



SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2011

(With Independent Auditors' Report Thereon)

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, business-type activities and each major fund of Sumter Landing Community Development District (the District), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the District as of September 30, 2011, and the respective changes in financial position, budgetary comparison of the Special Revenue Funds, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2012, 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* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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 Government 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'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.

Purvis, Gray and Company, LLP

February 14, 2012
Ocala, Florida

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

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

Financial Highlights

- The assets of the District exceeded its liabilities as of September 30, 2011 by \$48,820,302.
- The District's total net assets increased by \$1,436,482 during the fiscal year. This increase in net assets resulted from a decrease in net assets in the governmental funds, while there was an increase in the proprietary funds. The proprietary fund increase was a positive \$1,408,471 in the Sumter Landing Amenities Division (SLAD) Fund and an increase of \$323,677 in the three fitness centers. The governmental funds comprised of the Lake Sumter Landing and Project Wide Special Revenue Funds saw a decrease of \$295,666, primarily due to depreciation expenses exceeding new capital outlays.
- At the close of the fiscal year, the District's governmental funds reported combined fund balances of \$5,559,233, a net increase of \$766,320, compared to the prior year. Of the total, \$2,901,705 is *unassigned fund balance*, available for use by the District on a discretionary basis.
- The District's total long-term debt decreased by \$1,043,870 during the current fiscal year. The decrease relates to principal payments made on outstanding revenue bonds and other debt during the year ended September 30, 2011. No new debt was added during the fiscal year.
- There were no organizational changes to the fund structure of the Sumter Landing District in FY 2010-2011.

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 Assets** presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Sumter Landing Community Development District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government and physical environment services. The business-type activities of the District include the Sumter Landing Amenities Division (SLAD) and

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

the Sumter Landing Fitness Fund which provide general governmental, debt service, and culture and recreation services. The District has no component units, as all functions are performed by the primary government.

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

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

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

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Notes to the Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$48.8 million as of September 30, 2011, representing an increase of \$1.4 million from the net assets of approximately \$47.4 million as of September 30, 2010. The increase in net assets for September 30, 2011 is due to the significant increase in the fund balance of the two proprietary funds, the SLAD Fund and the Fitness Fund.

The District's net assets are categorized as follows as of September 30, 2011:

Invested in capital assets, net of related debt. This \$33.7 million portion of the District's net assets (69.0%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

Restricted for debt service. An additional \$1.4 million portion of the District's net assets (2.9%) represents resources that are subject to external restrictions on how they may be used. The District's restricted net assets are restricted for purposes of meeting its debt service obligations.

Unrestricted net assets. The remaining \$13.7 million balance of the District's net assets (28.1%) may be used to meet the District's ongoing obligations to residents and creditors.

Table 1, on the next page, reflects the summary statement of net assets for the current and prior years.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2011

Table 1
Summary Statement of Net Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|-------------------|---------------------------------|-------------------|----------------------|--------------------|
| | <u>September 30,</u> | | <u>September 30,</u> | | <u>September 30,</u> | |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 5,681,473 | 4,835,547 | 13,066,878 | 14,096,391 | 18,748,351 | 18,931,938 |
| Bond issuance costs (net of accumulated amortization) | - | - | 2,487,808 | 2,579,950 | 2,487,808 | 2,579,950 |
| Capital assets, net of accumulated depreciation | 38,858,646 | 39,920,633 | 36,342,105 | 37,047,062 | 75,200,751 | 76,967,695 |
| Intangible assets, net of accumulated amortization | - | - | 16,942,499 | 17,440,808 | 16,942,499 | 17,440,808 |
| Total assets | 44,540,119 | 44,756,180 | 68,839,290 | 71,164,211 | 113,379,409 | 115,920,391 |
| Liabilities: | | | | | | |
| Current and other liabilities | 122,240 | 42,635 | 2,926,596 | 2,642,516 | 3,048,836 | 2,685,151 |
| Notes payable | - | - | 394 | 921 | 394 | 921 |
| Capital lease | - | - | 5,862 | 13,714 | 5,862 | 13,714 |
| Long-term debt: | | | | | | |
| Unamortized discount/premium for bonds | - | - | 195,515 | 202,757 | 195,515 | 202,757 |
| Due within one year | - | - | 1,060,000 | 1,027,852 | 1,060,000 | 1,027,852 |
| Due in more than one year | - | - | 59,685,000 | 61,322,612 | 59,685,000 | 61,322,612 |
| Due to developer | - | - | 563,500 | 3,283,564 | 563,500 | 3,283,564 |
| Total liabilities | 122,240 | 42,635 | 64,436,867 | 68,493,936 | 64,559,107 | 68,536,571 |
| Net assets (deficit) | | | | | | |
| Invested in capital assets, net of related debt | 38,858,646 | 39,920,632 | (5,173,965) | (4,131,292) | 33,684,681 | 35,789,340 |
| Restricted for debt service | - | - | 1,408,410 | 1,448,934 | 1,408,410 | 1,448,934 |
| Unrestricted | 5,559,233 | 4,792,913 | 8,167,978 | 5,352,633 | 13,727,211 | 10,145,546 |
| Total net assets | \$ 44,417,879 | 44,713,545 | 4,402,423 | 2,670,275 | 48,820,302 | 47,383,820 |

Governmental Activities

Governmental activities decreased the District's net assets by \$295,666 during the year ended September 30, 2011. This decrease primarily results from depreciation expenses exceeding the amount of new capital assets added to the District's infrastructure.

Business-type Activities

Business-type activities increased the District's net assets by \$1,732,148 during the year ended September 30, 2011. The increase reflects the increase in net assets of the Sumter Landing Fitness Enterprise Fund and the continued improved operations of the Sumter Landing Amenities Division Fund. The District's business-type activities consist of recreation, fitness and security services provided to District residents. The number of residents served by the District continued to grow during the year, with 2,239 new residential homes closed in the areas of The Villages served by the District during FY 2010-2011.

Table 2, on the next page, reflects the summary statement of activities for the current and prior years.

