



**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Basic Financial Statements

September 30, 2015

(With Independent Auditors' Report Thereon)

# SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Sumter Landing Community Development District (the District) as of and for the year ended September 30, 2015, 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

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

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Board of Supervisors  
Sumter Landing 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 and each major fund of the District, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards* we have also issued our report dated January 29, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Purvis, Gray and Company, LLP*

January 29, 2016  
Ocala, Florida

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

### Management's Discussion and Analysis

(UNAUDITED)

September 30, 2015

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

#### Financial Highlights

- The assets of the District exceeded its liabilities as of September 30, 2015, by \$57,748,587 (net position), an increase of \$2,911,789. Of the total net position, \$27,312,958 of unrestricted net position exists that can be used at the discretion of the Board of Supervisors.
- The District's total net position increased by \$2,911,789 during the Fiscal Year. This increase in net position resulted from an increase of \$483,944 in net position in the governmental funds, while there was a \$2,427,845 increase in the proprietary funds. The proprietary fund increase was a positive \$2,223,844 in the Sumter Landing Amenities Division (SLAD) Fund and an increase of \$204,001 in the three fitness centers.
- At the close of the Fiscal Year, the District's governmental funds reported combined fund balances of \$8,066,007, a net increase of \$1,162,082, compared to the prior year. Of the total, \$4,566,909 is *unassigned fund balance*, available for use by the District on a discretionary basis. Capitalized assets and their associated depreciation are not recorded in the fund based financial statements due to the near-term focus of governmental revenue and expenditure flows.
- The District's total long-term debt decreased by \$1,222,502 during the current Fiscal Year. The decrease relates to principal payments made on outstanding revenue bonds and other debt during the year ended September 30, 2015. No new debt was added during the Fiscal Year. The balance at the end of the year is \$56,927,539, with \$1,265,000 due within one year.
- There were no organizational changes to the fund structure of the Sumter Landing District in Fiscal Year 2014-2015.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

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

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2015

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

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

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

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

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

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

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

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2015

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

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 20 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$57.749 million as of September 30, 2015, representing an increase of \$2.912 million from the net position of approximately \$54.837 million as of September 30, 2014. The increase in net position for September 30, 2015, is due to the significant increase in the fund balance of the two proprietary funds, the SLAD Fund and the Fitness Fund, offset by depreciation related reductions in the balances of the governmental funds.

The District's net position is categorized as follows as of September 30, 2015:

***Net investment in capital assets.*** This \$28.207 million portion of the District's net position (48.9%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

***Restricted for debt service.*** An additional \$2.039 million portion of the District's net position (3.5%) represents resources that are subject to external restrictions on how they may be used. The District's restricted net position is restricted for the purpose of meeting its debt service obligations.

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

***Unrestricted net position.*** The remaining \$27.313 million balance of the District's net position (47.3%) may be used to meet the District's ongoing obligations to residents and creditors.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Management's Discussion and Analysis  
(UNAUDITED)  
September 30, 2015

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>September 30,</u>		<u>September 30,</u>		<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Assets:</b>						
Current and other assets	\$ 8,312,640	7,103,386	26,979,807	23,803,795	35,292,447	30,907,181
Capital assets, net of accumulated depreciation	35,830,958	36,509,096	33,094,322	33,900,920	68,925,280	70,410,016
Bond insurance, net of accumulated amortization	-	-	1,260,036	1,316,880	1,260,036	1,316,880
Intangible assets, net of accumulated amortization	-	-	14,949,263	15,447,572	14,949,263	15,447,572
<b>Total assets</b>	<b>44,143,598</b>	<b>43,612,482</b>	<b>76,283,428</b>	<b>74,469,167</b>	<b>120,427,026</b>	<b>118,081,649</b>
<b>Liabilities:</b>						
Current and other liabilities	246,633	199,461	6,030,256	4,895,349	6,276,889	5,094,810
Long-term debt:						
Due within one year	-	-	1,265,000	1,205,000	1,265,000	1,205,000
Due in more than one year	-	-	55,136,550	56,945,041	55,136,550	56,945,041
<b>Total liabilities</b>	<b>246,633</b>	<b>199,461</b>	<b>62,431,806</b>	<b>63,045,390</b>	<b>62,678,439</b>	<b>63,244,851</b>
<b>Net position (deficit)</b>						
Net investment in capital assets	35,830,958	36,509,096	(7,623,918)	(6,758,803)	28,207,040	29,750,293
Restricted for debt service	-	-	2,038,973	1,988,284	2,038,973	1,988,284
Restricted for renewal and replacement	-	-	189,616	189,616	189,616	189,616
Unrestricted	8,066,007	6,903,925	19,246,951	16,004,680	27,312,958	22,908,605
<b>Total net position</b>	<b>\$ 43,896,965</b>	<b>43,413,021</b>	<b>13,851,622</b>	<b>11,423,777</b>	<b>57,748,587</b>	<b>54,836,798</b>

***Governmental Activities***

Governmental activities increased the District's net position by \$483,944 during the year ended September 30, 2015.

***Business-type Activities***

Business-type activities increased the District's net position by \$2,427,845 during the year ended September 30, 2015. The increase reflects the increase in net position of the Sumter Landing Fitness Enterprise Fund and the continued improved operations of the Sumter Landing Amenities Division Fund. The District's business-type activities consist of recreation, fitness and security services provided to District residents. The number of residents served by the District continued to grow during the year, with 2,170 new residential homes closed in the areas of The Villages served by the District during Fiscal Year 2014-2015.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
Management's Discussion and Analysis  
(UNAUDITED)  
September 30, 2015

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

**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>September 30, 2015</u>	<u>2014</u>	<u>September 30, 2015</u>	<u>2014</u>	<u>September 30, 2015</u>	<u>2014</u>
Operating revenues:						
General government	\$ 101,158	186,323	11,643,693	11,503,672	11,744,851	11,689,995
Special assessments	11,340,592	10,687,858	-	-	11,340,592	10,687,858
Public safety	-	-	6,054,901	5,855,626	6,054,901	5,855,626
Culture/recreation	-	-	2,521,978	2,406,920	2,521,978	2,406,920
General revenues:						
Interest and other earnings	50,173	32,295	103,441	59,337	153,614	91,632
Total revenues	<u>11,491,923</u>	<u>10,906,476</u>	<u>20,324,013</u>	<u>19,825,555</u>	<u>31,815,936</u>	<u>30,732,031</u>
Expenses:						
General government services	-	-	5,737,222	5,641,481	5,737,222	5,641,481
Public safety	-	-	2,776,555	2,305,099	2,776,555	2,305,099
Physical environment	9,871,985	9,983,010	2,585,926	2,370,521	12,457,911	12,353,531
Culture/recreation	-	-	5,355,831	4,733,665	5,355,831	4,733,665
Depreciation (unallocated)	1,134,991	1,124,324	885,481	887,606	2,020,472	2,011,930
Amortization expense	-	-	555,153	555,153	555,153	555,153
Contribution to other government	1,003	-	-	-	1,003	-
Total expenses	<u>11,007,979</u>	<u>11,107,334</u>	<u>17,896,168</u>	<u>16,493,525</u>	<u>28,904,147</u>	<u>27,600,859</u>
Changes in net position	<u>483,944</u>	<u>(200,858)</u>	<u>2,427,845</u>	<u>3,332,030</u>	<u>2,911,789</u>	<u>3,131,172</u>

