VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2013

(With Independent Auditors' Report Thereon)

Village Center Community Development District
3201 Wedgewood Lane, The Villages, FL 32162
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VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Village Center Community Development District
The Villages, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village Center 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, each major fund,

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Board of Supervisors
Village Center Community Development District
The Villages, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinions (*Concluded)*
and the aggregate remaining fund information 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 General Fund and Public Safety Special Revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2013

The Village Center 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

- Net position increased over the previous year by $8,295,889 to $74,635,594. The governmental activities recognized an increase of $1,516,568. The business-type activities recognized an increase in net position of $6,779,321. There was a reduction in that increase of $5,366,123 resulting from the early implementation of GASB 65 which restated the beginning net position for the previously accrued bond issuance costs paid at the time the bonds were issued. Of the total net position, in the governmental activities, there is $9,449,381 which is unrestricted and $65,532,539 which is unrestricted in the business-type activities.
- All of the District's proprietary funds (business activities) realized an increase in net position. The four proprietary funds in the business type activities all saw increases: the RAD Fund increased by $4,534,442, the VCSA Water and Sewer Fund increased by $1,622,020, the LSSA Water and Sewer Fund increased by $613,217 and the Fitness Fund increased by $9,642.
- In the governmental fund statements, the General Fund saw an increase of $996,858, the Public Safety Fund saw an increase of $561,944 and the non-major funds saw an increase of $249,063 in fund balances. At the close of the fiscal year, the District's governmental funds reported a fund balance of $7,447,931, a net increase of $1,807,865 compared to the prior year.
- Both the Village Center Service Area (VCSA) and the Little Sumter Service Area (LSSA) water and sewer utility funds included 2.5 percent rate increases for all billing periods beginning October 1, 2012 or thereafter. These annual rate adjustments contributed to the positive financial performance of both utility funds.
- The District's total long-term debt decreased by a net of $11,272,888 during the current fiscal year. In the governmental activities, no new debt was incurred and payments on notes payable to buy Fire Station Numbers 44 and 45 were reduced by $1,250,000. Loans payable were reduced by $90,067, and capital leases by $35,361 during the year. Compensated absences liability increased by $20,242. At the end of the year, government activities had $2,522,765 in outstanding long-term debt, while business activities had $279,146,366 in outstanding long-term debt. No new debt was incurred by the District. Total long-term debt outstanding on September 30, 2013 was $281,669,131.

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 Village Center Community Development District is improving or deteriorating.

The **Statement of Activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of 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, public safety, and environmental services. The business-type activities of the District include the Recreation Amenities Division which provides general governmental, debt service and culture and recreation services. The District also operates two water and sewer utilities serving different geographical areas of The Villages and a recreational fitness center. 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 Village Center Community Development District (VCCDD), like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There is a General Fund and five Special Revenue Funds that provide general government services, public safety services, deed compliance services and environmental and property maintenance services for the Village of Spanish Springs, Rolling Acres and Road Maintenance in commercial areas of the District. Four of the Special Revenue Funds are funded at least in part through special assessments paid by benefiting property owners. The Public Safety Special Revenue Fund also receives revenue from a variety of other sources, with the bulk of its budget funded by transfers from other units of local government. The Community Standards Fund receives payments from District Nos. 1-8 and the VCCDD RAD Fund to provide deed compliance services, along with fines that may be levied. The General Fund is funded through a large number of sources, but receives its largest share of revenue from administrative and other fees charged to benefiting governments.

The District operates four proprietary funds, the Recreation Amenities Division (RAD) Fund; two water and sewer utility funds, the Village Center Service Area (VCSA) Fund and the Little Sumter Service Area (LSSA) Fund; and the Fitness Fund. 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 currently maintains six governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the totals of the General Fund and five special revenue funds. The General Fund and the Public Safety Special Revenue Fund are major funds and are separately displayed. The Community Standards, Village of Spanish Springs, Rolling Acres and Road Maintenance Special Revenue Funds are non-major funds and are consolidated in a single column.

The District adopts an annual budget for the governmental funds. A budgetary comparison statement for the General Fund and Public Safety Special Revenue Fund can be found on pages 16 and 17, respectively, of this report.

Proprietary funds. The District maintains four proprietary funds. The Recreation Amenities Division (RAD) Enterprise Fund provides for the operation, maintenance and debt service for bonds used to acquire recreational facilities in the Districts. The District operates two separate water and sewer utility funds serving different geographical areas of The Villages. The Village Center Service Area (VCSA) Fund serves the Village of Spanish Springs commercial area and residential areas in Lake County, plus part of District No. 1 in Sumter County. The Little Sumter Service Area (LSSA) Fund provides utility services to part of District No. 1 and all of District Nos. 2, 3, and 4. The preceding funds all meet the GASB 34 criteria to be considered major funds. The Fitness Fund was established to separately account for the operations of the Mulberry Grove fitness center. It is the only non-major proprietary fund of the District. These enterprise funds, a category of proprietary funds, are included as *business-type activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, using accrual accounting, only in more detail. The proprietary fund financial statements provide separate information for the four enterprise funds. The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village Center Community Development District's own programs. The accounting for fiduciary funds is much like that used for proprietary funds. The District established its first fiduciary fund, the Beyond the Stars Fund, in July 2008. This fund is used to account for donations voluntarily deducted from employees' paychecks and used for charitable purposes involving needy employees and their family members. The statement can be found on page 21 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 22 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 by $74,635,594 as of September 30, 2013, representing an increase of $8,295,889 from the restated net position of $66,339,705 as of September 30, 2012. As a result of the implementation of GASB 65, the beginning net position of the proprietary funds was decreased from $53,447,648 to $48,111,525. This beginning net position restatement decrease of $5,366,123 reflected the requirement in GASB 65 to treat all debt issuance costs as an expense in the year of debt issuance. Previously the issuance costs were capitalized and amortized over the life of the bond issue. The increase in net position for September 30, 2013 is due mainly to increased charges for services revenues. While there was an increase in general government expenditures, there were decreases in all other categories other than a small increase in depreciation expense. In addition, the District contributed $6,595,428 in multi-modal path capital assets to District Nos. 1-4 in the prior year, a one-time transfer.

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

Net investment in capital assets. This portion of the District's net position 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. A total of $8.605 million of the District's net position (15.7%) represents resources that are subject to external restrictions on how they may be used. This portion of the District's restricted net position is for purposes of meeting its debt service obligations.

Restricted for renewal and replacement. A total of $1.481 million of the District's net position (2.7%) is restricted by the bond indenture for use in the renewal and replacement of the capital assets as they wear out, in the RAD and two utility proprietary funds.

Unrestricted net position. The remaining balance of the District's net position may be used to meet the District's ongoing obligations to residents and creditors.

Governmental Activities

Governmental activities increased the District's net position by $1,516,568 during the year ended September 30, 2013. Most of this increase occurred in the General Fund and Public Safety Funds.

Business-type Activities

Business-type activities increased the District's net position by $6,779,321 during the year ended September 30, 2012. All four proprietary funds contributed to the increase in net position.

VILLAGE CENTER 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

		Governmental Activities		Business-type Activities		Total	
		September 30,		September 30,		September 30,	
		2013	2012	2013	2012	2013	2012
Assets:							
Current assets	$	6,587,196	5,647,971	40,618,220	31,753,720	47,205,416	37,401,691
Restricted assets		2,360,728	1,061,994	34,621,238	29,909,682	36,981,966	30,971,676
Amenity settlement assets		-	-	-	2,216,400	-	2,216,400
Investment in annuity		-	-	12,347,428	14,078,047	12,347,428	14,078,047
Notes receivable		2,001,449	3,251,449	-	-	2,001,449	3,251,449
Bond issuance costs (net of accumulated amortization)		-	-	-	10,974,826	-	10,974,826
Capital assets, (net of accumulated depreciation)		12,818,132	13,213,262	109,020,456	111,443,853	121,838,588	124,657,115
Intangible assets, (net of accumulated amortization)		-	-	146,744,066	152,098,780	146,744,066	152,098,780
Total Assets		23,767,505	23,174,676	343,351,408	352,475,308	367,118,913	375,649,984
Liabilities:							
Current liabilities		1,499,992	1,069,899	10,322,418	9,932,238	11,822,410	11,002,137
Long-term debt							
Due within one year		1,184,396	1,374,799	10,090,000	9,560,000	11,274,396	10,934,799
Due in more than a year		1,338,369	2,501,798	268,048,144	279,505,422	269,386,513	282,007,220
Total Liabilities		4,022,757	4,946,496	288,460,562	298,997,660	292,483,319	303,944,156
Net position:							
Net investment in capital assets		10,295,367	11,719,056	(20,727,849)	(13,215,980)	(10,432,482)	(1,496,924)
Restricted		-	2,376,860	10,086,156	10,994,076	10,086,156	13,370,936
Unrestricted		9,449,381	4,132,264	65,532,539	55,699,552	74,981,920	59,831,816
Total net position	$	19,744,748	18,228,180	54,890,846	53,477,648	74,635,594	71,705,828

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

Table 2

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	$ 28,885,795	27,462,274	55,233,781	53,775,954	84,119,576	81,238,228
Operating contributions	33,985	28,756	-	-	33,985	28,756
Capital grants and contributions	126,642	518,542	258,140	-	384,782	518,542
Gain on sale of fixed assets	-	-	-	24,928	-	24,928
General revenues:						-
Investment earnings	8,850	32,217	910,133	1,336,550	918,983	1,368,767
Total revenues	29,055,272	28,041,789	56,402,054	55,137,432	85,457,326	83,179,221
Expenses:						
General government	5,628,442	4,887,087	15,247,403	3,706,011	20,875,845	8,593,098
Public safety	11,844,406	10,653,559	-	1,686,493	11,844,406	12,340,052
Physical environment	3,058,301	2,591,443	3,282,854	5,785,162	6,341,155	8,376,605
Recreation	5,927,939	5,276,908	6,165,715	12,810,255	12,093,654	18,087,163
Interest on long-term debt	6,897	12,035	14,455,607	14,972,501	14,462,504	14,984,536
Depreciation (unallocated)	814,579	562,065	4,758,208	4,709,934	5,572,787	5,271,999
Amortization expense	-	-	5,672,328	6,101,064	5,672,328	6,101,064
Loss on Disposal of Capital Assets	-	34,291	40,618	-	40,618	34,291
Contribution to other governments	258,140	-	-	6,595,428	258,140	6,595,428
Total expenses	27,538,704	24,017,388	49,622,733	56,366,848	77,161,437	80,384,236
Changes in net position	1,516,568	4,024,401	6,779,321	(1,229,416)	8,295,889	2,794,985
Total net position, beginning (as restated)	18,228,180	14,203,779	48,111,525	54,707,064	66,339,705	68,910,843
Total net position, ending	$ 19,744,748	18,228,180	54,890,846	53,477,648	74,635,594	71,705,828

Capital Assets

The District's capital assets as of September 30, 2013 and 2012 amounted to $121,838,588 and $124,657,115, respectively. This is net of accumulated depreciation and includes buildings and structures, improvements other than buildings, and machinery and equipment. The decrease reflects the fact that depreciation expenses for the year exceeded the amount of new capital assets acquired or constructed. Additional information regarding the District's capital assets can be found in Note 4 to the Notes to Basic Financial Statements.

