



VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2014

(With Independent Auditors' Report Thereon)

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village Center Community Development District (the District) as of and for the year ended September 30, 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.

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information 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 General Fund and Public Safety Special Revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated 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.



January 23, 2015
Ocala, Florida

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

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

Financial Highlights

- Net position increased over the previous year by \$4,063,633 to \$78,699,227. The governmental activities recognized an increase in net position of \$1,819,502. The business-type activities recognized an increase in net position of \$2,244,131. The business-type activities increase is lower in comparison to prior years due to the refunding of the RAD bonds and the requirement under GASB 65 to expense any remaining unamortized bond insurance cost in the year of refunding. The total amount of that special item is an expense of \$3,883,994. Of the total net position, in the governmental activities, there is \$9,133,045 which is unrestricted and \$59,122,213 which is unrestricted in the business-type activities.
- All of the District's proprietary funds (business activities) with the exception of the RAD Fund realized an increase in net position. Three of the four proprietary funds in the business type activities saw increases: the VCSA Water and Sewer Fund increased by \$1,695,948; the LSSA Water and Sewer Fund increased by \$892,358; and the Fitness Fund increased by \$29,728; while the RAD Fund realized a decrease of (\$373,903) due to the GASB requirement to expense the unamortized portion of prior bond insurance expense upon refunding of the bonds which amounted to (\$3,883,994).
- In the governmental fund statements, the General Fund saw an increase of \$463,468, the Public Safety Fund saw an increase of \$945,755 and the non-major funds saw an increase of \$275,891 in fund balances. At the close of the Fiscal Year, the District's governmental funds reported a fund balance of \$9,133,045, a net increase of \$1,685,114.
- Both the Village Center Service Area (VCSA) and the Little Sumter Service Area (LSSA) water and sewer utility funds included 2.5 percent rate increases for all billing periods beginning October 1, 2013, or thereafter. These annual rate adjustments contributed to the positive financial performance of both utility funds.
- The District's total long-term debt decreased by a net of \$17,545,680 during the current Fiscal Year. In the governmental activities, there was a new capital lease and the notes payable to buy Fire Station Numbers 44 and 45 were paid in full. Loans payable were reduced by \$92,156, and capital leases by \$28,327, net during the year. Compensated absences liability had a net increase of \$46,688. At the end of the year, government activities had \$447,521 in outstanding long-term debt, while business activities had \$263,511,328 in outstanding long-term debt. All of the non-taxable RAD bonds were refunded on September 30, 2014, with one taxable bond issue of \$172,425,000. Debt service reserves and the proceeds of the new bond issue were used to defease the outstanding issues. Total long-term debt outstanding on September 30, 2014, was \$263,958,849.

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

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 Village Center Community Development District is improving or deteriorating.

The **Statement of Activities** presents information showing how the government's net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected assessments).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government, public safety, and environmental services. The business-type activities of the District include the Recreation Amenities Division which provides general governmental, debt service, and culture and recreation services. The District also operates two water and sewer utilities serving different geographical areas of The Villages and a recreational fitness center. The District has no component units, as all functions are performed by the primary government.

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

The Fund Financial Statements, which report by individual fund, begin on page 12. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village Center Community Development District (VCCDD), like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There is a General Fund and five Special Revenue Funds that provide general government services, public safety services, deed compliance services and environmental and property maintenance services for the Village of Spanish Springs, Rolling Acres and Road Maintenance in commercial areas of the District. Four of the Special Revenue Funds are funded at least in part through special assessments paid by benefiting property owners. The Public Safety Special Revenue Fund also receives revenue from a variety of other sources, with the bulk of its budget funded by transfers from other units of local government. The Community Standards Fund receives payments from District Nos. 1-8 and the VCCDD RAD Fund to provide deed compliance services, along with fines that may be levied. The General Fund is funded through a large number of sources, but receives its largest share of revenue from administrative and other fees charged to benefiting governments.

The District operates four proprietary funds, the Recreation Amenities Division (RAD) Fund; two water and sewer utility funds, the Village Center Service Area (VCSA) Fund and the Little Sumter Service Area (LSSA) Fund; and the Fitness Fund. The fund financial statements present information in more detail than the government-wide financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

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

The District currently maintains six governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the totals of the General Fund and five special revenue funds. The General Fund and the Public Safety Special Revenue Fund are major funds and are separately displayed. The Community Standards, Village of Spanish Springs, Rolling Acres and Road Maintenance Special Revenue Funds are non-major funds and are consolidated in a single column.

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village Center Community Development District's own programs. The accounting for fiduciary funds is much like that used for proprietary funds. The District established its first fiduciary fund, the Beyond the Stars Fund, in July 2008. This fund is used to account for donations voluntarily deducted from employees' paychecks and used for charitable purposes involving needy employees and their family members. The statement can be found on page 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 22 of this report.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$78.699 million as of September 30, 2014, representing an increase of \$4.064 million from the net position of \$74.635 million as of September 30, 2013. The increase in net position for September 30, 2014, is due mainly to increased charges for services revenues. While there were increases in general government expenditures, there were decreases in all other categories other than a small increase in depreciation expense.

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

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

Restricted for debt service. A total of \$3.959 million of the District's net position (5.0%) represents resources that are subject to external restrictions on how they may be used. This portion of the District's restricted net position is for purposes of meeting its debt service obligations.

Restricted for renewal and replacement. A total of \$1.481 million of the District's net position (1.9%) is restricted by the bond indenture for use in the renewal and replacement of the capital assets as they wear out, in the RAD and two utility proprietary funds.

Restricted for system development. A total of \$0.303 million of the District's net position (0.4%) is restricted for system development.

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

Governmental Activities

Governmental activities increased the District's net position by \$1.820 million during the year ended September 30, 2014. Most of this increase occurred in the General Fund and Public Safety Fund.

Business-type Activities

Business-type activities increased the District's net position by \$2.244 million during the year ended September 30, 2014. Three of the four proprietary funds contributed to the increase in net position, while the RAD Fund reflects a decrease of (\$0.374 million) due to the expensing of bond insurance on the refunded bonds as required by GASB standards.

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

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

Table 1

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2014	2013	2014	2013	2014	2013
Assets:						
Current assets	\$ 8,762,948	6,587,196	22,336,519	40,618,220	31,099,467	47,205,416
Restricted assets	2,260,352	2,360,728	38,392,567	34,621,238	40,652,919	36,981,966
Investment in annuity	-	-	10,342,649	12,347,428	10,342,649	12,347,428
Notes receivable	-	2,001,449	-	-	-	2,001,449
Capital assets (net of accumulated depreciation)	12,878,726	12,818,132	112,606,772	109,020,456	125,485,498	121,838,588
Bond insurance costs (net of accumulated amortization)	-	-	995,633	-	995,633	-
Intangible assets (net of accumulated amortization)	-	-	141,389,352	146,744,066	141,389,352	146,744,066
Total Assets	23,902,026	23,767,505	326,063,492	343,351,408	349,965,518	367,118,913
Deferred outflow of resources:						
Deferred amount on debt refunding	-	-	1,198,875	-	1,198,875	-
Total assets and deferred outflows	23,902,026	23,767,505	327,262,367	343,351,408	351,164,393	367,118,913
Liabilities:						
Current liabilities	1,890,255	1,499,992	6,616,062	10,322,418	8,506,317	11,822,410
Long-term debt						
Due within one year	444,929	1,184,396	3,085,000	10,090,000	3,529,929	11,274,396
Due in more than a year	2,592	1,338,369	260,426,328	268,048,144	260,428,920	269,386,513
Total Liabilities	2,337,776	4,022,757	270,127,390	288,460,562	272,465,166	292,483,319
Net position:						
Net investment in capital assets	12,431,205	10,295,367	(7,730,949)	(20,727,849)	4,700,256	(10,432,482)
Restricted	-	-	5,743,713	10,086,156	5,743,713	10,086,156
Unrestricted	9,133,045	9,449,381	59,122,213	65,532,539	68,255,258	74,981,920
Total net position	\$ 21,564,250	19,744,748	57,134,977	54,890,846	78,699,227	74,635,594

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

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

Table 2

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 31,624,825	28,885,795	56,122,797	55,233,781	87,747,622	84,119,576
Operating contributions	36,816	33,985	-	-	36,816	33,985
Capital grants and contributions	73,796	126,642	-	258,140	73,796	384,782
Gain on sale of fixed assets	22,081	-	-	-	22,081	-
General revenues:						
Investment earnings	24,425	8,850	990,805	910,133	1,015,230	918,983
Contributions and donations from private sources	-	-	8,402	-	8,402	-
Total revenues	<u>31,781,943</u>	<u>29,055,272</u>	<u>57,122,004</u>	<u>56,402,054</u>	<u>88,903,947</u>	<u>85,457,326</u>
Expenses:						
General government	6,994,742	5,628,442	15,899,202	15,247,403	22,893,944	20,875,845
Public safety	12,499,133	11,844,406	-	-	12,499,133	11,844,406
Physical environment	2,939,682	3,058,301	2,997,103	3,282,854	5,936,785	6,341,155
Recreation	6,636,313	5,927,939	6,540,495	6,165,715	13,176,808	12,093,654
Interest on long-term debt	3,454	6,897	15,298,652	14,455,607	15,302,106	14,462,504
Depreciation (unallocated)	889,117	814,579	4,774,841	4,758,208	5,663,958	5,572,787
Amortization expense	-	-	5,416,897	5,672,328	5,416,897	5,672,328
Loss on disposal of capital assets	-	-	251,886	40,618	251,886	40,618
Contribution to other governments	-	258,140	-	-	-	258,140
Total expenses	<u>29,962,441</u>	<u>27,538,704</u>	<u>51,179,076</u>	<u>49,622,733</u>	<u>81,141,517</u>	<u>77,161,437</u>
Capital contributions - impact fees	-	-	185,197	-	185,197	-
Special item - expired bond insurance from refunding	-	-	(3,883,994)	-	(3,883,994)	-
Changes in net position	1,819,502	1,516,568	2,244,131	6,779,321	4,063,633	8,295,889
Total net position, beginning	19,744,748	18,228,180	54,890,846	48,111,525	74,635,594	66,339,705
Total net position, ending	<u>\$ 21,564,250</u>	<u>19,744,748</u>	<u>57,134,977</u>	<u>54,890,846</u>	<u>78,699,227</u>	<u>74,635,594</u>

Capital Assets

The District's capital assets as of September 30, 2014, and September 30, 2013, amounted to \$125,485,498 and \$121,838,590, respectively. This is net of accumulated depreciation and includes buildings and structures, improvements other than buildings, and machinery and equipment. Additional information regarding the District's capital assets can be found in Note 4 to the Notes to Basic Financial Statements.

