



SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2014

(With Independent Auditors' Report Thereon)

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Sumter Landing Community Development District (the District) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinions (Concluded)

fund of the District, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated January 23, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

January 23, 2015
Ocala, Florida

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

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

Financial Highlights

- The assets of the District exceeded its liabilities as of September 30, 2014, by \$54,836,798 (net position), an increase of \$3,131,172. Of the total net position, \$22,908,605 of unrestricted net position exists that can be used at the discretion of the Board of Supervisors.
- The District's total net position increased by \$3,131,172 during the Fiscal Year. This increase in net position resulted from a decrease of \$200,858 in net position in the governmental funds, while there was a \$3,332,030 increase in the proprietary funds. The proprietary fund increase was a positive \$2,845,103 in the Sumter Landing Amenities Division (SLAD) Fund and an increase of \$486,927 in the three fitness centers. The governmental funds comprised of the Lake Sumter Landing and Project Wide Special Revenue Funds saw a decrease due to depreciation expenses exceeding new capital outlays.
- At the close of the Fiscal Year, the District's governmental funds reported combined fund balances of \$6,903,925, a net increase of \$694,660, compared to the prior year. Of the total, \$3,505,331 is *unassigned fund balance*, available for use by the District on a discretionary basis. Capitalized assets and their associated depreciation are not recorded in the fund based financial statements due to the near-term focus of governmental revenue and expenditure flows.
- The District's total long-term debt decreased by \$1,161,741 during the current Fiscal Year. The decrease relates to principal payments made on outstanding revenue bonds and other debt during the year ended September 30, 2014. No new debt was added during the Fiscal Year. The balance at the end of the year is \$58,150,041, with \$1,205,000 due within one year.
- There were no organizational changes to the fund structure of the Sumter Landing District in Fiscal Year 2013-2014.

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*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Sumter Landing Community Development District is improving or deteriorating.

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).

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

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

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

The Fund Financial Statements, which report by individual fund, begin on page 11. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Sumter Landing Community Development District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Lake Sumter Landing and the Project Wide Special Revenue Funds are the two governmental funds of the District. The Sumter Landing Amenities Division (SLAD) Fund is the main operating fund and with the Sumter Landing Fitness Fund comprises the only two proprietary funds in the District. The fund financial statements present information in more detail than the government-wide financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

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

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

The District maintains two continuing governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the Lake Sumter Landing and the Project Wide Special Revenue funds, both of which are considered to be major funds.

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

Proprietary funds. The District maintains two proprietary funds, the Sumter Landing Amenities Division (SLAD) Enterprise Fund and the Sumter Landing Fitness Enterprise Fund. Enterprise funds, a category of proprietary funds, are included as *business-type activities* in the government-wide financial statements. Proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the SLAD and

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

Fitness funds, which are both considered to be major funds of the Sumter Landing Community Development District. The basic proprietary fund financial statements can be found on pages 17-19 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 20 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$54.837 million as of September 30, 2014, representing an increase of \$3.131 million from the net position of approximately \$51.706 million as of September 30, 2013. The increase in net position for September 30, 2014, is due to the significant increase in the fund balance of the two proprietary funds, the SLAD Fund and the Fitness Fund, offset by depreciation related reductions in the balances of the governmental funds.

The District's net position is categorized as follows as of September 30, 2014:

Net investment in capital assets. This \$29.750 million portion of the District's net position (54.3%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

Restricted for debt service. An additional \$1.988 million portion of the District's net position (3.6%) represents resources that are subject to external restrictions on how they may be used. The District's restricted net position is restricted for the purpose of meeting its debt service obligations.

Restricted for renewal and replacement. A total of \$0.190 million of the District's net position (0.3%) is restricted by the bond indenture for use in the renewal and replacement of the capital assets as they wear out, in the SLAD Fund.

Unrestricted net position. The remaining \$22.909 million balance of the District's net position (41.8%) may be used to meet the District's ongoing obligations to residents and creditors.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2014

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

Table 1
Summary Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>September 30, 2014</u>	<u>2013</u>	<u>September 30, 2014</u>	<u>2013</u>	<u>September 30, 2014</u>	<u>2013</u>
Assets:						
Current and other assets	\$ 7,103,386	6,427,437	23,803,795	19,226,910	30,907,181	25,654,347
Capital assets, net of accumulated depreciation	36,509,096	37,404,614	33,900,920	34,768,626	70,410,016	72,173,240
Bond insurance, net of accumulated amortization	-	-	1,316,880	1,373,724	1,316,880	1,373,724
Intangible assets, net of accumulated amortization	-	-	15,447,572	15,945,881	15,447,572	15,945,881
Total assets	<u>43,612,482</u>	<u>43,832,051</u>	<u>74,469,167</u>	<u>71,315,141</u>	<u>118,081,649</u>	<u>115,147,192</u>
Liabilities:						
Current and other liabilities	199,461	218,172	4,895,349	3,911,611	5,094,810	4,129,783
Long-term debt:						
Due within one year	-	-	1,205,000	1,145,000	1,205,000	1,145,000
Due in more than one year	-	-	56,945,041	58,166,783	56,945,041	58,166,783
Total liabilities	<u>199,461</u>	<u>218,172</u>	<u>63,045,390</u>	<u>63,223,394</u>	<u>63,244,851</u>	<u>63,441,566</u>
Net position (deficit)						
Net investment in capital assets	36,509,096	37,404,614	(6,758,803)	(6,488,186)	29,750,293	30,916,428
Restricted for debt service	-	-	1,988,284	1,391,614	1,988,284	1,391,614
Restricted for renewal and replacement	-	-	189,616	189,616	189,616	189,616
Unrestricted	6,903,925	6,209,265	16,004,680	12,998,703	22,908,605	19,207,968
Total net position	<u>\$ 43,413,021</u>	<u>43,613,879</u>	<u>11,423,777</u>	<u>8,091,747</u>	<u>54,836,798</u>	<u>51,705,626</u>

Governmental Activities

Governmental activities decreased the District's net position by \$200,858 during the year ended September 30, 2014. This decrease results from depreciation expenses exceeding the amount of new capital assets added to the District's infrastructure.