Long-term Debt

As of September 30, 2013 and 2012, the District had long-term debt outstanding of $281,669,131 and $292,942,019, respectively. A total of $11,440,405 of this amount is due within one year. Additional information regarding the District's long-term debt can be found in Note 7 to the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Lake, Sumter and Marion 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 District's budget for the 2013-2014 fiscal year. Total annual projected revenues for all funds increased to $89.181 million from $85.978 million in the fiscal year 2012-2013 final amended budget. The expenditure budget increased to $89.061 million for fiscal year 2013-2014 from $87.999 million for all funds in the fiscal year 2012-2013 final amended budget, an increase of $1.062 million. There were no major organizational changes between fiscal years 2012-2013 and 2013-2014 budgets.

Requests for Information

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Position

September 30, 2013

Assets	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 5,616,729	31,137,056	$ 36,753,785
Accounts receivable	728,939	4,584,369	5,313,308
Note receivable - fire station	2,001,449	-	2,001,449
Investments	2,360,728	32,064,238	34,424,966
Investment in annuity	-	14,904,428	14,904,428
Due from other governments	151,068	50,504	201,572
Internal balances (net)	81,991	(81,991)	-
Prepaid items	8,469	4,928,282	4,936,751
Capital assets:			
Non depreciable assets	1,657,692	10,361,640	12,019,332
Depreciable assets (net of accumulated depreciation)	11,160,441	98,658,816	109,819,257
Intangible assets (net of accumulated amortization)	-	146,744,066	146,744,066
Total assets	23,767,506	343,351,408	367,118,914
Liabilities			
Accounts payable	757,216	772,231	1,529,447
Accrued expenses	713,851	26,475	740,326
Accrued interest payable	-	6,212,553	6,212,553
Due to developer	-	164,602	164,602
Due to other governments	28,926	594,887	623,813
Unearned Revenue	-	1,708,050	1,708,050
Total current liabilities	1,499,993	9,478,798	10,978,791
Long-term debt:			
Due within one year	1,185,803	10,090,000	11,275,803
Due to developer	-	843,620	843,620
Due in more than one year	1,336,962	268,048,144	269,385,106
Total long-term debt	2,522,765	278,981,764	281,504,529
Total liabilities	4,022,758	288,460,562	292,483,320
Net Position			
Net investment in capital assets	10,295,368	(20,727,849)	(10,432,481)
Restricted for:			
Debt service	-	8,609,209	8,609,209
Renewal and Replacement	-	1,480,791	1,480,791
Unrestricted	9,449,380	65,528,695	74,978,075
Total net position	$ 19,744,748	54,890,846	$ 74,635,594

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities

September 30, 2013

		Program revenues			Net (expense) revenue and changes in net assets		
Functions/Programs	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Capital grants and contributions**	**Governmental activities**	**Business-type activities**	**Total**
Governmental activities:							
General government	$ 5,628,442	19,839,612	-	119,137	14,330,307	-	14,330,307
Public safety	11,844,406	9,046,183	33,985	7,505	(2,756,733)	-	(2,756,733)
Physical environment	3,058,301	-	-	-	(3,058,301)	-	(3,058,301)
Recreation	5,927,939	-	-	-	(5,927,939)	-	(5,927,939)
Interest on long-term debt	6,897	-	-	-	(6,897)	-	(6,897)
Depreciation (unallocated)	814,579	-	-	-	(814,579)	-	(814,579)
Total governmental activities	27,280,564	28,885,795	33,985	126,642	1,765,858	-	1,765,858
Business-type activities:							
General government	15,247,403	2,986,550	-	-	-	(12,260,853)	(12,260,853)
Physical environment	3,282,854	15,973,469	-	-	-	12,690,615	12,690,615
Recreation	6,165,715	36,273,762	-	258,140	-	30,366,187	30,366,187
Interest on long term debt	14,455,607	-	-	-	-	(14,455,607)	(14,455,607)
Depreciation (unallocated)	4,758,208	-	-	-	-	(4,758,208)	(4,758,208)
Amortization expense	5,672,328	-	-	-	-	(5,672,328)	(5,672,328)
Total business-type activities	49,582,115	55,233,781	-	258,140	-	5,909,806	5,909,806
Total primary government	$ 76,862,679	84,119,576	33,985	384,782	1,765,858	5,909,806	7,675,664
General revenues:							
Investment earnings					$ 8,850	910,133	918,983
Total general revenues					8,850	910,133	918,983
Contribution to other governments					(258,140)	-	(258,140)
Loss on Disposal of Capital Asset					-	(40,618)	(40,618)
Change in net position					1,516,568	6,779,321	8,295,889
Net position, beginning (as restated)					18,228,180	48,111,525	66,339,705
Net position, ending					$ 19,744,748	54,890,846	74,635,594

See accompanying notes to basic financial statements.

Restatement of Net Position	
Beginning Net Position	**$ 53,477,648**
Less Cost of Issuance RAD	**(2,887,722)**
Less Cost of Issuance LSSA	**(1,179,737)**
Less Cost of Issuance VCSA	**(1,298,664)**
Net position - beginning (as restated)	**$ 48,111,525**

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Balance Sheet
Governmental Funds
September 30, 2013

		Major Funds			
		General Fund	**Department of Public Safety**	**Non-Major Funds Total**	**Total**
Assets					
Cash and cash equivalents	$	4,048,561	853,533	714,635	5,616,729
Accounts receivable (Net)		32,879	696,060	-	728,939
Notes receivable		-	2,001,449	-	2,001,449
Investments		-	1,735,347	625,381	2,360,728
Due from other funds		13,772	89,540	-	103,312
Due from other governments		38,558	112,510	-	151,068
Prepaid items		8,292	177	-	8,469
Total assets		4,142,062	5,488,616	1,340,016	10,970,694
Liabilities and Fund Balance					
Accounts payable		438,039	170,368	148,809	757,216
Accrued expenses		476,091	186,137	51,623	713,851
Due to other funds		11,870	-	9,451	21,321
Due to other governments		3,370	25,556	-	28,926
Total liabilities		929,370	382,061	209,883	1,521,314
Deferred inflows of resources:					
Unavailable note receivable revenue		-	2,001,449	-	2,001,449
Fund balances:					
Restricted					
Department of Public Safety		-	2,362,663	-	2,362,663
Community Standards-deed covenants		-	-	40,733	40,733
Village of Spanish Springs Common Area Maintenance		-	-	297,148	297,148
Rolling Acres Common Area Maintenance		-	-	65,045	65,045
Commercial Road Maintenance		-	-	126,562	126,562
Community standards		-	-	146,936	146,936
Committed				-	
Renewal and replacement		-	742,443	453,709	1,196,152
Unassigned		3,212,692	-	-	3,212,692
Total fund balance		3,212,692	3,105,106	1,130,133	7,447,931
Total liabilities and fund balance	$	4,142,062	5,488,616	1,340,016	10,970,694

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

September 30, 2013

Fund balance – governmental funds			$ 7,447,931
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund:			
Capital assets	$	16,061,104	
Less accumulated depreciation		(3,242,971)	12,818,133
Governmental funds reports impact fees revenue when collected. Therefore, the Sumter County impact fees receivable is reported as revenue in the year of the agreement.			
Impact fee revenue recognition		1,444,585	
Payment received for Sumter County Station 44		(1,000,000)	
Payment received for Sumter County Station 45		(250,000)	
Removal of unearned revenue		1,806,864	2,001,449
Total			
Long–term liabilities are not due and payable in the current period and therefore are not reported in the general fund:			
Notes payable		(2,001,449)	
Leases payable		(35,361)	
Loans payable		(131,176)	
Compensated absences		(354,779)	(2,522,765)
Total			
Net position of governmental activities			$ 19,744,748

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2013

		Major Funds			
		General Fund	**Department of Public Safety**	**Non-Major Funds**	**Total**
Revenues:					
Administration and maintenance fees	$	14,699,047	-	-	14,699,047
Amenities revenue		-	2,344,482	-	2,344,482
Intergovernmental fire assessments		-	3,849,700	-	3,849,700
Intergovernmental shared revenue		-	2,607,913	-	2,607,913
Intergovernmental impact fees		-	1,374,623	-	1,374,623
Federal CERT Homeland Security		-	7,622	-	7,622
State revenue sharing-firefighters supplemental		-	26,363	-	26,363
Management fees		-	89,529	-	89,529
Assessments, Village of Spanish Springs		-	-	1,296,899	1,296,899
Assessments, Rolling Acres		-	-	107,669	107,669
Assessments, Commercial Road Maintenance		-	-	29,944	29,944
Assessments, Community Standards		-	-	457,306	457,306
Fees for services provided to developer		2,984,502	-	151,005	3,135,507
Miscellaneous revenues		45,620	29,936	67,544	143,100
Investment earnings		6,129	1,049	1,672	8,850
Contributions and donations from private sources		59,137	7,505	-	66,642
Sale of surplus material and scrap		76	-	-	76
Total revenues		17,794,511	10,338,722	2,112,039	30,245,272
Expenditures:					
Current					
General government		5,024,268	-	604,175	5,628,443
Public safety		3,778,167	8,045,997	-	11,824,164
Physical environment		1,840,071	-	-	1,840,071
Public works - Village of Spanish Springs		-	-	1,022,871	1,022,871
Public works - Rolling Acres		-	-	51,178	51,178
Public works - Commercial Road Maintenance		-	-	144,181	144,181
Culture/recreation		5,927,939	-	-	5,927,939
Debt service:					
Principal payments		-	1,374,074	-	1,374,074
Interest payments		-	6,897	-	6,897
Capital outlay		227,208	349,810	40,571	617,589
Total expenditures		16,797,653	9,776,778	1,862,976	28,437,407
Net change in fund balance and transfers		996,858	561,944	249,063	1,807,865
Fund balance, beginning of year		2,215,834	2,543,162	881,070	5,640,066
Fund balance, end of year	$	3,212,692	3,105,106	1,130,133	7,447,931

