



**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Basic Financial Statements

September 30, 2013

(With Independent Auditors' Report Thereon)

**Sumter Landing Community Development District**  
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# SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

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

**Adoption of New Accounting Standards**

As discussed in Note 1 to the financial statements, for the year ending September 30, 2013, the District adopted new accounting guidance as follows:

- Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements.*
- (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* we have also issued our report dated February 7, 2014, 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* in considering the District's internal control over financial reporting and compliance.

*Purvis, Gray and Company, LLP*

February 7, 2014  
Ocala, Florida

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

### Management's Discussion and Analysis

(UNAUDITED)

September 30, 2013

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 as of September 30, 2013 by \$51,705,626, a net increase of \$795,639. This net position increase was composed of two components, an increase from operations of \$1,760,739 and a restatement of the beginning net position of (\$965,100) due to the early implementation of GASB 65 in Fiscal Year 2012-2013. This accounting standards change, addressed further below, changed the treatment of bond issuance costs. Previously these issuance costs were capitalized and amortized over the life of the bond issue. Under the new standards they are fully expensed in the year of debt issuance.
- The District's total net position increased by \$1,760,739 during the Fiscal Year. This increase in net position resulted from a decrease of \$699,098 in net position in the governmental funds, while there was a \$2,459,837 increase in the proprietary funds. The proprietary fund increase was a positive \$1,950,119 in the Sumter Landing Amenities Division (SLAD) Fund and an increase of \$509,718 in the three fitness centers. The governmental funds comprised of the Lake Sumter Landing and Project Wide Special Revenue Funds saw a decrease due to depreciation expenses exceeding new capital outlays and donations of new capital assets.
- At the close of the Fiscal Year, the District's governmental funds reported combined fund balances of \$6,209,265, a net increase of \$325,746, compared to the prior year. Of the total, \$3,157,187 is *unassigned fund balance*, available for use by the District on a discretionary basis. Capitalized assets and their associated depreciation are not recorded in the fund based financial statements due to the near term focus of governmental revenue and expenditure flows.
- The District's total long-term debt decreased by \$1,116,242 during the current Fiscal Year. The decrease relates to principal payments made on outstanding revenue bonds and other debt during the year ended September 30, 2013. No new debt was added during the Fiscal Year. The balance at the end of the year is \$59,311,783, with \$1,145,000 due within one year.
- There were no organizational changes to the fund structure of the Sumter Landing District in Fiscal Year 2012-2013.

#### Overview of the Financial Statements

This discussion and analysis is 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 Position** presents information on all of the District's assets and deferred outflows compared to liabilities and deferred inflows, with the difference between the two reported as *net position*. The District is implementing Governmental Accounting Standards Statements Nos. 63 and 65 this Fiscal Year which introduce the term *net position* in place of *net assets*. A further discussion of the standards changes promulgated by the Governmental Accounting Standards Board (GASB) is contained in footnote 1. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Sumter Landing Community Development District is improving or deteriorating.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2013

The **Statement of Activities** presents information showing how the government's net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of 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 physical environment services. The business-type activities of the District include the Sumter Landing Amenities Division (SLAD) and the Sumter Landing Fitness Fund which provide general governmental, debt service, and culture and recreation services. The District has no component units, as all functions are performed by the primary government.

The government-wide financial statements are provided on pages 10-11 of this report.

**The Fund Financial Statements**, which report by individual fund, begin on page 12. 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 and the Project Wide Special Revenue Funds are the two governmental funds of the District. The Sumter Landing Amenities Division (SLAD) Fund is the main operating fund and with the Sumter Landing Fitness Fund comprises the only two proprietary funds 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 and the Project Wide Special Revenue funds, both of which are considered to be major funds.

The District adopts an annual budget for both major governmental funds. Budgetary comparison statements for both funds can be found on pages 16-17 of this report.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2013

**Proprietary funds.** The District maintains two proprietary funds, the Sumter Landing Amenities Division (SLAD) Enterprise Fund and the Sumter Landing Fitness Enterprise Fund. Enterprise funds, a category of proprietary funds, are included as *business-type activities* in the government-wide financial statements. Proprietary funds statements 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 SLAD and Fitness funds, which are both considered to be major funds of the Sumter Landing Community Development District. The basic proprietary fund financial statements can be found on pages 18-20 of this report.

### 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 position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$51.706 million as of September 30, 2013, representing an increase of \$1.761 million from the restated net position of approximately \$49.945 million as of September 30, 2012. The increase in net position for September 30, 2013 is due to the significant increase in the fund balance of the two proprietary funds, the SLAD Fund and the Fitness Fund, offset by depreciation related reductions in the balances of the governmental funds.

The District's net position is categorized as follows as of September 30, 2013:

**Net investment in capital assets.** This \$30.916 million portion of the District's net position (59.8%) 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 \$1.391 million portion of the District's net position (4.1%) represents resources that are subject to external restrictions on how they may be used. The District's restricted net position is restricted for the purpose of meeting its debt service obligations.

**Restricted for renewal and replacement.** A total of \$0.190 million of the District's net position (0.4%) is restricted by the bond indenture for use in the renewal and replacement of the capital assets as they wear out, in the SLAD Fund.

**Unrestricted net position.** The remaining \$19.208 million balance of the District's net position (35.7%) may be used to meet the District's ongoing obligations to residents and creditors.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Management's Discussion and Analysis  
(UNAUDITED)  
September 30, 2013

Table 1 below reflects the summary statement of net position for the current and prior years.

**Table 1**  
**Summary Statement of Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>						
Current and other assets	\$ 6,427,437	6,152,528	19,226,910	16,188,140	25,654,347	22,340,668
Bond issuance costs (net of accumulated amortization)	-	-	-	2,395,668	-	2,395,668
Capital assets, net of accumulated depreciation	37,404,614	38,429,458	34,768,626	35,612,349	72,173,240	74,041,807
Bond insurance, net of accumulated amortization	-	-	1,373,724	-	1,373,724	-
Intangible assets, net of accumulated amortization	-	-	15,945,881	16,444,190	15,945,881	16,444,190
<b>Total assets</b>	<b>43,832,051</b>	<b>44,581,986</b>	<b>71,315,141</b>	<b>70,640,347</b>	<b>115,147,192</b>	<b>115,222,333</b>
<b>Liabilities:</b>						
Current and other liabilities	218,172	269,009	3,911,611	3,615,312	4,129,783	3,884,321
<b>Long-term debt:</b>						
Due within one year	-	-	1,145,000	1,100,000	1,145,000	1,100,000
Due in more than one year	-	-	58,166,783	59,328,025	58,166,783	59,328,025
<b>Total liabilities</b>	<b>218,172</b>	<b>269,009</b>	<b>63,223,394</b>	<b>64,043,337</b>	<b>63,441,566</b>	<b>64,312,346</b>
<b>Net position (deficit)</b>						
Net investment in capital assets	37,404,614	38,429,458	(6,488,186)	(5,421,068)	30,916,428	33,008,390
Restricted for debt service	-	-	1,391,614	1,899,894	1,391,614	1,899,894
Restricted for renewal and replacement	-	-	189,616	189,616	189,616	189,616
Unrestricted	6,209,265	5,883,519	12,998,703	9,928,568	19,207,968	15,812,087
<b>Total net position</b>	<b>\$ 43,613,879</b>	<b>44,312,977</b>	<b>8,091,747</b>	<b>6,597,010</b>	<b>51,705,626</b>	<b>50,909,987</b>

***Governmental Activities***

Governmental activities decreased the District's net position by \$699,098 during the year ended September 30, 2013. This decrease results from depreciation expenses exceeding the amount of new capital assets added to the District's infrastructure.

