



VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2015

(With Independent Auditors' Report Thereon)

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund and Public Safety Special Revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.



January 29 2016
Ocala, Florida

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2015

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

Financial Highlights

- Net position increased over the previous year by \$11,470,302 to \$90,169,529. The governmental activities recognized an increase in net position of \$3,287,402. The business-type activities recognized an increase in net position of \$8,182,900. The business-type activities increase includes the expensing of the unamortized bond insurance due to the refunding of the water and sewer utility bonds. The total amount of that special item is an expense of \$995,633. Of the total net position, in the governmental activities there is \$12,122,530 which is unrestricted and \$54,065,765 which is unrestricted in the business-type activities.
- Three of the District's proprietary funds (business activities) realized an increase in net position. The RAD Fund increased by \$6,173,912; VCSA Water and Sewer Fund increased by \$2,055,749; and the Fitness Fund increased by \$11,167. The LSSA Water and Sewer Fund realized a decrease in net position of \$57,928.
- In the governmental fund statements, the General Fund saw an increase of \$1,383,033, the Public Safety Fund saw an increase of \$1,694,445 and the non-major funds saw an increase of \$407,366 in fund balances. At the close of the Fiscal Year, the District's governmental funds reported a fund balance of \$12,617,889, a net increase of \$3,484,844.
- Both the Village Center Service Area (VCSA) and the Little Sumter Service Area (LSSA) water and sewer utility funds included 2.5 percent rate increases for all billing periods beginning October 1, 2014, and thereafter. These annual rate adjustments contributed to the financial performance of both utility funds.
- The District's total long-term debt decreased by a net of \$6,418,490 during the current Fiscal Year. In the governmental activities, the loan payable and capital lease were paid in full. Compensated absences liability had a net increase of \$93,892. At the end of the year, government activities had \$495,359 in outstanding long-term liabilities, while business activities had \$257,045,000 in outstanding long-term debt. The non-taxable VCSA and LSSA bonds were refunded on October 1, 2014, with taxable bond issues of \$14,320,000 and \$70,300,000, respectively. Debt service reserves and the proceeds of the new bond issue were used to defease the outstanding issues. Total long-term debt outstanding on September 30, 2015, was \$257,540,359.

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 Village Center Community Development District is improving or deteriorating.

The **Statement of Activities** presents information showing how the government's net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2015

to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected assessments).

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

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

The Fund Financial Statements, which report by individual fund, begin on page 12. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village Center Community Development District (VCCDD), like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There is a General Fund and five Special Revenue Funds that provide general government services, public safety services, deed compliance services and environmental and property maintenance services for the Village of Spanish Springs, Rolling Acres and Road Maintenance in commercial areas of the District. Four of the Special Revenue Funds are funded at least in part through special assessments paid by benefiting property owners. The Public Safety Special Revenue Fund also receives revenue from a variety of other sources, with the bulk of its budget funded by transfers from other units of local government. The Community Standards Fund receives payments from District Nos. 1-9 and the VCCDD RAD Fund to provide deed compliance services, along with fines that may be levied. The General Fund is funded through a large number of sources, but receives its largest share of revenue from administrative and other fees charged to benefiting governments.

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$90.170 million as of September 30, 2015, representing an increase of \$11.471 million from the net position of \$78.699 million as of September 30, 2014. The increase in net position for September 30, 2015, is due mainly to increased charges for services revenues. While there were increases in most categories of expenditures, there was a decrease in interest expense. The most significant difference was in the special item for expired bond insurance from debt refunding. In the prior year, when the

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Management's Discussion and Analysis

(UNAUDITED)

September 30, 2015

RAD bonds were refunded, the remaining insurance that was expensed amounted to \$3.884 million while the insurance in the 2014-2015 fiscal year for the LSSA and VCSA refunding amounted to \$0.996 million.

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

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

Restricted for debt service. A total of \$14.343 million of the District's net position (15.9%) represents resources that are subject to external restrictions on how they may be used. This portion of the District's restricted net position is for purposes of meeting its debt service obligations.

Restricted for renewal and replacement. A total of \$1.543 million of the District's net position (1.7%) is restricted by the bond indenture for use in the renewal and replacement of the capital assets as they wear out, in the RAD and two utility proprietary funds.

Restricted for system development. A total of \$0.196 million of the District's net position (0.2%) is restricted for system development.

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

Governmental Activities

Governmental activities increased the District's net position by \$3.287 million during the year ended September 30, 2015. Most of this increase occurred in the General Fund and Public Safety Fund.

Business-type Activities

Business-type activities increased the District's net position by \$8.183 million during the year ended September 30, 2015. Most of this increase occurred in the RAD and VCSA Funds.

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

Table 1

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 14,709,821	11,023,300	79,872,012	71,071,735	94,581,833	82,095,035
Capital assets, (net of accumulated depreciation)	12,729,122	12,878,726	114,441,475	112,606,772	127,170,597	125,485,498
Bond insurance costs (net of accumulated amortization)	-	-	-	995,633	-	995,633
Intangible assets, (net of accumulated amortization)	-	-	136,034,638	141,389,352	136,034,638	141,389,352
Total Assets	<u>27,438,943</u>	<u>23,902,026</u>	<u>330,348,125</u>	<u>326,063,492</u>	<u>357,787,068</u>	<u>349,965,518</u>
Deferred outflow of resources:						
Deferred amount on debt refunding	-	-	1,128,353	1,198,875	1,128,353	1,198,875
Total assets and deferred outflows	<u>27,438,943</u>	<u>23,902,026</u>	<u>331,476,478</u>	<u>327,262,367</u>	<u>358,915,421</u>	<u>351,164,393</u>
Liabilities:						
Current liabilities	2,091,932	1,890,255	8,705,455	6,616,062	10,797,387	8,506,317
Long-term debt						
Due within one year	9,907	444,929	12,005,000	3,085,000	12,014,907	3,529,929
Due in more than a year	485,452	2,592	245,040,000	260,426,328	245,525,452	260,428,920
Total Liabilities	<u>2,587,291</u>	<u>2,337,776</u>	<u>265,750,455</u>	<u>270,127,390</u>	<u>268,337,746</u>	<u>272,465,166</u>
Deferred inflow of resources:						
Deferred amount on debt refunding	-	-	408,146	-	408,146	-
Total liabilities and deferred inflows	<u>2,587,291</u>	<u>2,337,776</u>	<u>266,158,601</u>	<u>270,127,390</u>	<u>268,745,892</u>	<u>272,465,166</u>
Net position:						
Net investment in capital assets	12,729,122	12,431,205	(4,829,700)	(6,734,936)	7,899,422	5,696,269
Restricted	-	-	16,081,812	5,743,333	16,081,812	5,743,333
Unrestricted	12,122,530	9,133,045	54,065,765	58,126,580	66,188,295	67,259,625
Total net position	<u>\$ 24,851,652</u>	<u>21,564,250</u>	<u>65,317,877</u>	<u>57,134,977</u>	<u>90,169,529</u>	<u>78,699,227</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2015