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds to the Statement of Activities
Year Ended September 30, 2013

Net change in fund balance – governmental funds			$	1,807,865
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.				
Donated capital	$	60,000		
Capital outlay		617,591		
Disposition of fixed assets		(258,141)		
Less depreciation		(814,579)		(395,129)
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.				
Principal payment on note payable for Fire Station No. 44 & 45		1,250,000		
Payment on capital leases		124,074		1,374,074
Governmental funds recognize the impact fee revenue as the amount that is billed and collected in the current period from Sumter County for Fire Station Nos 44 and 45. In the governmental activities the receivables for stations 44 and 45 were established in the years the funding agreements were approved and the revenue was recognized at that time.				
Payment Received from Sumter Co				(1,250,000)
Decrease (increase) in compensated absences is shown on the government-wide statements but not on the governmental fund statements.				(20,242)
Change in net position of governmental activities			$	1,516,568

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

Year Ended September 30, 2013

	Budgeted Amount		Actual	Variance with
	Original	Final	Amounts	final budget
Revenues:				
Management fees	$ 3,714,450	3,714,450	3,714,450	-
Intergovernmental fees - recreation	3,408,558	3,408,558	3,408,839	281
Intergovernmental fees - other	6,641,079	6,641,079	6,716,673	75,594
Administration fees from developer	430,191	430,191	430,191	-
Recreation fees from developer	2,231,866	2,231,866	2,262,189	30,323
Utility administration fees	53,028	53,028	51,829	(1,199)
Tech services revenue	1,085,493	1,085,493	1,099,378	13,885
Miscelleanous revenue	37,054	37,054	45,696	8,642
Donations	45,000	45,000	59,137	14,137
Investment earnings	4,973	4,973	6,129	1,156
Total revenues	17,651,692	17,651,692	17,794,511	142,819
Expenditures:				
Personnel services	13,542,120	13,532,817	12,950,411	582,406
Professional services	146,819	138,963	122,406	16,557
Other contractual services	1,274,829	1,305,129	1,131,159	173,970
Travel and per diem	25,113	34,012	27,987	6,025
Communication and freight services	110,680	118,216	111,664	6,552
Utility services	74,057	74,057	61,532	12,525
Rents and leases	870,145	889,096	847,377	41,719
Insurance	6,072	3,054	-	3,054
Repairs and maintenance	190,374	160,078	147,951	12,127
Printing and binding	217,640	201,817	193,425	8,392
Promotional activities	246,680	222,780	172,945	49,835
Other current charges and obligations	4,094	3,996	2,472	1,524
Office supplies	67,591	65,967	60,240	5,727
Operating supplies	728,158	765,891	699,071	66,820
Books, subscriptions and dues	71,357	63,131	41,805	21,326
Capital outlay	375,963	388,501	227,208	161,293
Total expenditures	17,951,692	17,967,505	16,797,653	1,169,852
Net change in find balance	(300,000)	(315,813)	996,858	1,312,671
Fund balance, beginning of year	2,215,834	2,215,834	2,215,834	-
Fund balance, end of year	$ 1,915,834	1,900,021	3,212,692	1,312,671

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Safety Special Revenue Fund
Year Ended September 30, 2013

	Budgeted Amount Original	Final	Actual Amounts	Variance with final budget
Revenues:				
Special assessments - charges for public services	$ 778,861	778,861	775,650	(3,211)
Intergovernmental fire assessments	2,265,771	2,265,771	2,344,482	78,711
Intergovernmental shared revenue	2,893,239	2,893,239	2,943,038	49,799
Intergovernmental impact fees	4,287,802	4,287,802	4,113,548	(174,254)
State revenue sharing - firefighters supplemental compensation	21,516	21,516	26,363	4,847
Management fees	110,173	110,173	89,529	(20,644)
Public safety revenue	-	-	7,622	7,622
General government charges and fees	17,000	17,000	18,150	1,150
Investment earnings	1,200	1,200	1,049	(151)
Contributions and donations from private sources	-	-	7,505	7,505
Other miscellaneous public safety revenue	14,000	14,000	11,786	(2,214)
Total revenues	10,389,562	10,389,562	10,338,722	(50,840)
Expenditures:				
Current				
Personnel services	6,749,016	6,749,016	6,433,640	315,376
Professional services	251,758	247,506	241,102	6,404
Contractual services	301,577	287,629	305,445	(17,816)
Travel and per diem	20,000	11,133	11,752	(619)
Communications and freight	25,130	25,130	18,215	6,915
Utility services	117,600	122,600	118,444	4,156
Rental and leases	114,506	117,706	117,862	(156)
Insurance	95,531	99,031	98,954	77
Repairs and maintenance/landscape	262,158	289,458	282,754	6,704
Current charges	5,500	6,600	5,093	1,507
Office supplies	12,700	12,700	11,105	1,595
Operating supplies	346,388	339,579	328,635	10,944
Books, publications and subscriptions	75,797	75,173	72,996	2,177
Debt service				
Principal	1,376,884	1,375,481	1,374,074	1,407
Interest	5,494	6,897	6,897	-
Capital outlay	355,930	350,330	349,810	520
Total expenditures	10,115,969	10,115,969	9,776,778	339,191
Excess of Revenues Over (Under) Expenditures	273,593	273,593	561,944	288,351
Other financing sources (uses)				
Transfer in (out)	(316,515)	(316,515)	-	316,515
Total other financing sources (uses)	(316,515)	(316,515)	-	316,515
Net change in fund balance	(42,922)	(42,922)	561,944	604,866
Fund balance, beginning of year	2,543,162	2,543,162	2,543,162	-
Fund balance, end of year	$ 2,500,240	2,500,240	3,105,106	604,866

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Net Position
Proprietary Funds
September 30, 2013

		Major Funds			Non-Major Fund	
Assets		**RAD**	**VCSA Water and Sewer**	**LSSA Water and Sewer**	**Fitness**	**Total**
Current assets:						
Cash and cash equivalents	$	4,904,470	3,687,510	3,614,287	138,843	12,345,110
Restricted cash and cash equivalents		10,975,050	1,747,940	3,579,563	-	16,302,553
Accounts receivable		2,859,920	693,152	1,030,121	1,176	4,584,369
Investments		21,314,025	6,299,260	4,450,953	-	32,064,238
Investment in annuity		2,557,000	-	-	-	2,557,000
Due from other funds		863,776	43,980	-	-	907,756
Due from other governments		48,479	2,025	-	-	50,504
Prepaid expenses		3,884,024	45,500	998,758	-	4,928,282
Total current assets		47,406,744	12,519,367	13,673,682	140,019	73,739,812
Non-current assets:						
Restricted cash and cash equivalents		1,733,817	262,488	493,088	-	2,489,393
Investment in annuity		12,347,428	-	-	-	12,347,428
Capital assets:						
Land		9,606,229	150,312	126,797	-	9,883,338
Buildings and structures		54,232,838	1,575,065	5,161,140	-	60,969,043
Infrastructure		23,666,746	31,246,714	36,135,143	-	91,048,603
Leasehold improvements		-	-	-	9,815	9,815
Furniture & fixtures		2,135,510	1,232,986	341,859	-	3,710,355
Construction in progress		430,944	47,358	-	-	478,302
Less accumulated depreciation		(28,107,505)	(16,349,081)	(12,618,406)	(4,008)	(57,079,000)
Intangible assets (net of accumulated amortization)		114,236,557	-	32,507,509	-	146,744,066
Total non-current assets		190,282,564	18,165,842	62,147,130	5,807	270,601,343
Total assets		237,689,308	30,685,209	75,820,812	145,826	344,341,155
Liabilities						
Current liabilities:						
Accounts payable		499,361	130,384	139,345	3,141	772,231
Accrued expenses		19,563	6,912	-	-	26,475
Accrued interest payable		3,840,050	462,940	1,909,563	-	6,212,553
Due to other funds		92,320	304,499	590,280	2,648	989,747
Due to other governments		565,311	4,963	24,613	-	594,887
Due to developer		-	-	164,602	-	164,602
Unearned revenue		1,686,881	-	-	21,169	1,708,050
Current installments of revenue bonds payable		7,135,000	1,285,000	1,670,000	-	10,090,000
Total current liabilities		13,838,486	2,194,698	4,498,403	26,958	20,558,545
Non-current liabilities:						
Revenue bonds payable, net		176,920,706	17,091,501	74,035,937	-	268,048,144
Due to developer		843,620	-	-	-	843,620
Total non-current liabilities		177,764,326	17,091,501	74,035,937	-	268,891,764
Total liabilities		191,602,812	19,286,199	78,534,340	26,958	289,450,309
Net position						
Net investment in capital assets		(6,964,190)	(210,659)	(13,558,807)	5,807	(20,727,849)
Restricted for:						
Debt service		6,245,183	1,022,512	1,341,514	-	8,609,209
Renewal and replacement		889,817	262,488	328,486	-	1,480,791
Unrestricted		45,915,686	10,324,669	9,175,279	113,061	65,528,695
Total net position	$	46,086,496	11,399,010	(2,713,528)	118,868	54,890,846