**Budgetary Highlights**

During the year, there was \$25,789 increase in the appropriations for the Project Wide Fund between the original and final budget. This increase occurred primarily in the utility services line item. There was an increase of \$25,789 to the revenue budget for the Project Wide Fund in the miscellaneous revenue line item. There was an increase in the appropriations of the Lake Sumter Landing Fund by \$275,000 primarily for capital outlay. The revenue budget remained unchanged for the Lake Sumter Landing Fund.

**Capital Asset and Debt Administration**

**Capital Assets**

The District's capital assets as of September 30, 2015, and September 30, 2014, amounted to \$68,925,280 and \$70,410,016, respectively. This is net of accumulated depreciation and includes land, buildings, improvements other than buildings, furniture and equipment, and construction in progress. The decrease resulted from depreciation expenses during the year exceeding new assets acquired. Additional information regarding the District's capital assets can be found in Note 3 of the Notes to Basic Financial Statements.

**Long-term Debt**

As of September 30, 2015, and September 30, 2014, the District had long-term debt outstanding of \$56,927,539 and \$58,150,041, respectively. The majority of the debt as of September 30, 2015, consists of Recreational Revenue Bonds issued during Fiscal Year 2004-2005. This debt is secured by a lien and pledge of revenues

## **SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2015

under the indentures which are derived by the District from the users of the recreational facilities. Debt of \$525,989 is owed to the Developer, The Villages of Lake Sumter, Inc., for capital assets acquired. Additional information regarding the District's long-term debt can be found in Note 5 of the Notes to Basic Financial Statements.

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

- The unemployment rate in Sumter County where the District is located was 6.8 percent in September 2015 which is an increase from a rate of 5.1 percent a year ago. The State's average unemployment rate is 5.2 percent and is above the national average rate of 5.1 percent.
- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual change for all urban consumers changed favorably from 1.66 percent in September 2014 to a negative (0.04) percent in September 2015.

On October 13, 2015, subsequent to the Fiscal Year end, the Sumter Landing Amenities Division Recreational Revenue Bond issues were refunded. Additional information on the bond refunding can be found in Note 10 in the Notes to the Basic Financial Statements.

These factors were considered in preparing the District's budget for the 2015-2016 Fiscal Year. The Lake Sumter Landing Special Revenue Fund is projecting a revenue increase of \$11,105 and an expenditure decrease of \$259,075 in Fiscal Year 2015-2016 compared to the final budget in Fiscal Year 2014-2015. The majority of the decrease is in capital outlay and transfers to general renewal and replacement, offset by minor increases and decreases in various line items. The Project Wide Special Revenue Fund is projecting a revenue increase of \$567,397, with an increase of \$567,344 in shared revenue, mostly from District No. 11 and minor increases and decreases offsetting that amount. An expenditure increase of \$1,924,613 is also projected. The expenditure increase is mainly in the repairs and maintenance services line item with an increase of \$1,659,559 offset by minor increases and decreases in other line items.

The Sumter Landing Amenities Division Fund sees a Fiscal Year 2015-2016 increase in revenues budgeted of \$992,950 with expenditure increases of \$1,052,890. The expenditure increase includes increases to professional services mainly for expanded community watch service areas, as well as related operating supplies, and other contractual services for public safety and golf management services. The revenue increase was due to increased fire safety and community watch fees due to additional residents served and developer contributions for expanded recreation programs. There were numerous other minor adjustments both up and down between the two years' budgets. The Fitness Enterprise Fund sees a Fiscal Year 2015-2016 revenue increase of \$104,900 and a projected expenditure decrease of \$9,487. Most of the expenditure decrease is in operating supplies, and other minor line item changes. Most of the revenue increase results from increased fitness fee revenue.

### **Requests for Information**

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

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Statement of Net Position

September 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,912,650	\$ 12,111,794	\$ 14,024,444
Investments	6,057,307	11,135,665	17,192,972
Accounts receivable (net)	21,732	2,281,352	2,303,084
Due from other governments	320,951	1,447,110	1,768,061
Prepays	-	3,886	3,886
Capital assets:			
Non depreciable assets	3,875,914	7,874,868	11,750,782
Depreciable assets (net of depreciation)	31,955,044	25,219,454	57,174,498
Bond insurance (net of accumulated amortization)	-	1,260,036	1,260,036
Intangible assets (net of accumulated amortization)	-	14,949,263	14,949,263
Total assets	<u>44,143,598</u>	<u>76,283,428</u>	<u>120,427,026</u>
<b>Liabilities</b>			
Accounts payable	245,128	362,168	607,296
Accrued expenses	119	23,514	23,633
Accrued interest payable	-	1,405,004	1,405,004
Unearned revenue	-	1,053,582	1,053,582
Due to other governments	1,386	233,527	234,913
Due to developer for amenity fees	-	2,952,461	2,952,461
Long-term debt:			
Due within one year	-	1,265,000	1,265,000
Due in more than one year	-	55,136,550	55,136,550
Total liabilities	<u>246,633</u>	<u>62,431,806</u>	<u>62,678,439</u>
<b>Net Position</b>			
Net investment in capital assets	35,830,958	(7,623,918)	28,207,040
Restricted for:			
Debt service	-	2,038,973	2,038,973
Renewal and replacement	-	189,616	189,616
Unrestricted	8,066,007	19,246,951	27,312,958
Total net position	<u>\$ 43,896,965</u>	<u>\$ 13,851,622</u>	<u>\$ 57,748,587</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Statement of Activities

Year Ended September 30, 2015

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
Physical environment	\$ 9,871,985	11,340,592	101,158	-	1,569,765	-	1,569,765
Depreciation (unallocated)	1,134,991	-	-	-	(1,134,991)	-	(1,134,991)
Total governmental activities	<u>11,006,976</u>	<u>11,340,592</u>	<u>101,158</u>	<u>-</u>	<u>434,774</u>	<u>-</u>	<u>434,774</u>
Business-type activities:							
General government services	6,292,375	11,643,693	-	-	-	5,351,318	5,351,318
Public safety	2,776,555	6,054,901	-	-	-	3,278,346	3,278,346
Physical environment	2,585,926	-	-	-	-	(2,585,926)	(2,585,926)
Culture/recreation	5,355,831	2,521,978	-	-	-	(2,833,853)	(2,833,853)
Depreciation (unallocated)	885,481	-	-	-	-	(885,481)	(885,481)
Total business-type activities	<u>17,896,168</u>	<u>20,220,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,324,404</u>	<u>2,324,404</u>
Total primary government	\$ <u>28,903,144</u>	<u>31,561,164</u>	<u>101,158</u>	<u>-</u>	<u>434,774</u>	<u>2,324,404</u>	<u>2,759,178</u>
General revenues:							
Investment earnings					50,173	103,441	153,614
Total general revenues					<u>50,173</u>	<u>103,441</u>	<u>153,614</u>
Contribution to other government					1,003	-	1,003
Change in net position					483,944	2,427,845	2,911,789
Net position – beginning					<u>43,413,021</u>	<u>11,423,777</u>	<u>54,836,798</u>
Net position – ending					\$ <u>43,896,965</u>	<u>13,851,622</u>	<u>57,748,587</u>

See accompanying notes to basic financial statements.

