

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Basic Financial Statements

September 30, 2007

(With Independent Auditors' Report Thereon)

# SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

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**INDEPENDENT AUDITORS' REPORT**

Board of Supervisors  
Sumter Landing Community Development District  
The Villages, Florida

We have audited the accompanying basic financial statements of the governmental activities, business-type activities and each major fund of Sumter Landing Community Development District (the District), as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the District as of September 30, 2007, and the respective changes in financial position, budgetary comparison of the general fund and special revenue fund, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Certified Public Accountants**

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Board of Supervisors  
Sumter Landing Community Development District  
The Villages, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

The management's discussion and analysis, as listed in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Purvis, Craig and Company, LLP*

March 19, 2008  
Ocala, Florida

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Management Discussion and Analysis  
(UNAUDITED)  
September 30, 2007

The Sumter Landing Community Development District (the District) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activities and (c) identify changes in the District's financial position and its ability to address the next and subsequent year challenges.

**Financial Highlights**

- The assets of the District exceeded its liabilities at September 30, 2007 by \$43.5 million.
- The District established the Project Wide Fund as a separate special revenue fund by transferring an initial capitalization of \$1.5 million in cash from the Sumter Landing Amenities Division.
- The District's total net assets increased by \$1,391,976. This increase in net assets results from the increase in cash and other current assets, primarily in the governmental funds.
- At the close of the fiscal year, the District's governmental funds reported combined fund balances of \$3,349,283, a net increase of \$3,135,550 compared to the prior year. Of the total, \$3,040,065, is available for spending at the District's discretion as *unreserved, undesignated fund balance*. \$1.5 million of this amount was transferred from the Sumter Landing Amenities Division fund.
- The District's total long-term debt decreased by \$409,491 during the current fiscal year. The decrease relates primarily to principal payments made on outstanding revenue bonds during the year ended September 30, 2007.

**Overview of the Financial Statements:**

This discussion and analysis are intended to serve as an 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 basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The **Statement of Net Assets** presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Sumter Landing Community Development District is improving or deteriorating.

The **Statement of Activities** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of 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 (e.g. uncollected assessments).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government and environmental services. The business-type activities of the District include the Sumter Landing Amenities Division which provides general governmental, debt service and culture and recreation services. The District has no component units, as all functions are performed by the primary government.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Management Discussion and Analysis  
(UNAUDITED)  
September 30, 2007

The government-wide financial statements are provided at pages 9-10 of this report.

**The Fund Financial Statements**, which report by individual fund, begin on page 11. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. 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 Sumter Landing Community Development District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Lake Sumter Landing General Fund and the Project Wide Special Revenue Fund are the two remaining governmental funds of the District. A small debt service fund was fully disbursed and closed during the year, based on the repayment of outstanding revenue bonds in the prior fiscal year. The Sumter Landing Amenities Division (SLAD) fund is the only proprietary fund in the District. The fund financial statements present information in more detail than the government-wide financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions 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 government's near-term financing requirements.

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

The District maintains two continuing governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the Lake Sumter Landing General Fund and the Project Wide Special Revenue Fund, both of which are considered to be major funds. A minor fund, the Debt Service Fund was closed during the year, after it was fully disbursed.

The District adopts an annual budget for both major governmental funds. Budgetary comparison statements for both remaining funds can be found at pages 15-16 of this report.

**Proprietary funds.** The District maintains one proprietary fund, the Sumter Landing Amenity Division (SLAD) Enterprise Fund. Enterprise funds, a category of proprietary funds, are included as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sumter Landing Amenity Division, which is considered to be a major fund of the Sumter Landing Community Development District.

The basic proprietary fund financial statements can be found on pages 17-20 of this report.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Management Discussion and Analysis  
(UNAUDITED)  
September 30, 2007

**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. The notes to the financial statements can be found beginning on page 21 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$43.5 million at September 30, 2007, representing an increase of \$1.4 million from the net assets of approximately \$42.1 million at September 30, 2006. The increase in net assets for September 30, 2007 is mainly due to the significant increase in the fund balance of the Project Wide Fund, based on transfers from the benefiting Districts.

The District's net assets are categorized as follows at September 30, 2007:

*Invested in capital assets, net of related debt.* This portion of the District's net assets (82.7%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. Although the District's investment in its 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 will not be used to liquidate these liabilities.

*Restricted for debt service.* An additional portion of the District's net assets (2.9%) represents resources that are subject to external restrictions on how they may be used. The District's restricted net assets are for purposes of meeting its debt service obligations.

*Unrestricted net assets.* The remaining balance of the District's net assets (14.4%) may be used to meet the District's ongoing obligations to residents and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true in the prior year.

Table 1, on the next page, reflects the summary statement of net assets for the current and prior years.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
**Management Discussion and Analysis**  
**(UNAUDITED)**  
**September 30, 2007**

Table 1  
Summary Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2007	2006	2007	2006	2007	2006
<b>Assets:</b>						
Current and other assets	\$ 3,796,534	244,131	8,028,100	6,842,476	11,824,634	7,086,607
Bond issuance costs (net of accumulated amortization)	-	-	2,856,373	2,948,514	2,856,373	2,948,514
Capital assets, net of accumulated depreciation	39,360,752	40,417,417	39,645,356	40,514,021	79,005,108	80,931,438
Intangible assets, net of accumulated amortization	-	-	18,935,734	19,434,044	18,935,734	19,434,044
<b>Total Assets</b>	<b>43,157,287</b>	<b>40,661,548</b>	<b>69,465,562</b>	<b>69,739,055</b>	<b>112,622,849</b>	<b>110,400,603</b>
<b>Liabilities:</b>						
Current and other liabilities	447,251	30,398	3,857,231	2,440,822	4,304,482	2,471,220
Long-term liabilities	-	-	64,824,481	65,827,472	64,824,481	65,827,472
<b>Total Liabilities</b>	<b>447,251</b>	<b>30,398</b>	<b>68,681,711</b>	<b>68,268,294</b>	<b>69,128,963</b>	<b>68,298,692</b>
<b>Net assets (deficit)</b>						
Invested in capital assets, net of related debt	39,360,752	40,417,417	(3,196,669)	(1,737,016)	36,164,085	38,680,401
Restricted for debt service	-	40	1,265,564	653,752	1,265,564	653,792
Unrestricted	3,349,283	213,693	2,714,955	2,554,024	6,064,238	2,767,717
<b>Total net assets</b>	<b>42,710,036</b>	<b>40,631,150</b>	<b>783,851</b>	<b>1,470,760</b>	<b>43,493,887</b>	<b>42,101,911</b>

***Governmental Activities***

Governmental activities increased the District's net assets by approximately \$2.08 million during the year ended September 30, 2007. Primarily, this increase resulted from the separation of the Project-wide functions from the Sumter Landing Amenities Division enterprise fund through the establishment of the Project Wide Special Revenue Fund. This allows the management of the landscaping, storm water drainage, and other common area environmental services for all Districts south of County Route 466 to be managed in a coherent and consistent manner, reducing the long term costs and fairly apportioning these costs to all benefiting residents and commercial areas.