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2013

		Major Funds		Non-Major Fund	
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	Total
Operating revenues:					
Charges for services:					
Water revenue	$ -	2,830,209	5,042,032	-	7,872,241
Sewer revenue	-	3,375,887	4,725,341	-	8,101,228
Recreational amenity fees	36,126,898	-	-	-	36,126,898
Fitness recreational fees	-	-	-	146,864	146,864
Other Income	2,806,232	55,647	124,593	78	2,986,550
Total operating revenues	38,933,130	6,261,743	9,891,966	146,942	55,233,781
Operating expenses:					
Water and sewer expense	-	1,620,343	1,662,511	-	3,282,854
Recreational expenses	6,165,715	-	-	136,470	6,302,185
General and administrative	12,636,206	1,049,474	1,425,253	-	15,110,933
Depreciation	2,400,568	1,055,185	1,301,473	982	4,758,208
Amortization	4,547,282	(1,829)	1,126,875	-	5,672,328
Total operating expenses	25,749,771	3,723,173	5,516,112	137,452	35,126,508
Operating income	13,183,359	2,538,570	4,375,854	9,490	20,107,273
Non-operating revenue (expenses):					
Investment earnings	877,428	18,002	14,551	152	910,133
Interest Expense	(9,744,672)	(925,884)	(3,785,051)	-	(14,455,607)
Gain (loss) on Disposal of Property	(39,813)	(8,668)	7,863	-	(40,618)
Contributions and donations from private sources	258,140	-		-	258,140
Total non-operating revenue (expenses)	(8,648,917)	(916,550)	(3,762,637)	152	(13,327,952)
Change in net position	4,534,442	1,622,020	613,217	9,642	6,779,321
Total net position (deficit), beginning (Restated)	41,552,054	9,776,990	(3,326,745)	109,226	48,111,525
Total net position (deficit), ending	$ 46,086,496	11,399,010	(2,713,528)	118,868	54,890,846

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2013

	Major Funds			Non-Major Fund	
	RAD	**VCSA Water and Sewer**	**LSSA Water and Sewer**	**Fitness**	**Total**
Cash flows from operating activities:					
Receipts from customers	$ 38,936,384	6,280,992	10,085,287	149,461	55,452,124
Payments to suppliers and others	(18,938,241)	(2,890,892)	(3,220,305)	(135,888)	(25,185,326)
Net cash provided (used) by operating activities	19,998,143	3,390,100	6,864,982	13,573	30,266,798
Cash flows from capital and related financing activities:					
Principal payments on bonds	(6,730,000)	(1,215,000)	(1,615,000)	-	(9,560,000)
Interest paid	(9,858,462)	(957,782)	(3,848,410)	-	(14,664,654)
Payment for capital assets	(2,044,866)	(92,568)	(45,240)	-	(2,182,674)
Disposition of Capital Assets	-	47,076	-		47,076
Proceeds from sale of capital assets	-		7,863	-	7,863
Net cash (used in) provided by capital and related financing activities	(18,633,328)	(2,218,274)	(5,500,787)	-	(26,352,389)
Cash flows from investing activities:					
Payments from notes receivable	2,216,400	-	-	-	2,216,400
Purchase of investments	(1,961,483)	(511,260)	(508,191)	-	(2,980,934)
Interest received	877,428	18,002	14,551	152	910,133
Net cash provided (used) by investing activities	1,132,345	(493,258)	(493,640)	152	145,599
Net increase (decrease) in cash and cash equivalents	2,497,160	678,568	870,555	13,725	4,060,008
Cash and cash equivalents, beginning of year	15,116,177	5,019,370	6,816,383	125,118	27,077,048
Cash and cash equivalents, end of year	17,613,337	5,697,938	7,686,938	138,843	31,137,056
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net assets:					
Cash per statement of net assets:					
Unrestricted cash and cash equivalents	5,186,044	3,610,445	3,413,622	138,843	12,348,954
Restricted cash and cash equivalents - current	10,693,476	1,825,005	3,780,228	-	16,298,709
Restricted cash and cash equivalents - non-current	- 1,733,817	262,488	493,088	-	2,489,393
Cash and cash equivalents	17,613,337	5,697,938	7,686,938	138,843	31,137,056
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	13,183,359	2,538,570	4,375,854	9,490	20,107,273
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,400,568	1,055,184	1,301,473	981	4,758,206
Amortization	4,547,252	(1,829)	1,126,875	-	5,672,298
Change in assets and liabilities:					
(Increase) Decrease in:					
Accounts Receivable	(83,353)	19,249	193,321	(649)	128,568
Due from other districts	(79,829)	(23,690)	-	-	(103,519)
Due from other governments	(12,923)	825	600	-	(11,498)
Gain (Loss) on Sale of Assets	19,115	(8,668)		-	10,447
Increase (Decrease) in:					
Accounts payable and accrued liabilities	24,701	(153,602)	(457,779)	653	(586,027)
Unearned revenue	67,492	-	-	3,168	70,660
Due to developer	(148,130)	-	148,815	-	685
Due to other districts	-	(35,939)	151,210	(70)	115,201
Due to other governments	79,891	-	24,613	-	104,504
Net cash provided by operating activities	$ 19,998,143	3,390,100	6,864,982	13,573	30,266,798

See accompanying notes to basic financial statements	-	-	-	-	-

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Fiduciary Net Position

Fiduciary Fund

September 30, 2013

		Beyond the Stars Agency Fund
Assets:		
Cash and cash equivalents	$	11,000
Investments		55,048
Total assets		66,048
Liabilities:		
Due to Beyond the Stars beneficiaries		66,048
Total liabilities	$	66,048

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Village Center Community Development District (the District) was established in 1992 to manage and finance basic services for a community development district located in The Villages, Florida. The District is governed by a five-member Board of Supervisors who are elected on a rotating basis by the landowners within the District for terms from two to four years. The District was created by the Town of Lady Lake, Florida, in Ordinance No. 92-06, pursuant to the provisions of Chapter 190.005 of the *Florida Statutes*, and operates within the criteria established by Chapter 190.

The District provides water and sewer utility services, recreation, security services, fire protection and paramedic services to 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 District also provides for the maintenance of common areas and roadways for the commercial areas within the District's boundaries. As of September 30, 2013, four of the five members of the Board of Supervisors are employees of or affiliated with the Developer.

There are no component units that are legally separate from the District. There are thirteen Community Development Districts (CDD's) 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, security services, 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.

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- 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.
- 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 includes 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. Planned 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

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

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.

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, name, assets, and service delivery rights of Sumter Sanitation, LLC and began delivering solid waste collection and disposal to the Sumter and Marion Counties portions of The Villages. The Villages Community Development District, through an interlocal agreement with the Sumter Landing Community Development District 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

(1) Summary of Significant Accounting Policies (continued)

(b) Basic Financial Statements (continued)

General Fund and Public Safety Special Revenue Fund meet this definition as governmental funds and are designated as major funds. The Recreation Amenities Division Fund (RAD), Village Center Service Area and Little Sumter Service Area water and sewer funds also meet this definition as proprietary funds and are designated as major funds. The District has five non-major funds. The Village of Spanish Springs, Rolling Acres, Road Maintenance and Community Standards funds are all non-major governmental special revenue funds. The Fitness Fund is the single non-major proprietary fund.

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

Restricted net position are 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 fund financial statements. Revenues, including recreational amenities fees and utilities charges, 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.

(1) Summary of Significant Accounting Policies (continued)

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

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.

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:

General Fund

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

Public Safety Special Revenue Fund

The District’s second major governmental fund is the Public Safety Special Revenue Fund, which is used to account for all financial resources of the Public Safety Department.

The following are the District’s four non-major governmental funds:

Rolling Acres Special Revenue Fund

This fund is used to account for all financial resources, including special assessments, related to the maintenance of facilities in the Rolling Acres Plaza commercial area, a major retail center in The Villages.

(1) Summary of Significant Accounting Policies (continued)

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

Village of Spanish Springs (VOSS) Special Revenue Fund

This fund is used to account for all financial resources, including special assessments, related to the maintenance of facilities in the Spanish Springs commercial area, a major retail center in The Villages.

Road Maintenance Special Revenue Fund

This fund is used to account for all financial resources, including special assessments, related to the maintenance of roads and rights-of-way facilities in the commercial areas of The Villages.

Community Standards Special Revenue Fund

This special revenue fund is used to account for those services related to deed compliance within The Villages. Any fines levied are also accounted for within this fund.

The following are the District's three major enterprise funds, a type of proprietary fund:

Recreation Amenities Division (RAD) Fund

The principal operating revenues of the District's RAD fund are charges to customers for amenity fee based services, including recreation and security.

Village Center Service Area (VCSA) Utility Fund

The principal operating revenues of the District's VCSA Utility fund are charges to customers for water and waste water services. VCSA Utility's operating fund is used to account for all costs of providing services on a continuing basis to customers located in the Lake County portion of The Villages, and a portion of District No. 1 residential areas in Sumter County.

Little Sumter Service Area (LSSA) Utility Fund

The principal operating revenues of the District's LSSA Utility fund are charges to customers for water and waste water services. LSSA Utility's operating fund is used to account for all costs of providing services on a continuing basis in the residential areas located in District Nos. 1 (portion), 2, 3, and 4, along with associated commercial areas.

The following fund is the only non-major enterprise fund within the District:

Fitness Enterprise Fund

This fund provides for the accounting of all resources for the operation of the fitness center located at the Mulberry Grove recreation center.

(1) Summary of Significant Accounting Policies (continued)

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

Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District uses enterprise funds, a type of proprietary funds, to account for the operations and maintenance of the water and sewer utility systems, the fitness center, and the Recreation Amenities Division (RAD) that are financed and operated in a manner similar to private business enterprises, where the costs of providing services on a continuing basis are financed through user charges.