Long-term Debt

As of September 30, 2014, and September 30, 2013, the District had outstanding long-term debt, including the liability for compensated absences, of \$263,958,849 and \$281,504,529, respectively. A total of \$3,208,756 of the long-term debt is due within one year. Additional information regarding the District's long-term debt can be found in Note 7 to the Notes to the Basic Financial Statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Lake, Sumter and Marion County where the District is located was 5.1 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. Total annual projected revenues for all funds increased to \$90.650 million from \$89.186 million in the Fiscal Year 2013-2014 final amended budget. The expenditure budget decreased to \$93.563 million for Fiscal Year 2014-2015 from \$95.114 million for all funds in the Fiscal Year 2013-2014 final amended budget, a decrease of \$1.551 million. There were no major organizational changes between Fiscal Years 2013-2014 and 2014-2015 budgets.

Requests for Information

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Position September 30, 2014

Assets	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 7,837,230	17,477,711	\$ 25,314,941
Accounts receivable	689,815	4,902,010	5,591,825
Investments	2,260,352	35,624,767	37,885,119
Investment in annuity	-	13,110,449	13,110,449
Due from other governments	135,653	50,188	185,841
Internal balances (net)	95,441	(95,441)	-
Prepaid items	4,809	2,051	6,860
Capital assets:			
Non depreciable assets	1,565,766	12,347,281	13,913,047
Depreciable assets (net of accumulated depreciation)	11,312,960	100,259,491	111,572,451
Bond insurance (net of accumulated amortization)	-	995,633	995,633
Intangible assets (net of accumulated amortization)	-	141,389,352	141,389,352
Total assets	23,902,026	326,063,492	349,965,518
Deferred outflow of resources			
Deferred amount on debt refunding	-	1,198,875	1,198,875
Liabilities			
Accounts payable	606,269	1,784,372	2,390,641
Accrued expenses	856,618	35,225	891,843
Accrued interest payable	-	2,307,469	2,307,469
Due to developer	-	118,305	118,305
Due to other governments	427,368	638,239	1,065,607
Unearned revenue	-	1,732,452	1,732,452
Total current liabilities	1,890,255	6,616,062	8,506,317
Long-term debt:			
Due within one year	123,756	3,085,000	3,208,756
Due in more than one year	323,765	260,426,328	260,750,093
Total long-term debt	447,521	263,511,328	263,958,849
Total liabilities	2,337,776	270,127,390	272,465,166
Net position			
Net investment in capital assets	12,431,205	(7,730,949)	4,700,256
Restricted for:			
Debt service	-	3,959,458	3,959,458
Renewal and replacement	-	1,481,085	1,481,085
System development	-	303,170	303,170
Unrestricted	9,133,045	59,122,213	68,255,258
Total net position	\$ 21,564,250	57,134,977	\$ 78,699,227

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities

September 30, 2014

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 6,994,742	22,057,592	-	64,574	15,127,424	-	15,127,424
Public safety	12,499,133	9,567,233	36,816	9,222	(2,885,862)	-	(2,885,862)
Physical environment	2,939,682	-	-	-	(2,939,682)	-	(2,939,682)
Recreation	6,636,313	-	-	-	(6,636,313)	-	(6,636,313)
Interest on long-term debt	3,454	-	-	-	(3,454)	-	(3,454)
Depreciation (unallocated)	889,117	-	-	-	(889,117)	-	(889,117)
Total governmental activities	29,962,441	31,624,825	36,816	73,796	1,772,996	-	1,772,996
Business-type activities:							
General government	15,899,202	3,403,363	-	-	-	(12,495,839)	(12,495,839)
Physical environment	2,997,103	15,697,985	-	-	-	12,700,882	12,700,882
Recreation	6,801,356	37,021,449	-	-	-	30,220,093	30,220,093
Interest on long term debt	15,298,652	-	-	-	-	(15,298,652)	(15,298,652)
Depreciation (unallocated)	4,774,841	-	-	-	-	(4,774,841)	(4,774,841)
Amortization expense	5,416,897	-	-	-	-	(5,416,897)	(5,416,897)
Total business-type activities	51,188,051	56,122,797	-	-	-	4,934,746	4,934,746
Total primary government	\$ 81,150,492	87,747,622	36,816	73,796	1,772,996	4,934,746	6,707,742
General revenues:							
Investment earnings					\$ 24,425	990,805	1,015,230
Gain on sale of property					22,081	8,975	31,056
Contributions and donations from private sources					-	8,402	8,402
Total general revenues					46,506	1,008,182	1,054,688
Capital contributions - impact fees					-	185,197	185,197
Special item - expired bond insurance from refunding					-	(3,883,994)	(3,883,994)
Change in net position					1,819,502	2,244,131	4,063,633
Net position, beginning					19,744,748	54,890,846	74,635,594
Net position, ending					\$ 21,564,250	57,134,977	78,699,227

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Balance Sheet
Governmental Funds
September 30, 2014

	Major Funds			Total
	General Fund	Department of Public Safety	Non-Major Funds Total	
Assets				
Cash and cash equivalents	\$ 5,049,308	1,810,494	977,428	7,837,230
Accounts receivable (net)	6,805	670,896	12,114	689,815
Investments	-	1,745,621	514,731	2,260,352
Due from other funds	6,378	89,540	-	95,918
Due from other governments	10,809	124,844	-	135,653
Prepaid items	4,809	-	-	4,809
Total assets	5,078,109	4,441,395	1,504,273	11,023,777
Liabilities and Fund Balance				
Accounts payable	384,841	134,357	87,071	606,269
Accrued expenses	589,454	256,177	10,987	856,618
Due to other funds	286	-	191	477
Due to other governments	427,368	-	-	427,368
Total liabilities	1,401,949	390,534	98,249	1,890,732
Fund balances:				
Restricted				
Public Safety	-	2,991,903	-	2,991,903
Community Standards-deed covenants	-	-	65,801	65,801
Village of Spanish Springs Common Area Maintenance	-	-	619,964	619,964
Rolling Acres Common Area Maintenance	-	-	74,791	74,791
Commercial Road Maintenance	-	-	213,447	213,447
Community Standards	-	-	147,407	147,407
Committed				
Renewal and replacement	-	1,058,958	284,614	1,343,572
Unassigned	3,676,160	-	-	3,676,160
Total fund balance	3,676,160	4,050,861	1,406,024	9,133,045
Total liabilities and fund balance	\$ 5,078,109	4,441,395	1,504,273	11,023,777

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
 September 30, 2014

Fund balance – governmental funds	\$	9,133,045
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund:		
Capital assets	\$ 16,907,942	
Less accumulated depreciation	<u>(4,029,216)</u>	12,878,726
Long-term liabilities are not due and payable in the current period and therefore are not reported in the general fund:		
Notes payable	(39,020)	
Leases payable	(7,034)	
Compensated absences	<u>(401,467)</u>	<u>(447,521)</u>
Net position of governmental activities	\$	<u><u>21,564,250</u></u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

Year Ended September 30, 2014

	Major Funds			Total
	General Fund	Department of Public Safety	Non-Major Funds	
Revenues:				
Administration and maintenance fees	\$ 16,056,295	-	-	16,056,295
Amenities revenue	-	2,507,980	-	2,507,980
Intergovernmental fire assessments	-	4,159,118	-	4,159,118
Intergovernmental shared revenue	-	2,670,034	-	2,670,034
Intergovernmental impact fees	-	2,056,119	-	2,056,119
Federal CERT Homeland Security	-	9,825	-	9,825
State revenue sharing-firefighters' supplemental	-	36,816	-	36,816
Management fees	-	120,908	-	120,908
Assessments, Village of Spanish Springs	-	-	1,296,899	1,296,899
Assessments, Rolling Acres	-	-	107,669	107,669
Assessments, Commercial Road Maintenance	-	-	29,944	29,944
Assessments, Community Standards	-	-	482,071	482,071
Fees for services provided to developer	3,842,925	-	74,236	3,917,161
Miscellaneous revenues	47,275	44,698	120,278	212,251
Investment earnings	6,140	13,151	5,134	24,425
Contributions and donations from private sources	55,815	9,222	-	65,037
Sale of surplus material and scrap	31	22,050	-	22,081
Total revenues	20,008,481	11,649,921	2,116,231	33,774,633
Expenditures:				
Current				
General government	6,317,723	23,812	606,519	6,948,054
Public safety	4,152,350	8,346,783	-	12,499,133
Physical environment	1,940,721	-	-	1,940,721
Public works - Village of Spanish Springs	-	-	937,976	937,976
Public works - Rolling Acres	-	-	52,356	52,356
Public works - Commercial Road Maintenance	-	-	8,629	8,629
Culture/recreation	6,636,313	-	-	6,636,313
Capital outlay	504,940	201,151	234,860	940,951
Debt service:				
Principal payments	1,851	2,128,966	-	2,130,817
Interest payments	-	3,454	-	3,454
Total expenditures	19,553,898	10,704,166	1,840,340	32,098,404
Other financing sources and uses:				
Capital lease proceeds	8,885	-	-	8,885
Total other financing sources	8,885	-	-	8,885
Net change in fund balance and transfers	463,468	945,755	275,891	1,685,114
Fund balance, beginning of year	3,212,692	3,105,106	1,130,133	7,447,931
Fund balance, end of year	\$ 3,676,160	4,050,861	1,406,024	9,133,045