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

Balance Sheet – Governmental Funds

September 30, 2015

	<b>Lake Sumter Landing</b>	<b>Project Wide</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 291,427	1,621,223	1,912,650
Investments	1,665,788	4,391,519	6,057,307
Accounts receivable (net)	4,836	16,896	21,732
Due from other governments	-	320,951	320,951
Total assets	1,962,051	6,350,589	8,312,640
<b>Liabilities:</b>			
Accounts payable	57,008	188,120	245,128
Due to other funds	15	-	15
Other current liabilities	496	994	1,490
Total liabilities	57,519	189,114	246,633
<b>Fund balances:</b>			
Committed for renewal & replacement	1,386,878	2,112,220	3,499,098
Unassigned	517,654	4,049,255	4,566,909
Total fund balances	1,904,532	6,161,475	8,066,007
Total liabilities and fund balances	\$ 1,962,051	6,350,589	8,312,640

See accompanying notes to basic financial statements.

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

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  
September 30, 2015

Total fund balances, governmental funds		\$	8,066,007
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Capital assets	\$	47,458,591	
Less accumulated depreciation		<u>(11,627,633)</u>	<u>35,830,958</u>
Net position of governmental activities			<u>\$</u> <u><u>43,896,965</u></u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT  
GOVERNMENTAL FUNDS**

Statement of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds  
Year Ended September 30, 2015

	<u>Lake Sumter Landing</u>	<u>Project Wide</u>	<u>Total</u>
Revenues:			
Special assessments	\$ 1,547,489	-	1,547,489
Intergovernmental revenue	-	9,770,491	9,770,491
Other revenue	15,671	85,487	101,158
Investment earnings	13,225	36,948	50,173
Rents and leases	22,612	-	22,612
Total revenues	<u>1,598,997</u>	<u>9,892,926</u>	<u>11,491,923</u>
Expenditures:			
Current			
Physical environment	1,364,381	8,507,604	9,871,985
Capital outlay	282,653	175,203	457,856
Total expenditures	<u>1,647,034</u>	<u>8,682,807</u>	<u>10,329,841</u>
Net change in fund balances	<u>(48,037)</u>	<u>1,210,119</u>	<u>1,162,082</u>
Fund balances, at beginning of year	<u>1,952,569</u>	<u>4,951,356</u>	<u>6,903,925</u>
Fund balances, at end of year	<u>\$ 1,904,532</u>	<u>6,161,475</u>	<u>8,066,007</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT  
GOVERNMENTAL FUNDS**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds to the Statement of Activities  
Year Ended September 30, 2015

Net change in fund balances – total governmental funds		\$ 1,162,082
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay less depreciation expensed in the fiscal year.		
Capital outlay	\$ 457,856	
Disposition of fixed assets	(1,003)	
Depreciation expense	<u>(1,134,991)</u>	<u>(678,138)</u>
Change in net position of governmental activities		\$ <u><u>483,944</u></u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
**LAKE SUMTER LANDING SPECIAL REVENUE FUND**  
Statement of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual  
Year Ended September 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Special assessments	\$ 1,547,489	1,547,489	1,547,489	-
Miscellaneous revenue	12,000	12,000	15,671	3,671
Rentals and leases	15,000	15,000	22,612	7,612
Investment earnings	1,500	1,500	13,225	11,725
Total revenues	<u>1,575,989</u>	<u>1,575,989</u>	<u>1,598,997</u>	<u>23,008</u>
Expenditures:				
Management fees and professional services	169,770	200,888	163,937	36,951
Other contractual services	154,942	154,942	152,952	1,990
Utility service	218,780	224,501	216,833	7,668
Rentals and leases	1,512	1,512	1,056	456
Repairs and maintenance	770,217	741,886	708,536	33,350
Other current charges	98,160	104,652	103,603	1,049
Operating supplies	3,200	20,200	17,464	2,736
Capital outlay	69,000	312,000	282,653	29,347
Total expenditures	<u>1,485,581</u>	<u>1,760,581</u>	<u>1,647,034</u>	<u>113,547</u>
Excess of revenues over expenditures	<u>90,408</u>	<u>(184,592)</u>	<u>(48,037)</u>	<u>136,555</u>
Other financing sources:				
Transfer in (out)	<u>(346,489)</u>	<u>(346,489)</u>	<u>-</u>	<u>346,489</u>
Total other financing sources	<u>(346,489)</u>	<u>(346,489)</u>	<u>-</u>	<u>346,489</u>
Net change in fund balance	<u>(256,081)</u>	<u>(531,081)</u>	<u>(48,037)</u>	<u>483,044</u>
Fund balances, at beginning of year	1,952,569	1,952,569	1,952,569	-
Fund balances, at end of year	<u>\$ 1,696,488</u>	<u>1,421,488</u>	<u>1,904,532</u>	<u>483,044</u>

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual  
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Transportation	\$ 310,843	310,843	310,808	(35)
Shared revenues from other local governments	9,459,683	9,459,683	9,459,683	-
Miscellaneous revenue	6,708	32,497	85,487	52,990
Investment earnings	3,000	3,000	36,948	33,948
Total revenues	<u>9,780,234</u>	<u>9,806,023</u>	<u>9,892,926</u>	<u>86,938</u>
Expenditures:				
Professional services	734,902	669,477	618,546	50,931
Other contractual services	8,341	8,341	917	7,424
Utility services	961,276	1,044,924	1,019,652	25,272
Rents & leases	1,000	1,000	-	1,000
Repairs and maintenance/landscape	6,983,297	6,990,863	6,859,925	130,938
Printing & binding	500	500	378	122
Other current charges	-	-	255	(255)
Operating supplies	11,300	11,300	7,931	3,369
Capital outlay	222,402	222,402	175,203	47,199
Total expenditures	<u>8,923,018</u>	<u>8,948,807</u>	<u>8,682,807</u>	<u>266,000</u>
Excess of revenues over expenditures	857,216	857,216	1,210,119	352,938
Fund balances, at beginning of year	4,951,356	4,951,356	4,951,356	-
Fund balances, at end of year	<u>\$ 5,808,572</u>	<u>5,808,572</u>	<u>6,161,475</u>	<u>352,938</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