Enterprise 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 an enterprise fund's principal ongoing operations. The principal operating revenues of the District enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, depreciation on capital assets, and amortization of debt service issuance costs and intangible assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the District reports on the following fund type:

Fiduciary fund - The Beyond the Stars Agency Fund accounts for the voluntary donations made by District employees for the benefit of needy employees and their families. This fund is not reflected in the government-wide financial statements because the resources of the fund are not available to support the District's own programs. The accounting used for this fund is much like that used for proprietary funds.

(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 all 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.

(1) Summary of Significant Accounting Policies (continued)

(e) Deposits and Investments (continued)

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 1-3 Year High Quality Bond Fund. In September 2009, the District also opened accounts for some funds in the FMIvT 0-2 Year High Quality Bond Fund. In September 2010, the District opened accounts with the Florida Local Government Investment Trust (FLGIT), sponsored by the Florida Association of Counties and the Florida Association of County Clerks. The FLGIT fund has an investment portfolio similar in duration to the FMIvT 1-3 Year High Quality Bond Fund. In March 2013, the remaining balances in the FMIvT 0-2 Year High Quality Bond Fund were transferred into the FMIvT 1-3 Year High Quality Bond Fund. The investment in these pools is evidenced by shares which are marked to market monthly.

(f) 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

(g) Intangible Assets

Intangible assets represent the discounted value of future amenity fees or utilities service fees 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.

(h) Compensated Absences

It is the District’s policy to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. Compensated absences increased by $20,242 in fiscal year 2012-2013 and had an ending balance of $354,779.

(i) 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 and bond insurance costs, are deferred and amortized over the

(1) Summary of Significant Accounting Policies (continued)

(i) Bond Discounts, Bond Premiums and Issuance Costs(continued)

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 proprietary funds, resulting in a reduction of $5,366,123 from $53,447,648 to $48,111,525. 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.

(j) 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 revenue and expenses during the period. Actual results could differ from those estimates.

(k) 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 both the utility and recreational revenue bonds, require that the District establish 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 to fund those necessary recreation and water and sewer system renewals and replacements.

The utility bond resolutions further require that the District deposit all system development charges promptly, upon receipt thereof, in the System Development Charges account. These funds shall be accumulated and applied by the District in accordance with the provisions of the Bond Trust Indentures. Certain of these assets are reimbursed to the Developer by the Little Sumter Service Area Utility Fund.

(l) Accounts and Notes Receivable

Accounts and notes receivable in the proprietary funds consists of amounts due on amenity contracts, charges for water and sewer, and amounts owed by the developer as a portion of the settlement agreement. For uncollectible accounts receivable, the allowance method is used. As

(1) Summary of Significant Accounting Policies (continued)

(l) Accounts and Notes Receivable (continued)

of September 30, 2013, the amounts for allowance for doubtful accounts are $658,352 in RAD, $33,698 in LSSA and $91,971 for VCSA.

(m) Other Pay and Employee Benefits (OPEB)

In fiscal year 2012-2013, the Village Center Community Development District (VCCDD) is the only District of the thirteen that comprise the local government for The Villages that has employees (except for elected officials in some of the other Districts), who are assigned to two payrolls. One payroll is for Public Safety Department employees and the other covers the general employees of the Districts and elected officials. The elected officials in the other Districts are paid through the general employees' payroll and the districts reimburse the Village Center District for the costs.

The benefits provided by the District to current employees consist of accrued vacation leave, which is calculated and recorded as a compensated absence liability, group health and life insurance policies, and participation in an IRS Section 401(a) defined contribution retirement plan. Contributions to the group health and life insurance plans and the Section 401(a) plan cease upon separation of an employee from the District, including retirement. No benefits are provided to retired employees of the District. The VCCDD Section 401(a) retirement plan provides for a normal retirement age of 65. No early retirement option is provided by the District's plan. Although an employee separating at an earlier age, with vested balances in the plan may withdraw those balances at or subsequent to separation, the employee is not considered a retiree of the District unless the person has reached the normal retirement age of the District (age 65) and has a vested balance in the 401(a) retirement plan.

Chapter 112.0801(1), Florida Statutes requires any local government, including special districts, which provides life, health, accident, hospitalization, or annuity insurance of any kind through group insurance plans, to make available to its officers and employees and their eligible dependents, the option of continuing to participate in such group insurance plan following retirement. The premium cost may be no higher than the cost of insurance applicable to active employees. For retired employees, and their eligible dependents, the cost of any such continued participation in any type of plan may be paid by the employer or the retired employee. The District does not contribute to this cost, so any such cost must be paid by the retired employee. The District has approximately 253 eligible full-time employees and their dependents in the group health and life insurance plans. Since inception of the group health and life insurance plan in 1997, no retired employee or their dependent has ever requested to continue participation in the group health and life insurance plans. Due to the District's normal retirement age being 65, with no early retirement option, and the fact that persons eligible for employment and retirement with the District are also eligible to apply for and receive Medicare coverage at a cost that is substantially less than the current cost to participate in the District's group health and life insurance plans, it is not anticipated that any future retiree will apply to participate in the plan as currently constituted. Therefore, no material OPEB liability is recognized or recorded for the District.

(1) Summary of Significant Accounting Policies (continued)

(n) 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 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.

(2) Stewardship, Compliance and Accountability

Deficit net position

The District's Little Sumter Service Area (LSSA) Utility Fund reported accumulated negative net position for the year ended September 30, 2013 and September 30, 2012 of ($2,713,528) and ($3,326,745, as restated), respectively. The utility has migrated to a conservation rate structure supported by the Southwest Florida Water Management District in fiscal year 2008-2009 and implemented a 3.94 percent inflation-based rate adjustment in October 2008. A rate sufficiency study

(2) Stewardship, Compliance and Accountability (continued)

Deficit net position (continued)

was completed in August 2009 that provided for an annual rate increase of 2.5 percent beginning on October 1, 2010 and each of the subsequent four years. These adjustments resulted in the operating revenue covering expenses in each of the past four years. In fiscal years 2012-2013, 2011-2012 and 2010-2011, the utility had positive increases in net position of $613,217, $226,345 and $1,178,968, respectively. In fiscal year 2012-2013, the utility met its required bond debt service coverage as provided for in the Indenture of Trust. Management also believes that the LSSA Water and Sewer Utility Fund's cash flows will be sufficient to fund its operations and debt service requirements in the future.

(3) Deposits and Investments

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

Deposits and Investment Type		Fair Value at September 30, 2013	Weighted Average Maturity (Days)	Credit Rating
Cash on Hand	$	3,410	-	n/a
Demand Deposits, CFB		2,953,983	1.0	n/a
Local Government Investment Pool, SBA		15,074,338	44.0	AAAm
U.S. Bank Money Market Mutual Funds, Federated		8,024,435	44.0	AAAm
U.S. Bank Money Market Mutual Funds, Fidelity		10,763,666	51.0	AAAm
Bond Fund, FLGIT		17,832,430	741.0	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT		16,592,536	554.8	AAA/v2
Metlife Annuity Investment		14,904,429	1,109.8	AA-
Total Fair Value	$	86,149,227		
Less: Fiduciary Fund Cash & Cash Equivalent Balances		66,048		
Basic Financial Statement Balances	$	86,083,179		
Portfolio Weighted Average Maturity (WAM)			470.4	

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 470.4 days (1.29 years).

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,

(3) Deposits and Investments (continued)

Credit Risk. (continued)

Moody's, and Standard and Poor's (S&P)). Fitch provides the ratings for FMIvT 0-3 Year High Quality Bond Fund, while S&P provides the ratings for the U.S. Bank money market funds (Federated Prime and Fidelity Prime), Florida Local Government Investment Trust (FLGIT and the SBA investment pool.

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

The District's investments consist of funds placed with five entities:

- The State Board of Administration (SBA) 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 and Fidelity Prime 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, pool operated by the FMIvT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2013 the FMIvT had recognized unrealized losses of $106,702 and realized losses of $103,563, for a net loss in the year of $3,139. These realized gains and unrealized gains occurred due to the sale of a portion of the underlying shares in the FMIvT pools. The unrealized losses would only be realized if the underlying shares of the FMIvT are sold.

- On May 13, 2008, The Villages of Lake Sumter, Inc. (VLS) obtained an annuity contract with MetLife, Inc. with an initial balance of $10,961,776.79, and provided it to the Village Center Community Development District (VCCDD) as sole beneficiary of the annuity contract proceeds. Provision of this annuity contract was required in the litigation settlement agreement among VLS, VCCDD and residents of The Villages. This annuity provides interest earnings at a rate of 5.87 percent with payments in various amounts due annually on December 31, 2013 through December 31, 2020, and totaling $17,124,200. As of September 30, 2013, the annuity contract was valued at $14,904,429, including accrued interest. MetLife is rated A+ by A.M. Best, AA- by Standard & Poor's, Aa3 by Moody's and AA- by Fitch. The Standard & Poor's rating is shown in the above schedule. The unrealized gain in fiscal year 2012-2013 was $826,381.

(3) Deposits and Investments (continued)

Credit Risk. (continued)

- 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. Initially amounts were moved from the FMIvT 0-2 Year High Quality Bond Fund to establish the FLGIT investment. Additional amounts were moved in December 2010 from the FMIvT 1-3 Year High Quality Bond Fund into the FLGIT accounts. 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 $55,321 and realized gains of $1,152 for a total of $56,473. 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 $918,983 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.

(3) Deposits and Investments (continued)

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 consist of:

- 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.
- 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 depositors, 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.