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Table 2
Changes in Net Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|-------------------|---------------------------------|-------------------|----------------------|-------------------|
| | <u>September 30,</u> | | <u>September 30,</u> | | <u>September 30,</u> | |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Operating revenues: | | | | | | |
| General government | \$ 19,363 | 95,401 | 10,789,553 | 14,969,506 | 10,808,916 | 15,064,907 |
| Special assessments | 7,804,308 | 6,987,718 | - | - | 7,804,308 | 6,987,718 |
| Donated capital | - | 1,440,415 | - | - | - | 1,440,415 |
| Public safety | - | - | 3,051,324 | - | 3,051,324 | - |
| Culture/recreation | - | - | 1,945,258 | - | 1,945,258 | - |
| General revenues: | | | | | | |
| Interest and other earnings | 34,752 | 65,963 | 30,318 | 28,487 | 65,070 | 94,450 |
| Contributions and donations from private sources | - | - | 1,477 | 341,883 | 1,477 | 341,883 |
| Total revenues | <u>7,858,423</u> | <u>8,589,497</u> | <u>15,817,930</u> | <u>15,339,876</u> | <u>23,676,353</u> | <u>23,929,373</u> |
| Expenses: | | | | | | |
| General government services | - | - | 5,157,048 | 4,555,913 | 5,157,048 | 4,555,913 |
| Public safety | - | - | 1,407,646 | 1,390,791 | 1,407,646 | 1,390,791 |
| Physical environment | 7,015,797 | 6,927,030 | 2,154,333 | 2,780,549 | 9,170,130 | 9,707,579 |
| Capital outlay | 68,742 | - | - | 32,800 | 68,742 | 32,800 |
| Culture/recreation | - | - | 3,902,196 | 3,703,622 | 3,902,196 | 3,703,622 |
| Loss/gain on fixed asset | - | - | - | 498 | - | 498 |
| Depreciation (unallocated) | 1,069,550 | 1,069,550 | 874,109 | 911,085 | 1,943,659 | 1,980,635 |
| Amortization expense | - | - | 590,450 | 590,700 | 590,450 | 590,700 |
| Total expenses | <u>8,154,089</u> | <u>7,996,580</u> | <u>14,085,782</u> | <u>13,965,958</u> | <u>22,239,871</u> | <u>21,962,538</u> |
| Changes in net assets | (295,666) | 592,917 | 1,732,148 | 1,373,918 | 1,436,482 | 1,966,835 |
| Total net assets, beginning | <u>44,713,545</u> | <u>44,120,628</u> | <u>2,670,275</u> | <u>1,296,357</u> | <u>47,383,820</u> | <u>45,416,985</u> |
| Total net assets, ending | <u>\$ 44,417,879</u> | <u>44,713,545</u> | <u>4,402,423</u> | <u>2,670,275</u> | <u>48,820,302</u> | <u>47,383,820</u> |

Budgetary Highlights

During the year, there was no change in the appropriations for the Project Wide Fund between the original and final budget. There was an increase in the appropriations of the SLAD Fund by \$63,875, the Fitness Fund by \$87,588 and the Lake Sumter Landing Fund by \$120,000. The increases resulted from increased maintenance and repair and capital equipment costs. The revenue budget was also increased by \$236,500 in the SLAD Fund.

Capital Asset and Debt Administration

Capital Assets

The District's capital assets as of September 30, 2011 and 2010 amounted to \$75,200,751 and \$76,967,695, respectively. This is net of accumulated depreciation and includes land, buildings, improvements other than buildings, furniture and equipment, and construction in progress. The decrease resulted from depreciation expenses during the year exceeding new assets acquired. Additional information regarding the District's capital assets can be found in Note 3 of the Notes to Basic Financial Statements.

Long-term Debt

As of September 30, 2011 and 2010, the District had long-term debt outstanding of \$61,510,272 and \$62,554,142, respectively. The majority of the debt as of September 30, 2011 consists of Recreational Revenue Bonds issued during FY 2005. This debt is secured by a lien and pledge of revenues under the indentures which

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Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

are derived by the District from the users of the recreational facilities. \$563,500 of the debt is owed to the Developer, The Villages of Lake Sumter, Inc., for additional capital assets acquired. \$5,862 of the debt relates to a capital lease for document imaging software and hardware. Additional information regarding the District's long-term debt can be found in Note 4 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Sumter County where the District is located was 8.1 percent in September 2011 which is a decrease from an adjusted rate of 9.2 percent a year ago. This compares favorably with the State's average unemployment rate of 10.6 percent and is below the national average rate of 9.1 percent.
- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual increase for all urban consumers moved significantly higher from 1.14 percent in September 2010 to 3.87 percent in September 2011.

These factors were considered in preparing the Districts' budget for the 2012 fiscal year. The Lake Sumter Landing Special Revenue Fund is projecting a revenue increase of \$48,331 and an expenditure increase of \$123,147 in FY 2012 compared to the final budget in FY 2011. The increase of capital outlays by \$510,000 offsetting numerous decreases in other areas for the wharf renewal project accounts for this increase. The Project Wide Special Revenue Fund is projecting a revenue increase of \$748,728 and an expenditure increase of the same amount. The expenditure increase is mainly for the expanded service area as District No. 8 approaches build out and major new areas are introduced for maintenance by the fund in District No. 9.

The Sumter Landing Amenities Division Fund sees a FY 2012 increase in revenues budgeted of \$1,837,052 with expenditure increases of \$3,316,551. The expenditure increase includes a \$2,025,000 transfer into committed fund balance for renewal and replacement and insurance reserves, a \$381,242 professional services increase and an increase of \$653,401 in Other Contractual Services. These increases were mostly for additional Community Watch Services as the community expands and for the addition of systems management (information technology) services that were provided at no cost in previous years. Operating supplies, primarily non-capital furniture, fixtures and equipment also grew by \$497,825. There were numerous other minor adjustments both up and down between the two years' budgets. The Fitness Enterprise Fund sees a FY 2012 revenue increase of \$110,500 and a projected expenditure increase of \$78,475. Most of the expenditure increase results from increasing the transfer to the reserve account from \$90,505 to \$149,000. The revenue increase relates primarily to the increased population in the service area of the three fitness centers.

Requests for Information

The District's financial statements are designed to present users (residents, customers, investors and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, contact the Village Community Development Districts, Finance Department at 3201 Wedgewood Lane, The Villages, FL 32162; Telephone (352) 753-0421.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Assets

September 30, 2011

| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,570,072 | \$ 7,100,507 | \$ 8,670,579 |
| Due from other governments | 1,810 | 685,866 | 687,676 |
| Due from other funds | - | 4,310 | 4,310 |
| Accounts receivable (net) | 62,441 | 833,471 | 895,912 |
| Prepays | - | 3,406 | 3,406 |
| Investments | 4,047,150 | 4,439,318 | 8,486,468 |
| Capital assets: | | | |
| Non depreciable assets | 3,544,915 | 7,812,278 | 11,357,193 |
| Depreciable assets (net of depreciation) | 35,313,731 | 28,529,827 | 63,843,558 |
| Bond issuance costs (net of accumulated amortization) | - | 2,487,808 | 2,487,808 |
| Intangible assets (net of accumulated amortization) | - | 16,942,499 | 16,942,499 |
| Total assets | <u>44,540,119</u> | <u>68,839,290</u> | <u>113,379,409</u> |
| Liabilities | | | |
| Accounts payable | 116,998 | 83,643 | 200,641 |
| Accrued expenses | - | 20,764 | 20,764 |
| Accrued interest payable | - | 1,509,095 | 1,509,095 |
| Deferred revenue | - | 879,245 | 879,245 |
| Due to other governments | 5,242 | 143,852 | 149,094 |
| Due to developer for amenity fees | - | 289,997 | 289,997 |
| Note payable and capital lease | - | 6,256 | 6,256 |
| Unamortized discount/premium for bonds | - | 195,515 | 195,515 |
| Long-term debt: | | | |
| Due within one year | - | 1,060,000 | 1,060,000 |
| Due in more than one year | - | 59,685,000 | 59,685,000 |
| Due to developer | - | 563,500 | 563,500 |
| Total liabilities | <u>122,240</u> | <u>64,436,867</u> | <u>64,559,107</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 38,858,646 | (5,173,965) | 33,684,681 |
| Restricted for debt service | - | 1,408,410 | 1,408,410 |
| Unrestricted | 5,559,233 | 8,167,978 | 13,727,211 |
| Total net assets | <u>\$ 44,417,879</u> | <u>\$ 4,402,423</u> | <u>\$ 48,820,302</u> |