**Proprietary Funds**

Statement of Net Position

September 30, 2015

	<b>Sumter Landing Amenities Division (SLAD)</b>	<b>Sumter Landing Fitness Fund</b>	<b>Sumter Landing Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 7,528,864	949,337	8,478,201
Restricted cash and cash equivalents	2,917,988	-	2,917,988
Investments	9,188,851	1,946,814	11,135,665
Accounts receivable (net)	2,276,188	4,881	2,281,069
Due from other funds	4,400	-	4,400
Due from other governments	1,442,710	-	1,442,710
Accrued interest receivable	283	-	283
Prepaid expenses	3,886	-	3,886
Total current assets	<u>23,363,170</u>	<u>2,901,032</u>	<u>26,264,202</u>
Non-current assets:			
Restricted cash and cash equivalents	715,605	-	715,605
Capital assets:			
Land	7,812,278	-	7,812,278
Buildings and structures	30,497,792	-	30,497,792
Infrastructure	3,067,306	-	3,067,306
Machinery and equipment	344,354	10,258	354,612
Construction in progress	52,043	-	52,043
Capital leases	-	10,547	10,547
Less accumulated depreciation	(8,695,548)	(4,708)	(8,700,256)
Bond insurance (net of accumulated amortization)	1,260,036	-	1,260,036
Intangible assets (net of accumulated amortization)	14,949,263	-	14,949,263
Total non-current assets	<u>50,003,129</u>	<u>16,097</u>	<u>50,019,226</u>
Total assets	<u>73,366,299</u>	<u>2,917,129</u>	<u>76,283,428</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	359,275	2,893	362,168
Accrued expenses	22,163	1,351	23,514
Accrued interest payable	1,405,004	-	1,405,004
Unearned revenue	942,419	111,163	1,053,582
Due to other funds	-	4,385	4,385
Due to other governments	228,665	477	229,142
Due to developer for amenity fees	2,426,472	-	2,426,472
Current installments of revenue bonds payable	1,265,000	-	1,265,000
Total current liabilities	<u>6,648,998</u>	<u>120,269</u>	<u>6,769,267</u>
Non-current liabilities:			
Revenue bonds payable, net	55,136,550	-	55,136,550
Due to developer	525,989	-	525,989
Total non-current liabilities	<u>55,662,539</u>	<u>-</u>	<u>55,662,539</u>
Total liabilities	<u>62,311,537</u>	<u>120,269</u>	<u>62,431,806</u>
<b>Net position</b>			
Net investment in capital assets	(7,640,015)	16,097	(7,623,918)
Restricted for debt service	2,038,973	-	2,038,973
Restricted for renewal and replacement	189,616	-	189,616
Unrestricted	16,466,188	2,780,763	19,246,951
Total net position	\$ <u>11,054,762</u>	<u>2,796,860</u>	<u>13,851,622</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**  
**Proprietary Funds**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Year Ended September 30, 2015

	<b>Sumter Landing Amenities Division (SLAD)</b>	<b>Sumter Landing Fitness Fund</b>	<b>Sumter Landing Total</b>
Operating revenues:			
Charges for services			
Amenity fees	\$ 11,643,693	-	11,643,693
Membership fees	1,737,286	784,692	2,521,978
Other fees	6,043,689	11,212	6,054,901
Total operating revenues	<u>19,424,668</u>	<u>795,904</u>	<u>20,220,572</u>
Operating expenses:			
General government services	2,934,459	-	2,934,459
Public safety	2,776,555	-	2,776,555
Physical environment	2,585,926	-	2,585,926
Culture/recreation	4,750,058	605,773	5,355,831
Depreciation Expense	883,059	2,422	885,481
Amortization expense	555,153	-	555,153
Total operating expenses	<u>14,485,210</u>	<u>608,195</u>	<u>15,093,405</u>
Operating income	<u>4,939,458</u>	<u>187,709</u>	<u>5,127,167</u>
Non-operating revenue (expenses):			
Investment earnings	87,149	16,292	103,441
Interest expense	<u>(2,802,763)</u>	<u>-</u>	<u>(2,802,763)</u>
Total non-operating revenue (expenses)	<u>(2,715,614)</u>	<u>16,292</u>	<u>(2,699,322)</u>
Change in net position	<u>2,223,844</u>	<u>204,001</u>	<u>2,427,845</u>
Total net position, beginning	<u>8,830,918</u>	<u>2,592,859</u>	<u>11,423,777</u>
Total net position, ending	<u>\$ 11,054,762</u>	<u>2,796,860</u>	<u>13,851,622</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

**Proprietary Funds**

Statement of Cash Flows

For The Fiscal Year Ended September 30, 2015

	<b>Sumter Landing Amenities Division (SLAD)</b>	<b>Sumter Landing Fitness Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash flows from operating activities:			
Receipts from customers	\$ 19,028,811	795,015	19,823,826
Payments to suppliers/professional fees	(12,477,609)	(612,200)	(13,089,809)
Net cash provided by operating activities	<u>\$ 6,551,202</u>	<u>182,815</u>	<u>6,734,017</u>
Cash flows from capital and related financing activities:			
Principal payments on capital debt	\$ (1,212,241)	-	(1,212,241)
Interest paid	(2,802,763)	-	(2,802,763)
Acquisition of capital assets	(68,624)	(10,257)	(78,881)
Net cash used in capital and related financing activities	<u>(4,083,628)</u>	<u>(10,257)</u>	<u>(4,093,885)</u>
Cash flows from investing activities:			
Purchases of investments	(2,046,803)	(425,667)	(2,472,470)
Interest earned on investments	87,149	16,292	103,441
Net cash provided by investing activities	<u>(1,959,654)</u>	<u>(409,375)</u>	<u>(2,369,029)</u>
Net increase (decrease) in cash and cash equivalents	507,920	(236,817)	271,103
Cash and cash equivalents, beginning of year	<u>10,654,537</u>	<u>1,186,154</u>	<u>11,840,691</u>
Cash and cash equivalents, end of year	<u>\$ 11,162,457</u>	<u>949,337</u>	<u>12,111,794</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:			
Unrestricted cash and cash equivalents	\$ 7,528,864	949,337	8,478,201
Restricted cash and cash equivalents-current	2,917,988	-	2,917,988
Restricted cash and cash equivalents-non-current	715,605	-	715,605
Cash and cash equivalents	<u>\$ 11,162,457</u>	<u>949,337</u>	<u>12,111,794</u>
Reconciliation of operating income to net cash provided (used) in operating activities:			
Operating income	\$ 4,939,458	187,709	5,127,167
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	883,059	2,422	885,481
Amortization	555,153	-	555,153
Change in assets and liabilities:			
(Increase) Decrease in:			
Accounts Receivable	(338,494)	2,402	(336,092)
Prepaid expenses	221	-	221
Due from other funds	455	-	455
Due from other governments	(92,206)	-	(92,206)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	99,745	(6,470)	93,275
Unearned revenue	34,388	(3,291)	31,097
Due to developer	396,199	-	396,199
Due to other governments	73,224	43	73,267
Net cash provided by operating activities	<u>\$ 6,551,202</u>	<u>182,815</u>	<u>6,734,017</u>