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds to the Statement of Activities
Year Ended September 30, 2014

Net change in fund balance – governmental funds	\$	1,685,114
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Donated capital	\$	8,759
Capital outlay		940,951
Less depreciation		<u>(889,117)</u>
		60,593
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal payment on note payable for Fire Station Nos. 44 & 45		2,001,449
Principal payment on loans payable		92,156
Payment on capital leases		<u>37,212</u>
		2,130,817
Capital lease proceeds provide current financial resources to governmental funds, but increases long-term debt in the statement of net position.		
Capital lease proceeds (gross)		(8,885)
Governmental funds recognize the impact fee revenue as the amount that is billed and collected in the current period from Sumter County for Fire Station Nos. 44 and 45. In the governmental activities the receivables for stations 44 and 45 were established in the years the funding agreements were approved and the revenue was recognized at that time.		
Payment received from Sumter County		(2,001,449)
Decrease (increase) in compensated absences is shown on the government-wide statements but not on the governmental fund statements.		
		(46,688)
Change in net position of governmental activities	\$	<u><u>1,819,502</u></u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2014

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Management fees	\$ 4,120,830	4,120,830	4,120,830	-
Intergovernmental fees - recreation	3,539,625	3,539,625	3,539,625	-
Intergovernmental fees - other	7,571,316	7,571,316	7,571,315	(1)
Administration fees from developer	650,717	650,717	650,717	-
Recreation fees from developer	3,201,820	3,201,820	2,876,546	(325,274)
Utility administration fees	111,489	111,489	111,489	-
Tech services revenue	1,121,162	1,121,162	1,028,698	(92,464)
Miscellaneous revenue	36,851	36,851	47,306	10,455
Donations	45,000	45,000	55,815	10,815
Investment earnings	5,500	5,500	6,140	640
Total revenues	<u>20,404,310</u>	<u>20,404,310</u>	<u>20,008,481</u>	<u>(395,829)</u>
Expenditures:				
Personnel services	14,999,590	14,847,117	14,076,493	770,624
Professional services	214,280	207,780	175,385	32,395
Accounting & auditing	800,000	840,500	840,115	385
Other contractual services	1,331,610	1,357,256	1,339,360	17,896
Travel and per diem	29,251	38,351	30,634	7,717
Communication and freight services	330,174	364,657	356,788	7,869
Utility services	57,672	76,572	73,220	3,352
Rents and leases	915,522	644,322	641,742	2,580
Insurance	6,680	180	-	180
Repairs and maintenance	171,076	197,136	168,358	28,778
Printing and binding	236,143	97,873	90,811	7,062
Promotional activities	245,775	372,875	322,213	50,662
Other current charges and obligations	29,344	29,344	24,662	4,682
Office supplies	68,084	66,084	55,093	10,991
Operating supplies	946,336	1,149,203	814,786	334,417
Books, subscriptions and dues	63,498	56,098	37,447	18,651
Capital outlay	759,275	997,182	504,940	492,242
Debt service:				
Principal payments - capital lease	-	-	1,851	(1,851)
Total expenditures	<u>21,204,310</u>	<u>21,342,530</u>	<u>19,553,898</u>	<u>1,788,632</u>
Net change in fund balance	(800,000)	(938,220)	454,583	1,392,803
Other financing sources and uses:				
Capital lease proceeds	-	-	8,885	8,885
Total other financing sources and uses	-	-	8,885	8,885
Net change in fund balance	(800,000)	(938,220)	463,468	1,401,688
Fund balance, beginning of year	3,212,692	3,212,692	3,212,692	-
Fund balance, end of year	<u>\$ 2,412,692</u>	<u>2,274,472</u>	<u>3,676,160</u>	<u>1,401,688</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Safety Special Revenue Fund
Year Ended September 30, 2014

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments - charges for public services	\$ 778,861	778,861	780,356	1,495
Intergovernmental fire assessments	2,421,904	2,421,904	2,507,980	86,076
Intergovernmental shared revenue	3,217,239	3,217,239	3,131,488	(85,751)
Intergovernmental impact fees	3,953,733	4,943,144	4,973,427	30,283
State revenue sharing - firefighters' supplemental compensation	21,516	21,516	46,642	25,126
Management fees	120,908	120,908	120,908	-
Public safety revenue	-	9,680	9,680	-
General government charges and fees	17,000	17,000	35,017	18,017
Investment earnings	2,500	2,500	13,151	10,651
Other miscellaneous public safety revenue	9,680	5,214	31,272	26,058
Total revenues	<u>10,543,341</u>	<u>11,537,966</u>	<u>11,649,921</u>	<u>111,955</u>
Expenditures:				
Current				
Personnel services	7,225,814	7,184,106	6,730,506	453,600
Professional services	245,872	245,916	245,369	547
Contractual services	331,211	355,215	345,751	9,464
Travel and per diem	17,960	5,069	4,909	160
Communications and freight	22,433	17,833	17,511	322
Utility services	113,700	126,019	124,901	1,118
Rental and leases	125,690	118,034	117,202	832
Insurance	108,879	109,540	109,540	-
Repairs and maintenance/landscape	261,192	283,145	282,920	225
Current charges	5,500	7,031	12,233	(5,202)
Office supplies	12,700	12,700	12,464	236
Operating supplies	310,363	328,453	305,036	23,417
Books, publications and subscriptions	71,617	62,313	62,253	60
Debt service:				
Principal	1,184,407	2,129,043	2,128,966	77
Interest	3,429	3,429	3,454	(25)
Capital outlay	128,000	198,481	201,151	(2,670)
Total expenditures	<u>10,168,767</u>	<u>11,186,327</u>	<u>10,704,166</u>	<u>482,161</u>
Excess of revenues over (under) expenditures	374,574	351,639	945,755	594,116
Other financing sources (uses)				
Transfers out	(316,515)	(316,515)	-	316,515
Total other financing sources (uses)	<u>(316,515)</u>	<u>(316,515)</u>	<u>-</u>	<u>316,515</u>
Net change in fund balance	58,059	35,124	945,755	910,631
Fund balance, beginning of year	3,105,106	3,105,106	3,105,106	-
Fund balance, end of year	<u>\$ 3,163,165</u>	<u>3,140,230</u>	<u>4,050,861</u>	<u>910,631</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Position

Proprietary Funds

September 30, 2014

Assets	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Current assets:					
Cash and cash equivalents	\$ 4,845,785	2,325,256	2,087,455	168,033	9,426,529
Restricted cash and cash equivalents	233,574	1,961,205	4,071,768	-	6,266,547
Accounts receivable (net)	2,977,481	752,702	1,170,078	1,749	4,902,010
Investments	22,950,995	6,940,461	5,733,311	-	35,624,767
Investment in annuity	2,767,800	-	-	-	2,767,800
Due from other funds	315,964	-	-	-	315,964
Due from other governments	38,879	7,409	3,900	-	50,188
Prepaid expenses	2,051	-	-	-	2,051
Total current assets	34,132,529	11,987,033	13,066,512	169,782	59,355,856
Non-current assets:					
Restricted cash and cash equivalents	890,424	262,555	631,656	-	1,784,635
Investment in annuity	10,342,649	-	-	-	10,342,649
Prepaid bond insurance	-	40,300	955,333	-	995,633
Capital assets:					
Land	9,613,884	150,312	126,797	-	9,890,993
Buildings and structures	55,634,405	1,575,065	5,161,140	-	62,370,610
Infrastructure	25,539,238	32,775,515	36,566,651	-	94,881,404
Leasehold improvements	-	-	-	9,815	9,815
Furniture & fixtures	1,865,456	1,354,580	441,510	-	3,661,546
Construction in progress	2,394,614	61,674	-	-	2,456,288
Less accumulated depreciation	(29,682,842)	(17,254,241)	(13,721,812)	(4,989)	(60,663,884)
Intangible assets (net of accumulated amortization)	109,965,294	-	31,424,058	-	141,389,352
Total non-current assets	186,563,122	18,965,760	61,585,333	4,826	267,119,041
Total assets	220,695,651	30,952,793	74,651,845	174,608	326,474,897
Deferred outflow of resources:					
Deferred amount on debt refunding	1,198,875	-	-	-	1,198,875
Total assets and deferred outflows	221,894,526	30,952,793	74,651,845	174,608	327,673,772
Liabilities					
Current liabilities:					
Accounts payable	1,313,838	203,884	264,663	1,987	1,784,372
Accrued expenses	32,864	-	-	2,361	35,225
Accrued interest payable	-	429,213	1,878,256	-	2,307,469
Due to other funds	95,918	133,703	181,010	774	411,405
Due to other governments	602,751	6,563	28,925	-	638,239
Due to developer	-	-	118,305	-	118,305
Unearned revenue	1,711,562	-	-	20,890	1,732,452
Current installments of revenue bonds payable	-	1,350,000	1,735,000	-	3,085,000
Total current liabilities	3,756,933	2,123,363	4,206,159	26,012	10,112,467
Non-current liabilities:					
Revenue bonds payable, net	172,425,000	15,734,472	72,266,856	-	260,426,328
Total non-current liabilities	172,425,000	15,734,472	72,266,856	-	260,426,328
Total liabilities	176,181,933	17,857,835	76,473,015	26,012	270,538,795
Net position					
Net investment in capital assets	3,795,093	1,840,988	(13,371,856)	4,826	(7,730,949)
Restricted for:					
Debt service	233,954	1,531,992	2,193,512	-	3,959,458
Renewal and replacement	890,044	262,555	328,486	-	1,481,085
System development	-	-	303,170	-	303,170
Unrestricted	40,793,502	9,459,423	8,725,518	143,770	59,122,213
Total net position	\$ 45,712,593	13,094,958	(1,821,170)	148,596	57,134,977