***Business-type Activities***

Business-type activities increased the District's net position by \$2,459,837 during the year ended September 30, 2013. The increase reflects the increase in net position of the Sumter Landing Fitness Enterprise Fund and the

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2013

continued improved operations of the Sumter Landing Amenities Division Fund. The District's business-type activities consist of recreation, fitness and security services provided to District residents. The number of residents served by the District continued to grow during the year, with 3,382 new residential homes closed in the areas of The Villages served by the District during Fiscal Year 2012-2013.

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

**Table 2**  
**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>September 30, 2013</u>	<u>2012</u>	<u>September 30, 2013</u>	<u>2012</u>	<u>September 30, 2013</u>	<u>2012</u>
Operating revenues:						
General government	\$ 42,064	37,232	11,330,790	11,097,441	11,372,854	11,134,673
Special assessments	9,243,741	8,601,352	-	-	9,243,741	8,601,352
Donated capital	-	171,530	-	-	-	171,530
Public safety	-	-	4,939,118	3,778,943	4,939,118	3,778,943
Culture/recreation	-	-	2,240,992	2,616,542	2,240,992	2,616,542
General revenues:						
Interest and other earnings	12,185	64,019	20,118	83,927	32,303	147,946
Contributions and donations from private sources	-	11,558	-	-	-	11,558
Total revenues	<u>9,297,990</u>	<u>8,885,691</u>	<u>18,531,018</u>	<u>17,576,853</u>	<u>27,829,008</u>	<u>26,462,544</u>
Expenses:						
General government services	-	-	5,444,097	5,340,731	5,444,097	5,340,731
Public safety	-	-	2,130,317	1,755,329	2,130,317	1,755,329
Physical environment	8,876,565	7,909,743	2,420,805	2,302,858	11,297,370	10,212,601
Capital outlay	-	-	-	-	-	-
Culture/recreation	-	-	4,635,000	4,514,388	4,635,000	4,514,388
Loss/gain on fixed asset	-	-	-	-	-	-
Depreciation (unallocated)	1,120,523	1,080,850	885,809	878,510	2,006,332	1,959,360
Amortization expense	-	-	555,153	590,450	555,153	590,450
Total expenses	<u>9,997,088</u>	<u>8,990,593</u>	<u>16,071,181</u>	<u>15,382,266</u>	<u>26,068,269</u>	<u>24,372,859</u>
Changes in net position	<u>(699,098)</u>	<u>(104,902)</u>	<u>2,459,837</u>	<u>2,194,587</u>	<u>1,760,739</u>	<u>2,089,685</u>

**Budgetary Highlights**

During the year, there was \$1,128,585 increase in the appropriations for the Project Wide Fund between the original and final budget. This increase occurred primarily in the utility and maintenance and repair line items. Much of the increase was used to accelerate the cleanout of the storm water drainage pipes in the service area. There was an increase in the appropriations of the Lake Sumter Landing Fund by \$56,343 primarily for maintenance and repair. The revenue budgets remained unchanged in all funds.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2013

### Capital Asset and Debt Administration

#### Capital Assets

The District's capital assets as of September 30, 2013 and September 30, 2012 amounted to \$72,173,240 and \$74,041,805, respectively. This is net of accumulated depreciation and includes land, buildings, improvements other than buildings, furniture and equipment, and construction in progress. The decrease resulted from depreciation expenses during the year exceeding new assets acquired. Additional information regarding the District's capital assets can be found in Note 3 of the Notes to Basic Financial Statements.

#### Long-term Debt

As of September 30, 2013 and September 30, 2012, the District had long-term debt outstanding of \$59,311,783 and \$60,428,025, respectively. The majority of the debt as of September 30, 2013 consists of Recreational Revenue Bonds issued during Fiscal Year 2004-2005. 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. Debt of \$545,750 is owed to the Developer, The Villages of Lake Sumter, Inc., for capital assets acquired. All notes payable and capital leases were paid in full during the year and no new debt was added. Additional information regarding the District's long-term debt can be found in Note 4 of the Notes to Basic Financial Statements.

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

- The unemployment rate in Sumter County where the District is located was 5.7 percent in September 2013 which is a decrease from a rate of 6.9 percent a year ago. This compares favorably with the State's average unemployment rate of 6.9 percent and is below the national average rate of 7.0 percent.
- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual increase for all urban consumers decreased significantly from 1.99 percent in September 2012 to 0.92 percent in September 2013.

These factors were considered in preparing the Districts' budget for the 2013-2014 Fiscal Year. The Lake Sumter Landing Special Revenue Fund is projecting a revenue increase of \$12,560 and an expenditure increase of \$86,487 in Fiscal Year 2013-2014 compared to the final budget in Fiscal Year 2012-2013. The net increase of capital outlays by \$256,012 offsetting decreases in maintenance and repairs, is for the trestle bridge wood deck replacement project, and accounts for this increase. The Project Wide Special Revenue Fund is projecting a revenue increase of \$1,444,715, with \$1,003,526 of the increase coming from adding District No. 10 to the service area and \$333,364 of the increase coming from placing Sumter County road right-of-way maintenance reimbursements directly in the Project Wide Fund instead of the General Funds of Districts 5-10. Minor increases in the fees charged Districts 5-9 and the Lake Sumter Landing Fund account for the remaining increase. An expenditure increase of \$604,576 is also projected. The expenditure increase is mainly for the expanded service area as District No. 10 was added for the first time in Fiscal Year 2013-2014.

The Sumter Landing Amenities Division Fund sees a Fiscal Year 2013-2014 increase in revenues budgeted of \$1,373,995 with expenditure increases of \$733,761. The expenditure increase includes increases to professional services mainly for expanded community watch service areas, repairs and maintenance and related operating supplies, and other contractual services or public safety and golf management services. The revenue increase was due to increased fire safety and community watch fees due to additional residents served and developer contributions for expanded recreation programs, the first refund from the Village Center District General Fund and amenity fee increases. There were numerous other minor adjustments both up and down between the two

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Management's Discussion and Analysis

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years' budgets. The Fitness Enterprise Fund sees a Fiscal Year 2013-2014 revenue increase of \$112,920 and a projected expenditure increase of \$56,034. Most of the expenditure increase is in operating supply and non-capital equipment replacements. Most of the revenue increase results from increased fitness fee revenue.