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities

Year Ended September 30, 2011

| Functions/Programs | Program revenues | | | Net (expense) revenue and changes in net assets | | | |
|----------------------------------|------------------|----------------------|-------------------------|---|-------------------------|--------------------------|-------------|
| | Expenses | Charges for services | Operating contributions | Capital grants and contributions | Governmental activities | Business-type activities | Total |
| Governmental activities: | | | | | | | |
| Physical environment | 7,084,539 | 7,823,671 | - | - | 739,132 | - | 739,132 |
| Depreciation (unallocated) | 1,069,550 | - | - | - | (1,069,550) | - | (1,069,550) |
| Total governmental activities | 8,154,089 | 7,823,671 | - | - | (330,418) | - | (330,418) |
| Business-type activities: | | | | | | | |
| General government services | 5,747,498 | 10,789,553 | - | - | - | 5,042,055 | 5,042,055 |
| Public safety | 1,407,646 | 3,051,324 | - | - | - | 1,643,678 | 1,643,678 |
| Physical environment | 2,154,333 | - | - | - | - | (2,154,333) | (2,154,333) |
| Culture/recreation | 3,902,196 | 1,945,258 | - | 1,477 | - | (1,955,461) | (1,955,461) |
| Depreciation (unallocated) | 874,109 | - | - | - | - | (874,109) | (874,109) |
| Total business-type activities | 14,085,782 | 15,786,135 | - | 1,477 | - | 1,701,830 | 1,701,830 |
| Total primary government | \$ 22,239,871 | 23,609,806 | - | 1,477 | (330,418) | 1,701,830 | 1,371,412 |
| General revenues: | | | | | | | |
| Interest and other earnings | | | | | 34,752 | 30,318 | 65,070 |
| Total general revenues | | | | | 34,752 | 30,318 | 65,070 |
| Change in net assets | | | | | (295,666) | 1,732,148 | 1,436,482 |
| Net assets – beginning | | | | | 44,713,545 | 2,670,275 | 47,383,820 |
| Net assets – ending | | | | | \$ 44,417,879 | 4,402,423 | 48,820,302 |

See accompanying notes to basic financial statements.

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

Balance Sheet – Governmental Funds

September 30, 2011

| | Lake Sumter Landing | Project Wide | Total |
|-------------------------------------|--------------------------------|---------------------|--------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 655,414 | 914,658 | 1,570,072 |
| Investments | 702,623 | 3,344,527 | 4,047,150 |
| Accounts receivables | - | 62,441 | 62,441 |
| Due from other governments | - | 1,810 | 1,810 |
| Total assets | 1,358,037 | 4,323,436 | 5,681,473 |
| Liabilities: | | | |
| Accounts payable | 33,769 | 83,229 | 116,998 |
| Due to other governments | 33 | 5,209 | 5,242 |
| Total liabilities | 33,802 | 88,438 | 122,240 |
| Fund balances: | | | |
| Committed for renewal & replacement | 670,308 | 1,987,220 | 2,657,528 |
| Unassigned | 653,927 | 2,247,778 | 2,901,705 |
| Total fund balances | 1,324,235 | 4,234,998 | 5,559,233 |
| Total liabilities and fund balances | \$ 1,358,037 | 4,323,436 | 5,681,474 |

See accompanying notes to basic financial statements.

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

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets
September 30, 2011

| | | | |
|---|----|--------------------|-----------------------------|
| Total fund balances, governmental funds | | \$ | 5,559,233 |
| Total net assets reported for governmental activities in the statement of net assets is different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: | | | |
| Capital assets | \$ | 46,025,591 | |
| Less accumulated depreciation | | <u>(7,166,945)</u> | <u>38,858,646</u> |
| Net assets of governmental activities | | | <u>\$</u> <u>44,417,879</u> |

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
GOVERNMENTAL FUNDS**

Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds
Year Ended September 30, 2011

| | Lake Sumter Landing | Project Wide | Total |
|-------------------------------------|--------------------------------|---------------------|--------------|
| Revenues: | | | |
| Special assessments | \$ 1,758,622 | 6,045,686 | 7,804,308 |
| Other revenue | 391 | 18,972 | 19,363 |
| Investment earnings | 5,945 | 28,807 | 34,752 |
| Total revenues | 1,764,958 | 6,093,465 | 7,858,423 |
| Expenditures: | | | |
| Current | | | |
| Physical environment | 1,453,987 | 5,569,374 | 7,023,361 |
| Capital outlay | - | 68,742 | 68,742 |
| Total expenditures | 1,453,987 | 5,638,116 | 7,092,103 |
| Net change in fund balances | 310,971 | 455,349 | 766,320 |
| Fund balances, at beginning of year | 1,013,264 | 3,779,649 | 4,792,913 |
| Fund balances, at end of year | \$ 1,324,235 | 4,234,998 | 5,559,233 |

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
GOVERNMENTAL FUNDS**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
Year Ended September 30, 2011

| | | |
|---|--------------------|----------------------------|
| Net change in fund balances – total governmental funds | | \$ 766,320 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. | | |
| However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay less depreciation expensed in the fiscal year. | | |
| Capital outlay | \$ 7,564 | |
| Depreciation expense | <u>(1,069,550)</u> | <u>(1,061,986)</u> |
| Change in net assets of governmental activities | | \$ <u><u>(295,666)</u></u> |