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2014

	<u>Major Funds</u>			<u>Non-Major Fund</u>	<u>Total</u>
	<u>RAD</u>	<u>VCSA Water and Sewer</u>	<u>LSSA Water and Sewer</u>	<u>Fitness</u>	
Operating revenues:					
Charges for services:					
Water revenue	\$ -	2,666,012	4,890,270	-	7,556,282
Sewer revenue	-	3,463,088	4,678,615	-	8,141,703
Recreational amenity fees	36,869,597	-	-	-	36,869,597
Recreational fees	1,612,629	-	-	151,852	1,764,481
Rentals and leases	613,267	-	-	-	613,267
Other Income	992,324	124,513	58,559	2,071	1,177,467
Total operating revenues	<u>40,087,817</u>	<u>6,253,613</u>	<u>9,627,444</u>	<u>153,923</u>	<u>56,122,797</u>
Operating expenses:					
Water and sewer expense	-	1,508,711	1,488,392	-	2,997,103
Recreational expenses	6,417,134	-	-	123,361	6,540,495
General and administrative	13,412,213	1,187,868	1,299,121	-	15,899,202
Depreciation	2,397,271	1,052,958	1,323,631	981	4,774,841
Amortization	4,325,932	(1,829)	1,092,794	-	5,416,897
Total operating expenses	<u>26,552,550</u>	<u>3,747,708</u>	<u>5,203,938</u>	<u>124,342</u>	<u>35,628,538</u>
Operating income	<u>13,535,267</u>	<u>2,505,905</u>	<u>4,423,506</u>	<u>29,581</u>	<u>20,494,259</u>
Non-operating revenue (expenses):					
Investment earnings	910,988	44,334	35,336	147	990,805
Interest expense	(10,683,705)	(858,429)	(3,756,518)	-	(15,298,652)
Gain (loss) on disposal of property	(260,861)	3,787	5,188	-	(251,886)
Contributions and donations from private sources	8,402	-	-	-	8,402
Total non-operating revenue (expenses)	<u>(10,025,176)</u>	<u>(810,308)</u>	<u>(3,715,994)</u>	<u>147</u>	<u>(14,551,331)</u>
Income before capital contribution and special item	3,510,091	1,695,597	707,512	29,728	5,942,928
Capital contributions - impact fees	-	351	184,846	-	185,197
Special item - expired bond insurance from refunding	(3,883,994)	-	-	-	(3,883,994)
Change in net position	(373,903)	1,695,948	892,358	29,728	2,244,131
Total net position (deficit), beginning	46,086,496	11,399,010	(2,713,528)	118,868	54,890,846
Total net position (deficit), ending	<u>\$ 45,712,593</u>	<u>13,094,958</u>	<u>(1,821,170)</u>	<u>148,596</u>	<u>57,134,977</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2014

	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Cash flows from operating activities:					
Receipts from customers	\$ 40,552,349	6,232,659	9,483,587	153,071	56,421,666
Payments to suppliers and others	(19,806,172)	(2,799,187)	(3,113,449)	(124,028)	(25,842,836)
Net cash provided (used) by operating activities	<u>20,746,177</u>	<u>3,433,472</u>	<u>6,370,138</u>	<u>29,043</u>	<u>30,578,830</u>
Cash flows from capital and related financing activities:					
Receipt of bond refunding proceeds	172,425,000	-	-	-	172,425,000
Principal payments on bonds	(184,915,000)	(1,285,000)	(1,670,000)	-	(187,870,000)
Interest paid	(14,918,005)	(892,156)	(3,787,825)	-	(19,597,986)
Payment for capital assets	(5,788,862)	(1,812,509)	(751,384)	-	(8,352,755)
Receipt of capital contributions - impact fees	-	351	184,846	-	185,197
Proceeds from sale of capital assets	(260,861)	3,787	5,188	-	(251,886)
Net cash (used in) provided by capital and related financing activities	<u>(33,457,728)</u>	<u>(3,985,527)</u>	<u>(6,019,175)</u>	<u>-</u>	<u>(43,462,430)</u>
Cash flows from investing activities:					
Purchase of investments	157,009	(641,201)	(1,282,358)	-	(1,766,550)
Interest received	910,988	44,334	35,336	147	990,805
Net cash provided (used) by investing activities	<u>1,067,997</u>	<u>(596,867)</u>	<u>(1,247,022)</u>	<u>147</u>	<u>(775,745)</u>
Net increase (decrease) in cash and cash equivalents	<u>(11,643,554)</u>	<u>(1,148,922)</u>	<u>(896,059)</u>	<u>29,190</u>	<u>(13,659,345)</u>
Cash and cash equivalents, beginning of year	17,613,337	5,697,938	7,686,938	138,843	31,137,056
Cash and cash equivalents, end of year	<u>5,969,783</u>	<u>4,549,016</u>	<u>6,790,879</u>	<u>168,033</u>	<u>17,477,711</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:					
Cash per statement of net position:					
Unrestricted cash and cash equivalents	4,845,785	2,325,256	2,087,455	168,033	9,426,529
Restricted cash and cash equivalents - current	233,574	1,961,205	4,071,768	-	6,266,547
Restricted cash and cash equivalents - non-current	890,424	262,555	631,656	-	1,784,635
Cash and cash equivalents	<u>5,969,783</u>	<u>4,549,016</u>	<u>6,790,879</u>	<u>168,033</u>	<u>17,477,711</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	13,535,267	2,505,905	4,423,506	29,581	20,494,259
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,397,271	1,052,958	1,323,631	981	4,774,841
Amortization	4,325,932	(1,829)	1,092,795	-	5,416,898
Change in assets and liabilities:					
(Increase) Decrease in:					
Accounts receivable	(117,561)	(59,550)	(139,957)	(573)	(317,641)
Prepaid expenses	(2,021)	-	-	-	(2,021)
Due from other districts	547,812	43,980	-	-	591,792
Due from other governments	9,600	(5,384)	(3,900)	-	316
Increase (Decrease) in:					
Accounts payable and accrued liabilities	827,778	66,588	125,318	1,207	1,020,891
Unearned revenue	24,681	-	-	(279)	24,402
Due to developer	(843,620)	-	(46,297)	-	(889,917)
Due to other districts	3,598	(170,796)	(409,270)	(1,874)	(578,342)
Due to other governments	37,440	1,600	4,312	-	43,352
Net cash provided by operating activities	<u>\$ 20,746,177</u>	<u>3,433,472</u>	<u>6,370,138</u>	<u>29,043</u>	<u>30,578,830</u>

See accompanying notes to basic financial statements

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2014

		<u>Beyond the Stars Agency Fund</u>
Assets:		
Cash and cash equivalents	\$	38,000
Investments		<u>35,167</u>
Total assets		<u><u>73,167</u></u>
Liabilities:		
Due to Beyond the Stars beneficiaries		<u>73,167</u>
Total liabilities	\$	<u><u>73,167</u></u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

The District provides water and sewer utility services, recreation, security services, fire protection and paramedic services to residents of a retirement community known as The Villages, located in The Villages, Florida. The Villages consists of approximately 22,601 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 District also provides for the maintenance of common areas and roadways for the commercial areas within the District's boundaries. As of September 30, 2014, four of the five members of the Board of Supervisors are employees of or affiliated with the Developer.

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

The Developer has formed the following community development districts:

- Village Center CDD (Lake, Marion and Sumter Counties) – This CDD provides water and sewer utility services, recreation, security services, fire protection and paramedic services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Sumter Landing CDD (Sumter County) – This CDD provides recreation and security services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Brownwood CDD (Sumter County) – Brownwood CDD (Sumter County) – This CDD was newly established in June 2012 by the City of Wildwood, Florida and is located at the southern end of The Villages. This CDD provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments 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.

VILLAGE CENTER 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 includes 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. Planned development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now complete with 127 unsold and being used as lifestyle preview homes by the Developer.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,280 acres in the northeast corner of the county. Planned development includes construction of 5,376 residential units. Construction is now 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 development districts and/or community development districts that will be created

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

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, receivables and deferred outflows as well as long-term debt, obligations and deferred inflows. 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 General Fund and Public Safety Special Revenue Fund meet this definition as governmental funds and are designated as major funds. The Recreation Amenities Division Fund (RAD), Village Center Service Area and Little Sumter Service Area water and sewer funds also meet this definition as proprietary funds and are designated as major funds. The District has five

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(b) Basic Financial Statements (continued)

Government-wide and Fund Financial Statements (continued)

non-major funds. The Village of Spanish Springs, Rolling Acres, Road Maintenance and Community Standards funds are all non-major governmental special revenue funds. The Fitness Fund is the single non-major proprietary fund.

Program revenues in the Statement of Activities consist primarily of special assessments for the governmental funds and charges for utility and recreational amenities in the proprietary funds. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

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

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

Unrestricted net position 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 fund financial statements. Revenues, including recreational amenities fees and utilities charges, are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied.

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

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.

VILLAGE CENTER 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)*

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

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

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

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

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

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

General Fund

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

Public Safety Special Revenue Fund

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

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

Rolling Acres Special Revenue Fund

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

Village of Spanish Springs (VOSS) Special Revenue Fund

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

VILLAGE CENTER 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)*

Road Maintenance Special Revenue Fund

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

Community Standards Special Revenue Fund

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

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

Recreation Amenities Division (RAD) Fund

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

Village Center Service Area (VCSA) Utility Fund

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

Little Sumter Service Area (LSSA) Utility Fund

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

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

Fitness Enterprise Fund

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

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and

VILLAGE CENTER 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)*

delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, depreciation on capital assets, and amortization of debt service insurance, premiums and discounts, as well as intangible assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the District reports on the following fund type:

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

(d) *Budgetary Data*

Legal authority and control are established in accordance with Section 190.008 of Florida Statutes. Annual budgets are adopted and approved by the Board of Supervisors. Annual budgets, as well as subsequent amendments, are adopted for all funds on a basis consistent with GAAP. All budget amounts presented in the statements reflect the original budget and the amended budget if so amended.