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

Table 2

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 34,794,946	31,624,825	56,862,256	56,122,797	91,657,202	87,747,622
Operating contributions	29,472	36,816	-	-	29,472	36,816
Capital grants and contributions	71,255	73,796	-	-	71,255	73,796
Gain on sale of fixed assets	-	22,081	-	-	-	22,081
General revenues:						
Investment earnings	41,399	24,425	983,284	990,805	1,024,683	1,015,230
Contributions and donations from private sources	-	-	400	8,402	400	8,402
Total revenues	34,937,072	31,781,943	57,845,940	57,122,004	92,783,012	88,903,947
Expenses:						
General government	6,589,585	6,994,742	17,330,782	15,899,202	23,920,367	22,893,944
Public safety	13,497,470	12,499,133	-	-	13,497,470	12,499,133
Physical environment	3,069,095	2,939,682	3,107,199	2,997,103	6,176,294	5,936,785
Recreation	7,550,199	6,636,313	6,775,628	6,540,495	14,325,827	13,176,808
Interest on long-term debt	167	3,454	10,646,171	15,298,652	10,646,338	15,302,106
Depreciation (unallocated)	931,517	889,117	5,282,314	4,774,841	6,213,831	5,663,958
Amortization expense	-	-	5,402,054	5,416,897	5,402,054	5,416,897
Loss on disposal of capital assets	11,637	-	155,238	251,886	166,875	251,886
Contribution to other governments	-	-	-	-	-	-
Total expenses	31,649,670	29,962,441	48,699,386	51,179,076	80,349,056	81,141,517
Special item:						
Capital contributions - impact fees	-	-	31,979	185,197	31,979	185,197
Expired bond insurance from debt refunding	-	-	(995,633)	(3,883,994)	(995,633)	(3,883,994)
Changes in net position	3,287,402	1,819,502	8,182,900	2,244,131	11,470,302	4,063,633
Total net position, beginning	21,564,250	19,744,748	57,134,977	54,890,846	78,699,227	74,635,594
Total net position, ending	\$ 24,851,652	21,564,250	65,317,877	57,134,977	90,169,529	78,699,227

Capital Assets

The District's capital assets as of September 30, 2015, and September 30, 2014, amounted to \$127,170,597 and \$125,485,498, respectively. This is net of accumulated depreciation and includes buildings and structures, improvements other than buildings, and machinery and equipment.

Additional information regarding the District's capital assets can be found in Note 4 to the Notes to Basic Financial Statements.

Long-term Debt

As of September 30, 2015, and September 30, 2014, the District had outstanding long-term debt, including the liability for compensated absences, of \$257,540,359 and \$263,958,849, respectively. A total of \$12,104,072 of the long-term debt is due within one year.

Additional information regarding the District's long-term debt can be found in Note 7 to the Notes to the Basic Financial Statements.

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Management's Discussion and Analysis
(UNAUDITED)
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Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Lake, Sumter and Marion 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.

These factors were considered in preparing the District's budget for the 2015-2016 Fiscal Year. Total annual projected revenues for all funds increased to \$93.815 million from \$90.650 million in the Fiscal Year 2014-2015 final amended budget. The expenditure budget decreased to \$94.894 million for Fiscal Year 2015-2016 from \$97.112 million for all funds in the Fiscal Year 2014-2015 final amended budget, a decrease of \$2.218 million. There were no major organizational changes between Fiscal Years 2014-2015 and 2015-2016 budgets.

Requests for Information

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Position September 30, 2015

Assets	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 10,125,401	25,284,295	\$ 35,409,696
Accounts receivable	947,396	4,674,007	5,621,403
Investments	3,331,508	38,973,631	42,305,139
Investment in annuity	-	10,991,140	10,991,140
Due from other governments	200,794	49,911	250,705
Internal balances (net)	100,972	(100,972)	-
Prepaid items	3,750	-	3,750
Capital assets:			
Non depreciable assets	1,559,530	12,140,652	13,700,182
Depreciable assets (net of accumulated depreciation)	11,169,592	102,300,823	113,470,415
Intangible assets (net of accumulated attribution)	-	136,034,638	136,034,638
Total assets	27,438,943	330,348,125	357,787,068
Deferred outflow of resources			
Deferred amount on debt refunding	-	1,128,353	1,128,353
Liabilities			
Accounts payable	560,659	1,523,142	2,083,801
Accrued expenses	1,070,159	48,154	1,118,313
Accrued interest payable	-	4,718,305	4,718,305
Due to other governments	461,114	679,679	1,140,793
Unearned revenue	-	1,736,175	1,736,175
Total current liabilities	2,091,932	8,705,455	10,797,387
Long-term debt:			
Due within one year	99,072	12,005,000	12,104,072
Due in more than one year	396,287	245,040,000	245,436,287
Total long-term debt	495,359	257,045,000	257,540,359
Total liabilities	2,587,291	265,750,455	268,337,746
Deferred inflow of resources			
Deferred amount on debt refunding	-	408,146	408,146
Net position			
Net investment in capital assets	12,729,122	(4,829,700)	7,899,422
Restricted for:			
Debt service	-	14,342,623	14,342,623
Renewal and replacement	-	1,543,433	1,543,433
System development	-	195,756	195,756
Unrestricted	12,122,530	54,065,765	66,188,295
Total net position	\$ 24,851,652	65,317,877	\$ 90,169,529

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities

September 30, 2015

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 6,589,585	23,995,535	-	70,080	17,476,030	-	17,476,030
Public safety	13,497,470	10,799,411	29,472	1,175	(2,667,412)	-	(2,667,412)
Physical environment	3,069,095	-	-	-	(3,069,095)	-	(3,069,095)
Recreation	7,550,199	-	-	-	(7,550,199)	-	(7,550,199)
Interest on long-term debt	167	-	-	-	(167)	-	(167)
Depreciation (unallocated)	931,517	-	-	-	(931,517)	-	(931,517)
Total governmental activities	31,638,033	34,794,946	29,472	71,255	3,257,640	-	3,257,640
Business-type activities:							
General government	17,330,782	2,996,466	-	-	-	(14,334,316)	(14,334,316)
Physical environment	3,107,199	16,330,025	-	-	-	13,222,826	13,222,826
Recreation	6,775,628	37,535,765	-	-	-	30,760,137	30,760,137
Interest on long term debt	10,646,171	-	-	-	-	(10,646,171)	(10,646,171)
Depreciation (unallocated)	5,282,314	-	-	-	-	(5,282,314)	(5,282,314)
Attribution expense (intangible)	5,354,714	-	-	-	-	(5,354,714)	(5,354,714)
Attribution expense (deferred cost of refunding)	47,340	-	-	-	-	(47,340)	(47,340)
Total business-type activities	48,544,148	56,862,256	-	-	-	8,318,108	8,318,108
Total primary government	\$ 80,182,181	91,657,202	29,472	71,255	3,257,640	8,318,108	11,575,748
General revenues:							
Investment earnings					\$ 41,399	983,284	1,024,683
Contributions and donations from private sources					-	400	400
Total general revenues					41,399	983,684	1,025,083
Loss on disposal of capital assets					(11,637)	(155,238)	(166,875)
Capital contributions - impact fees					-	31,979	31,979
Special item - expired bond insurance from refunding					-	(995,633)	(995,633)
Change in net position					3,287,402	8,182,900	11,470,302
Net position, beginning					21,564,250	57,134,977	78,699,227
Net position, ending					\$ 24,851,652	65,317,877	90,169,529

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Balance Sheet
Governmental Funds
September 30, 2015

	Major Funds			Total
	General Fund	Department of Public Safety	Non-Major Funds Total	
Assets				
Cash and cash equivalents	\$ 6,093,515	2,870,803	1,161,083	10,125,401
Accounts receivable (net)	14,956	2,594	5,880	23,430
Investments	382,669	2,215,253	733,586	3,331,508
Due from other funds	16,077	89,906	700	106,683
Due from other governments	66,831	1,057,929	-	1,124,760
Prepaid items	3,750	-	-	3,750
Total assets	6,577,798	6,236,485	1,901,249	14,715,532
Liabilities and Fund Balance				
Accounts payable	319,191	173,610	67,858	560,659
Accrued expenses	738,077	317,012	15,070	1,070,159
Due to other funds	223	557	4,931	5,711
Due to other governments	461,114	-	-	461,114
Total liabilities	1,518,605	491,179	87,859	2,097,643
Fund balances:				
Restricted				
Public Safety	-	4,394,629	-	4,394,629
Community Standards-deed covenants	-	-	54,806	54,806
Village of Spanish Springs-common area maintenance	-	-	877,681	877,681
Rolling Acres-common area maintenance	-	-	99,647	99,647
Commercial road maintenance	-	-	151,406	151,406
Community Standards	-	-	195,236	195,236
Committed				
Renewal and replacement	-	1,350,677	434,614	1,785,291
Unassigned	5,059,193	-	-	5,059,193
Total fund balance	5,059,193	5,745,306	1,813,390	12,617,889
Total liabilities and fund balance	\$ 6,577,798	6,236,485	1,901,249	14,715,532