Business-type Activities

Business-type activities increased the District's net position by \$3,332,030 during the year ended September 30, 2014. The increase reflects the increase in net position of the Sumter Landing Fitness Enterprise Fund and the continued improved operations of the Sumter Landing Amenities Division Fund. The District's business-type activities consist of recreation, fitness and security services provided to District residents. The number of residents served by the District continued to grow during the year, with 2,960 new residential homes closed in the areas of The Villages served by the District during Fiscal Year 2013-2014.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2014

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

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating revenues:						
General government	\$ 186,323	42,064	11,503,672	11,330,790	11,689,995	11,372,854
Special assessments	10,687,858	9,243,741	-	-	10,687,858	9,243,741
Public safety	-	-	5,855,626	4,939,118	5,855,626	4,939,118
Culture/recreation	-	-	2,406,920	2,240,992	2,406,920	2,240,992
General revenues:						
Interest and other earnings	32,295	12,185	59,337	20,118	91,632	32,303
Total revenues	<u>10,906,476</u>	<u>9,297,990</u>	<u>19,825,555</u>	<u>18,531,018</u>	<u>30,732,031</u>	<u>27,829,008</u>
Expenses:						
General government services	-	-	5,641,481	5,444,097	5,641,481	5,444,097
Public safety	-	-	2,305,099	2,130,317	2,305,099	2,130,317
Physical environment	9,983,010	8,876,565	2,370,521	2,420,805	12,353,531	11,297,370
Culture/recreation	-	-	4,733,665	4,635,000	4,733,665	4,635,000
Depreciation (unallocated)	1,124,324	1,120,523	887,606	885,809	2,011,930	2,006,332
Amortization expense	-	-	555,153	555,153	555,153	555,153
Total expenses	<u>11,107,334</u>	<u>9,997,088</u>	<u>16,493,525</u>	<u>16,071,181</u>	<u>27,600,859</u>	<u>26,068,269</u>
Changes in net position	<u>(200,858)</u>	<u>(699,098)</u>	<u>3,332,030</u>	<u>2,459,837</u>	<u>3,131,172</u>	<u>1,760,739</u>

Budgetary Highlights

During the year, there was \$427,841 increase in the appropriations for the Project Wide Fund between the original and final budget. This increase occurred primarily in the capital outlay line item with smaller increases to the professional services, utility, maintenance and repair, and other current charges line items. Much of the increase was used to accelerate the cleanout of the storm water drainage pipes in the service area. There was an increase of \$100,000 to the revenue budget for the Project Wide Fund in the miscellaneous revenue line item. This was due to a contribution from the developer for a traffic signal at Colony Boulevard. There was an increase in the appropriations of the Lake Sumter Landing Fund by \$25,000 primarily for maintenance and repair. The revenue budgets remained unchanged for the Lake Sumter Landing Fund.

Capital Asset and Debt Administration

Capital Assets

The District's capital assets as of September 30, 2014, and September 30, 2013 amounted to \$70,410,016 and \$72,173,240, respectively. This is net of accumulated depreciation and includes land, buildings, improvements other than buildings, furniture and equipment, and construction in progress. The decrease resulted from depreciation expenses during the year exceeding new assets acquired. Additional information regarding the District's capital assets can be found in Note 3 of the Notes to Basic Financial Statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

Long-term Debt

As of September 30, 2014, and September 30, 2013, the District had long-term debt outstanding of \$58,150,041 and \$59,311,783, respectively. The majority of the debt as of September 30, 2014, consists of Recreational Revenue Bonds issued during Fiscal Year 2004-2005. This debt is secured by a lien and pledge of revenues under the indentures which are derived by the District from the users of the recreational facilities. Debt of \$536,250 is owed to the Developer, The Villages of Lake Sumter, Inc., for capital assets acquired. All notes payable and capital leases were paid in full during the year and no new debt was added. Additional information regarding the District's long-term debt can be found in Note 5 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Sumter County where the District is located was 5.1 percent in September 2014 which is a decrease from a rate of 5.7 percent a year ago. This compares favorably with the State's average unemployment rate of 6.1 percent and is below the national average rate of 5.9 percent.
- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual increase for all urban consumers increased from 1.18 percent in September 2013 to 1.66 percent in September 2014.

These factors were considered in preparing the District's budget for the 2014-2015 Fiscal Year. The Lake Sumter Landing Special Revenue Fund is projecting a revenue decrease of \$7,713 and an expenditure decrease of \$213,885 in Fiscal Year 2014-2015 compared to the final budget in Fiscal Year 2013-2014. The net decrease of capital outlays by \$217,012 offset by minor increases and decreases in various line items, account for the net decrease in the expenditure budget. The Project Wide Special Revenue Fund is projecting a revenue increase of \$638,873, with an increase of \$660,335 in shared revenue, mostly from District No. 10 and minor decreases offsetting that increase. An expenditure decrease of \$394,193 is also projected. The expenditure decrease is mainly in the repairs and maintenance services line item with a decrease of \$818,069 offset by an increase to capital outlay of \$182,402 and minor increases in other line items.

The Sumter Landing Amenities Division Fund sees a Fiscal Year 2014-2015 increase in revenues budgeted of \$891,195 with expenditure increases of \$899,214. The expenditure increase includes increases to professional services mainly for expanded community watch service areas, repairs and maintenance and related operating supplies, and other contractual services for public safety and golf management services. The revenue increase was due to increased fire safety and community watch fees due to additional residents served and developer contributions for expanded recreation programs, the first refund from the Village Center District General Fund, and amenity fee increases. There were numerous other minor adjustments both up and down between the two years' budgets. The Fitness Enterprise Fund sees a Fiscal Year 2014-2015 revenue increase of \$37,980 and a projected expenditure increase of \$72,573. Most of the expenditure increase is in professional services, repairs and maintenance, and other minor line item changes. Most of the revenue increase results from increased fitness fee revenue.

Requests for Information

The District's financial statements are designed to present users (residents, customers, investors and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, contact the Village Community Development Districts, Finance Department at 984 Old Mill Run, The Villages, FL 32162; Telephone (352) 753-0421.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Position