**Requests for Information**

The District's financial statements are designed to present users (residents, 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 Village Community Development Districts, Finance Department at 3201 Wedgewood Lane, The Villages, FL 32162; Telephone (352) 753-0421.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Statement of Net Position

September 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,862,964	\$ 10,123,956	\$ 11,986,920
Investments	4,563,498	6,714,531	11,278,029
Accounts receivable (net)	975	1,532,014	1,532,989
Due from other governments	-	853,202	853,202
Prepays	-	3,207	3,207
Capital assets:			
Non depreciable assets	3,717,780	7,816,496	11,534,276
Depreciable assets (net of depreciation)	33,686,834	26,952,130	60,638,964
Bond insurance (net of accumulated amortization)	-	1,373,724	1,373,724
Intangible assets (net of accumulated amortization)	-	15,945,881	15,945,881
Total assets	<u>43,832,051</u>	<u>71,315,141</u>	<u>115,147,192</u>
<b>Liabilities</b>			
Accounts payable	214,704	198,417	413,121
Accrued expenses	3,468	25,482	28,950
Accrued interest payable	-	1,465,135	1,465,135
Unearned revenue	-	996,330	996,330
Due to other governments	-	182,048	182,048
Due to developer for amenity fees	-	1,044,199	1,044,199
Long-term debt:			
Due within one year	-	1,145,000	1,145,000
Due in more than one year	-	58,166,783	58,166,783
Total liabilities	<u>218,172</u>	<u>63,223,394</u>	<u>63,441,566</u>
<b>Net Position</b>			
Net investment in capital assets	37,404,614	(6,488,186)	30,916,428
Restricted for:			
Debt service	-	1,391,614	1,391,614
Renewal and replacement	-	189,616	189,616
Unrestricted	6,209,265	12,998,703	19,207,968
<b>Total net position</b>	<u>\$ 43,613,879</u>	<u>\$ 8,091,747</u>	<u>\$ 51,705,626</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Statement of Activities

Year Ended September 30, 2013

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
Physical environment	\$ 8,876,565	9,243,741	42,064	-	409,240	-	409,240
Depreciation (unallocated)	1,120,523	-	-	-	(1,120,523)	-	(1,120,523)
Total governmental activities	9,997,088	9,243,741	42,064.00	-	(711,283)	-	(711,283)
Business-type activities:							
General government services	5,999,250	11,330,790	-	-	-	5,331,540	5,331,540
Public safety	2,130,317	4,939,118	-	-	-	2,808,801	2,808,801
Physical environment	2,420,805	-	-	-	-	(2,420,805)	(2,420,805)
Culture/recreation	4,635,000	2,240,992	-	-	-	(2,394,008)	(2,394,008)
Depreciation (unallocated)	885,809	-	-	-	-	(885,809)	(885,809)
Total business-type activities	16,071,181	18,510,900	-	-	-	2,439,719	2,439,719
Total primary government	\$ 26,068,269	27,754,641	42,064.00	-	(711,283)	2,439,719	1,728,436
General revenues:							
Investment earnings					12,185	20,118	32,303
Total general revenues					12,185	20,118	32,303
Change in net position					(699,098)	2,459,837	1,760,739
Net position – beginning (as restated)					44,312,977	5,631,910	49,944,887
Net position – ending					\$ 43,613,879	8,091,747	51,705,626

See accompanying notes to basic financial statements.

**Business-type activities**

Net Position - as restated	
Net position - 9/30/2012	6,597,010
COI - 2005A	(812,430)
COI - 2005B	(152,670)
Net Position - as restated for 9/30/2012	<u>5,631,910</u>

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

Balance Sheet – Governmental Funds

September 30, 2013

	<b>Lake Sumter Landing</b>	<b>Project Wide</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 769,368	1,093,596	1,862,964
Investments	1,116,704	3,446,794	4,563,498
Accounts receivable	-	975	975
Due from other governments	-	-	-
Total assets	1,886,072	4,541,365	6,427,437
<b>Liabilities:</b>			
Accounts payable	50,553	164,151	214,704
Other current liabilities	-	3,468	3,468
Total liabilities	50,553	167,619	218,172
<b>Fund balances:</b>			
Committed for renewal & replacement	939,858	2,112,220	3,052,078
Unassigned	895,661	2,261,526	3,157,187
Total fund balances	1,835,519	4,373,746	6,209,265
Total liabilities and fund balances	\$ 1,886,072	4,541,365	6,427,437

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 Position  
September 30, 2013

Total fund balances, governmental funds	\$	6,209,265
Total net position 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	\$	46,772,932
Less accumulated depreciation		<u>(9,368,318)</u>
Net position of governmental activities	\$	<u><u>37,404,614</u></u>
		<u><u>43,613,879</u></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, 2013

	<u>Lake Sumter Landing</u>	<u>Project Wide</u>	<u>Total</u>
Revenues:			
Special assessments	\$ 1,547,517	7,687,099	9,234,616
Other revenue	15,274	26,790	42,064
Investment earnings	3,218	8,968	12,186
Rents and leases	9,125	-	9,125
Total revenues	<u>1,575,134</u>	<u>7,722,857</u>	<u>9,297,991</u>
Expenditures:			
Current			
Physical environment	1,435,179	7,441,387	8,876,566
Capital outlay	23,460	72,219	95,679
Total expenditures	<u>1,458,639</u>	<u>7,513,606</u>	<u>8,972,245</u>
Net change in fund balances	<u>116,495</u>	<u>209,251</u>	<u>325,746</u>
Fund balances, at beginning of year	<u>1,719,024</u>	<u>4,164,495</u>	<u>5,883,519</u>
Fund balances, at end of year	<u>\$ 1,835,519</u>	<u>4,373,746</u>	<u>6,209,265</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT  
GOVERNMENTAL FUNDS**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds to the Statement of Activities  
Year Ended September 30, 2013

Net change in fund balances – total governmental funds	\$	325,746
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 capital outlay less depreciation expensed in the fiscal year.		
Capital outlay	\$	95,679
Depreciation expense		<u>(1,120,523)</u>
Change in net position of governmental activities	\$	<u><u>(699,098)</u></u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT  
LAKE SUMTER LANDING SPECIAL REVENUE FUND**

Statement of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual  
Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 1,547,517	1,547,517	1,547,517	-
Miscellaneous revenue	12,000	12,000	15,274	3,274
Rentals and leases	9,125	9,125	9,125	-
Investment earnings	2,500	2,500	3,218	718
Total revenues	<u>1,571,142</u>	<u>1,571,142</u>	<u>1,575,134</u>	<u>3,992</u>
Expenditures:				
Management fees and professional services	168,479	175,179	174,242	937
Other contractual services	145,860	147,360	147,211	149
Utility service	231,516	231,516	207,917	23,599
Repairs and maintenance/landscape	271,895	328,238	280,004	48,234
Infrastructure maintenance	205,186	196,886	176,157	20,729
Repairs and maintenance - project wide	20,000	20,000	6,312	13,688
Building and structures maintenance	350,512	350,512	339,027	11,485
Other current charges	105,160	105,260	104,295	965
Operating supplies	3,000	3,000	14	2,986
Capital outlay	30,000	30,000	23,460	6,540
Total expenditures	<u>1,531,608</u>	<u>1,587,951</u>	<u>1,458,639</u>	<u>129,312</u>
Excess of revenues over expenditures	<u>39,534</u>	<u>(16,809)</u>	<u>116,495</u>	<u>133,304</u>
Other financing sources:				
Transfer in (out)	(246,504)	(246,504)	-	246,504
Total other financing sources	<u>(246,504)</u>	<u>(246,504)</u>	<u>-</u>	<u>246,504</u>
Net change in fund balance	(206,970)	(263,313)	116,495	379,808
Fund balances, at beginning of year	<u>1,719,024</u>	<u>1,719,024</u>	<u>1,719,024</u>	<u>-</u>
Fund balances, at end of year	<u>\$ 1,512,054</u>	<u>1,455,711</u>	<u>1,835,519</u>	<u>379,808</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, 2013