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
 September 30, 2015

Fund balance – governmental funds	\$	12,617,889
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund:		
Capital assets	\$	17,631,058
Less accumulated depreciation		<u>(4,901,936)</u>
		12,729,122
Long-term liabilities are not due and payable in the current period and therefore are not reported in the general fund:		
Compensated absences		(495,359)
Net position of governmental activities	\$	<u>24,851,652</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

Year Ended September 30, 2015

	Major Funds			Total
	General Fund	Department of Public Safety	Non-Major Funds	
Revenues:				
Administration and maintenance fees	\$ 17,013,909	-	-	17,013,909
Amenities revenue	-	2,633,909	-	2,633,909
Intergovernmental fire assessments	-	4,462,534	-	4,462,534
Intergovernmental shared revenue	-	3,557,625	-	3,557,625
State revenue sharing-firefighters' supplemental	-	29,472	-	29,472
Management fees	-	115,804	-	115,804
Assessments, Village of Spanish Springs	-	-	1,296,899	1,296,899
Assessments, Rolling Acres	-	-	107,669	107,669
Assessments, Commercial Road Maintenance	-	-	33,437	33,437
Assessments, Community Standards	-	-	595,469	595,469
Fees for services provided to developer	4,723,802	-	89,546	4,813,348
Miscellaneous revenues	51,081	29,539	83,723	164,343
Investment earnings	11,709	22,316	7,374	41,399
Contributions and donations from private sources	70,080	1,175	-	71,255
Sale of surplus material and scrap	6,910	68	-	6,978
Total revenues	21,877,491	10,852,442	2,214,117	34,944,050
Expenditures:				
Current				
General government	5,830,050	-	665,643	6,495,693
Public safety	4,615,110	8,882,360	-	13,497,470
Physical environment	2,096,500	-	-	2,096,500
Public works - Village of Spanish Springs	-	-	896,335	896,335
Public works - Rolling Acres	-	-	65,139	65,139
Public works - Commercial Road Maintenance	-	-	11,121	11,121
Culture/recreation	7,550,199	-	-	7,550,199
Capital outlay	395,565	236,450	168,513	800,528
Debt service:				
Principal payments	7,034	39,020	-	46,054
Interest payments	-	167	-	167
Total expenditures	20,494,458	9,157,997	1,806,751	31,459,206
Other financing sources and uses:				
Transfers in	-	-	63,790	63,790
Transfers out	-	-	(63,790)	(63,790)
Total other financing sources	-	-	-	-
Net change in fund balance and transfers	1,383,033	1,694,445	407,366	3,484,844
Fund balance, beginning of year	3,676,160	4,050,861	1,406,024	9,133,045
Fund balance, end of year	\$ 5,059,193	5,745,306	1,813,390	12,617,889

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds to the Statement of Activities
Year Ended September 30, 2015

Net change in fund balance – governmental funds	\$	3,484,844
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	800,528	
Disposition of fixed assets	(18,615)	
Less depreciation	<u>(931,517)</u>	(149,604)
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal payment on note payable for Fire Station Nos. 44 & 45	39,020	
Payment on capital leases	<u>7,034</u>	46,054
Decrease (increase) in compensated absences is shown on the government-wide statements but not on the governmental fund statements.		
		(93,892)
Change in net position of governmental activities	\$	<u><u>3,287,402</u></u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2015

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Management fees	\$ 4,628,132	4,628,132	4,628,132	-
Intergovernmental fees - recreation	6,677,415	6,677,415	6,677,415	-
Intergovernmental fees - other	4,912,186	4,912,186	4,912,186	-
Administration fees from developer	834,504	834,504	834,504	-
Recreation fees from developer	3,762,928	3,762,928	3,301,815	(461,113)
Utility administration fees	188,187	188,187	188,187	-
Tech services revenue	1,141,091	1,141,091	1,195,472	54,381
Miscellaneous revenue	37,051	37,051	51,081	14,030
Donations	35,000	35,000	70,080	35,080
Investment earnings	5,500	5,500	11,709	6,209
Sale of surplus materials and scrap	-	-	6,910	6,910
Total revenues	<u>22,221,994</u>	<u>22,221,994</u>	<u>21,877,491</u>	<u>(344,503)</u>
Expenditures:				
Personnel services	17,458,604	17,635,890	16,254,719	1,381,171
Professional services	195,524	189,992	184,165	5,827
Accounting & auditing	15,400	12,400	413	11,987
Other contractual services	1,327,388	1,377,459	1,239,836	137,623
Travel and per diem	43,941	49,684	38,034	11,650
Communication and freight services	409,254	394,406	338,599	55,807
Utility services	78,761	78,711	77,707	1,004
Rents and leases	752,858	721,869	715,142	6,727
Insurance	7,348	7,348	-	7,348
Repairs and maintenance	177,903	204,885	193,778	11,107
Printing and binding	238,550	108,362	47,181	61,181
Promotional activities	250,055	368,835	336,319	32,516
Other current charges and obligations	30,344	31,094	39,473	(8,379)
Office supplies	70,448	69,183	56,945	12,238
Operating supplies	794,784	935,653	529,506	406,147
Books, subscriptions and dues	69,293	71,323	40,042	31,281
Capital outlay	301,539	874,740	395,565	479,175
Debt service:				
Principal payments - capital lease	-	7,100	7,034	66
Total expenditures	<u>22,221,994</u>	<u>23,138,934</u>	<u>20,494,458</u>	<u>2,644,476</u>
Net change in fund balance	-	(916,940)	1,383,033	2,299,973
Fund balance, beginning of year	3,676,160	3,676,160	3,676,160	-
Fund balance, end of year	<u>\$ 3,676,160</u>	<u>2,759,220</u>	<u>5,059,193</u>	<u>2,299,973</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Safety Special Revenue Fund
Year Ended September 30, 2015

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments - charges for public services	\$ 782,617	782,617	790,948	8,331
Intergovernmental fire assessments	2,537,058	2,537,058	2,633,909	96,851
Intergovernmental shared revenue	7,202,796	7,202,796	7,229,211	26,415
State revenue sharing - firefighters' supplemental compensation	27,480	27,480	29,472	1,992
Management fees	115,804	115,804	115,804	-
General government charges and fees	11,240	11,240	10,672	(568)
Investment earnings	1,008	1,008	22,316	21,308
Other miscellaneous public safety revenue	-	-	20,042	20,042
Sale of surplus materials and scrap	-	-	68	68
Total revenues	<u>10,678,003</u>	<u>10,678,003</u>	<u>10,852,442</u>	<u>174,439</u>
Expenditures:				
Current				
Personnel services	7,878,076	7,882,564	7,067,099	815,465
Professional services	275,371	275,971	271,374	4,597
Contractual services	336,486	337,386	274,755	62,631
Travel and per diem	30,876	30,876	11,324	19,552
Communications and freight	32,250	32,250	23,193	9,057
Utility services	131,825	131,825	120,087	11,738
Rental and leases	124,095	124,095	119,023	5,072
Insurance	125,997	125,997	123,624	2,373
Repairs and maintenance/landscape	435,129	435,129	354,725	80,404
Current charges	6,780	6,780	8,541	(1,761)
Office supplies	19,500	19,500	15,838	3,662
Operating supplies	474,542	468,354	440,477	27,877
Books, publications and subscriptions	82,844	63,244	52,300	10,944
Debt service:				
Principal	38,947	38,947	39,020	(73)
Interest	207	207	167	40
Capital outlay	660,719	706,456	236,450	470,006
Total expenditures	<u>10,653,644</u>	<u>10,679,581</u>	<u>9,157,997</u>	<u>1,521,584</u>
Excess of revenues over (under) expenditures	24,359	(1,578)	1,694,445	1,696,023
Other financing sources (uses)				
Transfers out	(336,515)	(336,515)	-	336,515
Total other financing sources (uses)	<u>(336,515)</u>	<u>(336,515)</u>	<u>-</u>	<u>336,515</u>
Net change in fund balance	(312,156)	(338,093)	1,694,445	2,032,538
Fund balance, beginning of year	4,050,861	4,050,861	4,050,861	-
Fund balance, end of year	<u>\$ 3,738,705</u>	<u>3,712,768</u>	<u>5,745,306</u>	<u>2,032,538</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Position