For the most part, increases in revenues and expenses closely paralleled the growth in demand for services as the number of homeowners in areas served by the District continued to increase.



**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
**Management Discussion and Analysis**  
**(UNAUDITED)**  
**September 30, 2007**

***Business-type Activities***

Business-type activities decreased the District's net assets by approximately \$0.687 million during the year ended September 30, 2007. This decrease resulted from the transfer of \$1.5 million from the Sumter Landing Amenities Division to establish the Project Wide special revenue fund. But for this transfer out, the business type activities would have increased their fund balance by \$0.813 million. The District's business-type activities consist of amenities services provided to District residents.

Table 2 reflects the summary statement of activities for the current and prior years.

**Table 2**  
**Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	September 30,		September 30,		September 30,	
	2007	2006	2007	2006	2007	2006
<b>Operating revenues:</b>						
Charges for services	\$ -		11,432,730	15,508,961	11,432,730	15,508,961
Special assessments	6,652,770	337,083	-	-	6,652,770	337,083
Miscellaneous revenue	21,125		2,341,177		2,362,302	
<b>General revenues:</b>						
Investment earnings	96,177	246,686	233,179	142,310	329,356	388,996
<b>Total revenues</b>	<u>6,770,072</u>	<u>583,769</u>	<u>14,007,086</u>	<u>15,651,271</u>	<u>20,777,158</u>	<u>16,235,040</u>
<b>Expenses:</b>						
General government	5,134,522	880,546	-		5,134,522	880,546
Recreational amenities	-		8,543,439	12,803,795	8,543,439	12,803,795
Depreciation and amortization	1,056,665	1,056,665	1,493,674	1,254,153	2,550,339	2,310,818
Interest on long-term debt	-	1,990,029	3,156,883		3,156,883	1,990,029
<b>Total expenses</b>	<u>6,191,187</u>	<u>3,927,240</u>	<u>13,193,996</u>	<u>14,057,948</u>	<u>19,385,183</u>	<u>17,985,188</u>
<b>Transfers:</b>						
Transfer in (out)	1,500,000	-	(1,500,000)	-	-	-
<b>Changes in net assets</b>	<u>2,078,886</u>	<u>(3,343,471)</u>	<u>(686,910)</u>	<u>1,593,323</u>	<u>1,391,976</u>	<u>(1,750,148)</u>
<b>Total net assets, beginning</b>	<u>40,631,150</u>	<u>43,974,621</u>	<u>1,470,761</u>	<u>(122,562)</u>	<u>42,101,911</u>	<u>43,852,059</u>
<b>Total net assets, ending</b>	<u>\$ 42,710,036</u>	<u>40,631,150</u>	<u>783,851</u>	<u>1,470,761</u>	<u>43,493,887</u>	<u>42,101,911</u>

**General Fund Budgetary Highlights**

During the year, there was an \$112,898 decrease in the appropriations for the general fund between the original and final budget. This decrease was a result of a reduction in repair and maintenance expenses, offset in part by increased utility expenses.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Management Discussion and Analysis  
(UNAUDITED)  
September 30, 2007

**Capital Asset and Debt Administration**

**Capital Assets**

The District's capital assets as of September 30, 2007 and 2006 amounted to \$79,006,107 and \$80,931,438, respectively. This is net of accumulated depreciation and includes improvements other than buildings, furniture and equipment and construction in progress. The decrease resulted from depreciation expenses, during a year when only \$0.171 million in new assets were acquired. Additional information regarding the District's capital assets can be found in Note 3 to the financial statements.

**Long-term Debt**

At September 30, 2007 and 2006, the District had long-term debt outstanding of \$64,824,481 and \$65,827,472, respectively. All of the debt in 2007 was revenue bond debt and secured by amenity fee revenue sources. The debt at September 30, 2007 consists of Recreational Revenue Bonds issued during fiscal year 2005. This debt is secured by a lien and pledge of revenues under the indentures which are derived by the District from the users of the recreational facilities. Additional information regarding the District's long-term debt can be found in Note 4 of the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate in Sumter County, where the District is located, was 3.1 percent in September 2007 which is a slight increase from a rate of 2.8 percent a year ago. This compares favorably with the State's average unemployment rate of 4.3 percent and the national average rate of 4.5 percent.
- Inflationary trends in the area compare favorably to national indices. The national Consumer Price Increase (CPI) annual increase for all urban consumers changed unfavorably from 2.06 percent in September 2006 to 2.76 percent in September 2007.

These factors were considered in preparing the Districts' budget for the 2008 fiscal year. Total annual projected revenues and expenditures have increased in the FY 2008 budget by about \$1.164 million compared to the FY 2007 amended budget. As the majority of growth in The Villages is occurring in the Sumter Landing District service areas, both the Lake Sumter Landing fund and the Sumter Landing Amenities Division fund are projecting increases of \$0.294 million and \$0.960 million, respectively. Only the Project Wide fund is seeing a small decrease of \$0.090 million in the coming year.