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
LAKE SUMTER LANDING SPECIAL REVENUE FUND
Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
Year Ended September 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual amounts</u> | <u>Variance with final budget</u> |
|---|-------------------------|------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Special assessments | \$ 1,758,622 | 1,758,622 | 1,758,622 | - |
| Miscellaneous revenue | - | - | 391 | 391 |
| Investment earnings | 500 | 500 | 5,945 | 5,445 |
| Total revenues | <u>1,759,122</u> | <u>1,759,122</u> | <u>1,764,958</u> | <u>5,836</u> |
| Expenditures: | | | | |
| Management fees and professional services | 199,899 | 199,899 | 189,979 | (9,920) |
| Repairs and maintenance/landscape | 286,100 | 286,100 | 223,745 | (62,355) |
| Infrastructure maintenance | 199,150 | 199,150 | 209,419 | 10,269 |
| Repairs and maintenance - project wide | 21,900 | 21,900 | 2,827 | (19,073) |
| Building and structures maintenance | 395,850 | 505,350 | 380,683 | (124,667) |
| Porter service | 133,660 | 133,660 | 133,369 | (291) |
| Utility service | 251,500 | 251,500 | 207,528 | (43,972) |
| Other current charges | 94,498 | 104,998 | 95,938 | (9,060) |
| Operating supplies | 3,800 | 3,800 | 10,499 | 6,699 |
| Total expenditures | <u>1,586,357</u> | <u>1,706,357</u> | <u>1,453,987</u> | <u>(252,370)</u> |
| Net change in fund balance | 172,765 | 52,765 | 310,971 | 258,206 |
| Fund balances, at beginning of year | 1,013,264 | 1,013,264 | 1,013,264 | - |
| Fund balances, at end of year | <u>\$ 1,186,029</u> | <u>1,066,029</u> | <u>1,324,235</u> | <u>258,206</u> |

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
Year Ended September 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual amounts</u> | <u>Variance with final budget</u> |
|-------------------------------------|-------------------------|------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Special assessments | \$ 6,045,686 | 6,045,686 | 6,045,686 | - |
| Miscellaneous revenue | 20,315 | 20,315 | 18,972 | (1,343) |
| Investment earnings | 3,500 | 3,500 | 28,807 | 25,307 |
| Total revenues | <u>6,069,501</u> | <u>6,069,501</u> | <u>6,093,465</u> | <u>23,964</u> |
| Expenditures: | | | | |
| Professional services | 404,119 | 414,119 | 402,228 | (11,891) |
| Repairs and maintenance/landscape | 3,989,895 | 3,984,895 | 3,852,885 | (132,010) |
| Miscellaneous maintenance & repairs | 794,350 | 722,147 | 701,306 | (20,841) |
| Utility services | 539,187 | 579,187 | 569,018 | (10,169) |
| Other current charges | 18,000 | 45,203 | 43,173 | (2,030) |
| Operating supplies | 1,950 | 1,950 | 764 | (1,186) |
| Capital outlay | 322,000 | 322,000 | 68,742 | (253,258) |
| Total expenditures | <u>6,069,501</u> | <u>6,069,501</u> | <u>5,638,116</u> | <u>(431,385)</u> |
| Net change in fund balance | - | - | 455,349 | 455,349 |
| Fund balances, at beginning of year | 3,779,649 | 3,779,649 | 3,779,649 | - |
| Fund balances, at end of year | <u>\$ 3,779,649</u> | <u>3,779,649</u> | <u>4,234,998</u> | <u>455,349</u> |

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Proprietary Funds
Statement of Net Assets
September 30, 2011

| | <u>Sumter Landing Amenities Division (SLAD)</u> | <u>Sumter Landing Fitness Fund</u> | <u>Sumter Landing Total</u> |
|---|---|--|---------------------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,838,870 | 697,347 | 3,536,217 |
| Restricted cash and cash equivalents | 3,000,789 | - | 3,000,789 |
| Accounts receivable (net) | 830,066 | 3,406 | 833,472 |
| Investments | 3,937,202 | 502,116 | 4,439,318 |
| Due from other funds | 4,310 | - | 4,310 |
| Due from other governments | 685,866 | - | 685,866 |
| Prepaid expenses | 3,406 | - | 3,406 |
| Total current assets | <u>11,300,509</u> | <u>1,202,869</u> | <u>12,503,378</u> |
| Non-current assets: | | | |
| Restricted cash and investments with trustee | 563,500 | - | 563,500 |
| Capital assets: | | | |
| Land | 7,812,278 | - | 7,812,278 |
| Buildings and structures | 30,420,773 | - | 30,420,773 |
| Infrastructure | 2,934,546 | - | 2,934,546 |
| Machinery and equipment | 435,506 | - | 435,506 |
| Capital leases | 33,721 | - | 33,721 |
| Less accumulated depreciation | (5,294,719) | - | (5,294,719) |
| Bond issuance costs (net of accumulated amortization) | 2,487,808 | - | 2,487,808 |
| Intangible assets (net of accumulated amortization) | 16,942,499 | - | 16,942,499 |
| Total non-current assets | <u>56,335,912</u> | <u>-</u> | <u>56,335,912</u> |
| Total assets | <u>67,636,421</u> | <u>1,202,869</u> | <u>68,839,290</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 80,826 | 2,817 | 83,643 |
| Accrued expenses | 19,312 | 1,452 | 20,764 |
| Accrued interest payable | 1,509,095 | - | 1,509,095 |
| Deferred revenue | 768,965 | 110,280 | 879,245 |
| Due to other governments | 139,515 | 4,337 | 143,852 |
| Due to developer for amenity fees | 289,997 | - | 289,997 |
| Capital lease current | 5,862 | - | 5,862 |
| Current installments of revenue bonds payable | 1,060,000 | - | 1,060,000 |
| Total current liabilities | <u>3,873,572</u> | <u>118,886</u> | <u>3,992,458</u> |
| Non-current liabilities: | | | |
| Revenue bonds payable, net | 59,685,000 | - | 59,685,000 |
| Note payable | 394 | - | 394 |
| Unamortized discount/premium for bonds | 195,515 | - | 195,515 |
| Due to developer | 563,500 | - | 563,500 |
| Total non-current liabilities | <u>60,444,409</u> | <u>-</u> | <u>60,444,409</u> |
| Total liabilities | <u>64,317,981</u> | <u>118,886</u> | <u>64,436,867</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | (5,173,965) | - | (5,173,965) |
| Restricted for debt service | 1,408,410 | - | 1,408,410 |
| Unrestricted | 7,083,995 | 1,083,983 | 8,167,978 |
| Total net assets | <u>\$ 3,318,440</u> | <u>1,083,983</u> | <u>4,402,423</u> |

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended September 30, 2011

| | <u>Sumter Landing Amenities Division (SLAD)</u> | <u>Sumter Landing Fitness Fund</u> | <u>Sumter Landing Total</u> |
|--|---|--|---------------------------------|
| Operating revenues: | | | |
| Charges for services | | | |
| Amenity fees | \$ 10,789,553 | - | 10,789,553 |
| Membership fees | 1,196,546 | 748,712 | 1,945,258 |
| Other fees | 3,051,324 | - | 3,051,324 |
| Total operating revenues | <u>15,037,423</u> | <u>748,712</u> | <u>15,786,135</u> |
| Operating expenses: | | | |
| General government services | 2,130,012 | - | 2,130,012 |
| Public safety | 1,407,646 | - | 1,407,646 |
| Physical environment | 2,154,333 | - | 2,154,333 |
| Culture/recreation | 4,939,257 | 427,499 | 5,366,756 |
| Total operating expenses | <u>10,631,248</u> | <u>427,499</u> | <u>11,058,747</u> |
| Operating income | <u>4,406,175</u> | <u>321,213</u> | <u>4,727,388</u> |
| Non-operating revenue (expenses): | | | |
| Interest and other earnings | 27,854 | 2,464 | 30,318 |
| Interest expense | (3,027,035) | - | (3,027,035) |
| Contributions and donations from private sources | 1,477 | - | 1,477 |
| Total non-operating revenue (expenses) | <u>(2,997,704)</u> | <u>2,464</u> | <u>(2,995,240)</u> |
| Change in net assets | <u>1,408,471</u> | <u>323,677</u> | <u>1,732,148</u> |
| Total net assets, beginning | <u>1,909,969</u> | <u>760,306</u> | <u>2,670,275</u> |
| Total net assets, ending | <u>\$ 3,318,440</u> | <u>1,083,983</u> | <u>4,402,423</u> |

