

58 landowners’ election was held on November 12, 2014. Mr. Paul Martin, majority landowner

59 representative, was present at the meeting and the majority landowner’s votes were proxied to

60 Mr. Martin. Mr. Adams advised that 279 voting units were represented and 279 voting units

61 were cast for Mr. Martin and Mr. Langhout; 278 voting units were cast for Mr. Congdon. Mr.

62 Martin and Mr. Langhout will serve four-year terms in Seats 1 and 2, respectively, and Mr.

63 Congdon will serve a two-year term in Seat 4.

64

65 **On MOTION by Mr. Martin and seconded by Mr. Langhout,**

66 **with all in favor, Resolution 2015-1, Canvassing and Certifying**

67 **the Results of the Landowners’ Election, was adopted.**

68

69

70 **FIFTH ORDER OF BUSINESS** **Consideration of Resolution 2015-2,**

71 **Electing Officers of the District**

72

73 Mr. Adams presented Resolution 2015-2 for the Board’s consideration. He explained

74 that, following an election or appointment, the Board is required to consider its slate of officers.

75 The Board may choose to reorganize or retain the existing slate of officers. Mr. Adams indicated

76 that, currently, Mr. Martin serves as Chair, Mr. Harvey serves as Vice Chair, the remainder of

77 the Board serves as Assistant Secretaries, he serves as Secretary and Mr. Wrathell serves as
78 Treasurer and Assistant Secretary.

79 Mr. Adams requested nominations.

80 Mr. Benson nominated the existing slate of officers. No other nominations were made.

81

82 **On MOTION by Mr. Benson and seconded by Mr. Congdon,**
83 **with all in favor, Resolution 2015-2, Electing the Officers of the**
84 **District, as nominated, was adopted.**

85

86

87 **SIXTH ORDER OF BUSINESS**

**Consideration of Resolution 2015-3,
Relating to the Amendment of the Annual
Budget for the Fiscal Year Beginning
October 1, 2013 and Ending September
30, 2014**

88

89

90

91

92

93

This item was presented after the Seventh Order of Business.

94

95 **SEVENTH ORDER OF BUSINESS**

Approval of Minutes

96

97 **A. August 31, 2014 Public Hearing and Regular Meeting**

98 Mr. Adams presented the August 31, 2014 Public Hearing and Regular Meeting Minutes
99 and asked for any additions, deletions or corrections.

100 The following change was made:

101 Line 129: Change “irrigation” to “aeration”

102

103 **On MOTION by Mr. Martin and seconded by Mr. Benson,**
104 **with all in favor, the August 31, 2014 Public Hearing and**
105 **Regular Meeting Minutes, as amended, were approved.**

106

107

108 **B. November 12, 2014 Landowners’ Meeting**

109 Mr. Adams presented the November 12, 2014 Landowners’ Meeting Minutes and asked
110 for any additions, deletions or corrections.

111

149 There being no report, the next item followed.

150 **C. Manager**

151 **i. Approval of Unaudited Financial Statements as of November 30, 2014**

152 Mr. Adams presented the Unaudited Financial Statements as of November 30, 2014. He
153 noted that there was minimal activity, which is typical at this time of year.

154 Mr. Martin called attention to the “due from developer” amount and thought it was paid
155 prior to November 30. Mr. Adams confirmed that the interest for November was paid; the May
156 principal and interest payment will be paid in April.

157 **ii. NEXT MEETING DATE: MAY 13, 2015 at 1:00 P.M.**

158 Mr. Adams stated that the next meeting will be held on May 13, 2015 at 1:00 p.m. The
159 agenda will contain the Fiscal Year 2016 draft budget and the Fiscal Year 2014 annual audit.

