

Verandahs Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2015

Verandahs Community Development District

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September 30, 2015

TABLE OF CONTENTS

| | <u>Page Number</u> |
|--|------------------------|
| REPORT OF INDEPENDENT AUDITORS | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-8 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| Statement of Net Position | 9 |
| Statement of Activities | 10 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 11 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities | 12 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 13 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 15 |
| Notes to Financial Statements | 16-27 |
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 28-29 |
| MANAGEMENT LETTER | 30-31 |
| INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES | 32 |



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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Verandahs Community Development District
Pasco County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Verandahs Community Development District as of and for the year ended September 30, 2015, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Fort Pierce / Stuart

To the Board of Supervisors
Verandahs Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Verandahs Community Development District as of September 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

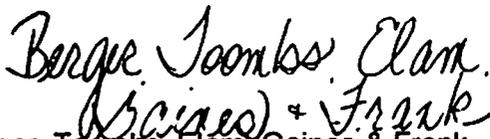
Required Supplementary Information

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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 in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2016 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 and contracts.

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 Verandahs Community Development District's internal control over financial reporting and compliance.



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 7, 2016

**Verandahs Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

Management's discussion and analysis of Verandahs Community Development District (the "District") financial performance provides an objective analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position are reported in three categories; 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The statement of activities presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government, physical environment and interest on long term debt.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Verandahs Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues and expenditures that are restricted for certain purposes or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including land, infrastructure and improvements are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental funds, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2015.

- ◆ The District's total assets exceeded total liabilities by \$823,443 (net position). Unrestricted net position for Governmental Activities was \$325,383. Net position restricted was \$120,013. Net investment in capital assets was \$378,047.
- ◆ Governmental activities revenues totaled \$608,046 while governmental activities expenses totaled \$507,176.

**Verandahs Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

Net Position

| | Governmental Activities | |
|--|--------------------------------|-------------|
| | 2015 | 2014 |
| Current assets | \$ 331,829 | \$ 306,179 |
| Restricted assets | 462,436 | 474,931 |
| Capital assets | 4,402,842 | 4,427,792 |
| Total Assets | 5,197,107 | 5,208,902 |
| Current liabilities | 193,552 | 192,250 |
| Non-current liabilities | 4,180,112 | 4,294,079 |
| Total Liabilities | 4,373,664 | 4,486,329 |
| Net position - net investment in capital assets | 378,047 | 307,713 |
| Net position - restricted for debt service and capital projects | 120,013 | 113,211 |
| Net position - unrestricted | 325,383 | 301,649 |
| Total Net Position | \$ 823,443 | \$ 722,573 |

The increase in net position is the result of revenues exceeding expenses.

The decrease in capital assets is the result of current year depreciation.

The decrease in non-current liabilities is primarily due to debt payments made in the current year.

**Verandahs Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

| | Financial Activity | |
|----------------------------------|---------------------------|--------------------------|
| | <u>2015</u> | <u>2014</u> |
| Program Revenues | | |
| Charges for services | \$ 607,995 | \$ 584,808 |
| General Revenues | | |
| Investment earnings | 51 | 304 |
| Total Revenues | <u>608,046</u> | <u>585,112</u> |
| Expenses | | |
| General government | 86,309 | 122,273 |
| Physical environment | 211,877 | 170,129 |
| Interest on long-term debt | 208,990 | 214,200 |
| Total Expenses | <u>507,176</u> | <u>506,602</u> |
| Change in Net Position | 100,870 | 78,510 |
| Net Position - Beginning of Year | <u>722,573</u> | <u>644,063</u> |
| Net Position - End of Year | <u><u>\$ 823,443</u></u> | <u><u>\$ 722,573</u></u> |

The decrease in general government expenses is primarily due to a decrease in electricity and legal fees.

The increase in physical environment expenses is the result of increased landscaping expenses in the current year.

**Verandahs Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2015:

| <u>Description</u> | <u>Governmental Activities</u> | |
|---------------------------------------|--------------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Capital assets not being depreciated: | | |
| Land improvements | \$ 3,576,042 | \$ 3,576,042 |
| Capital assets being depreciated: | | |
| Infrastructure | 982,564 | 982,564 |
| Less: Accumulated depreciation | (155,764) | (130,814) |
| Total Capital Assets | <u>\$ 4,402,842</u> | <u>\$ 4,427,792</u> |

Depreciation was \$24,950.