	<b>Budgeted Amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Special assessments	\$ 7,687,099	7,687,099	7,687,099	-
Miscellaneous revenue	6,547	6,547	26,790	20,243
Investment earnings	2,000	2,000	8,968	6,968
Total revenues	<u>7,695,646</u>	<u>7,695,646</u>	<u>7,722,857</u>	<u>27,211</u>
<b>Expenditures:</b>				
Professional services	494,304	525,804	414,116	111,688
Other contractual services	816	816	1,229	(413)
Utility services	708,310	808,310	805,020	3,290
Rents & leases	1,000	1,000	-	1,000
Repairs and maintenance/landscape	4,648,866	4,391,437	3,986,936	404,501
Miscellaneous maintenance & repairs	1,400,333	2,627,701	2,233,358	394,343
Printing & binding	500	500	583	(83)
Office supplies	500	500	27	473
Operating supplies	5,200	5,200	118	5,082
Capital outlay	148,371	175,517	72,219	103,298
Total expenditures	<u>7,408,200</u>	<u>8,536,785</u>	<u>7,513,606</u>	<u>1,023,179</u>
Excess of revenues over expenditures	287,446	(841,139)	209,251	1,050,390
Fund balances, at beginning of year	4,164,495	4,164,495	4,164,495	-
Fund balances, at end of year	<u>\$ 4,451,941</u>	<u>3,323,356</u>	<u>4,373,746</u>	<u>1,050,390</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

**Proprietary Funds**

Statement of Net Position

September 30, 2013

	<b>Sumter Landing Amenities Division (SLAD)</b>	<b>Sumter Landing Fitness Fund</b>	<b>Sumter Landing Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 5,505,662	1,026,179	6,531,841
Restricted cash and cash equivalents	2,856,749	-	2,856,749
Investments	5,502,005	1,212,526	6,714,531
Accounts receivable (net)	1,523,348	8,582	1,531,930
Due from other funds	5,237	-	5,237
Due from other governments	853,202	-	853,202
Accrued interest receivable	84	-	84
Prepaid expenses	3,207	-	3,207
<b>Total current assets</b>	<b>16,249,494</b>	<b>2,247,287</b>	<b>18,496,781</b>
Non-current assets:			
Restricted cash and cash equivalents with fiscal agent	735,366	-	735,366
Capital assets:			
Land	7,812,278	-	7,812,278
Buildings and structures	30,497,792	-	30,497,792
Infrastructure	3,026,606	-	3,026,606
Machinery and equipment	419,429	-	419,429
Construction in progress	4,218	-	4,218
Capital leases	-	10,547	10,547
Less accumulated depreciation	(7,001,014)	(1,230)	(7,002,244)
Bond insurance (net of accumulated amortization)	1,373,724	-	1,373,724
Intangible assets (net of accumulated amortization)	15,945,881	-	15,945,881
<b>Total non-current assets</b>	<b>52,814,280</b>	<b>9,317</b>	<b>52,823,597</b>
<b>Total assets</b>	<b>69,063,774</b>	<b>2,256,604</b>	<b>71,320,378</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	189,601	8,812	198,413
Accrued expenses	24,054	1,428	25,482
Accrued interest payable	1,465,135	-	1,465,135
Unearned revenue	861,135	135,195	996,330
Due to other funds	-	5,237	5,237
Due to other governments	182,048	-	182,048
Due to developer for amenity fees	1,044,203	-	1,044,203
Current installments of revenue bonds payable	1,145,000	-	1,145,000
<b>Total current liabilities</b>	<b>4,911,176</b>	<b>150,672</b>	<b>5,061,848</b>
Non-current liabilities:			
Revenue bonds payable, net	57,621,033	-	57,621,033
Due to developer	545,750	-	545,750
<b>Total non-current liabilities</b>	<b>58,166,783</b>	<b>-</b>	<b>58,166,783</b>
<b>Total liabilities</b>	<b>63,077,959</b>	<b>150,672</b>	<b>63,228,631</b>
<b>Net position</b>			
Net investment in capital assets	(6,497,503)	9,317	(6,488,186)
Restricted for debt service	1,391,614	-	1,391,614
Restricted for renewal and replacement	189,616	-	189,616
Unrestricted	10,902,088	2,096,615	12,998,703
<b>Total net position</b>	<b>\$ 5,985,815</b>	<b>2,105,932</b>	<b>8,091,747</b>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
**Proprietary Funds**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Year Ended September 30, 2013

	<b>Sumter Landing Amenities Division (SLAD)</b>	<b>Sumter Landing Fitness Fund</b>	<b>Sumter Landing Total</b>
Operating revenues:			
Charges for services			
Amenity fees	\$ 11,330,790	-	11,330,790
Membership fees	1,384,532	856,460	2,240,992
Other fees	4,938,532	586	4,939,118
Total operating revenues	<u>17,653,854</u>	<u>857,046</u>	<u>18,510,900</u>
Operating expenses:			
General government services	2,521,070	-	2,521,070
Public safety	2,130,317	-	2,130,317
Physical environment	2,420,805	-	2,420,805
Culture/recreation	5,170,893	349,916	5,520,809
Amortization expense	555,153	-	555,153
Total operating expenses	<u>12,798,238</u>	<u>349,916</u>	<u>13,148,154</u>
Operating income	<u>4,855,616</u>	<u>507,130</u>	<u>5,362,746</u>
Non-operating revenue (expenses):			
Investment earnings	17,530	2,588	20,118
Interest expense	(2,923,027)	-	(2,923,027)
Total non-operating revenue (expenses)	<u>(2,905,497)</u>	<u>2,588</u>	<u>(2,902,909)</u>
Change in net assets	<u>1,950,119</u>	<u>509,718</u>	<u>2,459,837</u>
Total net position, beginning (as restated)	<u>4,035,696</u>	<u>1,596,214</u>	<u>5,631,910</u>
Total net position, ending	<u>\$ 5,985,815</u>	<u>2,105,932</u>	<u>8,091,747</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

**Proprietary Funds**

Statement of Cash Flows

For The Fiscal Year Ended September 30, 2013

	<b>Sumter Landing Amenities Division (SLAD)</b>	<b>Sumter Landing Fitness Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash flows from operating activities:			
Receipts from customers	\$ 17,212,768	853,518	18,066,286
Payments to suppliers/professional fees	(11,027,558)	(445,679)	(11,473,237)
Net cash provided by operating activities	<u>\$ 6,185,210</u>	<u>407,839</u>	<u>6,593,049</u>
Cash flows from capital and related financing activities:			
Principal payments on capital debt	\$ (1,107,242)	-	(1,107,242)
Interest paid	(2,923,027)	-	(2,923,027)
Disposal of capital assets	(42,085)	-	(42,085)
Net cash used in capital and related financing activities	<u>(4,072,354)</u>	<u>-</u>	<u>(4,072,354)</u>
Cash flows from investing activities:			
Purchases of investments	(1,006,488)	(400,800)	(1,407,288)
Interest earned on investments	17,530	2,588	20,118
Net cash provided by investing activities	<u>(988,958)</u>	<u>(398,212)</u>	<u>(1,387,170)</u>
Net increase (decrease) in cash and cash equivalents	1,123,898	9,627	1,133,525
Cash and cash equivalents, beginning of year	<u>7,973,879</u>	<u>1,016,552</u>	<u>8,990,431</u>
Cash and cash equivalents, end of year	<u>\$ 9,097,777</u>	<u>1,026,179</u>	<u>10,123,956</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net assets:			
Unrestricted cash and cash equivalents	\$ 5,505,662	1,026,179	6,531,841
Restricted cash and cash equivalents-current	2,856,749	-	2,856,749
Restricted cash and cash equivalents-non-current	735,366	-	735,366
Cash and cash equivalents	<u>\$ 9,097,777</u>	<u>1,026,179</u>	<u>10,123,956</u>
Reconciliation of operating income to net cash provided (used) in operating activities:			
Operating income	\$ 4,855,616	507,129	5,362,745
Adjustments to reconcile operating income to net cash provided(used) by operating activities:			
Depreciation	884,754	1,055	885,809
Amortization	555,153	-	555,153
Change in assets and liabilities:			
(Increase) Decrease in:			
Accounts Receivable	(470,764)	(3,527)	(474,291)
Prepaid expenses	(128)	-	(128)
Due from other districts	(570)	-	(570)
Due from other governments	(28,205)	-	(28,205)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(59,629)	3,038	(56,591)
Unearned revenue	58,453	6,187	64,640
Due to developer	348,557	-	348,557
Due to other governments	41,973	(106,043)	(64,070)
Net cash provided by operating activities	<u>\$ 6,185,210</u>	<u>407,839</u>	<u>6,593,049</u>