(4) Capital Assets

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

		Beginning balance	Increases	Decreases	Transfers	Ending balance
Governmental activities:						
Assets not being depreciated:						
Land	$	1,520,000	-	-	-	1,520,000
Construction in progress		-	137,692	-	-	137,692
Total assets not being depreciated		1,520,000	137,692	-	-	1,657,692
Assets being depreciated:						
Building		4,722,300	-	-	-	4,722,300
Furniture & fixtures		8,559,359	539,899	-	-	9,099,258
Infrastructure		385,591	-	-	(259,004)	126,587
Leasehold improvements		455,267	-	-	-	455,267
Total assets being depreciated		14,122,517	539,899	-	(259,004)	14,403,412
Total assets		15,642,517	677,591	-	(259,004)	16,061,104
Less accumulated depreciation for:						
Building		(88,630)	(118,058)	-	-	(206,688)
Furniture & fixtures		(2,271,609)	(669,558)	-	-	(2,941,167)
Infrastructure		(16,321)	(10,599)	-	863	(26,057)
Leasehold improvements		(52,695)	(16,364)	-	-	(69,059)
Total accumulated depreciation		(2,429,255)	(814,579)	-	863	(3,242,971)
Governmental activities capital assets, net		13,213,262	(136,988)	-	(258,141)	12,818,133
Business activities:						
Assets not being depreciated:						
Land		9,778,828	104,510	-	-	9,883,338
Construction in progress		72,411	882,993	-	(477,102)	478,302
		9,851,239	987,503	-	(477,102)	10,361,640
Assets being depreciated:						
Buildings and structures		60,427,834	620,452	(79,243)	-	60,969,043
Infrastructure		89,744,520	568,840	-	735,243	91,048,603
Leasehold improvements		9,815	-	-	-	9,815
Furniture & fixtures		3,959,528	5,878	(255,051)	-	3,710,355
Total assets being depreciated		154,141,697	1,195,170	(334,294)	735,243	155,737,816
Total assets		163,992,936	2,182,673	(334,294)	258,141	166,099,455
Less accumulated depreciation for:						
Buildings and structures		(17,776,912)	(1,636,695)	24,268	-	(19,389,339)
Infrastructure		(31,522,567)	(2,963,117)	-	-	(34,485,684)
Leasehold improvements		(3,026)	(982)	-	-	(4,008)
Furniture & fixtures		(3,246,578)	(157,414)	204,024	-	(3,199,968)
Total accumulated depreciation		(52,549,083)	(4,758,208)	228,292	-	(57,078,999)
Business activities capital assets, net		111,443,853	(2,575,535)	(106,002)	258,141	109,020,456
Total capital assets governmental and business activities:	$	124,657,115	(2,712,523)	(106,002)	-	121,838,589

Government activities depreciation expense of $814,579 pertains primarily to the Department of Public Safety. The transfer of $258,141 in net governmental fixed assets to the RAD fund resulted from a recommendation by the Amenities Authority Committee (AAC) and the direction by the Board of Supervisors to move capital improvements made by the Villages of Spanish Springs Fund to the RAD fund, which owns the underlying assets.

(4) Capital Assets (continued)

Capital assets relating to business-type activities are further detailed as follows:

Recreation Amenities Division (RAD)

	Beginning balance	Increases	Decreases	Transfers	Ending balance
RAD:					
Assets not being depreciated:					
Land	$ 9,501,718	104,511	-	-	9,606,229
Construction in progress	66,886	841,160	-	(477,102)	430,944
Total assets not being depreciated	9,568,604	945,671	-	(477,102)	10,037,173
Assets being depreciated:					
Buildings and structures	53,718,454	593,627	(79,243)	-	54,232,838
Infrastructure	22,431,813	499,690	-	735,243	23,666,746
Furniture & fixtures	2,255,991	5,878	(126,359)	-	2,135,510
Total assets being depreciated	78,406,258	1,099,195	(205,602)	735,243	80,035,094
Total assets	87,974,862	2,044,866	(205,602)	258,141	90,072,267
Less accumulated depreciation for:					
Buildings and structures	(15,144,934)	(1,422,608)	24,267	-	(16,543,275)
Infrastructure	(8,779,475)	(885,530)	-	-	(9,665,005)
Furniture & fixtures	(1,929,201)	(92,430)	122,406	-	(1,899,225)
Total accumulated depreciation	(25,853,610)	(2,400,568)	146,673	-	(28,107,505)
RAD capital assets, net	$ 62,121,252	(355,702)	(58,929)	258,141	61,964,762

Village Center Service Area (VCSA) Water and Sewer Utility

	Beginning balance	Increases	Decreases	Transfers	Ending balance
VCSA Water and Sewer:					
Assets not being depreciated:					
Land	$ 150,312	-	-	-	150,312
Construction in progress	5,525	41,833	-	-	47,358
Total assets not being depreciated	155,837	41,833	-	-	197,670
Assets being depreciated:					
Buildings and structures	1,575,065	-	-	-	1,575,065
Infrastructure	31,195,979	50,735	-	-	31,246,714
Furniture & fixtures	1,361,679	-	(128,693)	-	1,232,986
Total assets being depreciated	34,132,723	50,735	(128,693)	-	34,054,765
Total assets	34,288,560	92,568	(128,693)	-	34,252,435
Less accumulated depreciation for:					
Buildings and structures	(1,271,468)	(54,408)	-	-	(1,325,876)
Infrastructure	(13,059,608)	(945,988)	-	-	(14,005,596)
Furniture & fixtures	(1,044,438)	(54,789)	81,618	-	(1,017,609)
Total accumulated depreciation	(15,375,514)	(1,055,185)	81,618	-	(16,349,081)
VCSA Water and Sewer capital assets, net	$ 18,913,046	(962,617)	(47,075)	-	17,903,354

(4) Capital Assets (continued)

Little Sumter Service Area (LSSA) Water and Sewer Utility

	Beginning balance	Increases	Decreases	Transfers	Ending balance
LSSA Water and Sewer:					
Assets not being depreciated:					
Land	$ 126,797	-	-	-	126,797
Construction in progress	-	-	-	-	-
Total assets not being depreciated	126,797	-	-	-	126,797
Assets being depreciated:					
Buildings and structures	5,134,315	26,825	-	-	5,161,140
Infrastructure	36,116,728	18,415	-	-	36,135,143
Furniture & fixtures	341,859	-	-	-	341,859
Total Assets being depreciated	41,592,902	45,240	-	-	41,638,142
Total	41,719,699	45,240	-	-	41,764,939
Less accumulated depreciation for:					
Buildings and structures	(1,360,510)	(159,675)	-	-	(1,520,185)
Infrastructure	(9,683,484)	(1,131,600)	-	-	(10,815,084)
Furniture & fixtures	(272,939)	(10,198)	-	-	(283,137)
Total accumulated depreciation	(11,316,933)	(1,301,473)	-	-	(12,618,406)
LSSA Water and Sewer capital assets, net	$ 30,402,766	(1,256,233)	-	-	29,146,533

Fitness Fund Capital Assets

	Beginning balance	Increases	Decreases	Transfers	Ending balance
Fitness Fund					
Assets being depreciated:					
Leasehold improvements	9,815	-	-	-	9,815
Total assets	9,815	-	-	-	9,815
Less accumulated depreciation for:					
Leasehold improvements	(3,026)	(982)	-	-	(4,008)
Total accumulated depreciation	(3,026)	(982)	-	-	(4,008)
FITNESS capital assets, net	6,789	(982)	-	-	5,807

(5) Intangible Assets

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

		Beginning balance	Increases	Decreases	Ending balance
Business-type activities:					
RAD:					
Discounted value of amenity fees	$	171,440,228	-	-	171,440,228
Less accumulated amortization		(52,932,406)	(4,271,265)	-	(57,203,671)
Intangible assets, net		118,507,822	(4,271,265)	-	114,236,557
LSSA:					
Discounted value of utilities charges		43,338,051	-	-	43,338,051
Less accumulated amortization		(9,747,090)	(1,083,452)	-	(10,830,542)
Intangible assets, net		33,590,961	(1,083,452)	-	32,507,509
Business-type activities total:					
Discounted value of amenity fees		171,440,228	-	-	171,440,228
Discounted value of utilities charges		43,338,051	-	-	43,338,051
Less accumulated amortization		(62,679,496)	(5,354,717)	-	(68,034,213)
Intangible assets, net	$	152,098,783	(5,354,717)	-	146,744,066

(6) Interfund Balances

The composition of interfund balances as of September 30, 2013, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund		
General Fund	RAD		2,780
	Fitness		1,541
	Community Standards		9,451
RAD	General Fund		11,870
	VCSA		304,499
	LSSA		546,300
	Fitness		1,107
Safety	RAD		89,540
Total		$	1,011,068

The outstanding balances between funds result from normal monthly reimbursements that were accrued at the end of the fiscal year, September 30, 2013, and in all cases were liquidated by payments in October 2013.

(7) Long-term Debt

Revenue Bonds Payable

Revenue bonds payable consisted of the following:

Recreation Amenities Division Bonds:

$60,175,000 Recreational Revenue Refunding Bonds, Series 1998A due in annual principal installments ranging from $2,810,000 to $3,640,000 through November 2022 in accordance with the redemption schedule. Interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity. Interest rates range from 4.75% to 5.50%.	$	31,980,000
$14,220,000 Recreational Revenue Bonds, Series 1999A due in annual principal installments ranging from $235,000 to $5,035,000 through November 2023 in accordance with the redemption schedule. Interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity. Interest rates are 5.0%.		11,740,000
$36,455,000 Recreational Revenue Bonds, Series 2001A due in annual principal installments ranging from $930,000 to $7,310,000 through November 2025 in accordance with the redemption schedule. Interest rates range from 5.00% to 5.20% and interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity.		27,640,000
$57,250,000 Recreational Revenue Bonds, Series 2003A due in annual principal installments ranging from $0 to $10,110,000 through November 2032 in accordance with the redemption schedule. Interest rate is 5.0% and interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity.		57,250,000
$39,425,000 Recreational Revenue Bonds, Series 2004A due in annual principal installments ranging from $0 to $12,110,000 through November 2036 in accordance with the redemption schedule. Interest rates are 5.125% to 5.375% and interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity.		39,425,000
$5,755,000 Subordinate Recreational Revenue Bonds, Series 1998B due in annual principal installments ranging from $440,000 to $470,000 through January 2017 in accordance with the redemption schedule. Interest at 8.25% is due semi-annually on January 1 and July 1 of each year until redemption or maturity.		1,800,000
$5,340,000 Subordinate Recreational Revenue Bonds, Series 1998C due in annual principal installments ranging from $280,000 to $1,005,000 through January 2019 in accordance with the redemption schedule. Interest at 7.375% is due semi-annually on January 1 and July 1 of each year until redemption or maturity.		3,165,000
$7,005,000 Subordinate Recreational Revenue Bonds, Series 2003B due in annual principal installments ranging from $0 to $2,420,000 through January 2018 in accordance with the redemption schedule. Interest at 6.35% is due semi-annually on January 1 and July 1 of each year until redemption or maturity.		7,005,000
$11,160,000 Subordinate Recreational Revenue Bonds, Series 2004B due in annual principal installments ranging from $2,435,000 to $2,475,000 through January 2015 in accordance with the redemption schedule. Interest at 5.875% is due semi-annually on January 1 and July 1 of each year until redemption or maturity.		4,910,000