Proprietary Funds

September 30, 2015

Assets	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Current assets:					
Cash and cash equivalents	\$ 2,947,140	1,905,538	1,214,958	155,731	6,223,367
Restricted cash and cash equivalents	11,980,212	1,664,112	3,677,415	-	17,321,739
Accounts receivable (net)	2,850,767	744,920	1,075,674	2,646	4,674,007
Investments	26,180,211	6,996,422	5,779,859	17,139	38,973,631
Investment in annuity	2,811,600	-	-	-	2,811,600
Due from other funds	53,293	458	1,075	-	54,826
Due from other governments	48,261	1,650	-	-	49,911
Total current assets	46,871,484	11,313,100	11,748,981	175,516	70,109,081
Non-current assets:					
Restricted cash and cash equivalents	918,565	275,502	545,122	-	1,739,189
Investment in annuity	8,179,540	-	-	-	8,179,540
Capital assets:					
Land	9,614,012	150,312	126,797	-	9,891,121
Buildings and structures	55,938,174	1,575,065	5,161,140	-	62,674,379
Infrastructure	31,014,070	33,353,278	37,314,018	-	101,681,366
Leasehold improvements	-	-	-	9,815	9,815
Furniture & fixtures	1,786,355	1,177,849	441,510	-	3,405,714
Construction in progress	1,800,291	389,030	60,210	-	2,249,531
Less accumulated depreciation	(32,078,222)	(18,192,424)	(15,193,834)	(5,971)	(65,470,451)
Intangible assets (net of accumulated amortization)	105,694,031	-	30,340,607	-	136,034,638
Total non-current assets	182,866,816	18,728,612	58,795,570	3,844	260,394,842
Total assets	229,738,300	30,041,712	70,544,551	179,360	330,503,923
Deferred outflow of resources:					
Deferred amount on debt refunding	1,128,353	-	-	-	1,128,353
Total assets and deferred outflows	230,866,653	30,041,712	70,544,551	179,360	331,632,276
Liabilities					
Current liabilities:					
Accounts payable	1,077,174	270,899	174,053	1,016	1,523,142
Accrued expenses	47,228	-	-	926	48,154
Accrued interest payable	2,968,273	218,562	1,531,470	-	4,718,305
Due to other funds	101,080	23,524	30,732	462	155,798
Due to other governments	642,411	9,600	27,668	-	679,679
Unearned revenue	1,718,982	-	-	17,193	1,736,175
Current installments of revenue bonds payable	8,415,000	1,445,000	2,145,000	-	12,005,000
Total current liabilities	14,970,148	1,967,585	3,908,923	19,597	20,866,253
Non-current liabilities:					
Revenue bonds payable, net	164,010,000	12,875,000	68,155,000	-	245,040,000
Total non-current liabilities	164,010,000	12,875,000	68,155,000	-	245,040,000
Total liabilities	178,980,148	14,842,585	72,063,923	19,597	265,906,253
Deferred inflow of resources:					
Deferred amount on debt refunding	-	48,420	359,726	-	408,146
Total liabilities and deferred inflows	178,980,148	14,891,005	72,423,649	19,597	266,314,399
Net position					
Net investment in capital assets	2,262,276	4,408,611	(11,504,431)	3,844	(4,829,700)
Restricted for:					
Debt service	9,930,504	1,721,052	2,691,067	-	14,342,623
Renewal and replacement	918,565	275,502	349,366	-	1,543,433
System development	-	-	195,756	-	195,756
Unrestricted	38,775,160	8,745,542	6,389,144	155,919	54,065,765
Total net position	\$ 51,886,505	15,150,707	(1,879,098)	159,763	65,317,877

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2015

	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Operating revenues:					
Charges for services:					
Water revenue	\$ -	2,886,020	5,035,502	-	7,921,522
Sewer revenue	-	3,548,996	4,859,507	-	8,408,503
Recreational amenity fees	37,388,136	-	-	-	37,388,136
Recreational fees	1,645,007	-	-	147,629	1,792,636
Rentals and leases	635,422	-	-	-	635,422
Other Income	560,728	77,827	77,409	73	716,037
Total operating revenues	<u>40,229,293</u>	<u>6,512,843</u>	<u>9,972,418</u>	<u>147,702</u>	<u>56,862,256</u>
Operating expenses:					
Water and sewer expense	-	1,567,249	1,539,950	-	3,107,199
Recreational expenses	6,639,853	-	-	135,775	6,775,628
General and administrative	13,938,357	1,391,556	2,000,869	-	17,330,782
Depreciation	2,694,396	1,114,914	1,472,022	982	5,282,314
Amortization	4,341,785	(6,052)	1,066,321	-	5,402,054
Total operating expenses	<u>27,614,391</u>	<u>4,067,667</u>	<u>6,079,162</u>	<u>136,757</u>	<u>37,897,977</u>
Operating income	<u>12,614,902</u>	<u>2,445,176</u>	<u>3,893,256</u>	<u>10,945</u>	<u>18,964,279</u>
Non-operating revenue (expenses):					
Investment earnings	870,510	62,825	49,727	222	983,284
Interest expense	(7,143,645)	(438,639)	(3,063,887)	-	(10,646,171)
Gain (loss) on disposal of property	(168,255)	5,504	7,513	-	(155,238)
Contributions and donations from private sources	400	-	-	-	400
Total non-operating revenue (expenses)	<u>(6,440,990)</u>	<u>(370,310)</u>	<u>(3,006,647)</u>	<u>222</u>	<u>(9,817,725)</u>
Income before capital contribution and special item	6,173,912	2,074,866	886,609	11,167	9,146,554
Capital contributions - impact fees	-	21,183	10,796	-	31,979
Special item - expired bond insurance from refunding	-	(40,300)	(955,333)	-	(995,633)
Change in net position	6,173,912	2,055,749	(57,928)	11,167	8,182,900
Total net position (deficit), beginning	45,712,593	13,094,958	(1,821,170)	148,596	57,134,977
Total net position (deficit), ending	<u>\$ 51,886,505</u>	<u>15,150,707</u>	<u>(1,879,098)</u>	<u>159,763</u>	<u>65,317,877</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2015