**Request for Information**

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, contact the Villages District Finance Department at 3201 Wedgewood Lane, The Villages, FL 32162; telephone (352) 753-0421.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Statement of Net Assets

September 30, 2007

Assets	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 3,245,228	\$ 7,247,724	\$ 10,492,952
Due from other governments	—	397,386	397,386
Due from developer	—	297,085	297,085
Accounts receivable	551,307	13,981	565,288
Prepays	—	71,924	71,924
Capital assets:			
Land	—	7,810,800	7,810,800
Buildings and structures	—	30,325,579	30,325,579
Improvements other than buildings	42,266,580	2,800,919	45,067,499
Machinery and equipment	—	400,157	400,157
Less accumulated depreciation	(2,905,828)	(1,692,099)	(4,597,927)
Bond issuance costs (net of accumulated amortization)	—	2,856,373	2,856,373
Intangible assets (net of accumulated amortization)	—	18,935,734	18,935,734
Total assets	43,157,287	69,465,562	112,622,849
<b>Liabilities</b>			
Accounts payable	442,462	1,120,406	1,562,868
Accrued expenses	—	137,031	137,031
Accrued interest payable	—	1,581,902	1,581,902
Due to others	4,789	112,073	116,862
Unearned revenue	—	242,020	242,020
Compensated absences	—	59,420	59,420
Due to Developer	—	604,379	604,379
Long-term debt:			
Due within one year	—	910,000	910,000
Due in more than one year	—	63,914,481	63,914,481
Total liabilities	447,251	68,681,711	69,128,963
<b>Net Assets</b>			
Invested in capital assets, net of related debt	39,360,752	(3,196,669)	36,164,085
Restricted for Debt Service	—	1,265,564	1,265,564
Unrestricted	3,349,283	2,714,955	6,064,238
Total net assets	\$ 42,710,036	\$ 783,851	\$ 43,493,887

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Statement of Activities

Year ended, September 30, 2007

Functions/Programs	Program revenues			Net (expense) revenue and changes in net assets			
	Expenses	Charges for services	Operating contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
<b>Governmental activities:</b>							
General government	\$ 6,191,187	6,673,895	—	—	482,709	—	482,709
Total governmental activities	6,191,187	6,673,895	—	—	482,709	—	482,709
<b>Business-type activities:</b>							
Sumter Landing Amenities Division	13,193,996	13,773,907	—	—	—	579,911	579,911
Total business-type activities	13,193,996	13,773,907	—	—	—	579,911	579,911
Total primary government	\$ 19,385,183	20,447,802	—	—	482,709	579,911	1,062,620
<b>General revenues:</b>							
Investment earnings					96,177	233,179	329,356
Transfers in (out)					1,500,000	(1,500,000)	—
Total general revenues					1,596,177	(1,266,821)	329,356
Change in net assets					2,078,886	(686,910)	1,391,976
Net assets – beginning					40,631,150	1,470,761	42,101,911
Net assets – ending					\$ 42,710,036	\$ 783,851	\$ 43,493,887

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT  
LAKE SUMTER LANDING & PROJECT WIDE**

Balance Sheet – Governmental Funds

September 30, 2007

	<b>Lake Sumter Landing</b>	<b>Project Wide</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 533,657	2,711,571	3,245,228
Accounts receivables	—	551,307	551,307
Total assets	533,657	3,262,878	3,796,534
<b>Liabilities:</b>			
Accounts payable	40,374	402,088	442,462
Due to other governments	—	4,789	4,789
Total liabilities	40,374	406,877	447,251
<b>Fund balances:</b>			
Operating reserves	120,000	—	120,000
Reserved for renewal & replacement	189,218	—	189,218
Unreserved	184,065	2,856,000	3,040,065
Total fund balances	493,283	2,856,000	3,349,283
Total liabilities and fund balances	\$ 533,657	3,262,878	3,796,534

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT  
LAKE SUMTER LANDING & PROJECT WIDE**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets

September 30, 2007

Total fund balances, governmental funds	\$	3,349,283
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets	42,266,580	
Less accumulated depreciation	<u>(2,905,827)</u>	39,360,752
Net assets of governmental activities	\$	<u>42,710,036</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
**Governmental Funds**

Statement of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds

Year ended September 30, 2007

	<u>Lake Sumter Landing</u>	<u>Project Wide</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Special assessments	\$ 1,196,419	5,456,351	-	6,652,770
Misc revenue	-	21,125	-	21,125
Interest income	14,602	81,575	-	96,177
Total revenues	<u>1,211,021</u>	<u>5,559,051</u>	<u>-</u>	<u>6,770,072</u>
Expenditures:				
Current:				
General government	931,471	4,203,051		5,134,522
Total expenditures	<u>931,471</u>	<u>4,203,051</u>	<u>-</u>	<u>5,134,522</u>
Other financing sources:				
Transfer in (out)	40	1,500,000	(40)	1,500,000
Total other financing sources	<u>40</u>	<u>1,500,000</u>	<u>(40)</u>	<u>1,500,000</u>
Net change in fund balances	<u>279,590</u>	<u>2,856,000</u>	<u>(40)</u>	<u>3,135,550</u>
Fund balances, at beginning of year	213,693	-	40	213,733
Fund balances, at end of year	<u>\$ 493,283</u>	<u>2,856,000</u>	<u>-</u>	<u>3,349,283</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT  
LAKE SUMTER LANDING**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds to the Statement of Activities**

Year ended September 30, 2007

Net change in fund balances – total governmental funds	\$ 3,135,550
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 capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in the fiscal year.	(1,056,665)
Change in net assets of governmental activities	<u>\$ 2,078,886</u>

See accompanying notes to basic financial statements.



**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
**LAKE SUMTER LANDING GENERAL FUND**  
Statement of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual  
Year ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Special assessments	\$ 1,196,419	1,196,419	1,196,419	-
Transfer in	120,000	-	-	-
Interest income	7,500	14,602	14,602	-
<b>Total revenues</b>	<u>1,323,919</u>	<u>1,211,021</u>	<u>1,211,021</u>	<u>-</u>
<b>Expenditures:</b>				
Management fees	144,635	145,220	145,220	-
Repair and maintenance/landscape	452,564	350,100	216,424	133,676
Infrastructure maintenance	4,750	-	-	-
Repairs & maintenance Project Wide	94,529	90,000	82,139	7,861
Building & structures maintenance	80,968	20,000	88,896	(68,896)
Porter service	190,332	201,000	210,361	(9,361)
Utility services	168,568	191,000	186,743	4,257
Office supplies	10	-	-	-
Operating supplies	500	100	44	56
Printing and binding	-	100	88	12
Other current charges	-	1,000	1,556	(556)
Operating reserve	120,000	120,000	-	120,000
Renew and replace	29,490	55,028	-	55,028
<b>Total expenditures</b>	<u>1,286,346</u>	<u>1,173,548</u>	<u>931,471</u>	<u>242,077</u>
<b>Excess of revenues over     expenditures</b>	<u>37,573</u>	<u>37,473</u>	<u>279,550</u>	<u>242,077</u>
<b>Other financing sources:</b>				
Transfers in	37,573	37,573	40	(37,533)
<b>Total other financing sources</b>	<u>37,573</u>	<u>37,573</u>	<u>40</u>	<u>(37,533)</u>
<b>Net change in fund balance</b>	<u>75,146</u>	<u>75,046</u>	<u>279,590</u>	<u>204,544</u>
Fund balances, at beginning of year	-	-	213,693	213,693
Fund balances, at end of year	<u>\$ 75,146</u>	<u>75,046</u>	<u>493,283</u>	<u>418,237</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
**Project Wide Fund**