September 30, 2014

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>
Assets					
Cash and cash equivalents	\$ 2,226,446	\$	11,840,691	\$	14,067,137
Investments	4,792,274		8,663,195		13,455,469
Accounts receivable (net)	6,964		1,945,261		1,952,225
Due from other governments	77,702		1,350,541		1,428,243
Prepays	-		4,107		4,107
Capital assets:					
Non depreciable assets	3,775,671		7,816,496		11,592,167
Depreciable assets (net of depreciation)	32,733,425		26,084,424		58,817,849
Bond insurance (net of accumulated amortization)	-		1,316,880		1,316,880
Intangible assets (net of accumulated amortization)	-		15,447,572		15,447,572
Total assets	<u>43,612,482</u>		<u>74,469,167</u>		<u>118,081,649</u>
Liabilities					
Accounts payable	191,585		235,795		427,380
Accrued expenses	7,876		25,771		33,647
Accrued interest payable	-		1,435,845		1,435,845
Unearned revenue	-		1,022,485		1,022,485
Due to other governments	-		155,441		155,441
Due to developer for amenity fees	-		2,020,012		2,020,012
Long-term debt:					
Due within one year	-		1,205,000		1,205,000
Due in more than one year	-		56,945,041		56,945,041
Total liabilities	<u>199,461</u>		<u>63,045,390</u>		<u>63,244,851</u>
Net Position					
Net investment in capital assets	36,509,096		(7,484,669)		29,024,427
Restricted for:					
Debt service	-		1,988,284		1,988,284
Renewal and replacement	-		189,616		189,616
Unrestricted	6,903,925		16,730,546		23,634,471
Total net position	<u>\$ 43,413,021</u>	\$	<u>11,423,777</u>	\$	<u>54,836,798</u>

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities

Year Ended September 30, 2014

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
Physical environment	\$ 9,983,010	10,687,858	186,323	-	891,171	-	891,171
Depreciation (unallocated)	1,124,324	-	-	-	(1,124,324)	-	(1,124,324)
Total governmental activities	<u>11,107,334</u>	<u>10,687,858</u>	<u>186,323</u>	<u>-</u>	<u>(233,153)</u>	<u>-</u>	<u>(233,153)</u>
Business-type activities:							
General government services	6,196,634	11,503,672	-	-	-	5,307,038	5,307,038
Public safety	2,305,099	5,855,626	-	-	-	3,550,527	3,550,527
Physical environment	2,370,521	-	-	-	-	(2,370,521)	(2,370,521)
Culture/recreation	4,733,665	2,406,920	-	-	-	(2,326,745)	(2,326,745)
Depreciation (unallocated)	887,606	-	-	-	-	(887,606)	(887,606)
Total business-type activities	<u>16,493,525</u>	<u>19,766,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,272,693</u>	<u>3,272,693</u>
Total primary government	\$ <u>27,600,859</u>	<u>30,454,076</u>	<u>186,323</u>	<u>-</u>	<u>(233,153)</u>	<u>3,272,693</u>	<u>3,039,540</u>
General revenues:							
Investment earnings					32,295	59,337	91,632
Total general revenues					32,295	59,337	91,632
Change in net position					(200,858)	3,332,030	3,131,172
Net position – beginning					43,613,879	8,091,747	51,705,626
Net position – ending					\$ <u>43,413,021</u>	<u>11,423,777</u>	<u>54,836,798</u>

See accompanying notes to basic financial statements.

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

Balance Sheet – Governmental Funds

September 30, 2014

	Lake Sumter Landing	Project Wide	Total
Assets:			
Cash and cash equivalents	\$ 694,127	1,532,319	2,226,446
Investments	1,324,280	3,467,994	4,792,274
Accounts receivable (net)	5,155	1,809	6,964
Due from other governments	-	77,702	77,702
Total assets	2,023,562	5,079,824	7,103,386
Liabilities:			
Accounts payable	70,956	120,629	191,585
Other current liabilities	37	7,839	7,876
Total liabilities	70,993	128,468	199,461
Fund balances:			
Committed for renewal & replacement	1,286,374	2,112,220	3,398,594
Unassigned	666,195	2,839,136	3,505,331
Total fund balances	1,952,569	4,951,356	6,903,925
Total liabilities and fund balances	\$ 2,023,562	5,079,824	7,103,386

See accompanying notes to basic financial statements.

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

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
September 30, 2014

Total fund balances, governmental funds		\$	6,903,925
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 funds:			
Capital assets	\$	47,001,738	
Less accumulated depreciation		<u>(10,492,642)</u>	<u>36,509,096</u>
Net position of governmental activities			<u>\$</u> <u><u>43,413,021</u></u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
GOVERNMENTAL FUNDS**

Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds
Year Ended September 30, 2014

	<u>Lake Sumter Landing</u>	<u>Project Wide</u>	<u>Total</u>
Revenues:			
Special assessments	\$ 1,547,517	8,782,468	10,329,985
Intergovernmental revenue	-	310,808	310,808
Other revenue	28,621	187,142	215,763
Investment earnings	8,592	23,703	32,295
Rents and leases	17,625	-	17,625
Total revenues	<u>1,602,355</u>	<u>9,304,121</u>	<u>10,906,476</u>
Expenditures:			
Current			
Physical environment	1,461,935	8,521,075	9,983,010
Capital outlay	23,370	205,436	228,806
Total expenditures	<u>1,485,305</u>	<u>8,726,511</u>	<u>10,211,816</u>
Net change in fund balances	<u>117,050</u>	<u>577,610</u>	<u>694,660</u>
Fund balances, at beginning of year	<u>1,835,519</u>	<u>4,373,746</u>	<u>6,209,265</u>
Fund balances, at end of year	<u>\$ 1,952,569</u>	<u>4,951,356</u>	<u>6,903,925</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
GOVERNMENTAL FUNDS**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
Year Ended September 30, 2014

Net change in fund balances – total governmental funds		\$	694,660
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures.			
However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay less depreciation expensed in the fiscal year.			
Capital outlay	\$	228,806	
Depreciation expense		<u>(1,124,324)</u>	<u>(895,518)</u>
Change in net position of governmental activities			\$ <u><u>(200,858)</u></u>

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
LAKE SUMTER LANDING SPECIAL REVENUE FUND

Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 1,547,517	1,547,517	1,547,517	-
Shared revenues from other local governments	12,560	12,560	12,560	-
Miscellaneous revenue	12,000	12,000	16,061	4,061
Rentals and leases	9,125	9,125	17,625	8,500
Investment earnings	2,500	2,500	8,592	6,092
Total revenues	<u>1,583,702</u>	<u>1,583,702</u>	<u>1,602,355</u>	<u>18,653</u>
Expenditures:				
Management fees and professional services	153,026	153,202	153,202	-
Other contractual services	144,860	148,253	148,855	(602)
Utility service	216,863	212,763	209,126	3,637
Rentals and leases	1,512	1,584	1,584	-
Repairs and maintenance	751,363	852,811	844,357	8,454
Other current charges	108,352	104,282	104,280	2
Operating supplies	12,450	531	531	-
Capital outlay	286,012	298,370	23,370	275,000
Total expenditures	<u>1,674,438</u>	<u>1,771,796</u>	<u>1,485,305</u>	<u>286,491</u>
Excess of revenues over expenditures	<u>(90,736)</u>	<u>(188,094)</u>	<u>117,050</u>	<u>305,144</u>
Other financing sources:				
Transfer in (out)	<u>(346,517)</u>	<u>(346,517)</u>	<u>-</u>	<u>346,517</u>
Total other financing sources	<u>(346,517)</u>	<u>(346,517)</u>	<u>-</u>	<u>346,517</u>
Net change in fund balance	<u>(437,253)</u>	<u>(534,611)</u>	<u>117,050</u>	<u>651,661</u>
Fund balances, at beginning of year	1,835,519	1,835,519	1,835,519	-
Fund balances, at end of year	<u>\$ 1,398,266</u>	<u>1,300,908</u>	<u>1,952,569</u>	<u>651,661</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
PROJECT WIDE FUND**

Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
Year Ended September 30, 2014

	Budgeted Amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Transportation	\$ 333,364	333,364	310,808	(22,556)
Shared revenues from other local governments	8,799,348	8,799,348	8,799,348	-
Miscellaneous revenue	6,649	106,649	170,262	63,613
Investment earnings	2,000	2,000	23,703	21,703
Total revenues	<u>9,141,361</u>	<u>9,241,361</u>	<u>9,304,121</u>	<u>85,316</u>
Expenditures:				
Professional services	598,008	688,182	627,555	60,627
Other contractual services	2,256	2,256	1,914	342
Utility services	824,531	840,931	842,815	(1,884)
Repairs and maintenance/landscape	7,710,366	7,767,466	6,990,667	776,799
Printing & binding	500	500	22	478
Other current charges	-	56,683	56,522	161
Operating supplies	5,700	5,700	1,580	4,120
Capital outlay	-	207,484	205,436	2,048
Total expenditures	<u>9,141,361</u>	<u>9,569,202</u>	<u>8,726,511</u>	<u>842,691</u>
Excess of revenues over expenditures	-	(327,841)	577,610	928,007
Fund balances, at beginning of year	4,373,746	4,373,746	4,373,746	-
Fund balances, at end of year	<u>\$ 4,373,746</u>	<u>4,045,905</u>	<u>4,951,356</u>	<u>928,007</u>

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Proprietary Funds

Statement of Net Position

September 30, 2014

	Sumter Landing Amenities Division (SLAD)	Sumter Landing Fitness Fund	Sumter Landing Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,040,792	1,186,154	8,226,946
Restricted cash and cash equivalents	2,887,879	-	2,887,879
Investments	7,142,048	1,521,147	8,663,195
Accounts receivable (net)	1,937,908	7,283	1,945,191
Due from other funds	4,819	-	4,819
Due from other governments	1,350,541	-	1,350,541
Accrued interest receivable	70	-	70
Prepaid expenses	4,107	-	4,107
Total current assets	<u>20,368,164</u>	<u>2,714,584</u>	<u>23,082,748</u>
Non-current assets:			
Restricted cash and cash equivalents	725,866	-	725,866
Capital assets:			
Land	7,812,278	-	7,812,278
Buildings and structures	30,497,792	-	30,497,792
Infrastructure	3,046,506	-	3,046,506
Machinery and equipment	362,883	-	362,883
Construction in progress	4,218	-	4,218
Capital leases	-	10,547	10,547
Less accumulated depreciation	(7,831,019)	(2,285)	(7,833,304)
Bond insurance (net of accumulated amortization)	1,316,880	-	1,316,880
Intangible assets (net of accumulated amortization)	15,447,572	-	15,447,572
Total non-current assets	<u>51,382,976</u>	<u>8,262</u>	<u>51,391,238</u>
Total assets	<u>71,751,140</u>	<u>2,722,846</u>	<u>74,473,986</u>
Liabilities			
Current liabilities:			
Accounts payable	226,597	9,198	235,795
Accrued expenses	24,255	1,516	25,771
Accrued interest payable	1,435,845	-	1,435,845
Unearned revenue	908,031	114,454	1,022,485
Due to other funds	-	4,819	4,819
Due to other governments	155,441	-	155,441
Due to developer for amenity fees	2,020,012	-	2,020,012
Current installments of revenue bonds payable	1,205,000	-	1,205,000
Total current liabilities	<u>5,975,181</u>	<u>129,987</u>	<u>6,105,168</u>
Non-current liabilities:			
Revenue bonds payable, net	56,408,791	-	56,408,791
Due to developer	536,250	-	536,250
Total non-current liabilities	<u>56,945,041</u>	<u>-</u>	<u>56,945,041</u>
Total liabilities	<u>62,920,222</u>	<u>129,987</u>	<u>63,050,209</u>
Net position			
Net investment in capital assets	(7,492,931)	8,262	(7,484,669)
Restricted for debt service	1,988,284	-	1,988,284
Restricted for renewal and replacement	189,616	-	189,616
Unrestricted	14,145,949	2,584,597	16,730,546
Total net position	<u>\$ 8,830,918</u>	<u>2,592,859</u>	<u>11,423,777</u>

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended September 30, 2014

	Sumter Landing Amenities Division (SLAD)	Sumter Landing Fitness Fund	Sumter Landing Total
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Charges for services			
Amenity fees	\$ 11,503,672	-	11,503,672
Membership fees	1,578,634	828,286	2,406,920
Other fees	5,843,287	12,339	5,855,626
Total operating revenues	<u>18,925,593</u>	<u>840,625</u>	<u>19,766,218</u>
Operating expenses:			
General government services	2,777,034	-	2,777,034
Public safety	2,305,099	-	2,305,099
Physical environment	2,370,521	-	2,370,521
Culture/recreation	5,257,530	363,741	5,621,271
Amortization expense	555,153	-	555,153
Total operating expenses	<u>13,265,337</u>	<u>363,741</u>	<u>13,629,078</u>
Operating income	<u>5,660,256</u>	<u>476,884</u>	<u>6,137,140</u>
Non-operating revenue (expenses):			
Investment earnings	49,294	10,043	59,337
Interest expense	(2,864,447)	-	(2,864,447)
Total non-operating revenue (expenses)	<u>(2,815,153)</u>	<u>10,043</u>	<u>(2,805,110)</u>
Change in net position	<u>2,845,103</u>	<u>486,927</u>	<u>3,332,030</u>
Total net position, beginning	<u>5,985,815</u>	<u>2,105,932</u>	<u>8,091,747</u>
Total net position, ending	<u>\$ 8,830,918</u>	<u>2,592,859</u>	<u>11,423,777</u>