	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Cash flows from operating activities:					
Receipts from customers	\$ 40,616,716	6,525,926	10,069,647	143,108	57,355,397
Payments to suppliers and others	(20,753,637)	(2,998,932)	(3,901,269)	(138,493)	(27,792,331)
Net cash provided (used) by operating activities	<u>19,863,079</u>	<u>3,526,994</u>	<u>6,168,378</u>	<u>4,615</u>	<u>29,563,066</u>
Cash flows from capital and related financing activities:					
Receipt of bond refunding proceeds	-	14,320,000	70,300,000	-	84,620,000
Principal payments on bonds	-	(17,030,000)	(73,625,000)	-	(90,655,000)
Interest paid	(4,175,372)	(649,290)	(3,410,673)	-	(8,235,335)
Payment for capital assets	(5,586,773)	(905,119)	(807,577)	-	(7,299,469)
Receipt of capital contributions - impact fees	-	21,183	10,796	-	31,979
Proceeds from sale of surplus	14,597	5,504	7,513	-	27,614
Net cash (used in) provided by capital and related financing activities	<u>(9,747,548)</u>	<u>(4,237,722)</u>	<u>(7,524,941)</u>	<u>-</u>	<u>(21,510,211)</u>
Cash flows from investing activities:					
Purchase of investments	(1,109,907)	(55,961)	(46,548)	(17,139)	(1,229,555)
Interest received	870,510	62,825	49,727	222	983,284
Net cash provided (used) by investing activities	<u>(239,397)</u>	<u>6,864</u>	<u>3,179</u>	<u>(16,917)</u>	<u>(246,271)</u>
Net increase (decrease) in cash and cash equivalents	<u>9,876,134</u>	<u>(703,864)</u>	<u>(1,353,384)</u>	<u>(12,302)</u>	<u>7,806,584</u>
Cash and cash equivalents, beginning of year	5,969,783	4,549,016	6,790,879	168,033	17,477,711
Cash and cash equivalents, end of year	<u>15,845,917</u>	<u>3,845,152</u>	<u>5,437,495</u>	<u>155,731</u>	<u>25,284,295</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:					
Cash per statement of net position:					
Unrestricted cash and cash equivalents	2,947,140	1,905,538	1,214,958	155,731	6,223,367
Restricted cash and cash equivalents - current	11,980,212	1,664,112	3,677,415	-	17,321,739
Restricted cash and cash equivalents - non-current	918,565	275,502	545,122	-	1,739,189
Cash and cash equivalents	<u>15,845,917</u>	<u>3,845,152</u>	<u>5,437,495</u>	<u>155,731</u>	<u>25,284,295</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	12,614,902	2,445,176	3,893,256	10,945	18,964,279
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,694,396	1,114,914	1,472,022	982	5,282,314
Amortization	4,341,785	(6,052)	1,066,321	-	5,402,054
Change in assets and liabilities:					
(Increase) Decrease in:					
Accounts receivable	126,714	7,782	94,404	(897)	228,003
Prepaid expenses	2,051	-	-	-	2,051
Due from other funds	262,671	(458)	(1,075)	-	261,138
Due from other governments	(9,382)	5,759	3,900	-	277
Increase (Decrease) in:					
Accounts payable and accrued liabilities	(222,300)	67,015	(90,610)	(2,406)	(248,301)
Unearned revenue	7,420	-	-	(3,697)	3,723
Due to developer	-	-	(118,305)	-	(118,305)
Due to other funds	5,162	(110,179)	(150,278)	(312)	(255,607)
Due to other governments	39,660	3,037	(1,257)	-	41,440
Net cash provided by operating activities	<u>\$ 19,863,079</u>	<u>3,526,994</u>	<u>6,168,378</u>	<u>4,615</u>	<u>29,563,066</u>

See accompanying notes to basic financial statements

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2015

		<u>Beyond the Stars Agency Fund</u>
Assets:		
Cash and cash equivalents	\$	61,000
Investments		<u>4,186</u>
Total assets		<u><u>65,186</u></u>
Liabilities:		
Due to Beyond the Stars beneficiaries		<u>65,186</u>
Total liabilities	\$	<u><u>65,186</u></u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

The District provides water and sewer utility services, recreation, security services, fire protection and paramedic services to residents of a retirement community known as The Villages, located in The Villages, Florida. The Villages consists of approximately 22,601 acres spanning the borders of Lake, Sumter and Marion Counties, 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 District also provides for the maintenance of common areas and roadways for the commercial areas within the District's boundaries. As of September 30, 2015, four of the five members of the Board of Supervisors are employees of or affiliated with the Developer.

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

The Developer has formed the following community development districts:

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

VILLAGE CENTER 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 includes 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 development districts and/or community development districts that will be created

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

in the future, for which special assessments may be imposed on residences in The Villages and lands owned by the Developer.

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

- North Sumter County Utility Dependent District (NSCUDD) (Sumter and Marion Counties) – The dependent district was established in July 2010, to manage and finance basic potable water, wastewater treatment and reclaimed water services for approximately 7,721 acres of land located in unincorporated Sumter County in The Villages, Florida. The District was created on July 13, 2010, by Sumter County, Florida, in Ordinance No. 2010-10, pursuant to the provisions of Chapter 189 of the Florida Statutes, and operates within the criteria established by Chapter 189. The service area of NSCUDD was expanded to include solid waste collection services for the entire Sumter County portion of The Villages. The City of Wildwood and Marion County entered into interlocal agreements with the District on November 20, 2012, authorizing the District to provide solid waste collection services in portions of their jurisdictions, including Brownwood District and District No. 4. The 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, receivables and deferred outflows as well as long-term debt, obligations and deferred inflows. The statement of activities reflects the expenses of the District, which are offset by revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

The District's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34. The General Fund and Public Safety Special Revenue Fund meet this definition as governmental

VILLAGE CENTER 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)

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

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

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

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

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

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

VILLAGE CENTER 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)*

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

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

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

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

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

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

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

General Fund

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

Public Safety Special Revenue Fund

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

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

Rolling Acres Special Revenue Fund

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

Village of Spanish Springs (VOSS) Special Revenue Fund

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(1) Summary of Significant Accounting Policies (continued)

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

Road Maintenance Special Revenue Fund

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

Community Standards Special Revenue Fund

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

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

Recreation Amenities Division (RAD) Fund

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

Village Center Service Area (VCSA) Utility Fund

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

Little Sumter Service Area (LSSA) Utility Fund

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

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

Fitness Enterprise Fund

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

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

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(1) Summary of Significant Accounting Policies (continued)

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

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

Additionally, the District reports on the following fund type:

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

(d) *Budgetary Data*

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

(e) *Deposits and Investments*

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

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

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

In May 2008, the District transferred amounts approximately equal to its long-term reserved fund balances (less debt service reserves maintained with the bond trustee) into the Florida Municipal Investment Trust (FMIVT) operated by the Florida League of Cities. The investment was placed into the FMIVT 1-3 Year High Quality Bond Fund. In September 2009, the District also opened accounts for some funds in the FMIVT 0-2 Year High Quality Bond Fund. In September 2010, the District opened accounts with the Florida Local Government Investment Trust (FLGIT), sponsored by the Florida Association of Counties and the Florida Court Clerks and Comptrollers. The FLGIT fund has an investment portfolio similar in duration to the FMIVT 1-3 Year High Quality Bond Fund. In March 2013, the remaining balances in the FMIVT 0-2 Year High Quality Bond Fund were transferred into the FMIVT 1-3 Year High Quality Bond Fund. The investment in these pools is evidenced by shares which are marked to market monthly.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(1) Summary of Significant Accounting Policies (continued)

(e) *Deposits and Investments (continued)*

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 \$4,087,320. 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 Chapter 218.415, Florida Statutes. Investments are reported at fair value.

(f) *Capital Assets*

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of capital assets is computed using the straight-line method. Estimated useful lives of the assets are as follows:

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

(g) *Intangible Assets*

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

(h) *Compensated Absences*

It is the District's policy to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. Compensated absences increased by \$93,892 in Fiscal Year 2014-2015 and had an ending balance of \$495,359.

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

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(1) Summary of Significant Accounting Policies (continued)

(j) *Use of Estimates*

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

(k) *Restricted Assets – Proprietary Funds*

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

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

The utility bond resolutions further require that the District deposit all system development charges promptly, upon receipt thereof, in the System Development Charges account. These funds shall be accumulated and applied by the District in accordance with the provisions of the Bond Trust Indentures.

(l) *Accounts and Notes Receivable*

Accounts and notes receivable in the proprietary funds consists of amounts due on amenity contracts, charges for water and sewer, and amounts owed by the developer as a portion of the settlement agreement. For uncollectible accounts receivable, the allowance method is used. As of September 30, 2015, the amounts for allowance for doubtful accounts are \$605,834 in RAD, \$81,073 for VCSA, and \$42,325 in LSSA.

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

In Fiscal Year 2014-2015, the Village Center Community Development District (VCCDD) is the only District, of the fifteen that comprise the local government for The Villages that has employees, except for elected officials in some of the other Districts. Employees are assigned to one of two payrolls; one payroll is for Public Safety Department employees and the other covers the general employees of the Districts and elected officials. The elected officials in the other Districts are paid through the general employees' payroll and the Districts reimburse the Village Center District for the costs.