160

161 **TENTH ORDER OF BUSINESS**

Supervisors’ Requests

162

163 Mr. Langhout asked the name of the insurance brokers that Mr. Adams’ firm uses for the
164 District’s insurance coverage. Mr. Adams indicated that the firm uses Mr. Mark Grimmel, of
165 Egis Advisors (Egis); Egis specializes in CDDs. Other firms have used the Florida League of
166 Cities, which focuses on large municipalities. Mr. Adams will provide Mr. Grimmel’s contact
167 information to Mr. Langhout.

168

169 **ELEVENTH ORDER OF BUSINESS**

Adjournment

170

171 There being no further business to discuss, the meeting adjourned.

172

**On MOTION by Mr. Langhout and seconded by Mr. Martin,
with all in favor, the meeting adjourned at 1:12 p.m.**

173

174

175

176

177

178

179

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

180
181
182
183
184
185
186
187
188
189

Secretary/Assistant Secretary

Chair/Vice Chair

**VERANDAH EAST
COMMUNITY DEVELOPMENT DISTRICT
FINANCIAL STATEMENTS
UNAUDITED
MARCH 31, 2015**

**VERANDAH EAST
COMMUNITY DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2015**

	Major Funds			Total Governmental Funds
	General	Debt Service Series 2006	Capital Projects Series 2006	
ASSETS				
Cash (SunTrust)	\$150,212	\$ -	\$ -	\$ 150,212
Investments				
Revenue account	-	808,708	-	808,708
Reserve account	-	1,314,581	-	1,314,581
Construction account	-	40	28	68
Deferred cost account	-	28,634	136,422	165,056
Undeposited fund	23,862	-	-	23,862
Due from general fund	-	101,802	-	101,802
Due from developer	-	58,529	-	58,529
Due from other governments	1,050	-	-	1,050
Total assets	<u>\$175,124</u>	<u>\$2,312,294</u>	<u>\$ 136,450</u>	<u>\$ 2,623,868</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,900	\$ -	\$ -	\$ 3,900
Due to debt service fund	101,802	-	-	101,802
Due to other governments	5,312	-	-	5,312
Total liabilities	<u>111,014</u>	<u>-</u>	<u>-</u>	<u>111,014</u>
Fund balances:				
Restricted for:				
Debt service	-	2,312,294	-	2,312,294
Capital projects	-	-	136,450	136,450
Unassigned	64,110	-	-	64,110
Total fund balances	<u>64,110</u>	<u>2,312,294</u>	<u>136,450</u>	<u>2,512,854</u>
Total liabilities and fund balance	<u>\$175,124</u>	<u>\$2,312,294</u>	<u>\$ 136,450</u>	<u>\$ 2,623,868</u>

**VERANDAH EAST
COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND 001
FOR THE PERIOD ENDED MARCH 31, 2015**

	Current Month	Year to Date	Budget	% of Budget
REVENUE				
Special assessment: on-roll	\$ 1,335	\$ 50,352	\$ 50,679	99%
Special assessment: off-roll	20,292	79,880	123,583	65%
Assessment prepayments	210	210	-	N/A
Interest & miscellaneous	9	73	282	26%
Total revenue	<u>21,846</u>	<u>130,515</u>	<u>174,544</u>	75%
EXPENDITURE				
Professional & administrative				
Supervisors	-	470	2,819	17%
Management and accounting	4,892	29,353	58,706	50%
Audit	5,913	5,913	6,718	88%
Legal	-	290	4,698	6%
Field management	828	4,971	9,942	50%
Engineering	204	1,029	2,349	44%
Trustee	-	-	4,698	0%
Dissemination agent	325	1,945	3,890	50%
Arbitrage	-	-	1,409	0%
Assessment roll preparation	-	11,280	11,275	100%
Telephone	30	182	364	50%
Postage	65	84	352	24%
Insurance	-	5,567	6,121	91%
Printing & binding	64	379	758	50%
Legal advertising	-	600	1,174	51%
Office expenses and supplies	-	-	117	0%
Websie	-	-	235	0%
Contingencies	53	345	705	49%
Annual district filing fee	-	164	164	100%
Total professional & admin expenses	<u>12,374</u>	<u>62,572</u>	<u>116,494</u>	54%
Water management				
Contractual services	4,368	21,430	54,026	40%
Aquascaping	-	-	2,349	0%
Contingencies	15	75	470	16%
Total water management	<u>4,383</u>	<u>21,505</u>	<u>56,845</u>	38%