(e) *Deposits and Investments*

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

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(f) Capital Assets (continued)

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

During the 2013-2014 Fiscal Year, the District policy regarding the method to account for the purchase of water meters was changed from expensing meters purchased each year to capitalization of meters in the year of purchase with depreciation over a 10 year useful life. While either method is acceptable according to accounting standards, the District made this change in policy for the following reasons: (1) Consistency: The original purchase of the utility included capitalized water meters which continue to be depreciated; (2) Cost allocation: By capitalizing and depreciating the meters over their 10 year life, the expenses are allocated by accounting period of use, which more closely matches the revenue generated by the meter; and (3) Performance: The allocation of meter cost over the life of the meters more accurately reflects the utilities financial performance over a period of time.

This change is being made on a prospective basis due to the limitations of the District's accounting and capital asset software. The net impact of this change in the current period for LSSA and VCSA was an increase in Infrastructure Assets of \$149,038 and \$56,482, respectively (LSSA - \$150,290 in meter purchases less depreciation of \$1,252; VCSA - \$56,957 in meter purchases less depreciation of \$475).

(g) Intangible Assets

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

(h) Compensated Absences

It is the District's policy to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. Compensated absences increased by \$46,688 in Fiscal Year 2013-2014 and had an ending balance of \$401,467.

(i) Bond Discounts, Bond Premiums and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities Statement of Net Position. Bond premiums and discounts and bond insurance costs, are deferred and amortized over the

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

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

term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

(j) *Use of Estimates*

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

(k) *Restricted Assets – Proprietary Funds*

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

The resolutions, authorizing both the utility and recreational revenue bonds, require that the District establish sinking fund and reserve accounts in amounts that equal the Reserve Account Requirements, which are defined in the Bond Trust Indentures. In addition, the bond resolutions require that a renewal and replacement reserve be established. The renewal and replacement reserve deposits are maintained as restricted assets until such time as needed to fund those necessary recreation and water and sewer system renewals and replacements.

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

(l) *Accounts and Notes Receivable*

Accounts and notes receivable in the proprietary funds consists of amounts due on amenity contracts, charges for water and sewer, and amounts owed by the developer as a portion of the settlement agreement. For uncollectible accounts receivable, the allowance method is used. As of September 30, 2014, the amounts for allowance for doubtful accounts are \$750,124 in RAD, \$48,670 in LSSA and \$113,906 for VCSA.

(m) *Other Pay and Employee Benefits (OPEB)*

In Fiscal Year 2013-2014, the Village Center Community Development District (VCCDD) is the only District of the fifteen that comprise the local government for The Villages that has employees, except for elected officials in some of the other Districts, who are assigned to two

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(m) *Other Pay and Employee Benefits (OPEB) (continued)*

payrolls. One payroll is for Public Safety Department employees and the other covers the general employees of the Districts and elected officials. The elected officials in the other Districts are paid through the general employees' payroll and the districts reimburse the Village Center District for the costs.

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

Chapter 112.0801(1), Florida Statutes requires any local government, including special districts, which provides life, health, accident, hospitalization, or annuity insurance of any kind through group insurance plans, to make available to its officers and employees and their eligible dependents, the option of continuing to participate in such group insurance plan following retirement. The premium cost may be no higher than the cost of insurance applicable to active employees. For retired employees, and their eligible dependents, the cost of any such continued participation in any type of plan may be paid by the employer or the retired employee. The District does not contribute to this cost, so any such cost must be paid by the retired employee. The District has approximately 236 eligible full-time employees and their dependents in the group health and life insurance plans. Since inception of the group health and life insurance plan in 1997, no retired employee or their dependent has ever requested to continue participation in the group health and life insurance plans. Due to the District's normal retirement age being 65, with no early retirement option, and the fact that persons eligible for employment and retirement with the District are also eligible to apply for and receive Medicare coverage at a cost that is substantially less than the current cost to participate in the District's group health and life insurance plans, it is not anticipated that any future retiree will apply to participate in the plan as currently constituted. Therefore, no material OPEB liability is recognized or recorded for the District.

(n) *Retirement Benefits*

Full-time employees participate in the District defined contribution retirement plan. The plan was established under IRS section 401(a) and is administered by Nationwide. Employees may choose among various investment options available to plan participants. There are two classes of employees participating in the plan, regular full-time employees and professional fire-fighters. During Fiscal Year 2013-2014, regular full-time employees received a 4% contribution and professional fire-fighters received a 12.4155% contribution based on each employee's total salary. Beginning with October 1, 2014, for Fiscal Year 2014-2015, the rate for regular full-time employees was increased to 6%. The professional fire-fighters will receive an increase beginning in Fiscal Year 2015-2016 to 15.0%. At the end of Fiscal Year

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(n) *Retirement Benefits (continued)*

2013-2014, there were 159 regular full-time employee participants and 83 professional fire-fighters. The plan can only be amended with the approval of the District Board of Supervisors and in the case of the professional fire-fighters, the IAFF Local 4770 must approve changes to the Collective Bargaining Agreement regarding pension contributions.

(o) *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. The District did implement GASB 67 during the current Fiscal Year. Due to the type of retirement benefits offered to the staff members, the only requirement under that new guidance was to include a note disclosure regarding details of the plan, which is included in the immediate preceding section (1) (n).

(2) Stewardship, Compliance and Accountability

Deficit net position

The District's Little Sumter Service Area (LSSA) Utility Fund reported accumulated negative net position for the year ended September 30, 2014 and September 30, 2013 of (\$1,821,170) and (\$2,713,528), respectively. The utility migrated to a conservation rate structure supported by the Southwest Florida Water Management District in Fiscal Year 2008-2009 and implemented a 3.94 percent inflation-based rate adjustment in October 2008. A rate sufficiency study was completed in August 2009 that provided for an annual rate increase of 2.5 percent beginning on October 1, 2010, and each of the subsequent four years. These adjustments resulted in the operating revenue covering expenses in each of the past five years. In Fiscal Years 2013-2014, 2012-2013, 2011-2012 and 2010-2011, the utility had positive increases in net position of \$892,358, \$613,217, \$226,345 and \$1,178,968, respectively. In Fiscal Year 2013-2014, the utility met its required bond debt service coverage as provided for in the Indenture of Trust. Management also believes that the LSSA Water and Sewer Utility Fund's cash flows will be sufficient to fund its operations and debt service requirements in the future.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(3) 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	\$ 3,435	-	n/a
Demand Deposits, CFB	3,132,815	1.0	n/a
State Board of Administration, Florida Prime TM	14,200,677	39.0	AAAm
U.S. Bank Money Market Mutual Funds, Federated	2,224,139	49.0	AAAm
U.S. Bank Money Market Mutual Funds, Fidelity	5,827,042	43.0	AAAm
Florida Local Government Investment Trust	20,478,232	664.3	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	17,406,887	543.9	AAA/v2
MetLife Annuity Investment	13,110,449	1,274.3	AA-
Total Fair Value	\$ 76,383,676		
Less: Fiduciary Fund Cash & Cash Equivalent Balances	73,167		
Basic Financial Statement Balances	\$ 76,310,509		
Portfolio Weighted Average Maturity (WAM)		532.8	

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 532.8 days (1.46 years).

Credit Risk. GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities. Investments may be aggregated by ratings categories within the disclosure. Ratings are set by nationally recognized statistical rating organizations (Fitch, Moody's, and Standard and Poor's (S&P)). Fitch provides the ratings for FMIvT 0-3 Year High Quality Bond Fund, while S&P provides the ratings for the U.S. Bank money market funds (Federated Prime and Fidelity Prime), Florida Local Government Investment Trust (FLGIT) and the State Board of Administration, Florida PrimeTM.

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

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

- The State Board of Administration (SBA) for participation in the Local Government 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 the Florida PrimeTM, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value which is amortized cost.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(3) Deposits and Investments

Credit Risk (continued)

- Trust balances related to restricted debt service accounts are maintained with U.S. Bank and are invested in Federated Prime Cash Obligations Fund and Fidelity Prime Fund since August 1, 2010.
- The District has investments consisting of funds placed with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIVT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. The District owns shares in the 1-3 Year High Quality Bond Fund, pool operated by the FMIVT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2014, the FMIVT had recognized unrealized gains of \$96,544 and realized gains of \$3,808, for a net gain in the year of \$100,352. The realized gains occurred due to the sale of a portion of the underlying shares in the FMIVT pools. The unrealized gain would only be realized if the underlying shares of the FMIVT are sold.
- On May 13, 2008, The Villages of Lake Sumter, Inc. (VLS) obtained an annuity contract with MetLife, Inc. with an initial balance of \$10,961,777, and provided it to the Village Center Community Development District (VCCDD) as sole beneficiary of the annuity contract proceeds. Provision of this annuity contract was required in the litigation settlement agreement among VLS, VCCDD and residents of The Villages. This annuity provides interest earnings at a rate of 5.87 percent with payments in various amounts due annually on December 31, 2013, through December 31, 2020, and totaling \$17,124,200. As of September 30, 2014, the annuity contract was valued at \$13,110,449, including accrued interest. MetLife is rated A+ by A.M. Best, AA- by Standard & Poor's, Aa3 by Moody's and AA- by Fitch. The Standard & Poor's rating is shown in the above schedule. The unrealized gain in Fiscal Year 2013-2014 was \$763,020.
- The District initiated investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Association of County Clerks, on September 2, 2010. Initially amounts were moved from the FMIVT 0-2 Year High Quality Bond Fund to establish the FLGIT investment. Additional amounts were moved in December 2010, from the FMIVT 1-3 Year High Quality Bond Fund into the FLGIT accounts. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2014, the FLGIT account had achieved unrealized gains of \$123,030 and realized gains of \$1,270 for a total of \$124,300. 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 \$1,015,230 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;

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(3) Deposits and Investments (continued)

Concentration of Credit Risk (continued)

- 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.