See accompanying notes to basic financial statements.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

### (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 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 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. As of September 30, 2013, each member of the Board of Supervisors is an employee of or affiliated with the Developer.

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 22,590 acres spanning the borders of Lake, Sumter and Marion Counties, City of Wildwood, City of Fruitland Park and the Town of Lady Lake, Florida, and when fully developed is expected to include approximately 58,775 residences and 111,672 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 thirteen Community Development Districts (CDD) in the total structure 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 commercial maintenance assessments.
- Brownwood CDD (Sumter County) – Brownwood CDD (Sumter County) – This CDD was newly established in June 2012 by the City of Wildwood, Florida and is located at the southern end of The Villages. This CDD 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 and Developer contributions as the new downtown area builds out.
- Village CDD No. 1 (Sumter County) – This CDD's boundary consists of approximately 993 acres in the northeast corner of the county. The development included construction of 3,420 residential units.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

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

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

- Village CDD No. 2 (Sumter County) – This CDD’s boundary consists of approximately 990 acres in the northeast corner of the county. The development included construction of 3,668 residential units.
- Village CDD No. 3 (Sumter County) – This CDD’s boundary consists of approximately 894 acres in the northeast corner of the county. The development included construction of 3,762 residential units.
- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,186 acres in the southern portion of the county. The development included construction of 5,132 residential units.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,407 acres in the northeast corner of the county. The development included construction of 6,399 residential units.
- Village CDD No. 6 (Sumter County) – This CDD’s boundary consists of approximately 1,497 acres in the northeast corner of the county. Planned development included construction of 6,697 residential units of which 9 remain unsold as of September 30, 2013.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. The development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now complete with 127 unsold and being used as lifestyle preview homes by the Developer.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,280 acres in the northeast corner of the county. Planned development includes construction of 5,376 residential units. Construction is now underway.
- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 1,588.8 acres in the northeast corner of the county. Planned development includes construction of 6,639 residential units. The first Phase I Infrastructure Assessment Bonds were issued December 18, 2012, and active development began in Fiscal Year 2012-2013 with 462 homes sold by September 30, 2013.

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.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

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

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

The North Sumter Utility Dependent District (NSCUDD) was formed by Sumter County in July 2010 pursuant to Chapter 189, Florida Statutes, as a special purpose government to acquire the privately owned North Sumter Utility Company, LLC and the Village Water Conservation Authority, LLC. These two companies operated the potable water and sewage systems and the non-potable irrigation system, respectively, for the portion of The Villages bounded by CR 466 on the north, CR 466A on the south, the Lake County line on the east and the boundary of The Villages on the west. On December 7, 2010, NSCUDD purchased the utilities previously owned by the two private companies. On December 27, 2012 NSCUDD purchased the rights to deliver solid waste collection and disposal services to residential and commercial customers in the Marion and Sumter County portions of The Villages. The Sumter Landing Community Development District, through interlocal agreements with the Village Center Community Development District and NSCUDD provides certain administrative, accounting and financial management, operational and other support to NSCUDD.

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. The District's more significant accounting policies are described below.

#### (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 position 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 Position reports the governmental activities of the District (a) on a government-wide 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. Previously called the Statement of Net Assets, the Statement of Net Position also addresses deferred inflows and deferred outflows as a result of implementation of GASB 63 and 65 in this Fiscal Year 2012-2013 financial report. The Statement of Activities reflects the expenses of the District, which are offset by 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. The Lake Sumter Landing and the Project Wide Special Revenue Funds meet this definition as governmental funds and are designated as major funds. The Sumter Landing Amenities Division (SLAD) and Fitness Enterprise Funds also meet this definition as proprietary funds and are designated as major funds. The District has no non-major funds.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

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

#### (b) *Basic Financial Statements (continued)*

Program revenues in the Statement of Activities consist primarily of special assessment revenues. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

*Net investment in capital assets* is intended to reflect the portion of net position which is associated with capital assets net of accumulated depreciation less outstanding capital asset related debt. As a result of early implementation of GASB 65 in this report, all new issuance costs will be expensed in the current year and will no longer be amortized over the life of the debt.

*Restricted net position* is assets 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 position* represent net position not included in net investment in capital assets or restricted net position.

#### (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 funds 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 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.

Governmental funds report fund balances either as non-spendable or spendable. Spendable balances are further classified as restricted, committed, assigned or unassigned, based on the extent to which there are external or internal constraints on the spending of these fund balances. A discussion of each is as follows:

*Non-spendable:* Resources that can not be spent such as for inventories.

*Restricted:* Balances that only can be spent for specific purposes imposed by external sources.

*Committed:* Resources that can only be spent for purposes established by the highest decision making authority in the government.

*Assigned:* Amounts designated for specific purposes, but does not meet the criteria to be designated restricted or committed.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

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

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

*Unassigned:* The residual classification for all remaining funds not contained in other classifications.

The District does not currently use *Non-spendable* or *Assigned* categories of fund balance. All *Restricted* fund balances relate to external debt service restrictions. The Board of Supervisors, the highest decision making authority of the District, approves the establishment, increase and reduction in *Committed* fund balances by budget resolutions and amendments. All other fund balances are *Unassigned*. *Restricted* and *Committed* fund balances are always used first for the purposes for which they are designated. Changes to this practice require prior Board of Supervisors approval. A minimum fund balance amount has not been formally adopted.

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

#### **Lake Sumter Landing Special Revenue Fund**

The Lake Sumter Landing Special Revenue 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 established in Fiscal Year 2006-2007 to assume the responsibilities of maintaining the landscaping along road rights-of-way 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 Districts, 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 enterprise, where the costs of providing services on a continuing basis are financed through user charges. In Fiscal Year 2009-2010, a new enterprise fund was established to provide for the financial management of the three fitness centers operated by the District south of CR 466. In prior years the fitness centers were managed in an enterprise fund operated by the Village Center Community Development District. In the Fiscal Year 2009-2010 budgets of the two Districts, the three fitness centers south of CR 466 and a proportionate share of the fund balance of the Village Center District Fitness Enterprise Fund were transferred to Sumter Landing Community Development District to establish the Sumter Landing Fitness Enterprise Fund.