Debt Management

Governmental Activities debt includes the following:

- ◆ In November 2006, the District issued \$4,670,000 Series 2006A Capital Improvement Revenue Bonds. These bonds were issued to fund certain infrastructure and facilities benefitting the lands of the District. As of September 30, 2015, the outstanding balance was \$3,900,000.

General Fund Budgetary Highlights

Actual general fund expenditures for the current fiscal year were less than budgeted amounts due primarily to anticipated costs for pond bank repairs, streetlight utilities and legal expenditures not being as high as expected.

There were no amendments to the September 30, 2015 budget.

Economic Factors and Next Year's Budget

Verandahs Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year ended September 30, 2015.

**Verandahs Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Request for Information

The financial report is designed to provide a general overview of Verandahs Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Verandahs Community Development District's Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, FL 33614.

Verandahs Community Development District
STATEMENT OF NET POSITION
September 30, 2015

| | Governmental Activities |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 318,897 |
| Deposits | 12,932 |
| Total Current Assets | 331,829 |
| Non-current Assets: | |
| Restricted assets: | |
| Investments | 462,436 |
| Capital assets not being depreciated: | |
| Land improvements | 3,576,042 |
| Capital assets being depreciated: | |
| Infrastructure net | 982,564 |
| Less: accumulated depreciation | (155,764) |
| Total Non-current Assets | 4,865,278 |
| Total Assets | 5,197,107 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable and accrued expenses | 3,137 |
| Accrued interest payable | 85,415 |
| Bonds payable | 105,000 |
| Total Current Liabilities | 193,552 |
| Non-current liabilities: | |
| Bonds payable, net | 3,782,731 |
| Due to developer | 397,381 |
| Total Non-current Liabilities: | 4,180,112 |
| Total Liabilities | 4,373,664 |
| NET POSITION | |
| Net investment in capital assets | 378,047 |
| Restricted for | |
| Debt service | 27,981 |
| Capital projects | 92,032 |
| Unrestricted | 325,383 |
| Total Net Position | \$ 823,443 |

See accompanying notes.

**Verandahs Community Development District
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED September 30, 2015**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues Charges for Services</u> | <u>Net (Expense) Revenues and Changes in Net Position Governmental Activities</u> |
|----------------------------------|---------------------|--|---|
| Governmental Activities | | | |
| General government | \$ (86,309) | \$ 93,799 | \$ 7,490 |
| Physical environment | (211,877) | 203,150 | (8,727) |
| Interest on long-term debt | (208,990) | 311,046 | 102,056 |
| Total Governmental Activities | <u>\$ (507,176)</u> | <u>\$ 607,995</u> | <u>100,819</u> |
| General revenues: | | | |
| Investment earnings | | | <u>51</u> |
| Change in Net Position | | | 100,870 |
| Net Position - Beginning of Year | | | 722,573 |
| Net Position - End of Year | | | <u>\$ 823,443</u> |

See accompanying notes.

Verandahs Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

| ASSETS | General | Debt Service | Capital Projects | Total Governmental Funds |
|---------------------------------------|-----------|-----------------|---------------------|--------------------------------|
| Cash and cash equivalents | \$318,897 | \$ - | \$ - | \$ 318,897 |
| Due from other fund | - | 3,309 | - | 3,309 |
| Deposits | 12,932 | - | - | 12,932 |
| Restricted assets: | | | | |
| Restricted investments | - | 370,404 | 92,032 | 462,436 |
| Total Assets | \$331,829 | \$ 373,713 | \$ 92,032 | \$ 797,574 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 3,137 | \$ - | \$ - | \$ 3,137 |
| Due to other Funds | 3,309 | - | - | 3,309 |
| Total Liabilities | 6,446 | - | - | 6,446 |
| FUND BALANCES | | | | |
| Nonspendable deposits | 12,932 | - | - | 12,932 |
| Restricted for: | | | | |
| Debt service | - | 373,713 | - | 373,713 |
| Capital projects | - | - | 92,032 | 92,032 |
| Unassigned | 312,451 | - | - | 312,451 |
| Total Fund Balances | 325,383 | 373,713 | 92,032 | 791,128 |
| Total Liabilities and Fund Balances | \$331,829 | \$ 373,713 | \$ 92,032 | \$ 797,574 |

See accompanying notes.