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Proprietary Funds

Statement of Cash Flows

Year Ended September 30, 2011

| | <u>Sumter Landing Amenities Division (SLAD)</u> | <u>Sumter Landing Fitness Fund</u> | <u>Sumter Landing Total</u> |
|---|---|--|---------------------------------|
| Cash flows from operating activities: | | | |
| Receipts from customers | 16,393,239 | 758,160 | 17,151,399 |
| Payments to suppliers/professional fees | <u>(12,015,705)</u> | <u>(426,791)</u> | <u>(12,442,496)</u> |
| Net cash provided by operating activities | \$ <u>4,377,534</u> | <u>331,369</u> | <u>4,708,903</u> |
| Cash flows from capital and related financing activities: | | | |
| Principal payments on capital debt | (1,036,629) | - | (1,036,629) |
| Contributions and donations from private sources | 1,479 | - | 1,479 |
| Interest paid | <u>(2,976,364)</u> | <u>-</u> | <u>(2,976,364)</u> |
| Net cash used in capital and related financing activities | <u>(4,011,514)</u> | <u>-</u> | <u>(4,011,514)</u> |
| Cash flows from investing activities: | | | |
| Purchases of investments | (519,213) | (301,029) | (820,242) |
| Purchases of capital assets | (169,154) | - | (169,154) |
| Interest received | 28,183 | 2,464 | 30,647 |
| Net cash provided by investing activities | <u>(660,184)</u> | <u>(298,565)</u> | <u>(958,749)</u> |
| Net increase (decrease) in cash and cash equivalents | (294,163) | 32,804 | (261,359) |
| Cash and cash equivalents, beginning of year | <u>6,697,322</u> | <u>664,543</u> | <u>7,361,865</u> |
| Cash and cash equivalents, end of year | \$ <u>6,403,159</u> | <u>697,347</u> | <u>7,100,506</u> |
| Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net assets: | | | |
| Unrestricted cash and cash equivalents | 2,838,870 | 697,347 | 3,536,217 |
| Restricted cash and cash equivalents-current | 3,000,789 | - | 3,000,789 |
| Restricted cash and cash equivalents-non-current | 563,500 | - | 563,500 |
| Cash and cash equivalents | \$ <u>6,403,159</u> | <u>697,347</u> | <u>7,100,506</u> |
| Reconciliation of operating income to net cash provided (used) in operating activities: | | | |
| Operating income | 4,406,175 | 321,213 | 4,727,388 |
| cash provided (used) in operating activities: | | | |
| Depreciation | 874,109 | - | 874,109 |
| Amortization | 498,309 | - | 498,309 |
| Cash provided by (used in) changes in: | | | |
| Due from/to developer (net) | (2,728,947) | - | (2,728,947) |
| Due from/to other districts (net) | (280,884) | (3,672) | (284,556) |
| Due from/to other governments (net) | (81,782) | 4,337 | (77,445) |
| Prepaid expenses/accounts receivable | 1,640,940 | (851) | 1,640,089 |
| Accounts payable and accrued liabilities | (27,466) | 708 | (26,758) |
| Deferred revenue | 77,080 | 9,634 | 86,714 |
| Net cash provided by operating activities | \$ <u>4,377,534</u> | <u>331,369</u> | <u>4,708,903</u> |

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Sumter Landing Community Development District (the District) was established in 2002 to manage and finance basic services for a development district located in The Villages, Florida. The District was created by Sumter County Commission Ordinance No. 02-06 pursuant to the provisions of Chapter 190.005 of the Florida Statutes and operates within the criteria established by Chapter 190. The District is governed by a five-member Board of Supervisors, who are elected on a rotating basis by the landowners within the District for terms from two to four years. As of September 30, 2011, each member of the Board of Supervisors is an employee of or affiliated with the Developer.

The District provides recreation and security services to the residents of a retirement community known as The Villages, located in The Villages, Florida. The Villages consists of approximately 21,458 acres spanning the borders of Lake, Sumter and Marion Counties, the City of Wildwood and the Town of Lady Lake, Florida, and when fully developed, is expected to include 55,761 residences and approximately 106,000 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. The Villages continues to be developed by the developer, a family-owned business, established for the single purpose of developing The Villages.

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

The Developer has formed the following community development districts:

- Village Center CDD (Lake, Marion and Sumter Counties) – This CDD provides water and sewer utility services, recreation and security services, and fire protection and paramedic services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Sumter Landing CDD (Sumter County) – This CDD provides recreation and security services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- 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.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements
September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- 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 24 remain unsold.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. Planned development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now underway.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,280 acres in the northeast corner of the county. Planned development includes construction of 5,376 residential units. Construction is now underway.
- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 1,398 acres in the northeast corner of the county. This CDD has been formed, but is not yet being developed as of September 30, 2011.

Certain of these community development districts have issued special assessment revenue bonds to finance various infrastructure improvements in their respective boundaries that are secured by special assessments levied on benefited lands in each district. It is anticipated that additional infrastructure improvements within The Villages will be undertaken by these community development districts and/or community development districts that will be created in the future, for which special assessments may be imposed on residences in The Villages and lands owned by the Developer.

The North Sumter Utility Dependent District (NSCUDD) was formed by Sumter County in July 2010 pursuant to Chapter 189, Florida Statutes, as a single purpose government to acquire the privately owned North Sumter Utility Company, LLC and the Village Water Conservation Authority, LLC. These two companies operated the potable water and sewage systems and the non-potable irrigation system, respectively, for the portion of The Villages bounded by CR 466 on the north, CR 466A on the south, the Lake County line on the east and the boundary of The Villages on the west. On December 7, 2010, NSCUDD purchased the utilities previously owned by the two private companies. The Sumter Landing Community Development District, through interlocal agreements with the Village Center Community Development District and NSCUDD provides certain administrative, accounting and financial management, operational and other support to NSCUDD.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

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. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement No. 20. 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 assets 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 assets reports the governmental activities of the District (a) on a consolidated basis and (b) on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The statement of activities reflects the expenses of a given function or segment, which are offset by program 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.

Program revenues in the Statement of Activities consist primarily of special assessments for the government activity and charges for recreational amenities in proprietary funds.

Net assets are categorized as invested in capital assets, net of related debt, restricted and unrestricted.