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

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

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

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 are the District's two major enterprise funds:

#### **Sumter Landing Amenities Division (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 Fitness Enterprise Fund**

Formed in Fiscal Year 2009-2010, this enterprise fund accounts for the charges to customers and the expenses of operating the three District fitness centers on a continuing basis. The three fitness centers are located at the Colony Cottage, Laurel Manor and SeaBreeze Recreation Centers operated by the District.

#### (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 four 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) *Deposits and Investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

- Money Market Mutual Funds
- Demand Deposits
- Florida State Board of Administration's Local Government Investment Pool (SBA LGIP)

The money market mutual funds are stated at cost which approximates fair value.

In May 2008, the District transferred amounts approximately equal to its long-term reserved fund balances (less debt service reserves maintained with the bond trustee) into the Florida Municipal Investment Trust (FMIvT) operated by the Florida League of Cities. The investment was placed into the FMIvT's 1-3 Year High Quality Bond Fund. Half of the balances in the FMIvT Fund were transferred to the Florida Local Government Investment Trust (FLGIT) fund beginning in September 2010. The FLGIT fund, sponsored by the Florida Association of Counties and Florida Association

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2013

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

**(e) Deposits and Investments (continued)**

of County Clerks, has an investment portfolio similar in duration to the FMIvT 1-3 Year High Quality Bond Fund. This change was done to improve liquidity, enhance diversification and slightly improve yield. The investment in the FLGIT and FMIvT pools is evidenced by shares which are marked to market monthly.

**(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 Position 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 Position.

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.

**(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 Special Revenue 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.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

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

#### (h) Assessments (continued)

##### *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 (12) 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

The Sumter Landing Community Development District no longer has any employees, effective October 1, 2008. The responsibility for the previously recorded Compensated Absences liability was transferred to the Village Center Community Development District (VCCDD), along with the necessary resources to pay the liability in the future.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. As a result of the early implementation of GASB 65, bond issuance costs are no longer treated as deferred charges. This change resulted in the restatement of the beginning net position of the District resulting in a reduction of \$965,100 from \$6,597,010 to \$5,631,910. All new issuance costs will be expensed in the year of issuance.

In the fund financial statements, proprietary fund types recognize bond issuance costs during the period when the debt is issued. The face amount of debt issued is reported as other financial sources. Issuance costs are reported as other debt services expenditures.

#### (l) Implementation of Governmental Accounting Standards Statements

The District is implementing the following GASB Statements during the year that ended September 30, 2013. Statement No. 65 is being early implemented so as to implement it at the same time as the implementation of Statement No. 63.

1. Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement improves financial reporting by codifying all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

2. Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement provides guidance for certain items formally classified as assets and liabilities. The Statement redefines these as "deferred outflows of resources" (formally

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2013

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

*(l) Implementation of Governmental Accounting Standards Statements (continued)*

assets) and “deferred inflows of resources” (formally liabilities). Each new category must have its own Statement of Net Position section. GASB 63 also requires that the last line of the statements formally called “Net assets” now be titled “Net position” to reflect the new classifications. In addition, “Capital assets, net of debt” will now be titled “Net investment in capital assets” in order properly present the total of the items.

3. Statement No. 65, “Items Previously Reported as Assets and Liabilities.” This statement provides more guidance for the items listed in GASB 63, and adds additional changes. It requires that statements avoid the use of the word “deferred” except as it relates to items that are deferred outflows or are deferred inflows. It addresses the calculation of a deferred outflow or inflow for the refunding of debt. For non-exchange transactions like grants, amounts received before the time period of eligibility are treated as deferred inflows. This Statement also addresses taxes received prior to the period to which they relate. GASB 65 also requires debt issuance costs to be expensed in the period that the debt was issued. In the past, subsequent to the implementation of GASB 34, these costs were amortized over the life of the issue. The effects of this change are required to be disclosed on the statements in the period it is implemented. Losses on debt refundings are not expenses, but rather, treated as deferred outflows. For operating leases, any initial direct costs are recognized in the period incurred, instead of being amortized over the life of the lease. When an asset is recorded in governmental fund statements, but the revenue is not available until a future period, a deferred inflow is reported until the revenue becomes available.

*(m) 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) Deposits and Investments**

As of September 30, 2013, the District had the following deposits and investments:

<u>Deposits and Investment Type</u>	<u>Fair Value at September 30, 2013</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Cash on Hand	\$ 2,945	-	n/a
Demand Deposits, CFB	645,796	1.0	n/a
Local Government Investment Pool, SBA	7,746,064	44.0	AAAm
U.S. Bank Money Market Mutual Funds, Federated	3,592,115	44.0	AAAm
Bond Fund FLGIT	5,539,292	741.0	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	5,738,737	554.8	AAA/V2
Total Fair Value	<u>\$ 23,264,949</u>		
Portfolio Weighted Average Maturity (WAM)		334.8	

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

### (2) Deposits and Investments (continued)

**Interest Rate Risk.** Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, Weighted Average Maturity (WAM), duration, and simulation model. The District has used the WAM method in the above chart. In accordance with the District's investment policy, the government manages its exposure to decline in fair values by limiting the WAM of its investment portfolio to less than three years. The WAM on September 30, 2013 was 334.8 days.

**Credit Risk.** GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities. Investments may be aggregated by ratings categories within the disclosure. Ratings are set by nationally recognized statistical rating organizations (Fitch, Moody's, and S&P). Fitch provides the ratings for FMIVT 1-3 Year High Quality Bond Fund, while S&P provides the ratings for the U.S. Bank money market with Federated, the Florida Local Government Investment Trust (FLGIT), and the SBA investment pool.

Operating cash is maintained with Citizens First Bank, an authorized Public Depository, pursuant to Chapter 280, Florida Statutes.

The District's cash equivalents and investments consist of funds placed with four entities:

- 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.
- Trust balances related to restricted debt service accounts are maintained with U.S. Bank and are invested in Federated Prime Cash Obligations Fund since August 1, 2010.
- The District has investments consisting of funds placed with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIVT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. The District owns shares in the 1-3 Year High Quality Bond Fund, a pool operated by the FMIVT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. In the year ended September 30, 2013, the FMIVT had incurred unrealized losses of \$21,613 and realized gains of \$20,344, for a net loss of \$1,269. The realized gains occurred primarily due to selling of shares of the FMIVT. The unrealized losses will not be recognized until the sale of underlying shares in the FMIVT pool.
- The District initiated investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Association of County Clerks, on September 2, 2010. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2013, the FLGIT account had achieved unrealized gains of \$16,216 in the current

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

### (2) Deposits and Investments (continued)

#### *Interest Rate Risk (continued)*

year. The unrealized gains would only be realized if the underlying shares in the FLGIT pool are sold.

- In total, the District recognized investment earnings of \$32,303 during the Fiscal Year.

**Concentration of Credit Risk.** The District's investment policy requires the diversification of its investment portfolio. Investments may be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector;
- Limiting investments in securities with higher credit risks;
- Investment in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds, such as the Local Government Investment Pool, money market funds, or overnight repurchase agreements to ensure the appropriate liquidity is maintained to meet ongoing obligations.

**Custodial Credit Risk-Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District invests its operating cash solely in Guaranteed Public Depositories that meet the requirements of Chapter 280, Florida Statutes. In addition to protection of up to \$250,000 for its deposits with a single bank being provided by the Federal Deposit Insurance Corporation (FDIC), the District's deposits are provided an extra level of security afforded by using a public depository that meets the requirements of Chapter 280. This includes the provision by the public depository of collateral based on the amount of public deposits maintained at the institution and the ability of the State of Florida to levy other public depositories for shortages in collateral in the event of the failure of a public depository. The Citizens First Bank is a Guaranteed Public Depository.