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Proprietary Funds

Statement of Cash Flows

For The Fiscal Year Ended September 30, 2014

	Sumter Landing Amenities Division (SLAD)	Sumter Landing Fitness Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:			
Receipts from customers	\$ 18,061,022	821,183	18,882,205
Payments to suppliers/professional fees	<u>(10,867,424)</u>	<u>(362,630)</u>	<u>(11,230,054)</u>
Net cash provided by operating activities	<u>\$ 7,193,598</u>	<u>458,553</u>	<u>7,652,151</u>
Cash flows from capital and related financing activities:			
Principal payments on capital debt	\$ (1,161,742)	-	(1,161,742)
Interest paid	<u>(2,864,447)</u>	-	<u>(2,864,447)</u>
Acquisition of capital assets	<u>(19,900)</u>	-	<u>(19,900)</u>
Net cash used in capital and related financing activities	<u>(4,046,089)</u>	<u>-</u>	<u>(4,046,089)</u>
Cash flows from investing activities:			
Purchases of investments	<u>(1,640,043)</u>	<u>(308,621)</u>	<u>(1,948,664)</u>
Interest earned on investments	49,294	10,043	59,337
Net cash provided by investing activities	<u>(1,590,749)</u>	<u>(298,578)</u>	<u>(1,889,327)</u>
Net increase (decrease) in cash and cash equivalents	1,556,760	159,975	1,716,735
Cash and cash equivalents, beginning of year	<u>9,097,777</u>	<u>1,026,179</u>	<u>10,123,956</u>
Cash and cash equivalents, end of year	<u>\$ 10,654,537</u>	<u>1,186,154</u>	<u>11,840,691</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:			
Unrestricted cash and cash equivalents	\$ 7,040,792	1,186,154	8,226,946
Restricted cash and cash equivalents-current	2,887,879	-	2,887,879
Restricted cash and cash equivalents-non-current	<u>725,866</u>	-	<u>725,866</u>
Cash and cash equivalents	<u>\$ 10,654,537</u>	<u>1,186,154</u>	<u>11,840,691</u>
Reconciliation of operating income to net cash provided (used) in operating activities:			
Operating income	\$ 5,660,256	476,884	6,137,140
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	886,551	1,055	887,606
Amortization	555,153	-	555,153
Change in assets and liabilities:			
(Increase) Decrease in:			
Accounts Receivable	(414,546)	1,299	(413,247)
Prepaid expenses	(900)	-	(900)
Due from other funds	418	-	418
Due from other governments	<u>(497,339)</u>	-	<u>(497,339)</u>
Increase (Decrease) in:			
Accounts payable and accrued liabilities	7,907	474	8,381
Unearned revenue	46,896	(20,741)	26,155
Due to developer	975,809	-	975,809
Due to other governments	<u>(26,607)</u>	<u>(418)</u>	<u>(27,025)</u>
Net cash provided by operating activities	<u>\$ 7,193,598</u>	<u>458,553</u>	<u>7,652,151</u>

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Sumter Landing Community Development District (the District) was established in 2002 to manage and finance basic services for a development district located in The Villages, Florida. The District was created by Sumter County Commission Ordinance No. 02-06 pursuant to the provisions of Chapter 190.005 of the Florida Statutes and operates within the criteria established by Chapter 190. The District is governed by a five-member Board of Supervisors, who are elected on a rotating basis by the landowners within the District for terms from two to four years. As of September 30, 2014, each member of the Board of Supervisors is an employee of or affiliated with the Developer.

The District provides recreation and security services to the residents of a retirement community known as The Villages, located in The Villages, Florida. The Villages consists of approximately 22,601 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 58,789 residences and 111,699 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. The Villages continues to be developed by the developer, a family-owned business, established for the single purpose of developing The Villages.

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

The Developer has formed the following community development districts:

- Village Center CDD (Lake, Marion and Sumter Counties) – This CDD provides water and sewer utility services, recreation and security services, and fire protection and paramedic services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Sumter Landing CDD (Sumter County) – This CDD provides recreation and security services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Brownwood CDD (Sumter County) – Brownwood CDD (Sumter County) – This CDD was newly established in June 2012 by the City of Wildwood, Florida and is located at the southern end of The Villages. This CDD provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments as the new downtown area builds out.
- Village CDD No. 1 (Sumter County) – This CDD's boundary consists of approximately 993 acres in the northeast corner of the county. The development included construction of 3,420 residential units.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- Village CDD No. 2 (Sumter County) – This CDD’s boundary consists of approximately 990 acres in the northeast corner of the county. The development included construction of 3,668 residential units.
- Village CDD No. 3 (Sumter County) – This CDD’s boundary consists of approximately 894 acres in the northeast corner of the county. The development included construction of 3,762 residential units.
- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,186 acres in the southern portion of the county. The development included construction of 5,132 residential units.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,407 acres in the northeast corner of the county. The development included construction of 6,399 residential units.
- Village CDD No. 6 (Sumter County) – This CDD’s boundary consists of approximately 1,497 acres in the northeast corner of the county. Planned development included construction of 6,697 residential units of which 1 remains unsold as of September 30, 2014.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. The development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now complete with 127 unsold and being used as lifestyle preview homes by the Developer.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,280 acres in the northeast corner of the county. Planned development includes construction of 5,376 residential units. Construction is now almost complete with 57 remaining unsold as of September 30, 2014.
- 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. Construction is now underway with 2,489 homes closed as of September 30, 2014.
- Village CDD No. 11 (Lake County) – This CDD’s boundary consists of approximately 693 acres in the city limits of Fruitland Park in the western portion of Lake County. Planned development includes construction of 2,050 residential units. The infrastructure assessment bonds were issued on November 14, 2014, and active development has begun.

Certain of these community development districts have issued special assessment revenue bonds to finance various infrastructure improvements in their respective boundaries that are secured by special assessments levied on benefited lands in each district. It is anticipated that additional infrastructure improvements within The Villages will be undertaken by these community

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

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.

In addition to the above there is one dependent district of Sumter County that is part of the family of Districts that comprise the local government of The Villages.

- North Sumter County Utility Dependent District (NSCUDD) (Sumter and Marion Counties) – The dependent district was established in July 2010 to manage and finance basic potable water, wastewater treatment and reclaimed water services for approximately 7,721 acres of land located in unincorporated Sumter County in The Villages, Florida. The District was created on July 13, 2010, by Sumter County, Florida, in Ordinance No. 2010-10, pursuant to the provisions of Chapter 189 of the *Florida Statutes*, and operates within the criteria established by Chapter 189. The service area of NSCUDD was expanded to include solid waste collection services for the entire Sumter County portion of The Villages. The City of Wildwood and Marion County entered into interlocal agreements with the District on November 20, 2012, authorizing the District to provide solid waste collection services in portions of their jurisdictions, including Brownwood District and District No. 4.