Invested in capital assets, net of related debt is intended to reflect the portion of net assets which are associated with capital assets net of accumulated depreciation less outstanding capital asset related debt. The net related debt is the debt plus any associated unamortized issuance costs.

Restricted net assets are assets (generated from revenues) 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 assets represent net assets not included in *invested in capital assets, net of related debt*, or *restricted net assets* that are available to meet the needs of creditors and governing board of the District.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

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

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

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

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

Lake Sumter Landing Special Revenue Fund

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

Project Wide Special Revenue Fund

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

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

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

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

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

Sumter Landing Amenities Division (SLAD) Fund

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

Sumter Landing Fitness Enterprise Fund

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

(d) *Budgetary Data*

Legal authority and control are established in accordance with Section 190.008 of *Florida Statutes*. Annual budgets are adopted and approved by the Board of Supervisors. Annual budgets, as well as subsequent amendments, are adopted for the Lake Sumter Landing and Project Wide Special Revenue 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's Local Government Investment Pool (SBA LGIP)

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(e) *Deposits and Investments (continued)*

Investment Trust (FMIvT) operated by the Florida League of Cities. The investment was placed into the FMIvT's 1-3 Year High Quality Bond Fund. In September 2009, the District placed additional investment balances into the FMIvT's 0-2 Year High Quality Bond Fund. Half of the balances in the FMIvT 0-2 Year High Quality Bond Fund were transferred to the Florida Local Government Investment Trust (FLGIT) fund in September 2010. The FLGIT fund, sponsored by the Florida Association of Counties and Florida Association of County Clerks, has an investment portfolio similar in duration to the FMIvT 1-3 Year High Quality Bond Fund. This change was done to improve liquidity, enhance diversification and slightly improve yield. The investment in the FLGIT and FMIvT pools is evidenced by shares which are marked to market monthly.

(f) *Restricted Assets-Proprietary Funds*

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets 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 assets.

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

(g) *Capital Assets*

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

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

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

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements
September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(h) Assessments

Maintenance Assessments

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

Billing / Collection of Assessments

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

(i) Intangible Assets

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

(j) Compensated Absences

The Sumter Landing Community Development District no longer has any employees, effective October 1, 2008. The responsibility for the previously recorded Compensated Absences liability was transferred to the Village Center Community Development District (VCCDD), along with the necessary resources to pay the liability in the future.

(k) Bond Discounts, Bond Premiums and Issuance Costs

In the government-wide and proprietary fund financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bonds payable, whereas issuance costs are recorded as assets.

(l) Implementation of GASB 54

The Governmental Accounting Standards Board (GASB) has promulgated Statement No. 54, entitled Fund Balance Reporting and Governmental Fund Type Definitions. This new standard makes two major changes to the accounting for governmental funds. It is effective for all fiscal periods beginning after June 15, 2010. The District advance implemented this standard in the past fiscal year. The statement is designed to do two things. First, it clarifies the definition of what activities are to be reported within different types of governmental funds (general fund, special revenue fund type, capital project fund type, debt service fund type and permanent fund type). No changes were required by the District based on this standard clarification.

Second, it provides clearer fund balance definitions that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds as follows:

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(l) Implementation of GASB 54 (continued)

Non-spendable: Resources that can not 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.

(m) Use of Estimates

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

(2) Deposits and Investments

As of September 30, 2011, the District had the following investments:

| <u>Deposits and Investment Type</u> | <u>Fair Value at September 30, 2011</u> | <u>Weighted Average Maturity (Days)</u> | <u>Credit Rating</u> |
|--|---|---|--------------------------|
| Cash on Hand | \$ 3,065 | - | n/a |
| Demand Deposits, CFB | 1,023,431 | 1.0 | n/a |
| Local Government Investment Pool, SBA | 4,079,793 | 38.3 | AAAm |
| U.S. Bank Money Market Mutual Funds, Federated | 3,564,289 | 33.0 | AAAm |
| Bond Fund FLGIT | 4,725,119 | 620.5 | AAAf/S1 |
| 0-2 Year High Quality Bond Fund, FMIvT | 1,722,831 | 266.5 | AAAf/S1 |
| 1-3 Year High Quality Bond Fund, FMIvT | 2,038,519 | 598.6 | AAA/V2 |
| Total Fair Value | \$ <u>17,157,047</u> | | |
| Portfolio Weighted Average Maturity (WAM) | | 284.8 | |

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(2) Deposits and Investments (continued)

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, 2011 was 284.8 days.

Credit Risk. GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities. Investments may be aggregated by ratings categories within the disclosure. Ratings are set by nationally recognized statistical rating organizations (Fitch, Moody's, and S&P). Fitch provides the ratings for FMIvT 1-3 Year High Quality Bond Fund, while S&P provides the ratings for the U.S. Bank money market with Federated, the Florida Local Government Investment Trust (FLGIT), the FMIvT 0-2 Year High Quality Bond Fund and the SBA investment pool.

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

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

- The State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool 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 Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value which is amortized cost.
- Trust balances related to restricted debt service accounts are maintained with U.S. Bank and are invested in Federated Prime Cash Obligations Fund since August 1, 2010.
- The District has investments consisting of funds placed with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIvT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. The District owns shares in the 0-2 Year High Quality Bond Fund and the 1-3 Year High Quality Bond Fund, pools operated by the FMIvT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. In the year ended September 30, 2011, the FMIvT had incurred unrealized losses of \$66,228 and realized gains of \$85,843, for a net gain of \$19,615. The unrealized losses and realized gains occurred primarily due to selling of shares of the FMIvT to reinvest the proceeds into the FLGIT, described below.
- The District initiated investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Association of County Clerks, on September 2, 2010. Initially amounts were moved from the FMIvT 0-2 Year High Quality Bond Fund to establish the FLGIT investment. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2011, the FLGIT account had achieved unrealized gains of

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(2) Deposits and Investments (continued)

Credit Risk (continued)

\$32,225 in the current year. The unrealized gains would only be realized if the underlying shares in the FLGIT pool are sold.

- In total, the District recognized investment earnings of \$65,070 during the fiscal year.

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

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector;
- Limiting investments in securities with higher credit risks;
- Investment in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds, such as the Local Government Investment Pool, 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 Guaranteed Public Depositories that meet the requirements of Chapter 280, Florida Statutes. In addition to protection of up to \$250,000 for its deposits with a single bank being provided by the Federal Deposit Insurance Corporation (FDIC), the District's deposits are provided an extra level of security afforded by using a public depository that meets the requirements of Chapter 280. This includes the provision by the public depository of collateral based on the amount of public deposits maintained at the institution and the ability of the State of Florida to levy other public depositories for shortages in collateral in the event of the failure of a public depository. The Citizens First Bank is a Guaranteed Public Depository.

