

**The Villages®**  
Community Development Districts  
District 12

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12**

Basic Financial Statements

September 30, 2016

(With Independent Auditors' Report Thereon)

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

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## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Village Community Development District No. 12  
The Villages, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Village Community Development District No. 12 (the District) as of and for the year ended September 30, 2016, 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 auditor's 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 Community Development District No. 12  
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 and each major fund of the District, as of September 30, 2016, and the respective changes in financial position thereof, and the budgetary comparison of the General 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 the 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 February 21, 2017, 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.

*Durvis, Gray and Company, LLP*

February 21, 2017  
Ocala, Florida

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2016

The Village Community Development District No. 12 (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

#### Entity-Wide Level

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows as of September 30, 2016, by \$5,068 (net position). The net position is all categorized as unrestricted.
- The District's total net position increased by \$5,068.

#### Fund Level

- At the close of the Fiscal Year, the District's General Fund reported a fund balance of \$5,068, all of which is unassigned.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village Community Development District No. 12's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**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 Community Development District No. 12 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by donations, assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government and physical environment services. The District has no business-type activities. The District also has no component units, as all functions are performed by the primary government.

The government-wide financial statements are provided on pages 7-8 of this report.

**The Fund Financial Statements**, which report by individual fund, begin on page 9. 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 Community Development District No. 12, like other state and local

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2016

governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District are considered governmental funds. There are no proprietary or fiduciary funds maintained by the District. The fund financial statements present information in more detail than the government-wide financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

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

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

The District now maintains one governmental funds, the General Fund. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9-11 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 can be found beginning on page 12.

### **Government-wide Financial Analysis**

The District's net position as of September 30, 2016 and September 30, 2015, were \$5,068 and \$0.00, respectively. The District's revenues for the years ended September 30, 2016 and September 30, 2015, which consisted entirely of contributions from the developer, were \$60,255 and \$8,916, respectively. The District's expenses for the year ended September 30, 2016, and September 30, 2015, were \$55,187 and \$8,916, respectively.

Table 1, below, reflects the summary statement of net position for the current year.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12**

Management's Discussion and Analysis  
(UNAUDITED)  
September 30, 2016

**Table 1**

**Net Position**

	<b>Governmental Activities</b>	
	<b>September 30, 2016</b>	<b>September 30, 2015</b>
Assets:		
Current and other assets	\$ 8,697	8,271
Total assets	8,697	8,271
Liabilities:		
Current and other liabilities	3,629	8,271
Total liabilities	3,629	8,271
Net position:		
Unrestricted	5,068	-
Total net position	\$ 5,068	-

Unrestricted net position is \$5,068.

Table 2 below reflects the summary statement of changes in net position for the current year.

**Table 2**

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>September 30, 2016</b>	<b>September 30, 2015</b>
Revenues:		
Charges for services	\$ 60,255	8,916
Total revenues	60,255	8,916
Expenses:		
General government services	55,187	8,916
Total expenses	55,187	8,916
Change in net position	\$ 5,068	-

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2016

### Revenues

The single source of revenue for the fiscal year was contributions and donations from the Developer which totaled \$60,255.

### Expenses

General government expenses of the District were \$55,187. They are primarily related to management, legal and administrative costs related to the management of the District.

### Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a Fiscal Year. As of the end of Fiscal Year 2015-2016, the General Fund reported ending fund balances of \$5,068. Total Revenues in Fiscal Year 2015-2016 was \$60,255, while total expenditures were \$55,187.

### General Fund Budgetary Highlights

During the year, the revenue and expenditure budgets were each increased by \$27,012. The increase in revenues was all contributions from the developer while the increases to expenditures were primarily in the line items of professional services and other current charges.

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

- The unemployment rate in Sumter County where the District is located was 6.9 percent in September 2016 which is a slight increase from a rate of 6.8 percent a year ago. The State's average unemployment rate is 4.7 percent and is below the national average rate of 5.0 percent.
- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual change for all urban consumers changed from a negative (0.04) percent in September 2015 to 1.46 percent in September 2016.

These factors were considered in preparing the District's General Fund budget for the 2016-2017 Fiscal Year. In Fiscal Year 2016-2017, revenues are projected to be \$572,336, which consists entirely of contributions and donations from the Developer. Expenditure budget is projected to be \$572,336 with the largest portion being for repairs and maintenance services.