See accompanying notes to basic financial statements.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

Sumter Landing Community Development District (the District) was established in 2002 to manage and finance basic services for a development district located in The Villages, Florida. The District was created by Sumter County Commission Ordinance No. 02-06 pursuant to the provisions of Chapter 190.005 of the Florida Statutes and operates within the criteria established by Chapter 190. The District is governed by a five-member Board of Supervisors, who are elected on a rotating basis by the landowners within the District for terms from two to four years. As of September 30, 2015, each member of the Board of Supervisors is an employee of or affiliated with the Developer.

The District provides recreation and security services to the residents of a retirement community known as The Villages, located in The Villages, Florida. The Villages consists of approximately 22,601 acres spanning the borders of Lake, Sumter and Marion Counties, the City of Wildwood, the City of Fruitland Park and the Town of Lady Lake, Florida, and when fully developed is expected to include approximately 58,789 residences and 111,699 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. The Villages continues to be developed by the developer, a family-owned business, established for the single purpose of developing The Villages.

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

The Developer has formed the following community development districts:

- Village Center CDD (Lake, Marion and Sumter Counties) – This CDD provides water and sewer utility services, recreation services, 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.

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

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

- Village CDD No. 2 (Sumter County) – This CDD’s boundary consists of approximately 990 acres in the northeast corner of the county. The development included construction of 3,668 residential units.
- Village CDD No. 3 (Sumter County) – This CDD’s boundary consists of approximately 894 acres in the northeast corner of the county. The development included construction of 3,762 residential units.
- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,186 acres in the southern portion of the county. The development included construction of 5,132 residential units.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,407 acres in the northeast corner of the county. The development included construction of 6,399 residential units.
- Village CDD No. 6 (Sumter County) – This CDD’s boundary consists of approximately 1,497 acres in the northeast corner of the county. Planned development included construction of 6,697 residential units of which 1 remains unsold as of September 30, 2015.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. The development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development included 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 included construction of 5,376 residential units.
- 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 4,503 homes closed as of September 30, 2015.
- Village CDD No. 11 (Lake County) – This CDD’s boundary consists of approximately 693 acres within the city limits of Fruitland Park in the western portion of Lake County. Planned development includes construction of 2,055 residential units. Construction is now underway with 99 homes closed as of September 30, 2015.

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

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

development districts and/or community development districts that will be created in the future, for which special assessments may be imposed on residences in The Villages and lands owned by the Developer.

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

- North Sumter County Utility Dependent District (NSCUDD) (Sumter and Marion Counties) – The dependent district was established in July 2010 to manage and finance basic potable water, wastewater treatment and reclaimed water services for approximately 7,721 acres of land located in unincorporated Sumter County in The Villages, Florida. The District was created on July 13, 2010, by Sumter County, Florida, in Ordinance No. 2010-10, pursuant to the provisions of Chapter 189 of the Florida Statutes, and operates within the criteria established by Chapter 189. The service area of NSCUDD was expanded to include solid waste collection services for the entire Sumter County portion of The Villages. The City of Wildwood and Marion County entered into interlocal agreements with the District on November 20, 2012, authorizing the District to provide solid waste collection services in portions of their jurisdictions, including Brownwood District and District No. 4. The City of Fruitland Park entered into an interlocal agreement with the District on June 12, 2014, authorizing the District to provide solid waste collection services in the portion of their jurisdiction that lies within The Villages.

The financial statements of the District have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

#### (b) Basic Financial Statements

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

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

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

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

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

##### *Government-wide and Fund Financial Statements (continued)*

Landing and the Project Wide Special Revenue Funds meet this definition as governmental funds and are designated as major funds. The Sumter Landing Amenities Division (SLAD) and Fitness

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

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

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

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

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

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

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

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

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

*Non-spendable:* Resources that cannot be spent, such as for inventories.

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

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

*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:

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

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

#### **Project Wide Special Revenue Fund**

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

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

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

the fund balance of the Village Center District Fitness Enterprise Fund were transferred to Sumter Landing Community Development District to establish the Sumter Landing Fitness Enterprise Fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for amenity services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### **Sumter Landing Amenities Division (SLAD) Fund**

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

#### **Sumter Landing Fitness Enterprise Fund**

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

#### (d) *Budgetary Data*

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

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

#### (e) *Deposits and Investments*

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

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

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

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

In May 2008, the District transferred amounts approximately equal to its long-term reserved fund balances (less debt service reserves maintained with the bond trustee) into the Florida Municipal Investment Trust (FMIVT) operated by the Florida League of Cities. The investment was placed into the FMIVT's 1-3 Year High Quality Bond Fund. Half of the balances in the FMIVT Fund were transferred to the Florida Local Government Investment Trust (FLGIT) fund beginning in September 2010. The FLGIT fund, sponsored by the Florida Association of Counties and Florida Court Clerks and Comptrollers, has an investment portfolio similar in duration to the FMIVT 1-3 Year High Quality Bond Fund. This change was done to improve liquidity, enhance diversification, and slightly improve yield. The investment in the FLGIT and FMIVT pools is evidenced by shares which are marked to market monthly.

During the Board meetings in August and September of 2014, the District Board adopted a Long-Term Investment Policy. The initial funds were subsequently transferred from the Short-Term Portfolio to the Long-Term Investment Portfolio (LTIP) on October 3, 2014. The funds transferred for the District totaled \$3,606,066. The main investment objective of the LTIP is to achieve long-term growth of LTIP assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the District's obligations with an investment horizon of 5-10 years. Investments in the portfolio include fixed income and equity mutual funds, and money market funds. The new policy was developed in accordance with Section 218.415, Florida Statutes. Investments are reported at fair value.