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

Investment Policy

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

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(2) Deposits and Investments (continued)

Investment Policy (continued)

- 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 consist of obligations of the United States Government, its agencies and instrumentalities. The repurchase agreement shall be collateralized equal to at least 102 percent of the value of the District's investment.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

| | <u>Beginning balance</u> | <u>Increases Transfers</u> | <u>Decreases</u> | <u>Ending balance</u> |
|--|------------------------------|--------------------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Assets not being depreciated: | | | | |
| Land | \$ 3,537,352 | - | - | 3,537,352 |
| Construction in progress | - | 7,563 | - | 7,563 |
| Total assets not being depreciated | <u>3,537,352</u> | <u>7,563</u> | <u>-</u> | <u>3,544,915</u> |
| Assets being depreciated: | | | | |
| Buildings and structures | 15,000 | - | - | 15,000 |
| Infrastructure | 42,465,675 | - | - | 42,465,675 |
| Total assets being depreciated | <u>42,480,675</u> | <u>-</u> | <u>-</u> | <u>42,480,675</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | (650) | (600) | - | (1,250) |
| Infrastructure | (6,096,744) | (1,068,949) | - | (7,165,694) |
| Total accumulated depreciation | <u>(6,097,394)</u> | <u>(1,069,549)</u> | <u>-</u> | <u>(7,166,944)</u> |
| Government activities capital assets, net | <u>39,920,633</u> | <u>(1,061,987)</u> | <u>-</u> | <u>38,858,646</u> |
| Business-type activities: | | | | |
| Assets not being depreciated | | | | |
| Land | 7,810,800 | 1,478 | - | 7,812,278 |
| Total assets not being depreciated | <u>7,810,800</u> | <u>1,478</u> | <u>-</u> | <u>7,812,278</u> |
| Assets being depreciated: | | | | |
| Buildings and structures | 30,372,023 | 48,750 | - | 30,420,773 |
| Infrastructure | 2,824,679 | 109,867 | - | 2,934,546 |
| Furniture & fixtures | 426,448 | 9,057 | - | 435,505 |
| Capital lease | 33,721 | - | - | 33,721 |
| Total assets being depreciated | <u>33,656,871</u> | <u>167,675</u> | <u>-</u> | <u>33,824,546</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | (3,665,453) | (763,730) | - | (4,429,183) |
| Infrastructure | (343,463) | (79,856) | - | (423,319) |
| Furniture & fixtures | (388,089) | (23,779) | - | (411,868) |
| Capital lease | (23,605) | (6,744) | - | (30,349) |
| Total accumulated depreciation | <u>(4,420,610)</u> | <u>(874,109)</u> | <u>-</u> | <u>(5,294,719)</u> |
| Business activities capital assets, net | <u>37,047,061</u> | <u>(704,956)</u> | <u>-</u> | <u>36,342,105</u> |
| Total Sumter Landing CDD capital assets, net | \$ <u>76,967,693</u> | <u>(1,766,943)</u> | <u>-</u> | <u>75,200,751</u> |

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2011

(3) Capital Assets (continued)

Governmental activities depreciation of \$1,069,550 is for roads, drainage features and related infrastructure in Lake Sumter Landing. Business activities depreciation of \$874,109 is for recreational facilities operated by the Sumter Landing Amenities Division (SLAD) fund.

(4) Intangible Assets

| | <u>Beginning balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balance</u> |
|----------------------------------|------------------------------|------------------|------------------|---------------------------|
| Business activities, SLAD fund: | | | | |
| Discounted value of amenity fees | \$ 19,932,353 | - | - | 19,932,353 |
| Less accumulated amortization | <u>(2,491,545)</u> | <u>(498,309)</u> | <u>-</u> | <u>(2,989,854)</u> |
| Intangible assets, net | <u>\$ 17,440,808</u> | <u>(498,309)</u> | <u>-</u> | <u>16,942,499</u> |

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

(5) Long-term Debt

Revenue Bonds Payable

Revenue bonds payable consisted of the following:

| | |
|--|----------------------|
| \$53,085,000 Recreational Revenue Refunding Bonds, Series 2005A due in annual principal installments ranging from \$885,000 to \$3,100,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 3.25% to 5.125%. | \$ 49,475,000 |
| \$11,915,000 Recreational Revenue Refunding Bonds, Series 2005B due in annual principal installments ranging from \$175,000 to \$775,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. The interest rate is 5.70%. | \$ <u>11,270,000</u> |
| | 60,745,000 |
| Plus bond premium | 591,430 |
| Less bond discount | (395,914) |
| Less current installments of revenue bonds payable | <u>(1,060,000)</u> |
| Revenue Bonds payable less current installments | <u>\$ 59,880,516</u> |

The Recreational Revenue Bonds, Series 2005A and 2005B, are secured by a lien and pledge of revenues under the indentures which are derived by the District from the users of the recreational facilities. These

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements
September 30, 2011

(5) Long-term Debt (continued)

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

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2011 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|----------------------|-------------------|--------------------|
| Fiscal year ending September 30: | | | |
| 2012 | \$ 1,060,000 | 2,996,609 | 4,056,609 |
| 2013 | 1,100,000 | 2,952,648 | 4,052,648 |
| 2014 | 1,145,000 | 2,900,978 | 4,045,978 |
| 2015 | 1,205,000 | 2,840,845 | 4,045,845 |
| 2016 | 1,265,000 | 2,777,625 | 4,042,625 |
| 2017-2021 | 7,370,000 | 12,820,475 | 20,190,475 |
| 2022-2026 | 9,430,000 | 10,723,819 | 20,153,819 |
| 2027-2031 | 11,950,000 | 8,132,868 | 20,082,868 |
| 2032-2036 | 15,170,000 | 4,838,203 | 20,008,203 |
| 2037-2039 | 11,050,000 | 888,364 | 11,938,364 |
| Total | <u>\$ 60,745,000</u> | <u>51,872,433</u> | <u>112,617,433</u> |

Changes in Long-term Debt

| | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Due within one year</u> |
|---|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Business-type activities: | | | | | |
| Bonds payable | \$ 61,765,000 | - | (1,020,000) | 60,745,000 | 1,060,000 |
| Less bond discount | (410,578) | - | 14,664 | (395,914) | - |
| Add bond premium | 613,335 | - | (21,905) | 591,430 | - |
| Total bonds payable | <u>61,967,757</u> | <u>-</u> | <u>(1,027,241)</u> | <u>60,940,516</u> | <u>1,060,000</u> |
| Due to developer-SLAD | 571,750 | - | (8,250) | 563,500 | - |
| Notes payable | 921 | - | (527) | 394 | 394 |
| Capital leases | 13,714 | - | (7,852) | 5,862 | 5,862 |
| Total other long-term debt | <u>586,385</u> | <u>-</u> | <u>(16,629)</u> | <u>569,756</u> | <u>6,256</u> |
| Total business-type activities long-term liabilities | <u>\$ 62,554,142</u> | <u>-</u> | <u>(1,043,870)</u> | <u>61,510,272</u> | <u>1,066,256</u> |