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. The Statement of Activities reflects the expenses of the District, which are offset by revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

The District's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34. The Lake Sumter Landing and the Project Wide Special Revenue Funds meet this definition as governmental funds and are designated as major funds. The Sumter Landing Amenities Division (SLAD) and Fitness

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(b) *Basic Financial Statements (continued)*

Enterprise Funds also meet this definition as proprietary funds and are designated as major funds. The District has no non-major funds.

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

Net investment in capital assets is intended to reflect the portion of net position which is associated with capital assets net of accumulated depreciation less outstanding capital asset related debt.

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

Unrestricted net position represents net position not included in net investment in capital assets or restricted net position.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due and compensated absences are recognized to the extent they have matured.

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

Non-spendable: Resources that cannot 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.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

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

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:

Lake Sumter Landing Special Revenue Fund

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

Project Wide Special Revenue Fund

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

Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District uses an enterprise fund to account for the operations and maintenance of the Sumter Landing Amenities Division (SLAD) which are financed and operated in a manner similar to private business enterprise, where the costs of providing services on a continuing basis are financed through user charges. In Fiscal Year 2009-2010, a new enterprise fund was established to provide for the financial management of the three fitness centers operated by the District south of CR 466. In prior years the fitness centers were managed in an enterprise fund operated by the Village Center Community Development District. In the Fiscal Year 2009-2010 budgets of the two Districts, the three fitness centers south of CR 466 and a proportionate share of the fund balance of the Village Center District Fitness Enterprise Fund were transferred to Sumter Landing Community Development District to establish the Sumter Landing Fitness Enterprise Fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

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

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

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

Sumter Landing Amenities Division (SLAD) Fund

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

Sumter Landing Fitness Enterprise Fund

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

(d) *Budgetary Data*

Legal authority and control are established in accordance with Section 190.008 of *Florida Statutes*. Annual budgets are adopted and approved by the Board of Supervisors. Annual budgets, as well as subsequent amendments, are adopted for the four funds on a basis consistent with GAAP.

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

(e) *Deposits and Investments*

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

- Money Market Mutual Funds
- Demand Deposits
- Florida State Board of Administration, Florida Prime™

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

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(e) Deposits and Investments (continued)

transferred to the Florida Local Government Investment Trust (FLGIT) fund beginning in September 2010. The FLGIT fund, sponsored by the Florida Association of Counties and Florida Association of County Clerks, has an investment portfolio similar in duration to the FMIvT 1-3 Year High Quality Bond Fund. This change was done to improve liquidity, enhance diversification, and slightly improve yield. The investment in the FLGIT and FMIvT pools is evidenced by shares which are marked to market monthly.

(f) Restricted Assets-Proprietary Funds

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

The Resolutions, authorizing the revenue bonds, require that the District establish a Sinking Fund and reserve accounts in amounts that equal the Reserve Account Requirements, which are defined in the Bond Trust Indentures. In addition, the Bond Resolutions require that a renewal and replacement reserve be established. The renewal and replacement reserve deposits are maintained as restricted assets until such time as needed.

(g) Capital Assets

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

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

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

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

(h) Assessments

Maintenance Assessments

The District has levied an assessment for the maintenance of the infrastructure and the operations of the Lake Sumter Landing Special Revenue Fund. This assessment is derived from the fund's annual budget. The maintenance assessment revenue is classified as general revenue. The assessment is

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(h) Assessments (continued)

Maintenance Assessments (continued)

computed based on the square footage of each commercial structure as a percentage of the total square footage benefiting from the services provided.

Billing / Collection of Assessments

The District provides a notice of assessment in August or September of each year and bills the assessment to each benefiting property owner in twelve (12) monthly increments.

(i) Intangible Assets

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

(j) 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, are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

(k) Implementation of Governmental Accounting Standards Statements

GASB 65, which was effective for the Fiscal Year ending September 30, 2014, was early implemented during the last Fiscal Year, ending September 30, 2013. There are no other GASB standards that are effective with the current Fiscal Year that were applicable to the District and required Fiscal Year 2014 implementation.

(l) Use of Estimates

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(2) Deposits and Investments

As of September 30, 2014, the District had the following deposits and investments:

<u>Deposits and Investment Type</u>	<u>Fair Value at September 30, 2014</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Cash on Hand	\$ 3,345	-	n/a
Demand Deposits, CFB	791,571	1.0	n/a
State Board of Administration, Florida Prime TM	9,658,476	44.0	AAAm
U.S. Bank Money Market Mutual Funds, Federated	3,613,745	44.0	AAAm
Florida Local Government Investment Trust	6,729,617	741.0	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	6,725,852	554.8	AAA/V2
Total Fair Value	<u>\$ 27,522,606</u>		
Portfolio Weighted Average Maturity (WAM)		338.0	

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, 2014, was 338.0 days.

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

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

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

- The State Board of Administration for participation in the Local Government Investment Pool (Florida PrimeTM) 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 Florida PrimeTM, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value which is amortized cost.
- Trust balances related to restricted debt service accounts are maintained with U.S. Bank and are invested in Federated Prime Cash Obligations Fund since August 1, 2010.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(2) Deposits and Investments

Credit Risk. (continued)

- The District has investments consisting of funds placed with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIVT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. The District owns shares in the 1-3 Year High Quality Bond Fund, a pool operated by the FMIVT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. In the year ended September 30, 2014, the FMIVT had incurred unrealized gains of \$37,115. The unrealized gain will not be realized until the sale of underlying shares in the FMIVT pool.
- The District initiated investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Association of County Clerks, on September 2, 2010. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2014, the FLGIT account had achieved unrealized gains of \$40,326 in the current year. The unrealized gains would only be realized if the underlying shares in the FLGIT pool are sold.
- In total, the District recognized investment earnings of \$91,632 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 Florida PrimeTM, 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 Qualified 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 Qualified Public Depository.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(2) Deposits and Investments