Statement of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual  
Year ended September 30, 2007

	Budgeted Amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues:</b>				
Special assessments	\$ 5,067,620	5,463,818	5,456,351	(7,467)
Miscellaneous revenue	—	—	21,125	21,125
Interest income	—	—	81,575	81,575
<b>Total revenues</b>	<u>5,067,620</u>	<u>5,463,818</u>	<u>5,559,051</u>	<u>95,233</u>
<b>Expenditures:</b>				
Professional fees	—	—	7,052	(7,052)
Repair and maintenance/landscape	3,613,819	4,403,197	3,113,764	1,289,433
Landscape lighting	50,000	2,884	59,261	(56,377)
Landscape irrigation repairs	10,000	83,385	56,125	27,260
Retention area/preserves	692,277	333,621	425,385	(91,764)
Miscellaneous maintenance & repairs	5,000	40,837	65,227	(24,390)
Utility services	631,524	311,111	322,705	(11,594)
Road & bridge maintenance	65,000	25,000	10,109	14,891
Lake Sumter maintenance	—	117,329	115,582	1,747
Other structures & improvements	—	32,454	—	32,454
Tunnel ,maintenance	—	114,000	18,521	95,479
Operating supplies	—	—	9,320	(9,320)
Project Wide-reserves	—	1,500,000	—	1,500,000
<b>Total expenditures</b>	<u>5,067,620</u>	<u>6,963,818</u>	<u>4,203,051</u>	<u>2,760,767</u>
Excess of revenues over expenditures	—	(1,500,000)	1,356,000	2,856,000
<b>Other financing sources:</b>				
Transfers in	—	1,500,000	1,500,000	-
<b>Total other financing sources</b>	<u>—</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>—</u>	<u>—</u>	<u>2,856,000</u>	<u>2,856,000</u>
Fund balances, at beginning of year	—	—	—	-
Fund balances, at end of year	\$ <u>—</u>	<u>—</u>	<u>2,856,000</u>	<u>2,856,000</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Statement of Net Assets

Proprietary Funds

September 30, 2007

<b>Assets</b>		<b>SLAD</b>
Current assets:		
Cash and investments	\$	3,806,758
Restricted cash and investments with Trustee		2,847,466
Accounts receivable		13,981
Due from other governments		397,386
Due from developer		297,085
Prepaid expenses		71,924
<b>Total current assets</b>		<b>7,434,600</b>
Non-current assets:		
Restricted cash and investments with Trustee		593,500
Capital assets:		
Land		7,810,800
Buildings and structures		30,325,579
Improvements other than buildings and structures		2,800,919
Machinery and equipment		400,157
Less accumulated depreciation		(1,692,099)
Bond issuance costs (net of accumulated amortization)		2,856,373
Intangible assets (net of accumulated amortization)		18,935,735
<b>Total non-current assets</b>		<b>62,030,963</b>
<b>Total assets</b>		<b>69,465,563</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable		1,120,406
Accrued expenses		137,031
Accrued interest payable		1,581,902
Deferred revenue		242,020
Compensated absences		59,420
Due to others		112,073
Due to developer		10,879
Current installments of revenue bonds payable		910,000
<b>Total current liabilities</b>		<b>4,173,731</b>
Noncurrent liabilities:		
Revenue bonds payable, net		63,914,481
Due to developer		593,500
<b>Total noncurrent liabilities</b>		<b>64,507,981</b>
<b>Total liabilities</b>		<b>68,681,711</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt		(3,196,669)
Restricted for debt service		1,265,564
Unrestricted		2,714,955
<b>Total net assets</b>	\$	<b>783,851</b>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**

**Proprietary Funds**

**Year ended September 30, 2007**

	<u>SLAD</u>
Operating revenues:	
Charges for services	
Recreational amenity fees	\$ 10,380,421
Developer contribution	1,052,309
Other income	2,341,177
Total operating revenues	<u>13,773,907</u>
Operating expenses:	
Recreational amenity expenses	8,543,439
Depreciation	903,224
Amortization	590,450
Total operating expenses	<u>10,037,113</u>
Operating income	<u>3,736,794</u>
Nonoperating revenue (expenses):	
Interest income	233,179
Interest expense	(3,156,883)
Total non-operating revenue (expenses)	<u>(2,923,704)</u>
Income before nonoperating transfers	813,090
Transfer out to Project Wide Fund	<u>(1,500,000)</u>
Change in net assets	(686,910)
Total net assets (deficit), beginning	<u>1,470,761</u>
Total net assets, ending	<u>\$ 783,851</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2007

	<b>SLAD</b>
Cash flows from operating activities:	
Receipts from customers	\$ 13,773,907
Payments to suppliers	(5,004,585)
Payments to employees	(3,241,444)
Net cash provided by operating activities	5,527,878
Cash flows from noncapital financing activities:	
Transfer to Project Wide Fund	(1,500,000)
Net cash used by noncapital financing activities	(1,500,000)
Cash flows from capital and related financing activities:	
Principal payments on capital debt	(400,000)
Interest paid on capital debt	(3,156,884)
Net cash used in capital and related financing activities	(3,556,884)
Cash flows from investing activities:	
Payment for capital assets	(35,259)
Interest received	233,179
Net cash provided by investing activities	197,920
Net increase in cash and cash equivalents	668,914
Cash and cash equivalents, beginning of year	6,578,810
Cash and cash equivalents, end of year	\$ 7,247,724
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net assets:	
Cash per statement of net assets:	\$ 3,806,758
Restricted cash and cash equivalents-current	2,847,466
Restricted cash and cash equivalents-noncurrent	593,500
Cash and cash equivalents	\$ 7,247,724

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Statement of Cash Flows

Proprietary Funds

Year ended September 30, 2007

	<u>SLAD</u>
Reconciliation of operating income to net cash provided (used) in operating activities:	
Operating income	\$ 3,736,794
Adjustments to reconcile operating loss to net cash provided (used) in operating activities:	
Depreciation	903,924
Amortization	583,209
Cash provided by (used in) changes in:	
Due from/to Developer (net)	(595,164)
Due from/to other districts (net)	(184,192)
Due from/to other governments (net)	102,362
Prepaid expenses/accounts receivable	(25,722)
Accounts payable and accrued liabilities	942,160
Deferred revenue	64,508
Net cash provided by operating activities	<u>\$ 5,527,878</u>

See accompanying notes to basic financial statements

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 1  
Notes to Basic Financial Statement  
September 30, 2006

**(1) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

Sumter Landing Community Development District (the District) was established in 2002 to manage and finance basic services for a development district located in The Villages, Florida. The District is governed by a five-member board of supervisors who are elected on a rotating basis by the landowners within the District for terms from two to four years. The District was created by Sumter County Commission Ordinance No. 02-06 pursuant to the provisions of Chapter 190.005 of the Florida Statutes and operates within the criteria established by Chapter 190.