**VERANDAH EAST
COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND 001
FOR THE PERIOD ENDED MARCH 31, 2015**

	<u>Current Month</u>	<u>Year to Date</u>	<u>Budget</u>	<u>% of Budget</u>
Other fees and charges				
Property appraiser	-	-	413	0%
Tax collector	-	335	792	42%
Total other fees & charges	-	335	1,205	28%
Total expenditures	<u>16,757</u>	<u>84,412</u>	<u>174,544</u>	48%
 Excess/(deficiency) of revenues over/(under) expenditures	 5,089	 46,103	 -	
 Fund balances - beginning	 <u>59,021</u>	 <u>18,007</u>	 <u>68,938</u>	
Fund balances - ending	<u>\$ 64,110</u>	<u>\$ 64,110</u>	<u>\$ 68,938</u>	

**VERANDAH EAST
COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND 201 - SERIES 2006
FOR THE PERIOD ENDED MARCH 31, 2015**

	<u>Current Month</u>	<u>Year to Date</u>	<u>Budget</u>	<u>% of Budget</u>
REVENUES				
Special assessment: on-roll	\$ 13,300	\$ 497,869	\$ 506,873	98%
Special assessment: off-roll	-	398,996	979,517	41%
Prepaid assessments	5,450	5,450	-	N/A
Interest	11	59	-	N/A
Total revenues	<u>18,761</u>	<u>902,374</u>	<u>1,486,390</u>	61%
EXPENDITURES				
Debt service				
Principal	-	25,000	445,000	6%
Interest	-	520,695	1,041,390	50%
Total debt service	<u>-</u>	<u>545,695</u>	<u>1,486,390</u>	37%
Excess/(deficiency) of revenues over/(under) expenditures	18,761	356,679	-	
Fund balances - beginning	<u>2,293,533</u>	<u>1,955,615</u>	<u>2,394,964</u>	
Fund balances - ending	<u><u>\$ 2,312,294</u></u>	<u><u>\$ 2,312,294</u></u>	<u><u>\$ 2,394,964</u></u>	

**VERANDAH EAST
COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND 301 - SERIES 2006
FOR THE PERIOD ENDED MARCH 31, 2015**

	Current Month	Year to Date
REVENUES		
Interest	\$ -	\$ -
Total revenues	-	-
EXPENDITURES		
Capital outlay	-	-
Total expenditures	-	-
Excess/(deficiency) of revenues over/(under) expenditures	-	-
Fund balances - beginning	136,450	136,450
Fund balances - ending	\$ 136,450	\$ 136,450

WRATHELL, HUNT & ASSOCIATES LLC

2300 GLADES ROAD, SUITE 410W
BOCA RATON, FL 33431

Lee County- Community Development Districts
FLORIDA

04/15/2015

2015 PCT.	NAME OF CDD	# REG VOTERS
40.1, 124.1, 124.3	Bayside Improvement	2,615
40.2	Bay Creek	800
25.5	Beach Road Estates	0
25.6	Beach Road Golf Estates	4
125.0	Brooks of Bonita Springs	1,994
125.1	Brooks of Bonita Springs II	1,436
25.4	East Bonita Beach	0
80.1	Mediterra North	347
64.1	Moody River Estates	668
25.3	Parklands Lee	351
25.2	Parklands West	492
5.4	River Hall	409
123.1	River Ridge	1,364
60.1	Stoneybrook	1,581
5.2	Verandah East	295
5.1	Verandah West	722
32.2	Waterford Landing	21

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