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 consist of:

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2014

(4) Capital Assets

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
Governmental activities:					
Assets not being depreciated:					
Land	\$ 1,520,000	-	-	-	1,520,000
Construction in progress	137,692	47,444	-	(139,370)	45,766
Total assets not being depreciated	<u>1,657,692</u>	<u>47,444</u>	<u>-</u>	<u>(139,370)</u>	<u>1,565,766</u>
Assets being depreciated:					
Building	4,722,300	15,498	-	-	4,737,798
Furniture & fixtures	9,099,258	662,719	(102,872)	139,370	9,798,475
Infrastructure	126,587	189,093	-	-	315,680
Leasehold improvements	455,267	34,956	-	-	490,223
Total assets being depreciated	<u>14,403,412</u>	<u>902,266</u>	<u>(102,872)</u>	<u>139,370</u>	<u>15,342,176</u>
Total assets	<u>16,061,104</u>	<u>949,710</u>	<u>(102,872)</u>	<u>-</u>	<u>16,907,942</u>
Less accumulated depreciation for:					
Building	(206,688)	(118,574)	-	-	(325,262)
Furniture & fixtures	(2,941,167)	(739,831)	102,872	-	(3,578,126)
Infrastructure	(26,057)	(13,750)	-	-	(39,807)
Leasehold improvements	(69,059)	(16,962)	-	-	(86,021)
Total accumulated depreciation	<u>(3,242,971)</u>	<u>(889,117)</u>	<u>102,872</u>	<u>-</u>	<u>(4,029,216)</u>
Governmental activities capital assets, net	<u>12,818,133</u>	<u>60,593</u>	<u>-</u>	<u>-</u>	<u>12,878,726</u>
Business activities:					
Assets not being depreciated:					
Land	9,883,338	8,402	(747)	-	9,890,993
Construction in progress	478,302	5,832,382	-	(3,854,396)	2,456,288
	<u>10,361,640</u>	<u>5,840,784</u>	<u>(747)</u>	<u>(3,854,396)</u>	<u>12,347,281</u>
Assets being depreciated:					
Buildings and structures	60,969,043	315,966	(483,292)	1,568,893	62,370,610
Infrastructure	91,048,603	1,841,168	(293,869)	2,285,503	94,881,405
Leasehold improvements	9,815	-	-	-	9,815
Furniture & fixtures	3,710,355	696,339	(745,148)	-	3,661,546
Total assets being depreciated	<u>155,737,816</u>	<u>2,853,473</u>	<u>(1,522,309)</u>	<u>3,854,396</u>	<u>160,923,376</u>
Total assets	<u>166,099,456</u>	<u>8,694,257</u>	<u>(1,523,056)</u>	<u>-</u>	<u>173,270,657</u>
Less accumulated depreciation for:					
Buildings and structures	(19,389,339)	(1,628,371)	243,784	-	(20,773,926)
Infrastructure	(34,485,684)	(2,985,547)	201,024	-	(37,270,207)
Leasehold improvements	(4,008)	(981)	-	-	(4,989)
Furniture & fixtures	(3,199,968)	(159,943)	745,148	-	(2,614,763)
Total accumulated depreciation	<u>(57,078,999)</u>	<u>(4,774,842)</u>	<u>1,189,956</u>	<u>-</u>	<u>(60,663,885)</u>
Business activities capital assets, net	<u>109,020,457</u>	<u>3,919,415</u>	<u>(333,100)</u>	<u>-</u>	<u>112,606,772</u>
Total capital assets governmental and business activities:	<u>\$ 121,838,590</u>	<u>3,980,008</u>	<u>(333,100)</u>	<u>-</u>	<u>125,485,498</u>

Government activities depreciation expense of \$889,117 pertains primarily to the Department of Public Safety.

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(4) Capital Assets (continued)

Recreation Amenities Division (RAD)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
RAD:					
Assets not being depreciated:					
Land	\$ 9,606,229	8,402	(747)	-	9,613,884
Construction in progress	430,944	4,733,514	-	(2,769,844)	2,394,614
Total assets not being depreciated	<u>10,037,173</u>	<u>4,741,916</u>	<u>(747)</u>	<u>(2,769,844)</u>	<u>12,008,498</u>
Assets being depreciated:					
Buildings and structures	54,232,838	315,966	(483,292)	1,568,893	55,634,405
Infrastructure	23,666,746	965,410	(293,869)	1,200,951	25,539,238
Furniture & fixtures	2,135,510	107,071	(377,125)	-	1,865,456
Total assets being depreciated	<u>80,035,094</u>	<u>1,388,447</u>	<u>(1,154,286)</u>	<u>2,769,844</u>	<u>83,039,099</u>
Total assets	<u>90,072,267</u>	<u>6,130,363</u>	<u>(1,155,033)</u>	<u>-</u>	<u>95,047,597</u>
Less accumulated depreciation for:					
Buildings and structures	(16,543,275)	(1,452,301)	243,785	-	(17,751,791)
Infrastructure	(9,665,005)	(877,979)	201,024	-	(10,341,960)
Furniture & fixtures	<u>(1,899,225)</u>	<u>(66,991)</u>	<u>377,125</u>	<u>-</u>	<u>(1,589,091)</u>
Total accumulated depreciation	<u>(28,107,505)</u>	<u>(2,397,271)</u>	<u>821,934</u>	<u>-</u>	<u>(29,682,842)</u>
RAD capital assets, net	\$ <u>61,964,762</u>	<u>3,733,092</u>	<u>(333,099)</u>	<u>-</u>	<u>65,364,755</u>

Village Center Service Area (VCSA) Water and Sewer Utility

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
VCSA Water and Sewer:					
Assets not being depreciated:					
Land	\$ 150,312	-	-	-	150,312
Construction in progress	47,358	1,098,868	-	(1,084,552)	61,674
Total assets not being depreciated	<u>197,670</u>	<u>1,098,868</u>	<u>-</u>	<u>(1,084,552)</u>	<u>211,986</u>
Assets being depreciated:					
Buildings and structures	1,575,065	-	-	-	1,575,065
Infrastructure	31,246,714	444,249	-	1,084,552	32,775,515
Furniture & fixtures	1,232,986	269,392	(147,798)	-	1,354,580
Total assets being depreciated	<u>34,054,765</u>	<u>713,641</u>	<u>(147,798)</u>	<u>1,084,552</u>	<u>35,705,160</u>
Total assets	<u>34,252,435</u>	<u>1,812,509</u>	<u>(147,798)</u>	<u>-</u>	<u>35,917,146</u>
Less accumulated depreciation for:					
Buildings and structures	(1,325,876)	(15,906)	-	-	(1,341,782)
Infrastructure	(14,005,596)	(961,650)	-	-	(14,967,246)
Furniture & fixtures	<u>(1,017,609)</u>	<u>(75,402)</u>	<u>147,798</u>	<u>-</u>	<u>(945,213)</u>
Total accumulated depreciation	<u>(16,349,081)</u>	<u>(1,052,958)</u>	<u>147,798</u>	<u>-</u>	<u>(17,254,241)</u>
VCSA Water and Sewer capital assets, net	\$ <u>17,903,354</u>	<u>759,551</u>	<u>-</u>	<u>-</u>	<u>18,662,905</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2014

(4) Capital Assets (continued)

Little Sumter Service Area (LSSA) Water and Sewer Utility

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
LSSA Water and Sewer:					
Assets not being depreciated:					
Land	\$ 126,797	-	-	-	126,797
Construction in progress	-	-	-	-	-
Total assets not being depreciated	<u>126,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,797</u>
Assets being depreciated:					
Buildings and structures	5,161,140	-	-	-	5,161,140
Infrastructure	36,135,143	431,508	-	-	36,566,651
Furniture & fixtures	341,859	319,876	(220,225)	-	441,510
Total Assets being depreciated	<u>41,638,142</u>	<u>751,384</u>	<u>(220,225)</u>	<u>-</u>	<u>42,169,301</u>
Total	<u>41,764,939</u>	<u>751,384</u>	<u>(220,225)</u>	<u>-</u>	<u>42,296,098</u>
Less accumulated depreciation for:					
Buildings and structures	(1,520,185)	(160,167)	-	-	(1,680,352)
Infrastructure	(10,815,084)	(1,145,916)	-	-	(11,961,000)
Furniture & fixtures	(283,137)	(17,547)	220,225	-	(80,459)
Total accumulated depreciation	<u>(12,618,406)</u>	<u>(1,323,630)</u>	<u>220,225</u>	<u>-</u>	<u>(13,721,811)</u>
LSSA Water and Sewer capital assets, net	<u>\$ 29,146,533</u>	<u>(572,246)</u>	<u>-</u>	<u>-</u>	<u>28,574,287</u>

Fitness Fund Capital Assets

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
Fitness Fund					
Assets being depreciated:					
Leasehold improvements	9,815	-	-	-	9,815
Total assets	<u>9,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,815</u>
Less accumulated depreciation for:					
Leasehold improvements	(4,008)	(981)	-	-	(4,989)
Total accumulated depreciation	<u>(4,008)</u>	<u>(981)</u>	<u>-</u>	<u>-</u>	<u>(4,989)</u>
Fitness capital assets, net	<u>5,807</u>	<u>(981)</u>	<u>-</u>	<u>-</u>	<u>4,826</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2014