### Requests for Information

The District's financial statements are designed to present users (residents, 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 COMMUNITY DEVELOPMENT DISTRICT NO. 12**

**Statement of Net Position**

September 30, 2016

		<b>Governmental Activities</b>
<b>Assets</b>		
Cash and cash equivalents	\$	5,756
Accounts receivable, other		2,941
Total assets		<u>8,697</u>
<b>Liabilities</b>		
Accounts payable		2,884
Due to other governments		745
Total liabilities		<u>3,629</u>
<b>Net position</b>		
Unassigned		<u>5,068</u>
Total net position	\$	<u><u>5,068</u></u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12**

Statement of Activities

Year Ended September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program revenues</u>			<u>Net (expense) revenue and changes in net assets</u>	
		<u>Charges for services</u>	<u>Operating contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	<u>Total</u>
Governmental activities:						
General government services	\$ 55,187	-	60,255	-	5,068	5,068
Total governmental activities	<u>55,187</u>	<u>-</u>	<u>60,255</u>	<u>-</u>	<u>5,068</u>	<u>5,068</u>
Total primary government	<u>55,187</u>	<u>-</u>	<u>60,255</u>	<u>-</u>	<u>5,068</u>	<u>5,068</u>
Change in net position:					5,068	5,068
Net position – beginning					-	-
Net position – ending					<u>\$ 5,068</u>	<u>\$ 5,068</u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12**

Balance Sheet – Governmental Funds

September 30, 2016

	<b>General</b>
Assets:	
Cash and cash equivalents	\$ 5,756
Accounts receivable, other	2,941
Total assets	<u>8,697</u>
Liabilities:	
Accounts payable	2,884
Due to other governments	745
Total liabilities	<u>3,629</u>
Fund balances:	
Unassigned	5,068
Total fund balance	<u>5,068</u>
Total liabilities and fund balances	<u>\$ 8,697</u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12**

Statement of Revenues, Expenditures and Changes in

Fund Balances – Governmental Funds

Year Ended September 30, 2016

	<b><u>General</u></b>
Revenues:	
Contributions and donations from private sources	<u>60,255</u>
Total revenues	<u>60,255</u>
Expenditures:	
General government services	<u>55,187</u>
Total expenditures	<u>55,187</u>
Net change in fund balances	<u>5,068</u>
Fund balances, at beginning of year	<u>-</u>
Fund balances, at end of year	<u>\$ 5,068</u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12**

Statement of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual  
General Fund

Year Ended September 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Contributions & donations from developer	\$ 38,938	65,950	60,255	(5,695)
Total revenues	<u>38,938</u>	<u>65,950</u>	<u>60,255</u>	<u>(5,695)</u>
Expenditures:				
Personnel services	4,306	6,200	5,874	326
Professional services	27,700	44,000	35,405	8,595
Accounting & audit	2,500	3,000	2,500	500
Other contractual services	-	25	19	6
Travel and per diem	1,157	500	169	331
Communication and freight	450	100	5	95
Printing and binding	200	-	30	(30)
Other current charges	2,225	11,925	11,085	840
Office supplies	200	200	100	100
Total expenditures	<u>38,938</u>	<u>65,950</u>	<u>55,187</u>	<u>10,763</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5,068</u>	<u>5,068</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>5,068</u>	<u>5,068</u>
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ -</u>	<u>-</u>	<u>5,068</u>	<u>5,068</u>

See accompanying notes to basic financial statements.

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

Notes to Basic Financial Statements

September 30, 2016

### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

Village Community Development District No. 12 (the District) was originally established on September 3, 2011, as Wildwood Springs Community Development District, for the purpose of acquiring, operating, and maintaining certain community-wide infrastructure for a commercial community development district located entirely within the City of Wildwood, Florida. The District was created by the City of Wildwood, Florida, Ordinance No. O2011-09, pursuant to the provisions of Chapter 190.005, Florida Statutes, and operates within the criteria established by Chapter 190. On July 11, 2016, the City of Wildwood adopted Ordinance No. O2016-27, which legally changed the name to Village Community Development District No. 12, and amended the existing boundaries. The District is governed by a five-member Board of Supervisors. As of September 30, 2016, each member of the Board of Supervisors is a landowner elected member selected by the developer, Reader & Partners, LLC.

The District boundary consists of approximately 699 acres in the city limits of Wildwood in the northern portion of Sumter County. The land within the District is part of the active adult retirement community known as “The Villages”. The Villages consists of approximately 23,686 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 61,626 residences and 120,787 residents. The Developer, Reader & Partners, LLC., is the developer and initial owner of the property within the District. An agreement was made with The Villages of Lake Sumter, Inc. (VLS), the Developer for all other areas of The Villages, for development and marketing of the property within District 12. As of September 30, 2016, development of the property had begun with the first residential units expected to be sold in early 2017. The Villages continues to be developed by The Villages of Lake Sumter, Inc., a family-owned business established for the single purpose of developing The Villages. Most current development is being performed in District No. 11 and in District No. 10, to the west of District No. 11 and District 12.

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.

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

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

Notes to Basic Financial Statements

September 30, 2016

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

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

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 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 1,253 acres in the southern portion of the county. The development included construction of 5,432 residential units of which 300 remain unsold as of September 30, 2016.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,407 acres in the northeast corner of the county. The development included construction of 6,399 residential units.
- Village CDD No. 6 (Sumter County) – This CDD’s boundary consists of approximately 1,497 acres in the northeast corner of the county. Planned development included construction of 6,697 residential units of which 1 remains unsold as of September 30, 2015.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. The development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now complete with 127 unsold and being used as lifestyle preview homes by the Developer.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,286 acres in the northeast corner of the county. Planned development includes construction of 5,409 residential units of which 33 remain unsold as of September 30, 2016.