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

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

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

#### (g) *Capital Assets*

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

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

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

**(g) Capital Assets (continued)**

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

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

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

**(h) Assessments**

***Maintenance Assessments***

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

***Billing / Collection of Assessments***

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

**(i) Intangible Assets**

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

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities statement of net position. Bond premiums and discounts and bond insurance, are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

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

*(k) Use of Estimates*

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

**(2) Deposits and Investments**

**Short-Term Portfolio**

As of September 30, 2015, the District had the following deposits and investments:

<u>Deposits and Investment Type</u>	<u>Fair Value at September 30, 2015</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Cash on Hand	\$ 3,955	-	n/a
Demand Deposits, CFB	708,541	1.0	n/a
State Board of Administration, Florida Prime <sup>TM</sup>	9,678,355	29.0	AAAm
U.S. Bank Money Market Mutual Funds, Federated	3,633,593	27.0	AAAm
Florida Local Government Investment Trust	6,788,999	518.3	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	6,774,209	489.1	AAA/V2
Total Fair Value	<u>\$ 27,587,652</u>		
Portfolio Weighted Average Maturity (WAM)		261.4	

**Interest Rate Risk.** Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, Weighted Average Maturity (WAM), duration, and simulation model. The District has used the WAM method in the above chart. In accordance with the District's investment policy, the government manages its exposure to decline in fair values by limiting the WAM of its investment portfolio to less than three years. The WAM on September 30, 2015, was 261.4 days.

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

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

#### Short-Term Portfolio (continued)

##### *Credit Risk (continued)*

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

- The State Board of Administration for participation in the Local Government Investment Pool (Florida Prime™) created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in Florida Prime™, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value which is amortized cost. The District recognized \$20,740 in earnings from Florida Prime™ during the 2014-2015 Fiscal Year.
- Trust balances related to restricted debt service accounts are maintained with U.S. Bank and are invested in Federated Prime Cash Obligations Fund since August 1, 2010.
- The District has investments consisting of funds placed with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIVT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term 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. In the year ended September 30, 2015, the FMIVT had incurred unrealized gains of \$48,357. The unrealized gain will not be realized until the sale of underlying shares in the FMIVT pool.
- The District initiated investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Court Clerks and Comptrollers, on September 2, 2010. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term investment policy. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2015, the FLGIT account had achieved unrealized gains of \$59,380 in the current year. The unrealized gains would only be realized if the underlying shares in the FLGIT pool are sold.
- In total, the District recognized investment earnings of \$129,915 for the short-term portfolio during the Fiscal Year.

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

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector;
- Limiting investments in securities with higher credit risks;
- Investment in securities with varying maturities; and

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

#### Short-Term Portfolio (continued)

##### *Concentration of Credit Risk (continued)*

- Continuously investing a portion of the portfolio in readily available funds, such as the Florida Prime<sup>TM</sup>, 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 as provided by the Federal Deposit Insurance Corporation (FDIC), the District's deposits are provided the 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.

##### ***Short-Term Investment Policy***

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

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

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

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

**Long-Term Portfolio**

In August of 2014, the District adopted a Long-Term Investment Policy (LTIP). Implementation of the LTIP occurred in October of 2015. Investments in fixed income and equity mutual funds, and money market funds, as authorized in the LTIP, are reported at fair value as of September 30, 2015, as follows:

<u>Long Term Investment Portfolio</u>	<u>Fair Value at September 30, 2015</u>	<u>Average Maturity (years)</u>	<u>Credit Rating</u>
Domestic Equity			
Vanguard Total Stock Market Index	\$ 1,197,173	N/A	N/A
Vanguard Dividend Growth	209,116	N/A	N/A
International Equity			
Vanguard Developed Markets Index	618,037	N/A	N/A
Oppenheimer International Small Company	152,698	N/A	N/A
Fixed Income			
Metropolitan West Total Return	404,745	7.84	AA
Baird Core Plus	403,917	6.98	A
Vanguard Intermediate-Term Investment Grade	376,037	6.40	A
AllianceBernstein High Income	732	7.60	BB
Federated Ultra-Short Bond	131,464	0.80	AA
Inflation Hedge			
Vanguard Inflation Protected Fund	127,517	8.60	AAA
Cash Equivalent			
First American Government Obligation	8,328	N/A	N/A
Total Fair Value	<u>\$ 3,629,764</u>		

The District's LTIP allocations seek to have up to 60% in equities with the remainder in fixed income and/or cash and cash equivalents. The District contracts with qualified investment managers to whom authority is delegated to invest and reinvest assets in accordance with the LTIP. The District's LTIP does not place specific limits on maturities. During the current Fiscal Year, the Long-Term Investment Portfolio had an unrealized gain of \$23,698. The realization of the gain will only occur from the future sale of underlying shares in the portfolio.

**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. The District's LTIP addresses managing its exposure for changes in interest rate through maintaining diversification of its investments to minimize the impact of downturns in the market.

**Credit Risk.** GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, fixed income mutual funds, money market funds, and other

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

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

**Long-Term Portfolio (continued)**

*Credit Risk (continued)*

pooled investments of fixed income securities. The District’s LTIP stipulates that the average credit rating of the overall fixed income portfolio should be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization (NRSRO), such as Fitch, Moody’s, Standard and Poor’s (S&P), etc.

**Concentration of Credit Risk.** The District’s LTIP requires the diversification of its portfolio. The LTIP contains an Asset Allocation Target with the objective of achieving an average total rate of return that is equal to or greater than the portfolio’s target rate of return over the long-term. The Asset Allocation Targets are as follows:

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
<b>Growth Assets</b>		
Domestic Equity	20% - 60%	40%
International Equity	0% - 40%	20%
Other	0% - 20%	0%
<b>Income Assets</b>		
Fixed Income	20% - 60%	40%
Other	0% - 20%	0%
<b>Real Return Assets</b>	0% - 20%	0%
<b>Cash Equivalents</b>	0% - 20%	0%

**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.

**Long-Term Investment Policy**

The District is authorized to invest in those financial instruments as established by the LTIP of the District. The LTIP was developed in accordance with Section 218.415, Florida Statutes, and prohibits direct investment in derivative-type investments. The authorized investments consist of:

- Domestic and International Equities
- Fixed Income Securities
- Other Assets (Alternatives)
  - Real Estate Investment Trust (REIT)

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

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

**Long-Term Portfolio (continued)**

***Long-Term Investment Policy (continued)***

- Treasury Inflation Protected Securities (TIPS)
- Cash Equivalents

The objectives of the LTIP are to diversify investments in order to minimize the impact of large losses from individual investments; provide funding for anticipated withdrawals; enhance the value of the portfolio in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile; minimize principal fluctuations over the time horizon (five years or longer); and achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the performance expectation (an average total annual rate of return that is equal to or greater than the Portfolio's hurdle rate of 5%).

The time horizon for the LTIP is five years or longer.