The District provides recreation and security services to the residents of a retirement community known as The Villages, located in The Villages, Florida. The Villages consists of approximately 20,256 acres spanning the borders of Lake, Sumter and Marion Counties and the Town of Lady Lake, Florida, and when fully developed is expected to include 55,960 residences and approximately 100,000 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. The Villages continues to be developed by the developer, a family-owned business established for the single purpose of developing The Villages.

There are no component units that are legally separate from the District. There are, however, twelve Community Development Districts (CDD) in the total makeup of The Villages, each being a separate government entity established pursuant to Chapter 190, Florida Statutes.

The Developer has formed the following community development districts:

- Village Center CDD (Lake, Marion and Sumter Counties) – This CDD provides water and sewer utility services, recreation and security services, and fire protection and paramedic services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Sumter Landing CDD (Sumter County) – This CDD provides recreation and security services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through maintenance assessments.
- Village CDD No. 1 (Sumter County) – This CDD's boundary consists of approximately 998 acres in the northeast corner of the county. The development includes construction of 3,427 residential units.
- Village CDD No. 2 (Sumter County) – This CDD's boundary consists of approximately 990 acres in the northeast corner of the county. The development includes construction of 3,672 residential units.
- Village CDD No. 3 (Sumter County) – This CDD's boundary consists of approximately 895 acres in the northeast corner of the county. The development includes construction of 3,762 residential units.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Financial Statements

September 30, 2007

### (1) Summary of Significant Accounting Policies (continued)

#### (a) Reporting Entity (continued)

- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,187 acres in the southern portion of the county. The development includes construction of 5,132 residential units.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,408 acres in the northeast corner of the county. The development includes construction of 6,399 residential units.
- Village CDD No. 6 (Sumter County) – This CDD’s boundary consists of approximately 1,458 acres in the northeast corner of the county. Planned development includes construction of 6,677 residential units.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. Planned development includes construction of 4,745 residential units.
- Village CDD No. 8 (Sumter County) – This CDD has been formed, but is not yet being developed as of September 30, 2007.
- Village CDD No. 9 (Sumter County) – This CDD has been formed, but is not yet being developed as of September 30, 2007.
- Village CDD No. 10 (Sumter County) – This CDD has been formed, but is not yet being developed as of September 30, 2007.

Certain of these community development districts have issued special assessment revenue bonds to finance various infrastructure improvements in their respective boundaries that are secured by special assessments levied on benefited lands in each district. It is anticipated that additional infrastructure improvements within The Villages will be undertaken by these community development districts and/or community development districts that will be created in the future, for which special assessments may be imposed on residences in The Villages and lands owned by the Developer.

As of September 30, 2007, all supervisors of the District were employees of the Developer or related to the Developer.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund in accordance with GASB Statement No. 20. The District’s more significant accounting policies are described below.



**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Financial Statements  
September 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

(b) ***Basic Financial Statements***

***Government-wide and Fund Financial Statements***

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (i.e. the statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of internal activity has been removed from these statements.

The financial reporting model focus is on either the District as a whole, or major individual funds. The government-wide statement of net assets reports the governmental activities of the District (a) on a consolidated basis and (b) on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The statement of activities reflects the expenses of a given function or segment, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

The District's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34.

Program revenues in the Statement of Activities consist primarily of special assessments for the government activity and charges for recreational amenities in proprietary funds.

Net assets are categorized as invested in capital assets, net of related debt, restricted and unrestricted.

***Invested in capital assets, net of related debt*** is intended to reflect the portion of net assets which are associated with capital assets net of accumulated depreciation less outstanding capital asset related debt. The net related debt is the debt plus any associated unamortized issuance costs.

***Restricted net assets*** are assets (generated from revenues) that have third party (statutory, bond covenant or granting agency) or enabling legislation limits on their use. The District would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

***Unrestricted net assets*** represent net assets not included in ***invested in capital assets, net of related debt, or restricted net assets*** that are available to meet the needs of creditors and governing board of the District.

(c) ***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, as are the proprietary fund financial statements. 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.

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

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Financial Statements  
September 30, 2007

**(1) Summary of Significant Accounting Policies (continued)**

**(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due and compensated absences are recognized to the extent they have matured.

The following are the District's two major governmental funds:

**Lake Sumter Landing General Fund**

The Lake Sumter Landing general fund is used to account for all financial resources of the government for commercial area maintenance in the District. The fund receives revenue primarily in the form of special assessments levied against the benefiting commercial property owners with structures in the District. These fees in turn are used to maintain the property and landscaping in the Lake Sumter Landing commercial area.

**Project Wide Special Revenue Fund**

The Project Wide special revenue fund was newly established in fiscal year 2006-2007 to assume the responsibilities of maintaining the landscaping along road right of ways and related drainage and water management structures that benefit the residents of Districts located south of Sumter County Route 466. All community development districts in this area contribute on a prorated acreage basis to fund the Project Wide fund for common area maintenance. The Project Wide fund then provides the vehicle to contract with a variety of service providers to maintain the common areas of the district, along major road rights of way.

Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District uses an enterprise fund to account for the operations and maintenance of the Sumter Landing Amenities Division (SLAD) which are financed and operated in a manner similar to private business enterprises, where the costs of providing services on a continuing basis are financed through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for amenities services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following is the District's major enterprise fund:

**SLAD Fund**

The principal operating revenues of the District's SLAD funds are charges to customers for amenities services. The operating fund of SLAD is used to account for all costs of providing services on a continuing basis.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Financial Statements  
September 30, 2007

**(1) Summary of Significant Accounting Policies (continued)**

The District has one non-major fund, the Debt Service fund which is also separately displayed. This fund was fully disbursed and closed during fiscal year 2006-2007.

**(d) Budgetary Data**

Legal authority and control are established in accordance with Section 190.008 of *Florida Statutes*. Annual budgets are adopted and approved by the board of supervisors. Annual budgets, as well as subsequent amendments, are adopted for the Lake Sumter Landing and Project Wide special revenue funds on a basis consistent with GAAP.