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

Notes to Basic Financial Statements

September 30, 2016

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

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

- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 1,586 acres in the northeast corner of the county. Planned development includes construction of 6,639 residential units of which 843 remain unsold as of September 30, 2016.
- 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 of which 1,380 remain unsold as of September 30, 2016.
- Village CDD No. 12 (Sumter County) – This CDD’s boundary consists of approximately 699 acres within the city limits of the City of Wildwood in the northeast corner of the county. Planned development includes construction of 2,503 residential units. The first residential units are expected to be closed early in calendar year 2017.

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 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.

#### (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-

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

Notes to Basic Financial Statements

September 30, 2016

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

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

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

fiduciary activities of the District. For the most part, the effect of internal activity has been removed from these statements.

The financial reporting model focus is on either the District as a whole, or major individual funds. The government-wide statement of net position reports the governmental activities of the District (a) on a government-wide basis and (b) on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The statement of net position also addresses deferred inflows and deferred outflows. 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 fund is presented in a separate column 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 met this definition and is designated as a major fund. The District has no non-major funds.

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

*Net investment in capital assets* is intended to reflect the portion of net position which is associated with capital assets net of accumulated depreciation less outstanding capital asset related debt. As a result of GASB 65 all new issuance costs have been expensed in the current year.

*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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year in which the related debt is issued and the assessments established.

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

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

Notes to Basic Financial Statements

September 30, 2016

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

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

current period. For this purpose, the District considers revenues to be available if they are collected within sixty 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.

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

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

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

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

*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 major governmental funds. The District has no non-major governmental funds.

#### **General Fund**

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

#### (d) *Budgetary Data*

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

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 12

Notes to Basic Financial Statements

September 30, 2016

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

#### (e) *Assets, Liabilities, and Net Position*

##### 1. Deposits and Investments

The District maintains deposits with “Qualified Public Depositories” as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State’s Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others direct obligations of the U.S. Treasury; the Local Government Surplus Funds Trust as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

#### (f) *Use of Estimates*

The management of the District has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Examples of major areas where estimates are used include the estimate for useful lives of land improvements. Actual results could differ from those estimates.

### (2) Deposits and Investments

As of September 30, 2016, the District’s operating cash is maintained with Citizens First Bank, a Qualified Public Depository, pursuant to Chapter 280, Florida Statutes.

### (3) Related Parties

The District has no employees. For certain management, finance, and administrative services, the District entered into an inter-local agreement with Village Center Community Development District (Center District), a community development district created under Florida Statute 190. Under the agreement, fees accrued to Center District by the District for such services totaled \$3,914 for the year ended September 30, 2016.

### (4) 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 since inception of the District.

### (5) Subsequent Event

On November 1, 2016, subsequent to the Financial Statement date, the District issued \$57,825,000 in Special Assessment Revenue Bond, Series 2016. The bonds have a final maturity date of May 1, 2047, with an all-in total interest cost of 3.896771%. With the construction proceeds of these bonds, active development and home sales in the District are expected to commence in fiscal year 2016-2017. The proceeds will be used to construct the infrastructure assets of District No. 12.

**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 Community Development District No. 12  
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 and each major fund, of Village Community Development District No. 12 (the District) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2017.

**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 Community Development District No. 12  
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.

*Durvis, Gray and Company, LLP*

February 21, 2017  
Ocala, Florida

## MANAGEMENT LETTER

Board of Supervisors  
Village Community Development District No. 12  
The Villages, Florida

### Report on the Financial Statements

We have audited the financial statements of Village Community Development District No. 12 (the District) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 21, 2017.

### 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 February 21, 2017, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 of District's the September 30, 2016 basic financial statements, for this information).

### 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.

### Certified Public Accountants

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Board of Supervisors  
Village Community Development District No. 12  
The Villages, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition (Concluded)**

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

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports agree.

**Other Matters**

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

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

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, 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.

*Curvis, Gray and Company, LLP*

February 21, 2017  
Ocala, Florida

**INDEPENDENT ACCOUNTANTS' REPORT**

Board of Supervisors  
Village Community Development District No. 12  
The Villages, Florida

We have examined Village Community Development District No. 12 (the District)'s compliance with the requirements of Section 218.415, Florida Statutes, with regards to the District's investments during the year ended September 30, 2016. 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, 2016.

*Purvis, Gray and Company, LLP*

February 21, 2017  
Ocala, Florida

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**The Villages®**  
**Community Development Districts**  
**District 12**

February 21, 2017

Board of Supervisors  
Village Community Development District No. 12  
The Villages, FL 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for Fiscal Year 2015 – 2016 for the Village Community Development District No. 12. 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.

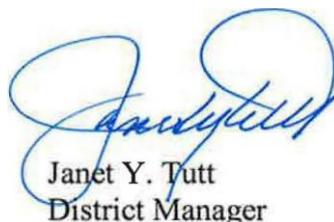
We believe that Village Community Development District No. 12 continues to set an example for the appropriate management of Community Development Districts as conceived in Chapter 190, Florida Statutes. We would particularly like to commend the staff of the Villages District Finance Department for their 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,



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



Janet Y. Tutt  
District Manager