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

Investment Policy

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

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(3) Capital Assets

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

	<u>Beginning balance</u>	<u>Increases Transfers</u>	<u>Transfers/ Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 3,708,882	-	-	3,708,882
Construction in progress	8,898	57,891	-	66,789
Total assets not being depreciated	<u>3,717,780</u>	<u>57,891</u>	<u>-</u>	<u>3,775,671</u>
Assets being depreciated:				
Buildings and structures	225,863	-	-	225,863
Infrastructure	42,526,562	170,915	-	42,697,477
Furniture & equipment	302,727	-	-	302,727
Total assets being depreciated	<u>43,055,152</u>	<u>170,915</u>	<u>-</u>	<u>43,226,067</u>
Less accumulated depreciation for:				
Buildings and structures	(48,576)	(5,872)	-	(54,448)
Infrastructure	(9,258,740)	(1,100,477)	-	(10,359,217)
Furniture & equipment	(61,002)	(17,975)	-	(78,977)
Total accumulated depreciation	<u>(9,368,318)</u>	<u>(1,124,324)</u>	<u>-</u>	<u>(10,492,642)</u>
Government activities capital assets, net	<u>37,404,614</u>	<u>(895,518)</u>	<u>-</u>	<u>36,509,096</u>
Business-type activities:				
Assets not being depreciated				
Land	7,812,278	-	-	7,812,278
Construction in progress	4,218	-	-	4,218
Total assets not being depreciated	<u>7,816,496</u>	<u>-</u>	<u>-</u>	<u>7,816,496</u>
Assets being depreciated:				
Buildings and structures	30,508,339	-	-	30,508,339
Infrastructure	3,026,606	19,900	-	3,046,506
Furniture & equipment	419,429	-	(56,546)	362,883
Total assets being depreciated	<u>33,954,374</u>	<u>19,900</u>	<u>(56,546)</u>	<u>33,917,728</u>
Less accumulated depreciation for:				
Buildings and structures	(5,974,851)	(776,723)	-	(6,751,574)
Infrastructure	(625,026)	(106,828)	-	(731,854)
Furniture & equipment	(402,367)	(4,055)	56,546	(349,876)
Total accumulated depreciation	<u>(7,002,244)</u>	<u>(887,606)</u>	<u>56,546</u>	<u>(7,833,304)</u>
Business activities capital assets, net	<u>34,768,626</u>	<u>(867,706)</u>	<u>0</u>	<u>33,900,920</u>
Total Sumter Landing CDD capital assets, net	\$ <u>72,173,240</u>	<u>(1,763,224)</u>	<u>0</u>	<u>70,410,016</u>

Governmental activities depreciation of \$1,124,324 is for roads, drainage features and related infrastructure in Lake Sumter Landing. Business activities depreciation of \$887,606 is for recreational facilities operated by the Sumter Landing Amenities Division (SLAD) fund.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(4) Intangible Assets

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business activities, SLAD fund:				
Discounted value of amenity fees	\$ 19,932,352	-	-	19,932,352
Less accumulated amortization	<u>(3,986,471)</u>	<u>(498,309)</u>	-	<u>(4,484,780)</u>
Intangible assets, net	\$ <u>15,945,881</u>	<u>(498,309)</u>	-	<u>15,447,572</u>

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

(5) Long-term Debt

Revenue Bonds Payable

Revenue bonds payable consisted of the following:

\$53,085,000 Recreational Revenue Refunding Bonds, Series 2005A due in annual principal installments ranging from \$1,000,000 to \$3,100,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 4.625% to 5.125%.	\$ 46,715,000
\$11,915,000 Recreational Revenue Refunding Bonds, Series 2005B due in annual principal installments ranging from \$205,000 to \$775,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. The interest rate is 5.70%.	\$ <u>10,725,000</u>
Total revenue bonds payable	57,440,000
Plus unamortized premium	525,716
Less unamortized discount	(351,925)
Less current installment of revenue bonds payable	<u>(1,205,000)</u>
Revenue bonds payable less current installments	\$ <u><u>56,408,791</u></u>

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(5) Long-term Debt (continued)

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2014, are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:				
	2015	\$ 1,205,000	2,840,845	4,045,845
	2016	1,265,000	2,777,625	4,042,625
	2017	1,330,000	2,711,210	4,041,210
	2018	1,400,000	2,641,333	4,041,333
	2019	1,470,000	2,567,850	4,037,850
	2020-2024	8,555,000	11,614,668	20,169,668
	2025-2029	10,875,000	9,237,263	20,112,263
	2030-2034	13,780,000	6,259,894	20,039,894
	2035-2039	17,560,000	2,371,512	19,931,512
Total		\$ <u>57,440,000</u>	<u>43,022,199</u>	<u>100,462,199</u>

Changes in Long-term Debt

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
Bonds payable	\$ 58,585,000	-	(1,145,000)	57,440,000	1,205,000
Plus bond discounts and less bond premiums	181,033	-	(7,242)	173,791	-
Total bonds payable	<u>58,766,033</u>	<u>-</u>	<u>(1,152,242)</u>	<u>57,613,791</u>	<u>1,205,000</u>
Due to developer-SLAD	545,750	-	(9,500)	536,250	-
Total other long-term debt	<u>545,750</u>	<u>-</u>	<u>(9,500)</u>	<u>536,250</u>	<u>-</u>
Total business-type activities long- term liabilities	\$ <u>59,311,783</u>	<u>-</u>	<u>(1,161,742)</u>	<u>58,150,041</u>	<u>1,205,000</u>

Pledged Revenues

The District has pledged certain amenities fee revenue to pay the principal and interest on Recreational Revenue Bonds issued to pay for the purchase of recreational facilities from the Developer. These Recreational Revenue Bonds were outstanding on September 30, 2014, 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, 2014.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(5) Long-term Debt (continued)

Pledged Revenues (continued)

<u>Description of Debt</u>	<u>Pledged Revenue</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percent Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
Recreational Revenue Bonds, Series 2005A and 2005B	Amenities Fee Revenue \$	11,503,672 \$	4,009,447	34.85%	\$ 100,462,199	2039

Due to Developer-Recreational Amenities

The subordinate debt service reserve requirement was funded by the Recreational Revenue Bond proceeds. Therefore, this amount was not available for payment to the Developer for recreation and security facilities assets already acquired. This amount becomes available for payment to the Developer when the reserve requirement is reduced as principal payments are made on the debt. The balance in this reserve as of September 30, 2014, was \$536,250, and is classified as due to the Developer.

(6) Related Parties

The District entered into interlocal agreements with Village Center Community Development District (VCCDD) to obtain certain management, payroll, finance, office rental and administrative services. Under the agreement, fees paid to VCCDD by the Sumter Landing District for the year ended September 30, 2014, amounted to \$5,162,203. Village Community Development District Nos. 5, 6, 7, 8, 9, 10 and Brownwood paid amounts to the Project Wide Fund for maintenance of common use right-of-way. The amounts of these payments were \$1,653,168, \$1,834,994, \$1,169,203, \$1,312,696, \$1,469,260, \$1,003,526 and \$244,796, respectively. Upon action by their respective Boards of Supervisors, District Nos. 5, 6, 7, 8, 9, 10 and Brownwood may request additional services as they deem necessary for the efficient and effective management of their respective districts. Such additional services are billed to the benefiting district at the District's cost. In Fiscal Year 2013-2014, the District purchased trash collection services from North Sumter County Dependent District (NSCUDD) for \$15,791.