All budget amounts presented in the statements reflect the original budget and the amended budget if so amended.

**(e) Cash Equivalents and Investments**

The District considers the following highly liquid investments (including restricted assets) to be cash equivalents:

- Money Market Mutual funds
- Repurchase agreements

The money market mutual funds and repurchase agreements are stated at cost which approximates fair value. Income from investments owned by the individual funds is recorded in the respective funds as earned.

**(f) Restricted Assets-Proprietary Funds**

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Restricted assets in the form of cash and cash equivalents that will be used to pay current liabilities are classified as current assets in the accompanying statement of net assets.

The resolutions authorizing the revenue bonds require that the District establish a sinking fund and reserve accounts in amounts that equal the Reserve Account Requirements, which are defined in the Bond Trust Indentures.

In addition, the bond resolutions require that a renewal and replacement reserve be established. The renewal and replacement reserve deposits are maintained as restricted assets until such time as needed.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Financial Statements  
September 30, 2007

**(1) Summary of Significant Accounting Policies (continued)**

**(g) Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. As defined by the District, capital assets are assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed using the straight-line method. Estimated useful lives of the assets are as follows:

Buildings and Structures	15-40 years
Improvements other than buildings	10-40 years
Machinery and equipment	5-10 years

**(h) Assessments**

***Maintenance Assessments***

The District has levied an assessment for the maintenance of the infrastructure and the operations of the Lake Sumter Landing general fund. This assessment is derived from the fund's annual budget. The maintenance assessment revenue is classified as general revenue. The assessment is computed based on the square footage of each commercial structure as a percentage of the total square footage benefiting from the services provided.

***Billing / Collection of Assessments***

The District provides a notice of assessment in August or September of each year and bills the assessment to each benefiting property owner in twelve monthly increments.

**(i) Intangible Assets**

Intangible assets represent the discounted value of future amenity fees for assets acquired from the Developer, and are capitalized at cost at the date of acquisition. Intangible assets are amortized on a straight-line basis over an estimated useful life of 40 years.

**(j) Compensated Absences**

It is the District's policy to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Financial Statements  
September 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

*(k) Bond Discounts, Bond Premiums and Issuance Costs*

In the government-wide and proprietary fund financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bonds payable, whereas issuance costs are recorded as assets.

*(l) Use of Estimates*

The preparation of financial statements requires management of the District to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

(2) **Cash, Cash Equivalents and Investments**

Investment Type	Fair Value at 9/30/2007	Weighted Average Maturity Days	Credit Rating
Cash	\$ 3,231	n/a	n/a
Repurchase Agreements	6,048,122	overnight	n/a
Money Market Mutual Funds	3,440,966	23	AAAm
SBA	1,000,633	34	n/a

(2) **Cash, Cash Equivalents and Investments (continued)**

*Custodial Credit Risk*

The District's investments consist of funds placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value which is amortized cost. In addition operating cash is maintained with Citizens First Bank, an authorized Public Depository pursuant to Chapter 280, Florida Statutes. The majority of these funds are maintained in an overnight repurchase agreement, not considered a deposit. These amounts are collateralized by U.S. Government and U.S. Government Agency securities. Trust balances related to restricted debt service and capital project accounts are maintained with U.S. Bank and are invested in First American Government Obligation Fund Class Y, a money market mutual fund.

*Interest Rate Risk*

The short term liquidity of the cash equivalents and investments minimizes the impact that interest rate risk may have on the District.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Financial Statements  
September 30, 2007

**(2) Cash, Cash Equivalents and Investments (continued)**

*Concentration of Credit Risk*

<u>Type of Investment:</u>	<u>Issuer:</u>	<u>% of Total Investments</u>
Repurchase Agreement	Citizen's First Bank	57.66%
Money Market Mutual Funds	U S Bank	32.80%

*Investment Policy*

The District is authorized to invest in those financial instruments as established by the Investment Policy of the District. This policy authorizes investments allowed under *Florida Statutes* 218.415 amended to include Repurchase Agreements and prohibiting derivative type investments. The authorized investments consist of:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act as provided in s. 163.01.
- Securities and Exchange Commission registered money market mutual funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Repurchase agreements with financial institutions approved as public depositories, provided that the underlying collateral consist of obligations of the United States Government, its agencies and instrumentalities. The repurchase agreement shall be collateralized at 102 percent of the value of the District's investment.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Financial Statements  
September 30, 2007

**(3) Capital Assets**

Capital asset activity for the year ended September 30, 2007 was as follows:

	<b>Beginning balance</b>	<b>Increases Transfers</b>	<b>Decreases</b>	<b>Ending balance</b>
<b>Governmental activities</b>				
Assets being depreciated:				
Improvements other than buildings	42,266,580	-	-	42,266,580
Less accumulated depreciation for:				
Improvements other than buildings	(1,849,163)	(1,056,665)	-	(2,905,828)
Governmental activities, capital assets, net	\$ 40,417,417	(1,056,665)	-	39,360,752
<b>Business-type activities</b>				
Assets not being depreciated				
Land	\$ 7,810,100	700	-	7,810,800
Assets being depreciated:				
Buildings and structures	30,501,290	(175,711)	-	30,325,579
Improvements other than buildings	2,800,919	-	-	2,800,919
Machinery and equipment	189,888	210,269	-	400,157
Total at historical cost	41,302,197	35,258	-	41,337,455
Less accumulated depreciation for:				
Buildings and structures	(631,784)	(758,140)	-	(1,389,924)
Improvements other than buildings	(58,352)	(70,023)	-	(128,375)
Machinery and equipment	(98,040)	(75,761)	-	(173,801)
Total accumulated depreciation	(788,176)	(903,923)	-	(1,692,099)
SLAD capital assets, net	\$ 40,514,021	(868,665)	-	39,645,356

**(4) Intangible Assets**

	<b>Beginning balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending balance</b>
<b>SLAD:</b>				
Discounted value of amenity fees	\$ 19,932,353	-		19,932,353
Less accumulated amortization	(498,309)	(498,309)	-	(996,618)
Intangible assets, net	\$ 19,434,044	(498,309)	-	18,935,735

The intangible assets represent the value of assets acquired based on their revenue value compared to their book value. This difference is amortized over a period of forty (40) years.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

September 30, 2007

**(5) Long-term Debt**

*Revenue Bonds Payable*

Revenue bonds payable consisted of the following:

<p>\$53,085,000 Recreational Revenue Refunding Bonds, Series 2005A due in annual principal installments ranging from \$800,000 to \$3,100,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 3.25% to 5.125%.</p>	<p>\$ 52,730,000</p>
<p>\$11,915,000 Recreational Revenue Refunding Bonds, Series 2005B due in annual principal installments ranging from \$145,000 to \$775,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. The interest rate is 5.70%.</p>	<p>\$ 11,870,000</p>
	<p>64,600,000</p>
Plus bond premium	679,050
Less bond discount	(454,569)
Less current installments of revenue bonds payable	(910,000)
Revenue Bonds payable less current installments	<p>\$ 63,914,481</p>

The Recreational Revenue Bonds, Series 2005A and 2005B are secured by a lien and pledge of revenues under the indentures which are derived by the District from the users of the recreational facilities. These bonds and notes are additionally secured by amounts on deposit in the funds and accounts created pursuant to the indentures. The Recreational Revenue Bonds, Series 2005B are secured by a lien and pledge of revenues which is junior and subordinate to the lien and pledge of revenues on the Recreational Revenue Bonds, Series 2005A.

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2007 are as follows:



**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Financial Statements  
September 30, 2007

**(5) Long-term Debt (continued)**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2008	910,000	3,148,005	4,058,005
2009	945,000	3,113,931	4,058,931
2010	980,000	3,077,444	4,057,444
2011	1,020,000	3,038,389	4,058,389
2012	1,060,000	2,996,609	4,056,609
2013-2017	6,045,000	14,183,305	20,228,305
2018-2022	7,750,000	12,435,050	20,185,050
2023-2027	9,890,000	10,249,619	20,139,619
2028-2032	12,530,000	7,540,868	20,070,868
2033-2037	15,915,000	4,066,008	19,981,008
2038-2039	7,555,000	400,974	7,955,974
Total	<u>64,600,000</u>	<u>64,250,202</u>	<u>128,850,202</u>

**Changes in Long-Term Debt**

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
Bonds payable	\$ 65,000,000		(400,000)	64,600,000	910,000
Less bond discount	(469,233)	-	14,664	(454,569)	
Add bond premium	700,955	-	(21,905)	679,050	
Total bonds payable	<u>65,231,722</u>	<u>-</u>	<u>(407,241)</u>	<u>64,824,481</u>	<u>910,000</u>
Due to developer-SLAD	595,750	-	(2,250)	593,500	-
	<u>595,750</u>	<u>-</u>	<u>(2,250)</u>	<u>593,500</u>	
Total business-type activities long-term liabilities	<u>\$ 65,827,472</u>	<u>-</u>	<u>(409,491)</u>	<u>65,417,981</u>	<u>910,000</u>

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Financial Statements

September 30, 2007

### (5) Long-term Debt (continued)

#### *Due to Developer-Recreational Amenities*

Subordinate debt service reserve requirement was funded by the recreational revenue bond proceeds. Therefore, this amount was not available for payment to Developer for the purchase of recreation and security facilities. This amount becomes available for payment to the Developer when the reserve requirement is reduced as principal payments are made on the debt. The balance in this reserve at September 30, 2007 was \$593,500 and is classified as due to the developer.

The majority of the remaining amount in the line item, due to the developer of \$10,879, represents collections of amenity fees for recreation during the month of September, which are payable in the next month.

### (6) Related Parties

The District entered into interlocal agreements to provide Village Community Development District No. 5 (District No. 5), Village Community Development District No. 6 (District No. 6), Village Community Development District No. 7 (District No. 7), Village Community Development District No. 8 (District No. 8) certain management, finance, and administrative services. Under the agreement, fees paid to SLRDD from the numbered Districts for such services totaled \$198,158, \$204,766, \$169,741, and \$81,881, respectively, for the year ended September 30, 2007. Upon action by their respective boards of supervisors, District No. 5, District No. 6, District No. 7, and District No. 8 may request additional services as they deem necessary for the efficient and effective management of their respective districts. Such additional services are billed to the benefiting district at the District's cost.

The District has purchased from the Developer postage, building rents, management services, computerized tee-time reservation system and repair services for \$212,641. The district purchases water, waste water, and irrigation water from companies affiliated with the Developer for \$219,432. The District received for no charge from the Developer certain rents, information system support including software, hardware and computer programming and internal mail room operations.

The District operates new facilities as they are opened by the Developer. The Developer reimburses all start-up costs and all operating costs until the facility is transferred through an amenity sale. These costs at September 30, 2007 were \$1,052,309.

Substantially, all capital costs for infrastructure were acquired from the developer or paid on contracts that were assigned to the District by the developer using bond proceeds in either current or previous years.

On December 1, 2005, the District issued \$53,085,000, Series 2005A Recreational Revenue Bonds and \$11,915,000, 2005B Subordinate Recreational Revenue Bonds. The proceeds were used to (i) pay a portion of the cost of acquiring certain recreation and golf facilities from the Developer; (ii) purchase a Reserve Account Insurance Policy issued by MBIA Insurance Corporation to be deposited to the credit of the 2005 Sub-account of the Reserve Account; (iii) make deposits to the Renewal and Replacement Fund and the 2005 Working Capital Fund; and pay the cost of issuing the Series 2005A Bonds. The District paid

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Financial Statements  
September 30, 2007

**(6) Related Parties (continued)**

\$7,810,100 for land costs, \$33,302,209 for buildings and structures, and \$19,336,602 in discounted value of amenities contracts (intangible assets). Additional intangible assets of \$593,500 are recorded with the off-set as a due to the developer. These funds will be paid to the developer as the subordinated debt service reserve is reduced.

The Board of Supervisors for SLCDD at September 30, 2007 is made up of five members that are either employees or affiliates of the Developer.

**(7) Commitments and Contingencies**

***Operating Lease-Office Building***

The District entered into a non-cancelable, five year operating lease in June 2004 with the Developer, for its office building. The lease is renewable every five years. Rent expense recognized under the lease amounted to \$101,238 for the year ended September 30, 2007. Future minimum lease payments for this lease are as follows:

Year Ending September 30:

	2008	101,238
(8 Months)	2009	67,494
	\$	168,732

**(8) Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions; and natural disasters for which the District generally carries insurance for these risks. However, the District retains risks for certain property coverage and for any losses in excess of coverage limits.