(7) Long-term Debt (continued)

Revenue Bonds Payable (continued)

VCSA Utility Revenue Bonds		
$25,465,000 Utility Revenue Refunding Bonds, Series 1998A due in annual principal installments ranging from $1,050,000 to $1,720,000 through October 2023 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 5.00% to 5.25%.		14,980,000
$5,690,000 Subordinate Utility Revenue Bonds, Series 1998B due in annual principal installments ranging from $235,000 to $385,000 through October 2023 in accordance with the redemption schedule. Interest rates range from 5.00% to 5.25%. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity.		3,335,000
LSSA Utility Revenue Bonds		
$86,400,000 Utility Revenue Bonds, Series 2003 due in annual principal installments ranging from $1,670,000 to $5,230,000 through October 2036 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 5.00% to 5.25%.		75,295,000
Total revenue bonds payable	$	278,525,000
Plus bond premium		773,474
Less bond discount		(1,160,330)
Less current installment of revenue bonds payable		(10,933,620)
Revenue bonds payable less current installments	$	267,204,524

The Recreational Revenue Bonds, Series 1998A, 1998B, 1998C, 1999A, 2001A, 2003A, 2003B, 2004A, and 2004B are secured by a lien and pledge of amenity fees and other 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 1998B, 1998C, 2003B and 2004B are secured by a lien and pledge of amenity fees and other revenues which is junior and subordinate to the lien and pledge of revenues on the Recreational Revenue Bonds, Series 1998A, 1999A, 2001A, 2003A and 2004A.

The Utility Revenue Bonds, Series 1998A and 1998B are secured by a lien and pledge of the revenues under the indenture which are derived by the District from the fees and charges for water and wastewater services in the Village Center Service Area (VCSA). The Utility Revenue Bonds, Series 1998B are secured by a lien and pledge of revenues which is junior and subordinate to the lien and pledge of revenues on the Utility Revenue Bonds, Series 1998A.

The Utility Revenue Bond, Series 2003 is secured by a lien and pledge of the revenues under the indenture which is derived by the District from the fees and charges for water and wastewater services in the Little Sumter Service Area (LSSA).

(7) Long-term Debt (continued)

Revenue Bonds Payable (continued)

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

		Principal	Interest	Total
Fiscal year ending September 30:				
2014		10,090,000	14,135,641	24,225,641
2015		10,640,000	13,571,573	24,211,573
2016		10,560,000	12,984,500	23,544,500
2017		11,160,000	12,380,169	23,540,169
2018		11,800,000	11,744,618	23,544,618
2019-2023		50,365,000	50,739,586	101,104,586
2024-2028		49,605,000	37,677,234	87,282,234
2029-2033		65,405,000	23,672,366	89,077,366
2034-2037		58,900,000	6,664,509	65,564,509
Total	$	278,525,000	183,570,196	462,095,196

Due to Developer – Recreational Capital Assets

Subordinate debt service reserve requirements were funded by the recreational revenue bond proceeds. Therefore, this amount was not available for payment to the developer for the purchase of recreation and security facilities. This amount becomes available for payment to the developer when the reserve requirement is reduced as principal payments are made on the debt. Amounts due to the developer as of September 30, 2013 were $843,620.

Capital Leases

The District is obligated under capital leases covering machinery and equipment that expire at various dates through 2014.

Future minimum lease payments (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of September 30, 2013 are:

		Capital Leases Governmental Funds
Fiscal year ending September 30:		
2014		36,768
Total minimum lease payments		36,768
Less interest		1,407
Net present value	$	35,361

(7) Long-term Debt (continued)

Loans Payable

District loans payable related to the District's governmental activities consisted of the following:

Loan payable to bank, secured by fire and safety equipment, principal and interest payments due monthly, interest adjusted to 70% of lenders prime rate, currently 2.27% as of September 30, 2013, maturing February 28, 2015.	$	131,176
Total loans payable		131,176
Less current installments of loan payable		92,171
Long-term portion of loans payable	$	39,005

The annual requirements to amortize the loans payable are shown below:

		Principal	Interest	Total
Fiscal year ending September 30:				
2014		92,171	2,023	94,194
2015		39,005	207	39,212
Total	$	131,176	2,230	133,406

Notes Payable

In September 2011 and September 2012, the District Public Safety Department acquired two new fire stations, stations numbers 44 and 45, respectively. Station Number 44 was acquired for $3,806,864, for which a note of $806,864 was outstanding at September 30, 2013. Station Number 45 was acquired for $1,694,585 for which a note of $1,194,585 was outstanding at September 30, 2013. The following schedule shows the amounts due on the notes through September 30, 2016.

	Note Payable Governmental Funds
Fiscal year ending September 30:	
2014	1,056,864
2015	250,000
2016	694,585
Total note payable	2,001,449

(7) Long-term Debt (continued)

Notes Payable (continued)

Changes in Long-term Debt:

		Beginning balance	Additions	Reductions	Ending balance	Due within one year
Govermental activities:						
Loans payable	$	221,243	-	(90,067)	131,176	92,171
Capital leases		69,368	-	(34,007)	35,361	35,361
Notes payable		3,251,449	-	(1,250,000)	2,001,449	1,056,864
Compensated absences		334,537	20,242	-	354,779	70,956
Governmental activities long-term debt		3,876,597	20,242	(1,374,074)	2,522,765	1,184,396
Business-type activities:						
Bonds payable						
RAD		191,645,000	-	(6,730,000)	184,915,000	7,135,000
VCSA Water and Sewer		19,530,000	-	(1,215,000)	18,315,000	1,285,000
LSSA Water and Sewer		76,910,000	-	(1,615,000)	75,295,000	1,670,000
Plus bond discounts and less bond premiums		(11,328)	(395,144)	19,616	(386,856)	-
Total bonds payable		288,073,672	(395,144)	(9,540,384)	278,138,144	10,090,000
Due to developer - RAD		991,750	-	(148,130)	843,620	164,602
Total business-type activities long-term liabilities		289,065,422	(395,144)	(9,688,514)	278,981,764	10,254,602
Total debt	$	292,942,019	(374,902)	(11,062,588)	281,504,529	11,438,998

Pledged Revenues:

The District has pledged certain amenities fee revenue to pay the principal and interest on Recreational Revenue and Utility Revenue Bonds issued to pay for the purchase of recreational and water and sewer utility facilities from the Developer. These Recreational and Utility 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.

(7) Long-term Debt (continued)

Changes in Long-term Debt (continued)

Pledged Revenues (continued)

Description of Debt	Pledged Revenue	Revenue Received	Principal and Interest Paid	Estimated Percent Pledged	Outstanding Principal and Interest	Pledged Through
Recreational Revenue Bonds, Series 1998A, 1999A, 2001A, 2003A, 2004A, 1998B, 1998C, 2003B and 2004B	Business type funds Amenities Fee Revenue and Other Income of RAD Fund	$ 39,810,558	$ 16,588,008	41.67%	308,375,384	2036
Utility Revenue Bonds, Series 1998A and 1998B	Water and Sewer Revenue, VCSA Fund	6,279,745	2,172,748	34.60%	23,815,419	2023
Utility Revenue Bonds, Series 2003	Water and Sewer Revenue, LSSA Fund	9,906,517	5,463,409	55.15%	129,904,394	2036
Fire Station No. 44 Note	Government type funds Fire Impact Fees	1,000,000	1,000,000	60.00%	806,864	2014
Fire Station No. 45 Note	Government type funds Fire Impact Fees	250,000	250,000	20.00%	1,194,585	2016

(8) Related Parties

The District entered into interlocal agreements to provide Village Community Development District No. 1 (District No. 1), Village Community Development District No. 2 (District No. 2), Village Community Development District No. 3 (District No. 3), Village Community Development District No. 4 (District No. 4), Village Community Development District No. 5 (District No. 5), Village Community Development District No. 6 (District No. 6), Village Community Development District No. 7 (District No. 7), Village Community Development District No. 8 (District No. 8), Village Community Development District No. 9 (District No. 9), and Village Community Development District No. 10 (District No. 10), Sumter Landing Community Development District (Sumter Landing), North Sumter County Utility Dependent District and Brownwood Community Development District, certain management, finance, and administrative services for fees of $204,620, $200,268, $198,347, $234,505, $213,083, $212,016, $204,917, $217,610, $172,166, $75,129, $5,795,962, $451,821, and $118,256, respectively, for the fiscal year ended September 30, 2013. Upon action by their respective Boards of Supervisors, District No. 1 through District No. 10, Sumter Landing District, NSCUDD, 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, and include items such as payroll reimbursement for board members, reimbursement for payment of the investment advisor contract, and office equipment lease and copy costs.

The District has purchased from the Developer classified advertising, building rents, management services, and repair services for $872,121. In addition, the District reimbursed the Developer $108,296 for items and services purchased or paid for by the Developer on behalf of the District. The District paid $1,250,000 during the fiscal year on notes payable for the construction and acquisition of Fire Stations Nos. 44 and 45. The District purchased water, waste water, and irrigation water, paying rates approved by the Public Service Commission, from companies affiliated with the Developer for $16,044. The District paid bank fees and loan interest to a bank affiliated with the Developer in the amount of $57,859 and maintained demand deposit accounts with the same

(8) Related Parties (continued)

bank based on a compensating balance agreement. The District previously received for no charge from the Developer information system support, including software, hardware and computer programming and internal mail room operations. However, beginning in fiscal year 2011-2012, the District began paying for its information system support and passed these costs on to the other Districts on a proportional basis. In March 2012, the developer transferred the ownership of its information management services to a new firm, Villages Technology Services Group. Fees in fiscal year 2012-2013 totaled $1,769,092.