Verandahs Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2015

| | |
|----------------------------------|------------|
| Total Governmental Fund Balances | \$ 791,128 |
|----------------------------------|------------|

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

| | |
|---|-----------|
| Capital assets not being depreciated, land improvements, used in governmental activities are not financial resources and; therefore, are not reported in the funds. | 3,576,042 |
|---|-----------|

| | |
|---|---------|
| Capital assets being depreciated, infrastructure (\$982,564) net of accumulated depreciation (\$155,764) used in governmental activities are not financial resources and; therefore, are not reported in the funds. | 826,800 |
|---|---------|

| | |
|--|-------------|
| Long-term liabilities, including bonds payable (\$(3,900,000)), net of bond discounts (\$12,269) and due to developer (\$(397,381)) are not due and payable in the current period and; therefore, are not reported in the funds. | (4,285,112) |
|--|-------------|

| | |
|--|-----------------|
| Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds. | <u>(85,415)</u> |
|--|-----------------|

| | |
|---|--------------------------|
| Net Position of Governmental Activities | <u><u>\$ 823,443</u></u> |
|---|--------------------------|

See accompanying notes.

Verandahs Community Development District
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES ·
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

| | General | Debt Service 2006A | Capital Projects | Total Governmental Funds |
|--------------------------------------|-------------------|--------------------------|---------------------|--------------------------------|
| Revenues | | | | |
| Special assessments | \$ 296,949 | \$ 311,046 | \$ - | \$ 607,995 |
| Investment earnings | 21 | 25 | 5 | 51 |
| Total Revenues | <u>296,970</u> | <u>311,071</u> | <u>5</u> | <u>608,046</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 86,309 | - | - | 86,309 |
| Physical environment | 186,927 | - | - | 186,927 |
| Debt service | | | | |
| Principal | - | 110,000 | - | 110,000 |
| Interest | - | 210,262 | - | 210,262 |
| Total Expenditures | <u>273,236</u> | <u>320,262</u> | <u>-</u> | <u>593,498</u> |
| Excess of revenues over expenditures | 23,734 | (9,191) | 5 | 14,548 |
| Other Financing Sources/(Uses) | | | | |
| Transfers in | - | - | 9,729 | 9,729 |
| Transfers out | - | (9,729) | - | (9,729) |
| Total other financing sources/(uses) | <u>-</u> | <u>(9,729)</u> | <u>9,729</u> | <u>-</u> |
| Net change in fund balances | 23,734 | (18,920) | 9,734 | 14,548 |
| Fund Balances - Beginning of Year | <u>301,649</u> | <u>392,633</u> | <u>82,298</u> | <u>776,580</u> |
| Fund Balances - End of Year | <u>\$ 325,383</u> | <u>\$ 373,713</u> | <u>\$ 92,032</u> | <u>\$ 791,128</u> |

See accompanying notes.

Verandahs Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Net Changes in Fund Balances - Total Governmental Funds \$ 14,548

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 allocated over their estimated useful lives as depreciation. This is the amount of depreciation in the current period. (24,950)

Governmental funds report bond discounts as expenditures. However, in the Statement of Activities, the cost of those assets are allocated based on an effective interest rate as amortization expense. This is the amount of amortization of bond discount in the current period. (1,033)

Repayment of long-term liabilities are reported as expenditures in the governmental funds statement but such repayments reduce liabilities in the statement of net position. 110,000

In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the change in accrued interest from the prior year. 2,305

Change in Net Position of Governmental Activities \$ 100,870

See accompanying notes.

Verandahs Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2015

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|------------------------------------|----------------------------|-------------------------|--------------------------|---|
| Revenues | | | | |
| Special assessments | \$ 287,496 | \$ 287,496 | \$ 296,949 | \$ 9,453 |
| Investment earnings | - | - | 21 | 21 |
| Total Revenues | <u>287,496</u> | <u>287,496</u> | <u>296,970</u> | <u>9,474</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 102,696 | 102,696 | 86,309 | 16,387 |
| Physical environment | 184,800 | 184,800 | 186,927 | (2,127) |
| Capital outlay | 90,700 | 90,700 | - | 90,700 |
| Total Expenditures | <u>378,196</u> | <u>378,196</u> | <u>273,236</u> | <u>104,960</u> |
| Net changes in fund balance | (90,700) | (90,700) | 23,734 | 114,434 |
| Fund Balances - October 1, 2014 | <u>90,700</u> | <u>90,700</u> | <u>301,649</u> | <u>210,949</u> |
| Fund Balances - September 30, 2015 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 325,383</u></u> | <u><u>\$ 325,383</u></u> |

See accompanying notes.

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District was created on July 25, 2006, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or re-constructing, enlarging or extending, equipping, operating and maintaining water management, district roads, landscaping, street lights and other basic infrastructure projects within or outside the boundaries of the Verandahs Community Development District. The District is governed by a five-member Board of Supervisors who are elected on an at-large basis in an election by qualified electors within the District. The District operates within the criteria established by Chapter 190.