**(9) Subsequent Event**

As discussed in Note 2, at September 30, 2007, the Sumter Landing Community Development District had \$1,000,633 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 28, 2007, based on information received from the news media of a "run on the bank" at the Local Government Investment Pool, the District Manager and Finance Director directed the withdrawal of all District deposits from the Local Government Investment Pool. The next day, November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring,

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

September 30, 2007

all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable. The State Board of Administration placed all investment earnings for the month of November 2007 into Pool B and did not distribute the amounts to the individual government accounts. It is estimated that such earnings for the District are less than \$15,000.

As of December 31, 2007, the District has no dollars invested in Pool A and an indeterminable amount (but less than \$15,000) invested in pool B. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**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***

Board of Supervisors  
Sumter Landing Community Development District  
The Villages, Florida

We have audited the financial statements of the governmental activities, business-type activities and each major fund of Sumter Landing Community Development District (the District), as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2008. 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**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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. However, we noted certain matters that we reported to management of the District in a separate letter dated March 19, 2008.

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Board of Supervisors  
Sumter Landing Community Development District  
The Villages, Florida

**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*  
(Concluded)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic 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 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 and the Auditor General of the State of Florida. It is not intended to be used, and should not be used by anyone other than these specified parties.

March 19, 2008  
Ocala, Florida

*Purvis, Gray and Company, LLP*

**MANAGEMENT LETTER**

Board of Supervisors  
Sumter Landing Community Development District  
The Villages, Florida

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, and each major fund of Sumter Landing Community Development District (the District), as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated March 19, 2008.

We have issued our report on internal control over financial reporting and on compliance and other matters dated March 19, 2008. Disclosures in this report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida, and unless otherwise required to be reported in the report on internal control over financial reporting and on compliance and other matters, this letter is required to include the following information:

The *Rules of the Auditor General* [Section 10.554(1)(i)1.] requires that we comment as to whether or not corrective action has been taken to address significant findings and recommendations made in the preceding annual financial audit report (see attached management letter comments).

The *Rules of the Auditor General* [Section 10.554(1)(i)2.] requires that we determine whether the District complied with Section 218.415, Florida Statutes, regarding investment of public funds. The audit disclosed no instances of noncompliance with Section 218.415, Florida Statutes.

The *Rules of the Auditor General* [Sections 10.554(1)(i)3.] requires us to provide any recommendations to improve the District's financial management, accounting procedures, and internal controls (see attached management letter comments).

The *Rules of the Auditor General* [Section 10.554(1)(i)4.] requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

**Certified Public Accountants**

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Board of Supervisors  
Sumter Landing Community Development District  
The Villages, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

The *Rules of the Auditor General* [Section 10.554(1)(i)5.] requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; (3) control deficiencies that are not significant deficiencies, including, but not limited to (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* [Section 10.554(1)(i)6.] also requires that the name or official title and legal authority for the government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See note 1 of the September 30, 2007, Sumter Landing Community Development District's basic financial statements for this information.

As required by the *Rules of the Auditor General* [Section 10.554(1)(i)7.(a)], the scope of our audit included a review of the provisions of Section 218.503(1)(a), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the District did not meet one or more of the financial emergency criteria described in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* [Section 10.554(1)(i)7.(b)], we determined that the annual financial report for the District for the fiscal year ended September 30, 2007, filed with the 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, 2007.

As required by the *Rules of the Auditor General* [Sections 10.554(1)(i)7.(c) and 10.556(7)], we applied financial condition assessment procedures pursuant to Rule 10.556(7). There were no findings of deteriorating financial condition, which were required to be reported.

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

*Purvis, Craig and Company, LLP*

March 19, 2008  
Ocala, Florida



**MANAGEMENT LETTER COMMENTS**

Board of Supervisors  
Sumter Landing Community Development District  
The Villages, Florida

During the course of our audit the following items came to our attention involving primarily operational matters, which if improved will result in more efficient and effective operations:

**Status of Prior Year Comments and Recommendations (Updated for Current Year)**

**Capital Asset Renewal and Replacement**

The District has a very large investment in infrastructure that is all debt financed and likely to require significant ongoing renewal and replacements over time as these assets age. Accordingly, we recommend that the District continue its existing efforts to develop a comprehensive capital improvement plan that would identify the timetable and funding source for all significant items likely to require renewal or replacement.

**Current Year Recommendations**

There were no current year recommendations.

This management letter comments is intended solely for the information and use of the Board of Supervisors, management, the state of Florida and other governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to express our appreciation for the courtesies that have been extended to our staff. If you have any questions or comments about the contents of this letter, please do not hesitate to contact us.

*Purvis, Gray and Company, LLP*

March 19, 2008  
Ocala, Florida

**Certified Public Accountants**

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**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

3201 Wedgewood Lane, The Villages, FL. 32162 352-753-0421 Fax: 352-751-3901

March 20, 2008

Board of Supervisors  
Sumter Landing Community Development District  
The Villages, Florida 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2006-2007 for Sumter Landing Community Development District. We are proud to report that this audit has an unqualified opinion that has no comments concerning internal controls and compliance issues. There is one management letter comment contained in their report. It is addressed below, along with District Managements' response to the comment.

**Auditor Comment: Capital Asset Renewal and Replacement**

The District has a very large investment in infrastructure that is all debt financed and likely to require significant ongoing renewal and replacements over time as these assets age. Accordingly, we recommend that the District continue its existing efforts to develop a comprehensive capital improvement plan that would identify the timetable and funding source for all significant items likely to require renewal and replacement.

**Management Response: Concur.**

District staff is beginning the process of developing the FY 2008-2009 budget for adoption in September 2008. As part of this process we are evaluating the steps necessary to implement a multi-year capital improvement plan component for presentation to each District Board of Supervisors. Due to the numerous changes currently underway in the structure of the Districts' staff, and financial and budgetary system updates, the implementation date of the multi-year capital improvement plan has not yet been established.

Your District staff has worked hard to assure you as supervisors that the management of the District's funds is conducted professionally, consistent with generally accepted accounting principles and governing Florida Statutes.

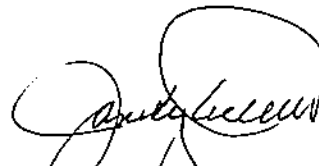
We believe that the Sumter Landing Community Development District sets an example for the appropriate management of Community Development Districts as conceived in Chapter 190, Florida Statutes. We would particularly like to commend the staff of the Villages District Finance Department for their diligent efforts in recording and maintaining the financial records of the District.

We would be happy to entertain any questions members of the Board of Supervisors may have on the audit report or the management of District resources.

Sincerely,



David R. Miles, CGFO  
Finance Director



Janet Y. Tutt  
District Manager