**Custodial Credit Risk-Investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All investments are held in the name of the District by a custodian or a Trustee for the District.

#### **Investment Policy**

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

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market mutual funds with the highest credit quality rating from a nationally recognized rating agency.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2013

**(2) Deposits and Investments (continued)**

***Investment Policy (continued)***

- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes.
- 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 equal to at least 102 percent of the value of the District's investment.

**(3) Capital Assets**

Capital asset activity for the year ended September 30, 2013 was as follows:

	<u>Beginning balance</u>	<u>Increases Transfers</u>	<u>Transfers/ Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 3,708,882	-	-	3,708,882
Construction in progress	-	8,898	-	8,898
Total assets not being depreciated	<u>3,708,882</u>	<u>8,898</u>	<u>-</u>	<u>3,717,780</u>
Assets being depreciated:				
Buildings and structures	225,863	-	-	225,863
Infrastructure	42,463,240	63,322	-	42,526,562
Furniture & equipment	279,268	23,459	-	302,727
Total assets being depreciated	<u>42,968,371</u>	<u>86,781</u>	<u>-</u>	<u>43,055,152</u>
Less accumulated depreciation for:				
Buildings and structures	(42,705)	(5,871)	-	(48,576)
Infrastructure	(8,161,087)	(1,097,653)	-	(9,258,740)
Furniture & equipment	(44,004)	(16,998)	-	(61,002)
Total accumulated depreciation	<u>(8,247,796)</u>	<u>(1,120,522)</u>	<u>-</u>	<u>(9,368,318)</u>
Government activities capital assets, net	<u>38,429,457</u>	<u>(1,024,843)</u>	<u>-</u>	<u>37,404,614</u>
Business-type activities:				
Assets not being depreciated				
Land	7,812,278	-	-	7,812,278
Construction in progress	-	4,218	-	4,218
Total assets not being depreciated	<u>7,812,278</u>	<u>4,218</u>	<u>-</u>	<u>7,816,496</u>
Assets being depreciated:				
Buildings and structures	30,508,339	-	-	30,508,339
Infrastructure	2,995,733	30,873	-	3,026,606
Furniture & fixtures	469,226	6,996	(56,793)	419,429
Leasehold Improvements	-	-	-	-
Capital lease	-	-	-	-
Total assets being depreciated	<u>33,973,298</u>	<u>37,869</u>	<u>(56,793)</u>	<u>33,954,374</u>
Less accumulated depreciation for:				
Buildings and structures	(5,198,128)	(776,723)	-	(5,974,851)
Infrastructure	(521,783)	(103,243)	-	(625,026)
Furniture & fixtures	(453,317)	(5,843)	56,793	(402,367)
Leasehold Improvements	-	-	-	-
Capital lease	-	-	-	-
Total accumulated depreciation	<u>(6,173,228)</u>	<u>(885,809)</u>	<u>56,793</u>	<u>(7,002,244)</u>
Business activities capital assets, net	<u>35,612,348</u>	<u>(843,722)</u>	<u>-</u>	<u>34,768,626</u>
Total Sumter Landing CDD capital assets, net	\$ <u>74,041,805</u>	<u>(1,868,565)</u>	<u>-</u>	<u>72,173,240</u>

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2013

**(3) Capital Assets (continued)**

Governmental activities depreciation of \$1,120,522 is for roads, drainage features and related infrastructure in Lake Sumter Landing. Business activities depreciation of \$885,809 is for recreational facilities operated by the Sumter Landing Amenities Division (SLAD) fund.

**(4) Intangible Assets**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business activities, SLAD fund:				
Discounted value of amenity fees	\$ 19,932,352	-	-	19,932,352
Less accumulated amortization	<u>(3,488,162)</u>	<u>(498,309)</u>	<u>-</u>	<u>(3,986,471)</u>
Intangible assets, net	\$ <u>16,444,190</u>	<u>(498,309)</u>	<u>-</u>	<u>15,945,881</u>

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

**(5) Long-term Debt**

***Revenue Bonds Payable***

Revenue bonds payable consisted of the following:

\$53,085,000 Recreational Revenue Refunding Bonds, Series 2005A due in annual principal installments ranging from \$955,000 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 4.625% to 5.125%.	\$ 47,670,000
\$11,915,000 Recreational Revenue Refunding Bonds, Series 2005B due in annual principal installments ranging from \$190,000 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%.	\$ <u>10,915,000</u>
Total revenue bonds payable	58,585,000
Plus unamortized premium	547,621
Less unamortized discount	(366,588)
Less current installment of revenue bonds payable	<u>(1,145,000)</u>
Revenue Bonds payable less current installments	\$ <u>57,621,033</u>

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.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2013

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

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2013 are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:				
2014	\$	1,145,000	2,900,978	4,045,978
2015		1,205,000	2,840,845	4,045,845
2016		1,265,000	2,777,625	4,042,625
2017		1,330,000	2,711,210	4,041,210
2018		1,400,000	2,641,333	4,041,333
2019-2023		8,145,000	12,033,314	20,178,314
2024-2028		10,370,000	9,754,438	20,124,438
2029-2033		13,140,000	6,917,077	20,057,077
2034-2038		16,710,000	3,244,833	19,954,833
2039		3,875,000	101,525	3,976,525
Total	\$	<u>58,585,000</u>	<u>45,923,176</u>	<u>104,508,176</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 - including unamortized premium and discount	\$ 59,873,275	-	(1,107,242)	58,766,033	1,145,000
Total bonds payable	<u>59,873,275</u>	<u>-</u>	<u>(1,107,242)</u>	<u>58,766,033</u>	<u>1,145,000</u>
Due to developer-SLAD	554,750	-	(9,000)	545,750	-
Total other long-term debt	<u>554,750</u>	<u>-</u>	<u>(9,000)</u>	<u>545,750</u>	<u>-</u>
Total business-type activities long- term liabilities	\$ <u>60,428,025</u>	<u>-</u>	<u>(1,116,242)</u>	<u>59,311,783</u>	<u>1,145,000</u>

***Pledged Revenues***

The District has pledged certain amenities fee revenue to pay the principal and interest on Recreational Revenue Bonds issued to pay for the purchase of recreational facilities from the Developer. These Recreational Revenue Bonds were outstanding on September 30, 2013 as shown below. The table reports the revenues pledged for each debt issue, the amounts of revenue received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds as of September 30, 2013.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2013

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

<u>Description of Debt</u>	<u>Pledged Revenue</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percent Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
Recreational Revenue Bonds, Series 2005A and 2005B	Amenities Fee Revenue \$	11,330,790 \$	4,023,027	35.51%	\$ 104,508,176	2038

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

The subordinate debt service reserve requirement was funded by the Recreational Revenue Bond proceeds. Therefore, this amount was not available for payment to the Developer for recreation and security facilities assets already acquired. 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 as of September 30, 2013 was \$545,750, and is classified as due to the Developer.