In prior years the Developer provided to the Center District at no cost information system support, including software, hardware, computer programming and internal mailroom operations. The Center District then passed on this benefit to the District. In March 2012, a new company was formed, Villages Technology Services Group, to assume the information system support previously provided by the Developer. In Fiscal Year 2012-2013, the Center District began paying for information system support, with these expenses then passed on in a prorated basis to Sumter Landing District. These costs for the year ended September 30, 2014, were \$665,613. Of this amount, \$438,164 was reimbursed by the Developer to the District for information system support at golf and recreation facilities owned by the Developer and operated by the District.

The District operates new recreation facilities as they are opened by the Developer. The Developer reimburses all start-up costs and all operating costs until the facility is transferred through an amenity sale. These costs as of September 30, 2014, were \$1,578,634, which were paid to the District by the Developer.

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(6) Related Parties (continued)

On December 1, 2005, the District issued \$53,085,000, Series 2005A Recreational Revenue Bonds and \$11,915,000, 2005B Subordinate Recreational Revenue Bonds. The proceeds were used to (i) pay a portion of the cost of acquiring certain recreation and golf facilities from the Developer; (ii) purchase a Reserve Account Insurance Policy issued by MBIA Insurance Corporation to be deposited to the credit of the 2005 Sub-account of the Reserve Account; (iii) make deposits to the Renewal and Replacement Fund and the 2005 Working Capital Fund; and (iv) pay the cost of issuing the Series 2005A Bonds. The District paid \$7,810,100 for land costs, \$33,302,209 for buildings and structures, and \$19,336,602 in discounted value of amenities contracts (intangible assets). Additional intangible assets of \$593,500 were recorded with the offset as a due to the developer. These funds will be paid to the Developer as the subordinated debt service reserve is reduced. The balance owed as of September 30, 2014, was \$536,250.

The Board of Supervisors for SLCDD as of September 30, 2014, is made up of five members that are either employees or affiliates of the Developer.

(7) Commitments and Contingencies

Operating Leases

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

Year ending September 30,	Equipment Leases
2015	\$ 6,076
2016	5,028
2017	5,028
2018	4,672
2019	990
Total	\$ <u>21,794</u>

(8) Risk Management

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

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

In July 2009, the Internal Revenue Service (IRS) extended an ongoing audit of the Village Center Community Development District's (VCCDD) tax-exempt bonds to the Sumter Landing Community Development District's (SLCDD) Recreational Revenue Bonds, Series 2005A and Subordinate Recreational Revenue Bonds, Series 2005B. The IRS examination also applied to the SLCDD's Special

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

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

Assessment Revenue Bonds, Series 2003, although those bonds had been previously paid in full. There are certain similarities between the structure of the VCCDD recreational bond issues that were already being audited and the SLCDD's recreational bonds. The SLCDD is a separate legal entity from the VCCDD.

The IRS has identified three potential problems with the tax-exempt VCCDD bonds: whether the VCCDD is a qualified issuer of tax-exempt debt, whether the VCCDD overpaid for the assets it acquired using bond proceeds, and whether the bonds are taxable private activity bonds. In June 2013, the Chief Counsel of the IRS opined that the VCCDD was not a political subdivision qualified to issue tax-exempt bonds at the time the bonds were issued. The VCCDD has sought further review by the Chief Counsel on this issue. The IRS's examination of the VCCDD's tax-exempt bonds is ongoing.

On January 9, 2015, the VCCDD received a December 17, 2014, letter from the IRS Revenue Agent assigned to the audit, providing an additional notice of Proposed Adverse Determination. This additional notice documented the IRS's position that the Recreation Amenity Bonds were taxable private activity bonds. The District's utility revenue bonds were not addressed in this Notice of Proposed Issue. The VCCDD has until March 2, 2015, to respond to this latest correspondence from the IRS.

The VCCDD continues to disagree with the IRS's view on the issues it has raised and intends to pursue its options with the IRS, including potential settlement discussions and possible appeal. The VCCDD cannot predict the outcome of the discussions and negotiations with the IRS. However, all the bonds under examination were redeemed by the VCCDD by January 2, 2015.

Although the IRS may make similar allegations with respect to the SLCDD's bonds as have been made with respect to the VCCDD's tax-exempt bonds, the IRS has not currently made any formal claims that the interest payable with respect to the SLCDD's bonds is not excluded from federal gross income for federal income tax purposes.

(10) Subsequent Event

During the Board meetings in August and September of 2014, all District Boards adopted a Long-Term Investment Policy. The initial funds were subsequently transferred to the Long-Term Investment Portfolio (LTIP) on October 3, 2014. The funds transferred for Sumter Landing Community Development District totaled \$3,606,066. The main investment objective of the LTIP is to achieve long-term growth of LTIP assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the District's obligations with an investment horizon of 5-10 years. The new policy was developed in accordance with Chapter 218.415, Florida Statutes.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Sumter Landing Community Development District (the District) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Certified Public Accountants

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Purvis, Gray and Company, LLP

January 23, 2015
Ocala, Florida

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Sumter Landing Community Development District (the District) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated January 23, 2015.

Auditors' Responsibility

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*.

Other Reports

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 Independent Accountants' Report on an examination conducted in accordance with American Institute of Certified Public Accountants Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated January 23, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective action has been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *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, 2014, the District's basic financial statements for this information).

Financial Condition

Section 10.554(1)(i)5.(a)., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the District 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.

Certified Public Accountants

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

MANAGEMENT LETTER
(Concluded)

Financial Condition (Concluded)

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *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.

Annual Financial Report

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports agree.

Other Matters

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

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

Purpose of this Letter

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

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.



January 23, 2015
Ocala, Florida

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the Sumter Landing Community Development District's (the District) compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

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

Purvis, Gray and Company, LLP

January 23, 2015
Ocala, Florida

Certified Public Accountants

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SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
984 Old Mill Run, The Villages, FL 32162 Telephone: (352) 753-0421 Fax: (352) 751-3901

January 26, 2015

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

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2013-2014 for Sumter Landing Community Development District. We are proud to report that this audit has an unmodified opinion.

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

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

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

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

Sincerely,

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

David R. Miles, CGFO
Finance Director

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

Janet Y. Tutt
District Manager

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