(5) Intangible Assets

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
RAD:				
Discounted value of amenity fees	\$ 171,440,228	(8,138)	-	171,432,090
Less accumulated amortization	<u>(57,203,671)</u>	<u>(4,263,125)</u>	<u>-</u>	<u>(61,466,796)</u>
Intangible assets, net	<u>114,236,557</u>	<u>(4,271,263)</u>	<u>-</u>	<u>109,965,294</u>
LSSA:				
Discounted value of utilities charges	43,338,051	-	-	43,338,051
Less accumulated amortization	<u>(10,830,542)</u>	<u>(1,083,451)</u>	<u>-</u>	<u>(11,913,993)</u>
Intangible assets, net	<u>32,507,509</u>	<u>(1,083,451)</u>	<u>-</u>	<u>31,424,058</u>
Business-type activities total:				
Discounted value of amenity fees	171,440,228	(8,138)	-	171,432,090
Discounted value of utilities charges	43,338,051	-	-	43,338,051
Less accumulated amortization	<u>(68,034,213)</u>	<u>(5,346,576)</u>	<u>-</u>	<u>(73,380,789)</u>
Intangible assets, net	<u>\$ 146,744,066</u>	<u>(5,354,714)</u>	<u>-</u>	<u>141,389,352</u>

(6) Interfund Balances

The composition of interfund balances as of September 30, 2014, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	RAD	6,378
RAD	General Fund	287
	VCSA	133,703
	LSSA	181,010
	Fitness	774
	VOSS	191
Safety	RAD	89,540
Total		<u>\$ 411,882</u>

The outstanding balances between funds result from normal monthly reimbursements that were accrued at the end of the Fiscal Year, September 30, 2014, and in all cases were liquidated by payments in October 2014.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(7) Long-term Debt

Revenue Bonds Payable

Revenue bonds payable consisted of the following:

Recreation Amenities Division Bonds

\$172,425,000 Taxable Recreational Revenue Refunding Bonds, Series 2014 due in annual principal installments ranging from \$3,320,000 to \$11,595,000 through November 2036 in accordance with the redemption schedule. Interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity. Interest rates range from 1.303% to 5.015%.

\$ 172,425,000

VCSA Utility Revenue Bonds

\$25,465,000 Utility Revenue Refunding Bonds, Series 1998A due in annual principal installments ranging from \$1,105,000 to \$1,720,000 through October 2023 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 5.00% to 5.25%.

13,930,000

\$5,690,000 Subordinate Utility Revenue Bonds, Series 1998B due in annual principal installments ranging from \$245,000 to \$385,000 through October 2023 in accordance with the redemption schedule. Interest rates range from 5.00% to 5.25%. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity.

3,100,000

LSSA Utility Revenue Bonds

\$86,400,000 Utility Revenue Bonds, Series 2003 due in annual principal installments ranging from \$1,735,000 to \$5,230,000 through October 2036 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 5.00% to 5.25%.

73,625,000

Total revenue bonds payable	\$ 263,080,000
Plus bond premium	707,097
Less bond discount	(275,769)
Less current installment of revenue bonds payable	<u>(3,085,000)</u>

Revenue bonds payable less current installments	\$ <u><u>260,426,328</u></u>
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On September 30, 2014, all of the outstanding Recreational Revenue Bonds (Series 1998A, 1998B, 1998C, 1999A, 2001A, 2003A, 2003B, 2004A, and 2004B) were called and defeased with the Taxable Recreational Revenue Bonds, Series 2014 and available funds in the Debt Service Fund. Interest rates on the new bonds range from 1.303% to 5.015%. These taxable bonds are secured by a lien and pledge of amenity fees and other revenues under the indenture which are derived by the District from the users of the recreational facilities. The all-in total interest cost for the refunding bonds is 4.6407977% with the net present value of savings as a result of the funding being \$5,205,887.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(7) Long-term Debt (continued)

Revenue Bonds Payable (continued)

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

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

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

	Principal	Interest	Total
Fiscal year ending September 30:			
2015	3,085,000	8,709,328	11,794,328
2016	11,660,000	11,436,827	23,096,827
2017	11,895,000	11,141,165	23,036,165
2018	12,225,000	10,795,496	23,020,496
2019	12,605,000	10,385,357	22,990,357
2020-2024	53,255,000	45,198,405	98,453,405
2025-2029	48,980,000	33,458,553	82,438,553
2030-2034	61,295,000	19,468,088	80,763,088
2035-2037	48,080,000	3,692,617	51,772,617
Total	\$ 263,080,000	154,285,835	417,365,835

Due to Developer – Recreational Capital Assets

Subordinate debt service reserve requirements were funded by the recreational revenue bond proceeds. Therefore, this amount was not available for payment to the developer for the purchase of recreation and security facilities. This amount becomes available for payment to the developer when the reserve requirement is reduced as principal payments are made on the debt. As a part of the refunding of the Recreation debt, the amounts due to the developer of \$843,620, were paid in full and no balance is owed as of September 30, 2014.

Capital Leases

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

Future minimum lease payments (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of September 30, 2014, are:

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2014

(7) Long-term Debt (continued)

Capital Leases (continued)

			Capital Leases Governmental Funds
Fiscal year ending September 30:			
2015	\$		4,442
2016			2,592
Total minimum lease payments			7,034
Less interest			-
Net present value	\$		7,034

Loans Payable

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

Loan payable to bank, secured by fire and safety equipment, principal and interest payments due monthly, interest adjusted to 70% of lenders prime rate, currently 2.27% as of September 30, 2014, maturing February 28, 2015.	\$	39,020
Total loans payable		39,020
Less current installments of loan payable		39,020
Long-term portion of loans payable	\$	-

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2015	39,020	207	39,227
Total	\$ 39,020	207	39,227

Notes Payable

In September 2011, and September 2012, the District Public Safety Department acquired two new fire stations, stations numbers 44 and 45, respectively. Station Number 44 was acquired for \$3,806,864, for which the outstanding balance of \$806,864 was paid off in the 2013-2014 Fiscal Year. Station Number 45 was acquired for \$1,694,585 which had an outstanding balance of \$1,194,585 which was also paid off in the 2013-2014 Fiscal Year.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(7) Long-term Debt (continued)

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>
Governmental activities:					
Loans payable	\$ 131,176	-	(92,156)	39,020	39,020
Capital leases	35,361	8,885	(37,212)	7,034	4,443
Notes payable	2,001,449	-	(2,001,449)	-	-
Compensated absences	354,779	51,570	(4,882)	401,467	80,293
Total governmental activities long-term debt	<u>2,522,765</u>	<u>60,455</u>	<u>(2,135,699)</u>	<u>447,521</u>	<u>123,756</u>
Business-type activities:					
Bonds payable					
RAD	184,915,000	172,425,000	(184,915,000)	172,425,000	-
VCSA Water and Sewer	18,315,000	-	(1,285,000)	17,030,000	1,350,000
LSSA Water and Sewer	75,295,000	-	(1,670,000)	73,625,000	1,735,000
Plus bond discounts and less bond premiums	<u>(386,856)</u>	<u>-</u>	<u>818,184</u>	<u>431,328</u>	<u>-</u>
Total bonds payable	<u>278,138,144</u>	<u>172,425,000</u>	<u>(187,051,816)</u>	<u>263,511,328</u>	<u>3,085,000</u>
Due to developer - RAD	843,620	-	(843,620)	-	-
Total business-type activities long-term debt	<u>278,981,764</u>	<u>172,425,000</u>	<u>(187,895,436)</u>	<u>263,511,328</u>	<u>3,085,000</u>
Total long-term debt	\$ <u>281,504,529</u>	<u>172,485,455</u>	<u>(190,031,135)</u>	<u>263,958,849</u>	<u>3,208,756</u>

On September 30, 2014, all of the Recreation Amenities Division Bonds were called and defeased. The Recreation Revenue Refunding Bonds, Series 1998A originally issued in the amount of \$60,175,000 with a remaining balance of \$29,165,000; the Subordinate Recreational Revenue Bonds, 1998B originally issued in the amount of \$5,755,000 with a remaining balance of \$1,360,000; the Subordinate Recreational Revenue Bonds, 1998C originally issued in the amount of \$5,340,000 with a remaining balance of \$2,885,000; the Recreational Revenue Bonds, 1999A originally issued in the amount of \$14,220,000 with a remaining balance of \$11,505,000; the Recreational Revenue Bonds, 2001A originally issued in the amount of \$36,455,000 with a remaining balance of \$26,710,000; the Recreational Revenue Bonds, 2003A originally issued in the amount of \$57,250,000 with a remaining balance of \$57,250,000; the Subordinate Recreational Revenue Bonds, 2003B originally issued in the amount of \$7,005,000 with a remaining balance of \$7,005,000; the Recreational Revenue Bonds, 2004A originally issued in the amount of \$39,425,000 with a remaining balance of \$39,425,000; and the Subordinate Recreational Revenue Bonds, 2004B originally issued in the amount of \$11,160,000 with a remaining balance of \$2,475,000 were all called and defeased and replaced by the Taxable Recreational Revenue Refunding Bonds, Series 2014 with an original issue amount of \$172,425,000 and available funds in the Debt Service Fund. Interest rates on the new bonds range from 1.303% to 5.015%. The all-in total interest cost for the refunding bonds is 4.6407977% which resulted in a gross present value of savings from cash flow of \$16,361,900 and a net present value of savings of \$5,205,887. The 2004A series was refunded at a premium of 101%. The proceeds from the refunding of the 2004B series was placed in escrow and refunded on the final maturity date of January 1, 2015, and for the 2003B and 2004A the proceeds were placed in escrow and refunded on November 1, 2014.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(7) Long-term Debt (continued)

Pledged Revenues:

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

<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>
Business type funds						
Taxable Recreational Revenue Bonds, Series 2014	Amenities Fee Revenue and Other Income of RAD Fund	\$ * \$	*	0.00%	271,281,004	2036
Utility Revenue Bonds, Series 1998A and 1998B	Water and Sewer Revenue, VCSA Fund	6,298,298	2,136,400	33.92%	21,638,262	2023
Utility Revenue Bonds, Series 2003	Water and Sewer Revenue, LSSA Fund	9,847,626	5,392,437	54.76%	124,446,569	2036

* The Taxable Recreational Revenue Bonds, Series 2014, were issued on 9/30/2014 and no revenue was received nor principal and interest paid until after the financial statement date.