The benefits provided by the District to current employees consist of accrued vacation leave, which is calculated and recorded as a compensated absence liability, group health and life insurance policies, and participation in an IRS Section 401(a) defined contribution retirement

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(1) Summary of Significant Accounting Policies (continued)

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

provided to retired employees of the District. The VCCDD Section 401(a) retirement plan provides for a normal retirement age of 65. No early retirement option is provided by the District's plan. Although an employee separating at an earlier age, with vested balances in the plan may withdraw those balances at or subsequent to separation, the employee is not considered a retiree of the District unless the person has reached the normal retirement age of the District (age 65) and has a vested balance in the 401(a) retirement plan.

Section 112.0801(1), Florida Statutes, requires any local government, including special districts, which provides life, health, accident, hospitalization, or annuity insurance of any kind through group insurance plans, to make available to its officers and employees and their eligible dependents, the option of continuing to participate in such group insurance plan following retirement. The premium cost may be no higher than the cost of insurance applicable to active employees. For retired employees, and their eligible dependents, the cost of any such continued participation in any type of plan may be paid by the employer or the retired employee. The District does not contribute to this cost, so any such cost must be paid by the retired employee. The District has approximately 215 eligible full-time employees and their dependents in the group health and life insurance plans. Since inception of the group health and life insurance plan in 1997, no retired employee or their dependent has ever requested to continue participation in the group health and life insurance plans. Due to the District's normal retirement age being 65, with no early retirement option, and the fact that persons eligible for employment and retirement with the District are also eligible to apply for and receive Medicare coverage at a cost that is substantially less than the current cost to participate in the District's group health and life insurance plans, it is not anticipated that any future retiree will apply to participate in the plan as currently constituted. Therefore, no OPEB liability is recognized or recorded for the District.

(n) *Retirement Benefits*

Full-time employees participate in the District defined contribution retirement plan. The plan was established under IRS section 401(a) and is administered by Nationwide. Employees may choose among various investment options available to plan participants. There are two classes of employees participating in the plan, regular full-time employees and professional fire-fighters. During Fiscal Year 2014-2015, regular full-time employees received a 6% contribution and professional fire-fighters received a 12.4155% contribution based on each employee's total salary. The professional fire-fighters will receive an increase beginning in Fiscal Year 2015-2016 to 15.0%. At the end of Fiscal Year 2014-2015, there were 148 regular full-time employee participants and 82 professional fire-fighters. Employer contributions to the plan for the Fiscal Year 2014-2015 totaled \$366,088 for the regular full-time employees and \$571,016 for the professional fire-fighters. The plan can only be amended with the approval of the District Board of Supervisors and in the case of the professional fire-fighters, the IAFF Local 4770 must approve changes to the Collective Bargaining Agreement regarding pension contributions.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(2) Stewardship, Compliance and Accountability

Deficit Net Position

The District's Little Sumter Service Area (LSSA) Utility Fund reported accumulated negative net position for the year ended September 30, 2015 and September 30, 2014 of (\$1,879,098) and (\$1,821,170), respectively. The utility migrated to a conservation rate structure supported by the Southwest Florida Water Management District in Fiscal Year 2008-2009 and implemented a 3.94 percent inflation-based rate adjustment in October 2008. A rate sufficiency study was completed in August 2009 that provided for an annual rate increase of 2.5 percent beginning on October 1, 2010, and each of the subsequent four years. These adjustments resulted in the operating revenue covering expenses in each of the past five years. In the Fiscal Year 2014-2015, the utility had a decrease in net position of \$57,928 due to a one-time adjustment to depreciation expense. In Fiscal Years 2013-2014, 2012-2013, 2011-2012 and 2010-2011, the utility had positive increases in net position of \$892,358, \$613,217, \$226,345 and \$1,178,968, respectively. In Fiscal Year 2014-2015, the utility met its required bond debt service coverage as provided for in the Indenture of Trust. Management also believes that the LSSA Water and Sewer Utility Fund's cash flows will be sufficient to fund its operations and debt service requirements in the future.

(3) Deposits and Investments

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	\$ 3,285	-	n/a
Demand Deposits, CFB	3,162,439	1.0	n/a
State Board of Administration, Florida Prime™	13,248,227	29.0	AAAm
U.S. Bank Money Market Mutual Funds, Federated	17,121,314	27.0	AAAm
U.S. Bank Money Market Mutual Funds, Fidelity	1,939,614	29.0	AAAm
Florida Local Government Investment Trust	20,658,926	518.3	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	17,532,040	489.1	AAA/v2
Metlife Annuity Investment	10,991,140	753.1	AA-
Total Fair Value	\$ 84,656,985		
Less: Fiduciary Fund Cash & Cash Equivalent Balances	65,186		
Basic Financial Statement Balances	\$ 84,591,799		
Portfolio Weighted Average Maturity (WAM)		336.2	

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 336.2 days (0.92 years).

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(3) Deposits and Investments

Short-Term Portfolio (continued)

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

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

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

- The State Board of Administration (SBA) for participation in the Local Government Investment Pool (Florida PrimeTM) created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Florida PrimeTM, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value which is amortized cost. The District recognized \$36,310 in earnings from Florida PrimeTM 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 and Fidelity Prime Fund since August 1, 2010.
- The District has investments consisting of funds placed with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIVT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's 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. As of September 30, 2015, the FMIVT had recognized unrealized gains of \$125,151. The unrealized gain would only be realized if the underlying shares of the FMIVT are sold.
- On May 13, 2008, The Villages of Lake Sumter, Inc. (VLS) obtained an annuity contract with MetLife, Inc. with an initial balance of \$10,961,777, and provided it to the Village Center Community Development District (VCCDD) as sole beneficiary of the annuity contract proceeds. Provision of this annuity contract was required in the litigation settlement agreement among VLS, VCCDD and residents of The Villages. This annuity provides interest earnings at a rate of 5.87 percent with payments in various amounts due annually on December 31, 2013, through December 31, 2020, and totaling \$17,124,200. As of September 30, 2015, the annuity contract was valued at \$10,991,140, including accrued interest. MetLife is rated A+ by A.M. Best, AA- by Standard & Poor's, Aa3 by Moody's and AA- by Fitch. The Standard & Poor's rating is shown in the above schedule. The unrealized gain in Fiscal Year 2014-2015 was \$648,491.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(3) Deposits and Investments

Short-Term Portfolio (continued)

Credit Risk (continued)

- The District initiated investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Court Clerks and Comptrollers, on September 2, 2010. Initially amounts were moved from the FMIvT 0-2 Year High Quality Bond Fund to establish the FLGIT investment. Additional amounts were moved in December 2010, from the FMIvT 1-3 Year High Quality Bond Fund into the FLGIT accounts. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's 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 \$180,695. 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 \$997,828 on 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
- Continuously investing a portion of the portfolio in readily available funds, such as the Florida PrimeTM, money market funds, or overnight repurchase agreements to ensure the appropriate liquidity is maintained to meet ongoing obligations.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District invests its operating cash solely in Qualified Public Depositories that meet the requirements of Chapter 280, Florida Statutes. In addition to protection of up to \$250,000 for its deposits with a single bank 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.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(3) Deposits and Investments (continued)

Short-Term Portfolio (continued)

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 consist of:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market mutual funds with the highest credit quality rating from a nationally-recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Repurchase agreements with financial institutions approved as public depositories, 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.