The District purchased the Little Sumter Service Area (LSSA) Utility from a company affiliated with the Developer and per the terms of the sale, has paid Contributions In Aid of Construction (CIAC) receipts to the seller. In February 2005, $3,145,819 was paid, in March 2006, $713,381 was paid, in May 2007, $323,695 was paid, in March 2008, $1,134,409 was paid, in February 2010, $1,075,579 was paid, in February 2011, $62,332 was paid, in February 2012 $102,614 was paid, and in February 2013 $15,794 was paid. As of September 30, 2013, the remaining balance of potential additional CIAC proceeds to the Seller is $282,907 of which $164,602 has been collected and not yet paid.

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 the current or previous years.

The District is governed by a five-member Board of Supervisors. As of September 30, 2013, four of the five members of the Board of Supervisors are employees of or affiliated with the Developer.

(9) Commitments and Contingencies

Operating Leases

The District has entered into eight leases with the Developer. Six are for office leases which will be terminated in Fiscal Year 2013-14 and be replaced with two office leases. The District also has two public safety facility leases. Upon termination of the six office leases mentioned above, the District will have a total of four leases remaining; two office leases and two public safety facility leases. The two new office leases will not encounter a CPI-based increase until the sixth year of their lease renewal. The two public safety facilities have a yearly CPI-based increase. The CPI increase is not included in the amounts stated below.

(9) Commitments and Contingencies (continued)

The District has also entered into operating leases for office equipment such as copiers. The future minimum lease payments for these leases are as follows:

		Building Leases	Equipment Leases	Total
Year Ending September 30:				
2014		682,616	27,103	709,719
2015		797,587	26,881	824,468
2016		797,587	21,805	819,392
2017		797,587	14,147	811,734
2018		797,587	4,887	802,474
2019-2023		3,629,592		3,629,592
2024-2028		356,842		356,842
2029-2033		184,592		184,592
2034-2035		64,607		64,607
Total	$	8,108,597	94,823	8,203,420

(10) 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. The District generally carries insurance for these risks, however, the District retains risk for certain property coverage and for losses in excess of coverage limits. There have been no claims in excess of coverage limits for the past two years.

(11) Litigation Settlement Agreement and Amenity Authority Committee (AAC)

As part of the litigation settlement agreement between the District, The Villages of Lake Sumter, and Villages residents, an initial payment of $11,886,151 in cash was received in April 2008. In addition, a total of $28,021,000 in further payments is due each December for the next thirteen years. The Villages of Lake Sumter provided the District an annuity contract which is held as an investment valued at $14,904,429 to cover the last eight years of this settlement requirement. All five annual payments from the Developer have now been received. The payment due December 31, 2013 will be the first of the eight annuity payments from the annuity contract.

As part of the settlement agreement a requirement was established to form an Amenity Authority Committee (AAC) with duties, authority and limitations to be defined in an Interlocal Agreement among the Village Center Community Development District, the Town of Lady Lake, and Village Community Development District Nos. 1, 2, 3 and 4. This Interlocal Agreement dated April 18, 2008 establishes the membership of the AAC including elected representatives from each of the six jurisdictions named above. It establishes the powers and limitations of the AAC in advising and providing direction to the Board of Supervisors of the Village Center Community Development District concerning the receipt and expenditure of amenities fees, settlement proceeds and related funds.

(12) Investment Advisory Committee (IAC)

In December 2007, the Boards of Supervisors of the Village Center Community Development District, Sumter Landing Community Development District and Village Community Development District Nos. 1-8 formed an Investment Advisory Committee, comprised of one member for each District, to provide staff guidance on the Districts' investment strategy and to report back to their respective boards the status of the Districts investments. In January 2009, an eleventh member was added to the committee, with the consent of all ten Districts, to represent the Amenity Authority Committee of the Village Center Community Development District. In addition, representatives from North Sumter County Utility Dependent District and Village Community Development District No. 9 have been added, bringing the committee to thirteen members.

(13) Internal Revenue Service (IRS) Audit of Recreation Bonds

On January 7, 2008, the Internal Revenue Service (IRS) notified the Village Center Community Development District (VCCDD) of its intent to audit the $57,250,000 Village Center Community Development District Recreational Revenue Bonds, Series 2003A, and the $7,005,000 Village Center Community Development District Recreational Revenue Bonds, Series 2003B. In May 2008, the District engaged the services of Mr. Perry Israel, as tax counsel, to represent the District before the IRS. On June 5, 2008, the District provided a Notice of Material Event-IRS Examination, to the bondholders and potential bondholders of CUSIP 92706NCQ4 and 92706NCS0.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.

In July 2009, the IRS expanded the scope of the audit to include all recreational and utility revenue bonds issued by the Village Center Community Development District. A further Notice of Material Events-IRS Examination was provided to the secondary market for holders of these additional series of bonds on July 22, 2009.

On October 31, 2012, the Village Center Community Development District (VCCDD) provided the following secondary market disclosure notification regarding the on-going IRS audit. The notice was published on the EMMA website sponsored by the Municipal Securities Rulemaking Board.

"Through verbal communication, the Internal Revenue Service General Counsel advised the Village Center Community Development District (the "Center District") that the Chief Counsel has tentatively concluded that the Center District is not a political subdivision for purposes of Section 103(a) of the Internal Revenue Service Code of 1986 because a controlling portion of the governing board of the Center District at the time it issued bonds was elected by one property owner. In response to the communication, representatives of Center District have met with and have had discussions with representatives of the Internal Revenue Service General Counsel. The Center

(13) Internal Revenue Service (IRS) Audit of Recreation Bonds (continued)

District will submit further analysis and information to the Chief Counsel before a final determination is made."

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.

The Issuer cannot predict the outcome of the discussions and negotiations with the IRS.

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
Village Center 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, each major fund, and the aggregate remaining fund information of Village Center 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.

Board of Supervisors
Village Center 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

Purvis Gray & Company

MANAGEMENT LETTER

Board of Supervisors
Village Center Community Development District
The Villages, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village Center 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. (Please refer to management letter comments).

- 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. (Please refer to management letter comments).

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

Board of Supervisors
Village Center 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

MANAGEMENT LETTER COMMENTS

Board of Supervisors
Village Center Community Development District
The Villages, Florida

Status of Prior Year Comments and Recommendations (Updated for 2013)

2012-1—Outsourced Information Technology (IT) Services and IT General Controls (Updated for 2013)
During 2013, the District had an external contractor perform an IT risk assessment, network penetration test, and internal vulnerability assessment on the District's Outsourced IT Services and IT General Controls at the District's Outsourced IT Company (TSG). The IT risk assessment, network penetration test, and internal vulnerability assessment indicated that TSG's overall IT security is good; however, several recommendations to strengthen controls and reliability of the District's IT function were provided. Due to the heavy reliance on IT applications by all areas of the District, strong IT general controls are essential to the success of the District's billings, data processing and financial reporting capabilities.

We recognize that the IT risk assessment, network penetration test, and internal vulnerability assessment have just recently been completed and is still in the process of being evaluated by TSG in conjunction with the District and will be reviewed with the Board in the near future. Most of these recommendations have been accepted for implementation by TSG and are currently in process by them.

We recommend that the District continue to work with TSG and monitor the process of evaluating and completing the recommendations from the IT risk assessment, network penetration test, and internal vulnerability assessment as soon as practical. Any recommendations that TSG will not be implementing should be communicated as to the rationale. We also recommend that the District ensure that a follow-up review by the original contractor be performed at TSG to ensure satisfactory completion of the recommended items when all items have been addressed at some point in the future.

Purvis, Gray and Company, LLP

February 7, 2014
Ocala, Florida

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

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

February 10, 2014

Board of Supervisors
Village Center Community Development District
The Villages, Florida 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2012-2013 for Village Center Community Development District. We are proud to report that this audit has an unmodified opinion. There are no material weaknesses or compliance issues identified and reported. All prior year management letter comments have now been addressed by the District to the auditors and only a follow-up to the previous year comment has been identified. No new comments have been addressed by the auditors.

Current Year Recommendation

2012-1 Outsourced Information Technology (IT) Services and IT General Controls (Updated for 2013)

During 2013, the District had an external contractor perform an IT risk assessment, network penetration test, and internal vulnerability assessment on the District's Outsourced IT Services and IT General Controls at the District's Outsourced IT Company (TSG). The IT risk assessment, network penetration test, and internal vulnerability assessment indicated that TSG's overall IT security is good; however, several recommendations to strengthen controls and reliability of the District's IT function were provided. Due to the heavy reliance on IT applications by all areas of the District, strong IT general controls are essential to the success of the District's billings, data processing and financial reporting capabilities.

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We recommend that the District continue to work with TSG and monitor the process of evaluating and completing the recommendations from the IT risk assessment, network penetration test, and internal vulnerability assessment as soon as practical. Any recommendations that TSG will not be implementing should be communicated as to the rationale. We also recommend that the

District ensure that a follow-up review by the original contractor be performed at TSG to ensure satisfactory completion of the recommended items when all items have been addressed at some point in the future.

Management Response: Concur

The District engaged the firm CliftonLarsonAllen, P.A. of Minneapolis, MN this past year, an independent firm, to perform a risk assessment on information technology services provided by The Villages Technology Solutions Group, Inc. (VTSG). The initial review was conducted in November and December 2013 and three draft reports were provided in January 2014. Staff, jointly with the staff of TSG, is reviewing and addressing the issues identified in these reports. A formal response and completion of the final reports in February 2014 is anticipated. TSG and District staff have already implemented several of the recommendations addressed in the report and will continue to implement the remaining recommendations in the future. The reports will be presented to the District Board of Supervisors at the March 2014 meeting. It is our intention that the risk assessment be performed no less frequently than every two years, due to the rapid advance in the state of information technology services.

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 Village Center 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 Village District Finance Department for their diligent efforts in recording and maintaining the financial records of the District.

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

Sincerely,

David R. Miles, CGFO
Finance Director

Janet Y. Tutt
District Manager