***Foreign Currency Risk.*** The District's LTIP does not allow for direct investments in foreign currency.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

**(3) Capital Assets**

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Beginning balance</u>	<u>Increases Transfers</u>	<u>Transfers/ Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 3,708,882	-	(1,003)	3,707,879
Construction in progress	66,789	457,079	(355,833)	168,035
Total assets not being depreciated	<u>3,775,671</u>	<u>457,079</u>	<u>(356,836)</u>	<u>3,875,914</u>
Assets being depreciated:				
Buildings and structures	225,863	30,817	-	256,680
Infrastructure	42,697,477	325,793	-	43,023,270
Furniture & equipment	302,727	-	-	302,727
Total assets being depreciated	<u>43,226,067</u>	<u>356,610</u>	<u>-</u>	<u>43,582,677</u>
Less accumulated depreciation for:				
Buildings and structures	(54,448)	(7,584)	-	(62,032)
Infrastructure	(10,359,217)	(1,109,432)	-	(11,468,649)
Furniture & equipment	(78,977)	(17,975)	-	(96,952)
Total accumulated depreciation	<u>(10,492,642)</u>	<u>(1,134,991)</u>	<u>-</u>	<u>(11,627,633)</u>
Government activities capital assets, net	<u>36,509,096</u>	<u>(321,302)</u>	<u>(356,836)</u>	<u>35,830,958</u>
Business-type activities:				
Assets not being depreciated				
Land	7,812,278	-	-	7,812,278
Construction in progress	4,218	52,043	(4,218)	52,043
Total assets not being depreciated	<u>7,816,496</u>	<u>52,043</u>	<u>(4,218)</u>	<u>7,864,321</u>
Assets being depreciated:				
Buildings and structures	30,508,339	-	-	30,508,339
Infrastructure	3,046,506	20,800	-	3,067,306
Furniture & equipment	362,883	10,258	(18,529)	354,612
Total assets being depreciated	<u>33,917,728</u>	<u>31,058</u>	<u>(18,529)</u>	<u>33,930,257</u>
Less accumulated depreciation for:				
Buildings and structures	(6,751,574)	(776,723)	-	(7,528,297)
Infrastructure	(731,854)	(103,835)	-	(835,689)
Furniture & equipment	(349,876)	(4,923)	18,529	(336,270)
Total accumulated depreciation	<u>(7,833,304)</u>	<u>(885,481)</u>	<u>18,529</u>	<u>(8,700,256)</u>
Business activities capital assets, net	<u>33,900,920</u>	<u>(802,380)</u>	<u>(4,218)</u>	<u>33,094,322</u>
Total Sumter Landing CDD capital assets, net	\$ <u>70,410,016</u>	<u>(1,123,682)</u>	<u>(361,054)</u>	<u>68,925,280</u>

Governmental activities depreciation of \$1,134,991 is for roads, drainage features and related infrastructure in Lake Sumter Landing. Business activities depreciation of \$885,481 is for recreational facilities operated by the Sumter Landing Amenities Division (SLAD) fund.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

**(4) Intangible Assets**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business activities, SLAD fund:				
Discounted value of amenity fees	\$ 19,932,352	-	-	19,932,352
Less accumulated amortization	<u>(4,484,780)</u>	<u>(498,309)</u>	-	<u>(4,983,089)</u>
Intangible assets, net	\$ <u>15,447,572</u>	<u>(498,309)</u>	-	<u>14,949,263</u>

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

**(5) Long-term Debt**

***Revenue Bonds Payable***

Revenue bonds payable consisted of the following:

\$53,085,000 Recreational Revenue Refunding Bonds, Series 2005A due in annual principal installments ranging from \$1,050,000 to \$3,100,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 4.625% to 5.125%.	\$ 45,715,000
\$11,915,000 Recreational Revenue Refunding Bonds, Series 2005B due in annual principal installments ranging from \$215,000 to \$775,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. The interest rate is 5.70%.	\$ <u>10,520,000</u>
Total revenue bonds payable	56,235,000
Plus unamortized bond premiums	503,811
Less unamortized bond discounts	(337,261)
Less current installment of revenue bonds payable	<u>(1,265,000)</u>
Revenue bonds payable less current installments	\$ <u><u>55,136,550</u></u>

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

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

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

***Revenue Bonds Payable (continued)***

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2015, are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:				
	2016	\$ 1,265,000	2,777,625	4,042,625
	2017	1,330,000	2,711,210	4,041,210
	2018	1,400,000	2,641,333	4,041,333
	2019	1,470,000	2,567,850	4,037,850
	2020	1,545,000	2,490,638	4,035,638
	2021-2025	8,985,000	11,178,400	20,163,400
	2026-2030	11,400,000	8,697,063	20,097,063
	2031-2035	14,455,000	5,567,591	20,022,591
	2036-2039	14,385,000	1,549,616	15,934,616
Total		<u>\$ 56,235,000</u>	<u>40,181,324</u>	<u>96,416,324</u>

***Changes in Long-term Debt***

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
Bonds payable	\$ 57,440,000	-	(1,205,000)	56,235,000	1,265,000
Plus unamortized bond premiums	525,716	-	(21,905)	503,811	-
Less unamortized bond discounts	(351,925)	-	14,664	(337,261)	-
Total bonds payable	<u>57,613,791</u>	<u>-</u>	<u>(1,212,241)</u>	<u>56,401,550</u>	<u>1,265,000</u>
Due to developer-SLAD	<u>536,250</u>	<u>-</u>	<u>(10,261)</u>	<u>525,989</u>	<u>-</u>
Total other long-term debt	<u>536,250</u>	<u>-</u>	<u>(10,261)</u>	<u>525,989</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 58,150,041</u>	<u>-</u>	<u>(1,222,502)</u>	<u>56,927,539</u>	<u>1,265,000</u>

***Pledged Revenues***

The District has pledged certain amenity fee revenue to pay the principal and interest on Recreational Revenue Bonds issued to pay for the purchase of recreational facilities from the Developer. These Recreational Revenue Bonds were outstanding on September 30, 2015, as shown below. The table reports the revenues pledged for each debt issue, the amounts of revenue received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

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

*Pledged Revenues (continued)*

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, 2015.

<u>Description of Debt</u>	<u>Pledged Revenue</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percent Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
Recreational Revenue Bonds, Series 2005A and 2005B	Amenities Fee Revenue \$	11,643,693 \$	4,007,763	34.42%	\$ 96,416,324	2039

*Due to Developer-Recreational Amenities*

The subordinate debt service reserve requirement was funded by the Recreational Revenue Bond proceeds. Therefore, this amount was not available for payment to the Developer for recreation and security facilities assets already acquired. This amount becomes available for payment to the Developer when the reserve requirement is reduced as principal payments are made on the debt. The balance in this reserve as of September 30, 2015, was \$525,989, and is classified as due to the Developer.