Long-Term Portfolio

In August of 2014, the District adopted a Long-Term Investment Policy (LTIP). Implementation of the LTIP occurred in October of 2014. 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:

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(3) Deposits and Investments (continued)

Long-Term Portfolio (continued)

<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	\$ 1,357,402	N/A	N/A
Vanguard Dividend Growth	236,559	N/A	N/A
International Equity			
Vanguard Developed Markets Index	700,519	N/A	N/A
Oppenheimer International Small Company	173,077	N/A	N/A
Fixed Income			
Metropolitan West Total Return	458,761	7.84	AA
Baird Core Plus	457,823	6.98	A
Vanguard Intermediate-Term Investment Grade	426,221	6.40	A
AllianceBernstein High Income	830	7.60	BB
Federated Ultra-Short Bond	149,009	0.80	AA
Inflation Hedge			
Vanguard Inflation Protected Fund	144,536	8.60	AAA
Cash Equivalent			
First American Government Obligation	9,439	N/A	N/A
Total Fair Value	\$ <u><u>4,114,176</u></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 \$26,855. 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 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:

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(3) Deposits and Investments

Long-Term Portfolio (continued)

Concentration of Credit Risk (continued)

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(3) Deposits and Investments

Long-Term Portfolio (continued)

Long-Term Investment Policy (continued)

(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.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(4) Capital Assets

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 1,520,000	-	-	1,520,000
Construction in progress	45,766	189,724	(195,960)	39,530
Total assets not being depreciated	<u>1,565,766</u>	<u>189,724</u>	<u>(195,960)</u>	<u>1,559,530</u>
Assets being depreciated:				
Building	4,737,798	-	-	4,737,798
Furniture & fixtures	9,798,475	610,803	(77,412)	10,331,866
Infrastructure	315,680	195,960	-	511,640
Leasehold improvements	490,223	-	-	490,223
Total assets being depreciated	<u>15,342,176</u>	<u>806,763</u>	<u>(77,412)</u>	<u>16,071,527</u>
Total assets	<u>16,907,942</u>	<u>996,487</u>	<u>(273,372)</u>	<u>17,631,057</u>
Less accumulated depreciation for:				
Building	(325,262)	(119,091)	-	(444,353)
Furniture & fixtures	(3,578,126)	(767,198)	58,798	(4,286,526)
Infrastructure	(39,807)	(25,279)	-	(65,086)
Leasehold improvements	(86,021)	(19,949)	-	(105,970)
Total accumulated depreciation	<u>(4,029,216)</u>	<u>(931,517)</u>	<u>58,798</u>	<u>(4,901,935)</u>
Governmental activities capital assets, net	<u>12,878,726</u>	<u>64,970</u>	<u>(214,574)</u>	<u>12,729,122</u>
Business activities:				
Assets not being depreciated:				
Land	9,890,993	400	(272)	9,891,121
Construction in progress	2,456,288	4,986,491	(5,193,248)	2,249,531
	<u>12,347,281</u>	<u>4,986,891</u>	<u>(5,193,520)</u>	<u>12,140,652</u>
Assets being depreciated:				
Buildings and structures	62,370,610	590,737	(286,968)	62,674,379
Infrastructure	94,881,405	6,810,917	(10,956)	101,681,366
Leasehold improvements	9,815	-	-	9,815
Furniture & fixtures	3,661,546	107,137	(362,969)	3,405,714
Total assets being depreciated	<u>160,923,376</u>	<u>7,508,791</u>	<u>(660,893)</u>	<u>167,771,274</u>
Total assets	<u>173,270,657</u>	<u>12,495,682</u>	<u>(5,854,413)</u>	<u>179,911,926</u>
Less accumulated depreciation for:				
Buildings and structures	(20,773,926)	(1,686,615)	120,850	(22,339,691)
Infrastructure	(37,270,207)	(3,419,657)	6,576	(40,683,288)
Leasehold improvements	(4,989)	(982)	-	(5,971)
Furniture & fixtures	(2,614,763)	(175,060)	348,322	(2,441,501)
Total accumulated depreciation	<u>(60,663,885)</u>	<u>(5,282,314)</u>	<u>475,748</u>	<u>(65,470,451)</u>
Business activities capital assets, net	<u>112,606,772</u>	<u>7,213,368</u>	<u>(5,378,665)</u>	<u>114,441,475</u>
Total capital assets governmental and business activities:	\$ <u>125,485,498</u>	<u>7,278,338</u>	<u>(5,593,239)</u>	<u>127,170,597</u>

Government activities depreciation expense of \$931,517 pertains primarily to the Department of Public Safety.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2015

(5) Intangible Assets

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
RAD:				
Discounted value of amenity fees	\$ 171,432,090	-	-	171,432,090
Less accumulated amortization	<u>(61,466,796)</u>	<u>(4,271,263)</u>	<u>-</u>	<u>(65,738,059)</u>
Intangible assets, net	<u>109,965,294</u>	<u>(4,271,263)</u>	<u>-</u>	<u>105,694,031</u>
LSSA:				
Discounted value of utilities charges	43,338,051	-	-	43,338,051
Less accumulated amortization	<u>(11,913,993)</u>	<u>(1,083,451)</u>	<u>-</u>	<u>(12,997,444)</u>
Intangible assets, net	<u>31,424,058</u>	<u>(1,083,451)</u>	<u>-</u>	<u>30,340,607</u>
Business-type activities total:				
Discounted value of amenity fees	171,432,090	-	-	171,432,090
Discounted value of utilities charges	43,338,051	-	-	43,338,051
Less accumulated amortization	<u>(73,380,789)</u>	<u>(5,354,714)</u>	<u>-</u>	<u>(78,735,503)</u>
Intangible assets, net	<u>\$ 141,389,352</u>	<u>(5,354,714)</u>	<u>-</u>	<u>136,034,638</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2015

(6) Interfund Balances

The composition of interfund balances as of September 30, 2015, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	RAD	9,774.00
	VCSA	497.00
	LSSA	405.00
	Fitness	19.00
	VOSS	145.00
	Rolling Acres	22.00
	Road Maintenance	50.00
	Safety	557.00
	Community Standards	4,609.00
RAD	General Fund	223.00
	VCSA	22,277.00
	LSSA	30,245.00
	Fitness	443.00
	VOSS	105.00
VCSA	RAD	375.00
	LSSA	83.00
LSSA	RAD	325.00
	VCSA	750.00
VOSS	RAD	700.00
Safety	RAD	89,905.00
Total		<u>161,509.00</u>

The outstanding balances between funds result from normal monthly reimbursements that were accrued at the end of the Fiscal Year, September 30, 2015, and in all cases were liquidated by payments in October 2015.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2015

(7) Long-term Debt

Revenue Bonds Payable

Revenue bonds payable consisted of the following:

Recreation Amenities Division Bonds:

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

VCSA Utility Revenue Bonds

\$14,320,000 Utility Revenue Refunding Bonds, Series 2014A due in annual principal installments ranging from \$1,445,000 to \$1,810,000 through October 2023 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 1.303% to 3.956%. 14,320,000

LSSA Utility Revenue Bonds

\$70,300,000 Utility Revenue Bonds, Series 2014B due in annual principal installments ranging from \$2,145,000 to \$4,955,000 through October 2036 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 1.303% to 5.015%. 70,300,000

Total revenue bonds payable	\$ 257,045,000
Less current installment of revenue bonds payable	<u>(12,005,000)</u>

Revenue bonds payable less current installments	\$ <u><u>245,040,000</u></u>
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The Taxable Recreational Revenue Bonds, Series 2014 are secured by a lien and pledge of amenity fees and other revenues under the indenture which are derived by the District from the users of the recreational facilities.

The VCSA Utility Revenue Bonds are secured by a lien and pledge of the revenues under the indenture which are derived by the District from the fees and charges for water and wastewater services in the Village Center Areas (VCSA).

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(7) Long-term Debt (continued)

Revenue Bonds Payable (continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2016	12,005,000	10,545,689	22,550,689
2017	12,120,000	10,370,335	22,490,335
2018	12,325,000	10,133,797	22,458,797
2019	12,605,000	9,818,688	22,423,688
2020	10,495,000	9,480,931	19,975,931
2021-2025	51,305,000	41,330,173	92,635,173
2026-2030	50,620,000	30,398,094	81,018,094
2031-2035	63,270,000	16,062,544	79,332,544
2036-2037	32,300,000	1,639,905	33,939,905
Total	\$ <u>257,045,000</u>	<u>139,780,156</u>	<u>396,825,156</u>

Capital Leases

The District was obligated under a capital lease covering machinery and equipment that was paid in full during the 2014-2015 Fiscal Year. There are no outstanding capital leases as of September 30, 2015.