(8) Related Parties

The District entered into interlocal agreements to provide Village Community Development District No. 1 (District No. 1), Village Community Development District No. 2 (District No. 2), Village Community Development District No. 3 (District No. 3), Village Community Development District No. 4 (District No. 4), Village Community Development District No. 5 (District No. 5), Village Community Development District No. 6 (District No. 6), Village Community Development District No. 7 (District No. 7), Village Community Development District No. 8 (District No. 8), Village Community Development District No. 9 (District No. 9), Village Community Development District No. 10 (District No. 10), and Village Community Development District No. 11 (District No. 11), Sumter Landing Community Development District (Sumter Landing), North Sumter County Utility Dependent District and Brownwood Community Development District, certain management, finance, and administrative services for fees of \$152,818, \$153,748, \$161,161, \$190,938, \$165,578, \$162,878, \$156,413, \$156,014, \$144,853, \$123,141, \$9,630, \$5,162,203, \$504,166, and \$240,912, respectively, for the Fiscal Year ended September 30, 2014. Upon action by their respective Boards of Supervisors, District No. 1 through District No. 11, Sumter Landing District, NSCUDD, and Brownwood may request additional services as they deem necessary for the efficient and effective management of their respective districts. Such additional services are billed to the benefiting district at the District's cost, and include items such as payroll reimbursement for board members, reimbursement for payment of the investment advisor contract, and office equipment lease and copy costs.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(8) Related Parties (continued)

The District has purchased from the Developer classified advertising, building rents, management services, and repair services for \$655,530. In addition, the District reimbursed the Developer \$260,498 for items and services purchased or paid for by the Developer on behalf of the District. The District made the final payment of \$2,001,449 during the Fiscal Year on notes payable for the construction and acquisition of Fire Stations Nos. 44 and 45. The District purchased water, waste water, and irrigation water, paying rates approved by the Public Service Commission, from companies affiliated with the Developer for \$19,042. The District paid bank fees and loan interest to a bank affiliated with the Developer in the amount of \$72,075 and maintained demand deposit accounts with the same bank based on a compensating balance agreement. In prior years the District received from the Developer information system support, including software, hardware and computer programming and internal mail room operations at no charge. However, beginning in Fiscal Year 2011-2012, the District began paying for its information system support and passed these costs on to the other Districts on a proportional basis. In March 2012, the developer transferred the ownership of its information management services to a new firm, Villages Technology Services Group. Fees in Fiscal Year 2013-2014 totaled \$1,937,080. Of this amount, \$137,364 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 purchased the Little Sumter Service Area (LSSA) Utility from a company affiliated with the Developer and per the terms of the sale, has paid Contributions In Aid of Construction (CIAC) receipts to the seller. In February 2005, \$3,145,819 was paid, in March 2006, \$713,381 was paid, in May 2007, \$323,695 was paid, in March 2008, \$1,134,409 was paid, in February 2010, \$1,075,579 was paid, in February 2011, \$62,332 was paid, in February 2012, \$102,614 was paid, in February 2013, \$15,794 was paid and in February 2014, \$164,602 was paid. As of September 30, 2014, the remaining balance of potential additional CIAC proceeds to the Seller is \$118,305 of which \$118,305 has been collected and was paid on October 6, 2014, subsequent to the end of the 2013-2014 Fiscal Year end, liquidating this liability.

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

The District is governed by a five-member Board of Supervisors. As of September 30, 2014, four of the five members of the Board of Supervisors are employees of, or affiliated with, the Developer.

(9) Commitments and Contingencies

Operating Leases

The District had entered into four leases with the Developer. Two were for office leases which will expire in Fiscal Year 2023-24. The District also has two public safety facility leases. The two office leases will not encounter a CPI-based increase until the sixth year of their lease renewal. The two public safety facilities have a yearly CPI-based increase. The CPI increase is not included in the amounts stated below.

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(9) Commitments and Contingencies (continued)

Operating Leases (continued)

	Building Leases	Equipment Leases	Total
Year Ending September 30:			
2015	803,760	37,974	841,734
2016	803,760	32,898	836,658
2017	803,760	25,239	828,999
2018	803,760	12,664	816,424
2019	803,760	2,235	805,995
2020-2024	3,541,442		3,541,442
2025-2029	190,130		190,130
2030-2034	190,130		190,130
2035	28,520		28,520
Total	\$ <u>7,969,022</u>	<u>111,010</u>	<u>8,080,032</u>

(10) Risk Management

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District generally carries insurance for these risks, however, the District retains risk for certain property coverage and for losses in excess of coverage limits. There have been no claims in excess of coverage limits for the past two years.

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

As part of the litigation settlement agreement between the District, The Villages of Lake Sumter, and Villages residents, an initial payment of \$11,886,151 in cash was received in April 2008. In addition, a total of \$28,021,000 in further payments is due each December until 2020. The Villages of Lake Sumter provided the District an annuity contract which is held as an investment valued at \$13,110,449 to cover the last eight years of this settlement requirement. All five annual payments from the Developer have now been received. The payment of \$2,767,800 due December 31, 2014, was the second of the eight annuity payments received from the annuity contract.

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(12) Investment Advisory Committee (IAC)

In December 2007, the Boards of Supervisors of the Village Center Community Development District, Sumter Landing Community Development District and Village Community Development District Nos. 1-8 formed an Investment Advisory Committee, comprised of one member for each District, to provide staff guidance on the Districts' investment strategy and to report back to their respective boards the status of the Districts' investments. In January 2009, an eleventh member was added to the committee, with the consent of all ten Districts, to represent the Amenity Authority Committee of the Village Center Community Development District. In addition, representatives from North Sumter County Utility Dependent District, Brownwood Community Development District, and Village Community Development Districts No. 9 and No. 10 have been added, bringing the committee to fifteen members.

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

In January 2008, the Internal Revenue Service (IRS) started an examination of bonds issued by the Village Center Community Development District (VCCDD) in 2003. The examination was expanded in July 2009 to include all tax-exempt bonds issued by the VCCDD. That examination is still ongoing.

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.

On January 9, 2015, the District 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 District 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.

(14) Subsequent Events

On October 1, 2014, Village Center Community Development District issued the Taxable Utility Revenue Refunding Bonds, Series 2014A and Series 2014B and, along with funds on hand, refinanced all of the current Utility Bond issues. The 2014A bonds were issued in the amount of \$14,320,000 and carry interest rates ranging from 1.303% to 3.956% and the 2014B bonds were issued in the amount of \$70,300,000 and carry interest rates ranging from 1.303% to 5.015%. The bonds have a final maturity date of October 1, 2023, and October 1, 2036, respectively. The all-in total interest cost and the net present value of the savings for the 2014A was 3.4990181% and \$906,623 and for the 2014B was 4.7212398% and \$1,650,088.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2014

(14) Subsequent Events (continued)

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 the Village Center Community Development District totaled \$4,087,319. 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
Village Center Community Development District
The Villages, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village Center Community Development District (the District) as of and for the year ended September 30, 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
Village Center Community Development District
The Villages, Florida

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

Compliance and Other Matters

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

Purpose of this Report

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

Purvis, Gray and Company, LLP

January 23, 2015
Ocala, Florida

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village Center Community Development District (the District) as of and for the 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 (see management letter comment).

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).

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

MANAGEMENT LETTER
(Concluded)

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.

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. (See management letter comment).

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.

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.

Purvis, Gray and Company, LLP

January 23, 2015
Ocala, Florida

MANAGEMENT LETTER COMMENT

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

Status of Prior Year Comments and Recommendations (Updated for 2014)

2013-1—Outsourced Information Technology (IT) Services and IT General Controls (Updated for 2014)

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

Currently, we understand that the IT risk assessment, network penetration test, and internal vulnerability assessment is in the process of being evaluated by TSG in conjunction with the District and will be reviewed with the Board. The District has received verbal confirmation that some of the recommendations by the external contractor have been implemented by TSG; however, a formal written response to the recommendations has not been completed.

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

Purvis, Gray and Company, LLP

January 23, 2015
Ocala, Florida

Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Village Center 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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VILLAGE CENTER 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
Village Center Community Development District
The Villages, Florida 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2013-2014 for Village Center Community Development District. We are proud to report that this audit has an unmodified opinion. There are no material weaknesses or compliance issues identified and reported. All prior year management letter comments have now been addressed by the District to the auditors and only a follow-up to the previous year comment has been identified. No new comments have been addressed by the auditors.

Current Year Recommendation

2013-1 Outsourced Information Technology (IT) Services and IT General Controls (Updated for 2014)

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

Currently, we understand that the IT risk assessment, network penetration test, and internal vulnerability assessment is in the process of being evaluated by TSG in conjunction with the District and will be reviewed by the Board. The District has received verbal confirmation that some of the recommendations by the external contractor have been implemented by TSG; however a formal written response to the recommendations has not been completed.

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

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

Management Response: Concur

The District engaged the firm CliftonLarsonAllen, P.A. of Minneapolis, MN, an independent firm, to perform a risk assessment on information technology services provided by The Villages Technology Solutions Group, Inc. (VTSG). The initial review was conducted in November and December 2013 and three draft reports were provided in 2014. Staff, jointly with the staff of TSG, is reviewing and addressing the issues identified in these reports. A formal response and completion of the final reports in early 2015 is anticipated. TSG and District staff have already implemented several of the recommendations addressed in the report and will continue to implement the remaining recommendations in the future. It is our intention that the risk assessment be performed no less frequently than every two years, due to the rapid advance in the state of information technology services.

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

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

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

Sincerely,



David R. Miles, CGFO
Finance Director



Janet Y. Tutt
District Manager