**(6) Related Parties**

The District entered into interlocal agreements with Village Center Community Development District (VCCDD) to obtain certain management, payroll, finance, office rental and administrative services. Under the agreement, fees paid to VCCDD by the Sumter Landing District for the year ended September 30, 2015, amounted to \$5,755,091. Village Community Development District Nos. 5, 6, 7, 8, 9, 10 and Brownwood paid amounts to the Project Wide Fund for maintenance of common use right-of-way. The amounts of these payments were \$1,653,168, \$1,834,994, \$1,169,203, \$1,312,696, \$1,469,260, \$1,736,468 and \$189,042, respectively. Upon action by their respective Boards of Supervisors, District Nos. 5, 6, 7, 8, 9, 10 and Brownwood may request additional services as they deem necessary for the efficient and effective management of their respective districts. Such additional services are billed to the benefiting district at the District's cost. In Fiscal Year 2014-2015, the District purchased trash collection services from North Sumter County Dependent District (NSCUDD) for \$16,590.

The Village Center Community Development District (VCCDD) pays the Villages Technology Services Group (TSG) each month for information system support, including software, hardware, computer programming and internal mail room operations. TSG was owned by the Developer until March 2012. These costs are passed on from the VCCDD to the Sumter Landing Community Development District on a proportional basis and for the year ended September 30, 2015, were \$605,542.

The District operates new recreation facilities as they are opened by the Developer. The Developer reimburses all start-up costs and all operating costs until the facility is transferred through an amenity sale. These costs as of September 30, 2015, were \$1,387,722, which were paid to the District by the Developer.

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

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2015

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

On December 1, 2005, the District issued \$53,085,000, Series 2005A Recreational Revenue Bonds and \$11,915,000, 2005B Subordinate Recreational Revenue Bonds. The proceeds were used to (i) pay a portion of the cost of acquiring certain recreation and golf facilities from the Developer; (ii) purchase a Reserve Account Insurance Policy issued by MBIA Insurance Corporation to be deposited to the credit of the 2005 Sub-account of the Reserve Account; (iii) make deposits to the Renewal and Replacement Fund and the 2005 Working Capital Fund; and (iv) pay the cost of issuing the Series 2005A Bonds. The District paid \$7,810,100 for land costs, \$33,302,209 for buildings and structures, and \$19,336,602 in discounted value of amenities contracts (intangible assets). Additional intangible assets of \$593,500 were recorded with the offset as a due to the developer. These funds will be paid to the Developer as the subordinated debt service reserve is reduced. The balance owed as of September 30, 2015, was \$525,989, which will be liquidated with the refunding of the 2005A and 2005B bonds on October 13, 2015, subsequent to the financial statement date.

The Board of Supervisors for SLCDD as of September 30, 2015, is made up of five members that are either employees or affiliates of the Developer.

**(7) Commitments and Contingencies**

*Operating Leases*

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

Year ending September 30,	Equipment Leases
2016	\$ 7,668
2017	7,668
2018	7,312
2019	3,630
2020	<u>990</u>
Total	<u>\$ 27,268</u>

**(8) Risk Management**

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

## SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

In July 2009, the Internal Revenue Service (IRS) extended an ongoing audit of the Village Center Community Development District's (VCCDD) tax-exempt bonds to the Sumter Landing Community Development District's (SLCDD) Recreational Revenue Bonds, Series 2005A and Subordinate Recreational Revenue Bonds, Series 2005B. The IRS examination also applied to the SLCDD's Special Assessment Revenue Bonds, Series 2003, although those bonds had been previously paid in full. There are certain similarities between the structure of the VCCDD recreational bond issues that were already being audited and the SLCDD's recreational bonds. The SLCDD is a separate legal entity from the VCCDD.

The IRS had 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 Chief Counsel has since agreed that the opinion would not be applied retroactively, and accordingly the qualification of VCCDD as a political subdivision is no longer an issue. The IRS's examination of the VCCDD's tax-exempt bonds is ongoing.

On January 9, 2015, the VCCDD received a December 17, 2014, letter from the IRS Revenue Agent assigned to the audit, providing an additional Notice of Proposed Issue. This additional notice documented the IRS's position that the Recreation Amenity Bonds were taxable private activity bonds. The District's utility revenue bonds were not addressed in this Notice of Proposed Issue. The VCCDD responded to the notice on March 2, 2015, arguing that the Recreational Amenity Bonds are not private activity bonds. There have been no further written communications on that matter since that date.

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 refunded by the VCCDD by January 2, 2015.

Although the IRS may make similar allegations with respect to the SLCDD's bonds as have been made with respect to the VCCDD's tax-exempt bonds, the IRS has not currently made any formal claims that the interest payable with respect to the SLCDD's bonds is not excluded from federal gross income for federal income tax purposes. However, all of the SLCDD bonds under examination by the IRS were refunded by the SLCDD by October 13, 2015.

### **(10) Subsequent Event**

On October 13, 2015, Sumter Landing Community Development District issued the Taxable Recreational Revenue Refunding Bonds, Series 2015 and refinanced all of the current Recreational Revenue Bond issues. The 2015 bonds were issued in the amount of \$55,450,000 and carry interest rates ranging from 1.168% to 5.050%. The bonds have a final maturity date of October 1, 2038. The all-in total interest cost and the net present value of the savings for the 2015 issue was 4.6100001% and \$1,862,028.36.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Sumter Landing Community Development District (the District) as of and for the year ended September 30, 2015, 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 29, 2016.

**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**

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309  
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Board of Supervisors  
Sumter Landing Community Development District  
The Villages, Florida

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Durvis, Gray and Company, LLP*

January 29, 2016  
Ocala, Florida

## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of Sumter Landing Community Development District (the District) as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated January 29, 2016.

### 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 on 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 29, 2016, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 of the District's September 30, 2015 basic financial statements, for this information).

### Financial Condition

Sections 10.554(1)(i)5.a. and 10.556 (7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(s) met. In connection with our audit, we determined that the District did not meet any conditions described in Section 218.503(1), Florida Statutes.

### Certified Public Accountants

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

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition (Concluded)**

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Annual Financial Report**

Sections 10.554(1)(i)5.b., and 110.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2015, 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, 2015. 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 financial management. In connection with our audit, we did not have any such recommendations.

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

**Purpose of this Letter**

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

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



January 29, 2016  
Ocala, Florida

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have examined the Sumter Landing Community Development District's (the District) compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the year ended September 30, 2015. 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, 2015.

*Purvis, Gray and Company, LLP*

January 29, 2016  
Ocala, Florida

**Certified Public Accountants**

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505  
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January 29, 2016

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

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for Fiscal Year 2014 – 2015 for the Sumter Landing Community Development District. We are proud to report that this audit has an unmodified opinion.

There are no internal control deficiencies, material weaknesses, or compliance issues identified and reported. No prior year comments were identified, as all have been corrected in previous years, and no new comments have been identified in the current audit report.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Sarah C. Koser".

Sarah C. Koser, CPA, CGFO, CPFO  
Interim Finance Director

A handwritten signature in blue ink that reads "Janet Y. Tutt".  
Janet Y. Tutt  
District Manager