Changes in Long-term Debt:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Loans payable	\$ 39,020	-	(39,020)	-	-
Capital leases	7,034	-	(7,034)	-	-
Compensated absences	401,467	93,892	-	495,359	99,072
Governmental activities long-term debt	447,521	93,892	(46,054)	495,359	99,072
Business-type activities:					
Bonds payable					
RAD	172,425,000	-	-	172,425,000	8,415,000
VCSA Water and Sewer	17,030,000	14,320,000	(17,030,000)	14,320,000	1,445,000
LSSA Water and Sewer	73,625,000	70,300,000	(73,625,000)	70,300,000	2,145,000
Plus bond discounts and less bond premiums	431,328	-	(431,328)	-	-
Total business-type activities long-term liabilities	263,511,328	84,620,000	(91,086,328)	257,045,000	12,005,000
Total debt	\$ <u>263,958,849</u>	<u>84,713,892</u>	<u>(91,132,382)</u>	<u>257,540,359</u>	<u>12,104,072</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(7) Long-term Debt (continued)

Changes in Long-term Debt (continued)

During the fiscal year, the District retired a bank loan from Citizens First Bank which had been used to purchase a Fire Truck in 2004. The outstanding balance of \$39,020 was paid in December of 2014.

On October 1, 2014, the Utility Revenue Bonds, Series 1998A and 1998B were called and defeased. The Utility Revenue Bonds, Series 1998A originally issued in the amount of \$25,465,000 with a remaining balance of \$13,930,000 and the Utility Revenue Bonds, Series 1998B originally issued in the amount of \$5,690,000 with a remaining balance of \$3,100,000, were both called and defeased with the Taxable Utility Revenue Refunding Bonds, Series 2014A with an original issue amount of \$14,320,000 and available funds from the District. Interest rates on the new bonds range from 1.303% to 3.956%. The all-in total interest cost for the refunding bonds is 3.788205 % which resulted in a gross present value of savings from cash flow of \$1,479,500 and a net present value of savings of \$906,623.

On October 1, 2014, the Utility Revenue Bonds, Series 2003 were called and defeased. The Utility Revenue Bonds, Series 2003 originally issued in the amount of \$86,400,000 with a remaining balance of \$73,625,000, was called and defeased with the Taxable Utility Revenue Refunding Bonds, Series 2014B with an original issue amount of \$70,300,000 and available funds from the District. Interest rates on the new bonds range from 1.303% to 5.015%. The all-in total interest cost for the refunding bonds is 4.818327% which resulted in a gross present value savings from cash flow of \$3,940,185 and the net present value of the savings \$1,650,088.

Pledged Revenues:

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(7) Long-term Debt (continued)

Pledged Revenues (continued)

Description of Debt	Pledged Revenue	Revenue Received	Principal and Interest Paid	Estimated Percent Pledged	Outstanding Principal and Interest	Pledged Through
Business type funds						
Taxable Recreational Revenue Bonds, Series 2014	Amenities Fee Revenue and Other Income of RAD Fund	\$ 41,099,803	\$ 7,143,645	17.38%	267,105,632	2036
Taxable Utility Revenue Bonds, Series 2014A	Water and Sewer Revenue, VCSA Fund	6,596,851	437,114	6.63%	16,720,596	2023
Taxable Utility Revenue Bonds, Series 2014B	Water and Sewer Revenue, LSSA Fund	10,032,941	3,062,931	30.53%	112,998,928	2036

* The Taxable Utility Revenue Bonds, Series 2014A and 2014B were issued on 10/1/2014 and no principal payment was paid or due during the 2014-2015 Fiscal Year. The above reflects only interest paid during the Fiscal Year.

(8) Related Parties

The District entered into interlocal agreements to provide Village Community Development District No. 1 (District No. 1), Village Community Development District No. 2 (District No. 2), Village Community Development District No. 3 (District No. 3), Village Community Development District No. 4 (District No. 4), Village Community Development District No. 5 (District No. 5), Village Community Development District No. 6 (District No. 6), Village Community Development District No. 7 (District No. 7), Village Community Development District No. 8 (District No. 8), Village Community Development District No. 9 (District No. 9), Village Community Development District No. 10 (District No. 10), and Village Community Development District No. 11 (District No. 11), Sumter Landing Community Development District (Sumter Landing), North Sumter County Utility Dependent District and Brownwood Community Development District, certain management, finance, and administrative services for fees of \$151,271, \$153,568, \$157,586, \$184,817, \$161,516, \$158,858, \$152,366, \$153,456, \$150,686, \$137,874, \$113,926, \$5,755,091, \$715,615, and \$257,873, respectively, for the Fiscal Year ended September 30, 2015. Upon action by their respective Boards of Supervisors, District No. 1 through District No. 11, Sumter Landing District, NSCUDD, and Brownwood may request additional services as they deem necessary for the efficient and effective management of their respective districts. Such additional services are billed to the benefiting district at the District's cost, and include items such as payroll reimbursement for board members, reimbursement for payment of the investment advisor contract, and office equipment lease and copy costs.

The District has purchased from the Developer classified advertising, building rents, management services, and repair services for \$731,160. In addition, the District reimbursed the Developer \$296,800 for items and services purchased or paid for by the Developer on behalf of the District. The District purchased water, waste water, and irrigation water, paying rates approved by the Public Service Commission, from companies affiliated with the Developer for \$18,713. The District paid bank fees and loan interest to a bank affiliated with the Developer in the amount of \$24,601 and maintained demand deposit accounts with the same bank based on a compensating balance agreement. The District 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 to the other Districts on a proportional basis. Fees in Fiscal Year 2014-2015 totaled \$1,935,198.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

(8) Related Parties (continued)

The District purchased the Little Sumter Service Area (LSSA) Utility from a company affiliated with the Developer and per the terms of the sale, has paid Contributions In Aid of Construction (CIAC) receipts to the seller. As of September 30, 2014, the remaining balance of potential additional CIAC proceeds to the Seller was \$118,305 of which \$118,305 was collected and was paid on October 6, 2014, liquidating this liability.

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

The District is governed by a five-member Board of Supervisors. As of September 30, 2015, four of the five members of the Board of Supervisors are employees of, or affiliated with, the Developer.

(9) Commitments and Contingencies

Operating Leases

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

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

	<u>Building Leases</u>	<u>Equipment Leases</u>	<u>Total</u>
Year Ending September 30:			
2016	778,087	36,858	814,945
2017	778,087	29,199	807,286
2018	778,087	16,624	794,711
2019	778,087	6,195	784,282
2020	778,087	1,210	779,297
2021-2025	2,746,367	-	2,746,367
2026-2030	195,833	-	195,833
2031-2035	186,042	-	186,042
Total	\$ <u>7,018,677</u>	<u>90,086</u>	<u>7,108,763</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

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

As part of the litigation settlement agreement between the District, The Villages of Lake Sumter, and Villages residents, an initial payment of \$11,886,151 in cash was received in April 2008. In addition, a total of \$28,021,000 in further payments is due each December until 2020. The Villages of Lake Sumter provided the District an annuity contract which is held as an investment valued at \$13,110,449 to cover the last eight years of this settlement requirement. All five annual payments from the Developer have now been received. The payment of \$2,811,600 due December 31, 2015, was the third of the eight annuity payments received from the annuity contract.

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

(12) Investment Advisory Committee (IAC)

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

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

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

The IRS 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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2015

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

that the opinion would not be applied retroactively, and accordingly the qualification of VCCDD as a political subdivision is no longer an issue.

On January 9, 2015, the District received a December 17, 2014, letter from the IRS Revenue Agent assigned to the audit, providing an additional Notice of Proposed 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 District has 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 by the IRS were refunded by the VCCDD by January 2, 2015.

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

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.



January 29, 2016
Ocala, Florida

MANAGEMENT LETTER

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

Report on the Financial Statements

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

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).

Certified Public Accountants

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

MANAGEMENT LETTER
(Concluded)

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require 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.

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

Annual Financial Report

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we 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.

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
Village Center Community Development District
The Villages, Florida

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

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January 29, 2016

Board of Supervisors
Village Center 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 Village Center 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 Village Center Community Development District continues to set an example for the appropriate management of Community Development Districts as conceived in Chapter 190, Florida Statutes. We would particularly like to commend the staff of the 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