As required by GAAP, these financial statements present the Verandahs Community Development District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board Statement Number 14, The Financial Reporting Entity, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

The District implemented the Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy - For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon 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. Interest revenue associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation

a. Governmental Major Funds

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

Debt Service Fund - Accounts for debt service requirements to retire the capital improvement bonds which were used to finance the construction of District infrastructure improvements.

Capital Projects Fund – Accounts for the construction of improvements within the boundaries of the District.

b. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Cash and cash equivalents includes time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

b. Restricted Assets

Certain assets of the District and a corresponding liability or portion of net position is classified as restricted on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

c. Capital Assets

Capital assets, which include land improvements, improvements other than buildings, and equipment are reported in governmental activities.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method over the assets' estimated useful lives ranging from 5 to 40 years.

d. Bond Premiums and Issuance Costs

Bond premiums and legal fees associated with the issuance of bonds are amortized over the life of the bonds using the effective interest method of accounting.

e. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. Formal budgets are adopted for the general fund. The legal level of budgetary control is at the fund level. As a result, deficits in the budget columns of the accompanying financial statements may occur. All budgeted appropriations lapse at year end.

**Verandahs Community Development District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

f. Net Position

Net position represents the difference between assets and liabilities and is reported in three categories. Net position invested in capital assets, net of related debt, represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as restricted when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. Unrestricted net position is assets that do not meet definitions of the classifications previously described.

NOTE B – CASH AND DEPOSITS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the provisions of Chapter 280, Florida Statutes regarding deposits and investments to manage custodial credit risk. The District maintains all deposits in a qualified public depository, so that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes. As of September 30, 2015, the District's bank balance was \$331,840 and the carrying value was \$318,897.

As of September 30, 2015, the District had the following investments and maturities:

| <u>Investment</u> | <u>Maturities</u> | <u>Fair Value</u> |
|--|-------------------|-------------------|
| First American Government Obligation Fund Class Y | N/A | <u>\$ 462,436</u> |

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, however; the bond indenture limits the type of investments held using unspent proceeds.

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE B – CASH AND DEPOSITS (CONTINUED)

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2015, the District's investment in the First American Government Obligation Fund was rated AAAm by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest.

The types of deposits and investments and their level of risk exposure as of September 30, 2015 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

NOTE C – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2014-2015 fiscal year were levied in October 2014. All assessments are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Assessments paid in March are without discount.

All unpaid assessments become delinquent as of April 1. Virtually all unpaid assessments are collected via the sale of tax certificates on or prior to, June 1; therefore, there were no material taxes receivable at fiscal year end.

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE D – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2015 was as follows:

| | <u>Balance 10/1/2014</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance 09/30/15</u> |
|--|------------------------------|-------------------|------------------|-----------------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land improvements | \$3,576,042 | \$ - | \$ - | \$3,576,042 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 982,564 | - | - | 982,564 |
| Less accumulated depreciation: | (130,814) | (24,950) | - | (155,764) |
| Total capital assets being depreciated | <u>851,750</u> | <u>(24,950)</u> | <u>-</u> | <u>826,800</u> |
| Governmental Activities Capital Assets | <u>\$4,427,792</u> | <u>\$(24,950)</u> | <u>\$ -</u> | <u>\$4,402,842</u> |

Depreciation of \$24,950 was charged to physical environment.

NOTE E – LONG-TERM DEBT

The following is a summary of debt activity for the District for the year ended September 30, 2015:

| | <u>Beginning Balance 10/1/2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance 9/30/2015</u> |
|----------------------------|--|------------------|--------------------|---|
| <u>Governmental Funds:</u> | | | | |
| Bonds payable: | | | | |
| Series 2006A | <u>\$4,010,000</u> | <u>\$ -</u> | <u>\$(110,000)</u> | <u>\$3,900,000</u> |

District debt is comprised of the following at September 30, 2015:

Capital Improvement Revenue Bond

| | |
|--|---------------------|
| \$4,670,000 Series 2006A Capital Improvement Revenue Bonds maturing through 2036, interest of 5.25%, payable May 1 and November 1. | \$ 3,900,000 |
| Less: Discount, net | 12,269 |
| Total | <u>\$ 3,887,731</u> |