**(6) Related Parties**

The District entered into interlocal agreements with Village Center Community Development District (VCCDD) to obtain certain management, payroll, finance, office rental and administrative services. Under the agreement, fees paid to VCCDD by the Sumter Landing District for the year ended September 30, 2013 amounted to \$5,795,962. Village Community Development District Nos. 5, 6, 7, 8, 9 and Brownwood paid amounts to the Project Wide Fund for maintenance of common use right-of-way. The amounts of these payments were \$1,623,689, \$1,802,276, \$1,148,353, \$1,289,288, 1,442,887, and \$287,446, respectively. Upon action by their respective Boards of Supervisors, District Nos. 5, 6, 7, 8, 9 and Brownwood 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. In Fiscal Year 2012-2013, the District purchased trash collection services from North Sumter County Dependent District (NSCUDD) for \$16,521.

The Developer provided to the Center District at no cost information system support, including software, hardware, computer programming and internal mailroom operations. The Center District then passed on this benefit to the District. In March 2012, a new company was formed, Villages Technology Services Group, to assume the information system support previously provided by the Developer. In Fiscal Year 2012-2013, the Center District began paying for information system support, with these expenses then passed on in a prorated basis to Sumter Landing District. These costs for the year ended September 30, 2013 were \$616,055. Of this amount, \$412,327 was reimbursed by the Developer to the District for information system support at golf and recreation facilities owned by the Developer and operated by the District.

The District operates new recreation 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 as of September 30, 2013 were \$1,384,532, which were paid to the District by the Developer.

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

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2013

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

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 (iv) pay the cost of issuing the Series 2005A Bonds. The District paid \$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 were recorded with the offset as a due to the developer. These funds will be paid to the Developer as the subordinated debt service reserve is reduced. The balance owed as of September 30, 2013 was \$545,750.

The Board of Supervisors for SLCDD as of September 30, 2013 is made up of five members that are either employees or affiliates of the Developer.

**(7) Commitments and Contingencies**

*Operating Leases*

The only operating leases paid by the District are for office equipment, such as copiers. Future minimum lease payments for these leases are as follows:

Year ending September 30,	Equipment Leases
2014	\$ 2,640
2015	2,116
2016	1,068
2017	1,068
2018	<u>712</u>
Total	<u>\$ 7,604</u>

**(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) Internal Revenue Service Audit of Sumter Landing and Village Center Community Development District Recreation Bonds**

In July 2009, the Internal Revenue Service (IRS) extended an ongoing audit of the Village Center Community Development District (VCCDD) recreation bonds to include the Series 2003 Special Assessment Bonds (previously paid in full) and the Series 2005 Recreational Revenue Bonds issued by the Sumter Landing Community Development District (District). There are certain similarities between the structure of the VCCDD recreational bond issues that were already being audited and the District's recreational revenue bonds. The District is a separate legal entity from the VCCDD.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

### (9) Internal Revenue Service Audit of Sumter Landing and Village Center Community Development District Recreation Bonds (continued)

On July 22, 2009, the District provided a “Notice of Material Event-IRS Examination” to the secondary bond market concerning the District’s Recreational Revenue Bonds, Series 2005A and Subordinate Recreational Revenue Bonds, Series 2005B. This notice of audit commencement was based on the receipt of a letter dated July 2, 2009 from the IRS announcing the start of the examination.

Although the IRS may make similar allegations with respect to the District’s Bonds as have been made with respect to the VCCDD’s bonds, the IRS has not currently made any formal claims that the interest payable with respect to the District’s bonds is not excluded from federal gross income under section 103 of the Internal Revenue Code.

VCCDD in early February 2009 filed the following material events notice in regard to its Recreational Revenue Bonds, Series 2003A and Subordinate Recreational Revenue Bonds, Series 2003B (collectively, the “Bonds”).

“The Village Center Community Development District (the “Issuer”) received on January 23, 2009 three (3) “Notice of Proposed Issues” (collectively, the “Notices”) relating to the Internal Revenue Services’ (the “IRS”) examination of the above referenced bond issue. The conclusions stated in the Notices are as follows: (1) the Issuer does not qualify as a political subdivision or as “an on behalf of issuer” of tax-exempt bonds pursuant to Section 1.103-1(b) of the Internal Revenue Code regulations; (2) the opinions of value do not support the price paid by the Issuer to the developer for the Series 2003 Facilities and the payment of the sales price for the facilities to the developer by the Issuer is not a governmental use of the proceeds of the Bonds; and (3) the Bonds are private activity bonds, the interest on which is not excludable under IRS Section 103.

The Issuer disagrees with the conclusions set forth in the Notices and intends to work with the IRS to protect the exclusion from gross income of interest on the Bonds. The Issuer cannot predict the outcome of the discussions and negotiations with the IRS.”

Subsequently, the IRS expanded its examination to include all series of the recreational revenue bonds and utility revenue bonds issued by the VCCDD from 1998 through 2005 and stated its view that the issues identified in the IRS’s Notice as described above are also present with respect to the other VCCDD bonds. In 2013, the Chief Counsel of the IRS issued a technical advice memorandum stating the opinion that the VCCDD was not a political subdivision at any time during the period that the bonds were issued and, as a consequence, the IRS issued a Notice of Proposed Issue proposing that an adjustment be made with respect to all of the VCCDD bonds based upon its determination that the VCCDD is not a political subdivision that would be eligible to issue bonds the interest on which is not includible in federal gross income. The Issuer disagrees with the technical advice memorandum and its conclusions and intends to work with the IRS to protect the exclusion from gross income of interest on the Bonds.

With respect to the valuation issue described above in the IRS’s Notice, a valuation report has been received by the VCCDD from the IRS engineer-appraiser and the VCCDD has responded to those valuations suggesting corrections to errors that it identified in the IRS’s valuation report. The IRS has not presently made any formal claims that the interest on the VCCDD bonds is not excluded from federal gross income. The IRS’s examination of the VCCDD bonds is ongoing.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Sumter Landing Community Development District (the District) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 7, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS  
(Concluded)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Purvis, Gray and Company, LLP*

February 7, 2014  
Ocala, Florida

## MANAGEMENT LETTER

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

We have audited the accompanying financial statements of the governmental activities, the 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, 2013, and have issued our report thereon dated February 7, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports which are dated February 7, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective action has been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding audit report.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provision of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the District's financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *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 such findings.

### Certified Public Accountants

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

**MANAGEMENT LETTER**  
*(Concluded)*

- Section 10.554(1)(i)5., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 of the September 30, 2013, the District's basic financial statements for this information).
- Section 10.554(1)(i)6.(a)., *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(s) met. In connection with our audit, we determined that the District did not meet any conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.(b)., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we determined that these two reports agree.
- Pursuant to Sections 10.554(1)(i)6.c and 10.556(7)., *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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, and applicable management, 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, Gray and Company, LLP*

February 7, 2014  
Ocala, Florida



**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
3201 Wedgewood Lane, The Villages, FL 32162 Telephone: (352) 753-0421 Fax: (352) 751-3901

February 10, 2014

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 2012-2013 for Sumter Landing Community Development District. We are proud to report that this audit has an unmodified opinion.

There are no internal control deficiencies, material weaknesses, or compliance issues identified and reported. All prior year management letter comments have been corrected in prior years to the satisfaction of the auditors and no new comments have been identified in the current audit report.

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 Sumter Landing Community Development District continues to set 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,

A handwritten signature in blue ink, appearing to read "D. Miles".

David R. Miles, CGFO  
Finance Director

A handwritten signature in blue ink, appearing to read "Janet Y. Tutt".

Janet Y. Tutt  
District Manager

**Sumter Landing Community Development District**  
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