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE E – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2015 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|---------------------|---------------------|---------------------|
| 2016 | \$ 105,000 | \$ 204,750 | \$ 309,750 |
| 2017 | 110,000 | 199,238 | 309,238 |
| 2018 | 115,000 | 193,463 | 308,463 |
| 2019 | 125,000 | 187,425 | 312,425 |
| 2020-2024 | 720,000 | 832,650 | 1,552,650 |
| 2025-2029 | 935,000 | 622,650 | 1,557,650 |
| 2030-2034 | 1,215,000 | 348,863 | 1,563,863 |
| 2035-2036 | 575,000 | 45,413 | 620,413 |
| Totals | <u>\$ 3,900,000</u> | <u>\$ 2,634,452</u> | <u>\$ 6,534,452</u> |

Summary of Significant Bonds Resolution Terms and Covenants

Capital Improvement Revenue Bonds, Series 2006A

Depository Funds – The bond indenture establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund – The reserve account is funded from bond proceeds in an amount equal to the reserve account percentage times the deemed outstanding principal amount of the bonds, as of the time of any such calculation. Monies held in the reserve account will be used only for the purposes established in the Trust Indenture.
2. Deferred Cost Account – This account is established to account for monies released from the reserve account to pay the deferred costs due to the developers.
3. Revenue Account – This account is funded by the yearly special assessments and is used to pay the annual required debt service payments.

**Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE E – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bonds Resolution Terms and Covenants (Continued)

Capital Improvement Revenue Bonds, Series 2006A (Continued)

4. Prepayment Account – The prepayment account is funded by prepayments of debt service obligations and is used for the purposes established in the Trust Indenture.

| | Reserve Balance | Reserve Requirement |
|--|--------------------|------------------------|
| 2006A Capital Improvement Revenue Bond | \$ 267,659 | \$ 260,317 |

Due to Developer

The District and Developers have entered into an acquisition agreement relating to the land and infrastructure improvements. Project costs totaled \$4,322,461 and proceeds from the Capital Improvement Revenue Bonds 2006A Series in the amount of \$4,140,725 were paid to the Developers and the remaining \$181,738 is a deferred cost to the Developer. In addition, \$220,676 engineering and permitting fees were incurred in connection with the project. The outstanding balance of deferred cost due to the Developers is \$397,381. There is no amortization for the amount due because repayment will be dependent on the release of reserves as the related debt is paid down.

Beginning in November 2009, and on every May and November thereafter until the deferred costs have been repaid in full, LEN-Verandahs, LLP is entitled to 90% of the periodic payments from the deferred cost account and the Ryland Group, Inc. is entitled to the remaining 10%.

NOTE F – RELATED PARTIES

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory 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 G – 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 for which the government carries commercial insurance. The District has not filed any claims under this commercial coverage during the last three years.

Verandahs Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE H – SUBSEQUENT EVENT

No payment has been made on the deferred cost liability because there is a question as to the allocation method between the developers. As of September 30, 2015, District Counsel was reviewing the allocation method and once the allocation method is properly determined, a payment will be made.



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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
Verandahs Community Development District
Pasco County, Florida

We have audited the financial statements of Verandahs Community Development District as of and for the year ended September 30, 2015, and have issued our report thereon dated June 7, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Verandahs Community Development District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Verandahs Community Development District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Verandahs Community Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Verandahs Community Development District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. **We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.**

To the Board of Supervisors
Verandahs Community Development District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Verandahs Community Development District's financial statements are free of 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*.**

This report is intended solely for the information and use of the Board of Supervisors, Management, others within the entity and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

*Berger Toombs Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants
Fort Pierce, Florida

June 7, 2016



Berger, Toombs, Elam, Gaines & Frank

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MANAGEMENT LETTER

To the Board of Supervisors
Verandahs Community Development District
Pasco, Florida

Report on the Financial Statements

We have audited the financial statements of the Verandahs Community Development District as of and for the year ended September 30, 2015, and have issued our report thereon dated June 7, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; 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 Reports and Schedule

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 Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated June 7, 2016, 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 address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. **There were no recommendations made in the preceding audit report.**

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Verandahs Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Verandahs Community Development District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

To the Board of Supervisors
Verandahs Community Development District

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Verandahs Community Development District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

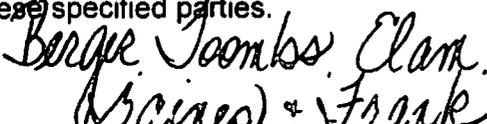
Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any findings.

Purpose of this Letter

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


Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 7, 2016



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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Verandahs Community Development District
Pasco County, Florida

We have examined Verandahs Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for Verandahs Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Verandahs Community Development 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 Verandahs Community Development 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 Verandahs Community Development District's compliance with the specified requirements.

In our opinion, Verandahs Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2015.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 7, 2016