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(5) Long-term Debt (continued)

Pledged Revenues

The District has pledged certain amenities fee revenue to pay the principal and interest on Recreational Revenue Bonds issued to pay for the purchase of recreational facilities from the Developer. These Recreational Revenue Bonds were outstanding on September 30, 2011 as shown below. The table reports the revenues pledged for each debt issue, the amounts of revenue received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds as of September 30, 2011.

| <u>Description of Debt</u> | <u>Pledged Revenue</u> | <u>Revenue Received</u> | <u>Principal and Interest Paid</u> | <u>Estimated Percent Pledged</u> | <u>Outstanding Principal and Interest</u> | <u>Pledged Through</u> |
|--|--------------------------|-------------------------|------------------------------------|----------------------------------|---|------------------------|
| Recreational Revenue Bonds, Series 2005A and 2005B | Amenities Fee Revenue \$ | 10,789,553 | 4,058,389 | 37.61% | 112,617,433 | 2038 |

Due to Developer-Recreational Amenities

The subordinate debt service reserve requirement was funded by the Recreational Revenue Bond proceeds. Therefore, this amount was not available for payment to the Developer for recreation and security facilities assets already acquired. This amount becomes available for payment to the Developer when the reserve requirement is reduced as principal payments are made on the debt. The balance in this reserve as of September 30, 2011 was \$563,500, and is classified as due to the Developer.

Capital Lease

A capital lease for document imaging hardware and software was acquired in a previous year. A total of \$5,862 remains to be paid in FY 2011-2012 on this lease. The remaining lease payments are as follows:

| | Capital Leases Proprietary Funds |
|----------------------------------|---|
| Fiscal year ending September 30: | |
| 2012 | \$ <u>5,862</u> |
| Total minimum lease payments | <u>5,862</u> |
| Less interest | <u>306</u> |
| Net present value | \$ <u><u>5,556</u></u> |

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(6) Related Parties

The District entered into interlocal agreements to provide Village Center Community Development District (VCCDD) to obtain certain management, payroll, finance, office rental and administrative services. Under the agreement, fees paid to VCCDD by the Sumter Landing District for the year ended September 30, 2011 amounted to \$4,250,966. Village Community Development District Nos. 5, 6, 7 and 8 paid amounts to the Project Wide Fund for maintenance of common use right-of-way. The amounts of these payments were \$1,647,034, \$1,829,992, \$1,164,865, and \$1,309,297 respectively. Upon action by their respective Boards of Supervisors, District Nos. 5, 6, 7 and 8 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.

The District has purchased from the Developer computerized tee-time reservation system and repair services for \$225,275. The District purchases water, waste water, irrigation water, and trash collection services from companies affiliated with the Developer for \$62,967. The District received for no charge from the Developer certain rents, information system support including software, hardware and computer programming and internal mailroom operations.

The District operates new recreation facilities as they are opened by the Developer. The Developer reimburses all start-up costs and all operating costs until the facility is transferred through an amenity sale. These costs as of September 30, 2011 were \$1,196,546, which were paid to the District by the Developer.

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

On December 1, 2005, the District issued \$53,085,000, Series 2005A Recreational Revenue Bonds and \$11,915,000, 2005B Subordinate Recreational Revenue Bonds. The proceeds were used to (i) pay a portion of the cost of acquiring certain recreation and golf facilities from the Developer; (ii) purchase a Reserve Account Insurance Policy issued by MBIA Insurance Corporation to be deposited to the credit of the 2005 Sub-account of the Reserve Account; (iii) make deposits to the Renewal and Replacement Fund and the 2005 Working Capital Fund; and (iv) pay the cost of issuing the Series 2005A Bonds. The District paid \$7,810,100 for land costs, \$33,302,209 for buildings and structures, and \$19,336,602 in discounted value of amenities contracts (intangible assets). Additional intangible assets of \$593,500 were recorded with the offset as a due to the developer. These funds will be paid to the Developer as the subordinated debt service reserve is reduced. The balance owed as of September 30, 2011 was \$563,500.

The Board of Supervisors for SLCDD as of September 30, 2011 is made up of five members that are either employees or affiliates of the Developer.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(7) Commitments and Contingencies

Operating Leases

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

| Year ending September 30, | Equipment Leases |
|---------------------------|---------------------|
| 2012 | \$ 1,572 |
| 2013 | 1,572 |
| 2014 | 1,572 |
| 2015 | 1,048 |
| Total | \$ <u>5,764</u> |

(8) Risk Management

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

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

In July 2009, the Internal Revenue Service (IRS) extended an ongoing audit of the Village Center Community Development District (VCCDD) recreation bonds to include the Series 2003 Special Assessment Bonds (previously paid in full) and the Series 2005 Recreational Revenue Bonds issued by Sumter Landing Community Development District (SLCDD). There are certain similarities between the structure of the VCCDD recreational bond issue already being audited and the District's recreational revenue bonds. SLCDD is a separate legal entity from the VCCDD.

On July 22, 2009, the SLCDD provided a "Notice of Material Event-IRS Examination" to the secondary bond market concerning the Sumter Landing Community Development District Recreational Revenue Bonds Series 2005A and Subordinate Recreational Revenue Bonds Series 2005B. This notice of audit commencement was based on the receipt of a letter dated July 2, 2009 from the IRS announcing the start of the examination.

VCCDD in early February 2009 filed the following material events notice in regard to its Recreational Revenue Bonds, Series 2003A and Subordinate Recreational Revenue Bonds, Series 2003B (collectively, the "Bonds").

"The Village Center Community Development District (the "Issuer") received on January 23, 2009 three (3) "Notice of Proposed Issues" (collectively, the "Notices") relating to the Internal Revenue Services' (the "IRS") examination of the above referenced bond issue. The conclusions stated in the

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

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

Notices are as follows: (1) the Issuer does not qualify as a political subdivision or as “an on behalf of issuer” of tax-exempt bonds pursuant to Section 1.103-1(b) of the Internal Revenue Code regulations; (2) the opinions of value do not support the price paid by the Issuer to the developer for the Series 2003 Facilities and the payment of the sales price for the facilities to the developer by the Issuer is not a governmental use of the proceeds of the Bonds; and (3) the Bonds are private activity bonds, the interest on which is not excludable under IRS Section 103.

The Issuer disagrees with the conclusions set forth in the Notices and intends to work with the IRS to protect the exclusion from gross income of interest on the Bonds. The Issuer cannot predict the outcome of the discussions and negotiations with the IRS.”

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

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

We have audited the financial statements of the governmental activities, business-type activities and each major fund of Sumter Landing Community Development District (the District), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 14, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

**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)**

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

February 14, 2012
Ocala, Florida

MANAGEMENT LETTER

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

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, and each major fund of Sumter Landing Community Development District (the District), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated February 14, 2012.

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. We have issued our report on internal control over financial reporting and compliance and other matters. Disclosures in those reports, which are dated February 14, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

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 significant findings and recommendations made in the preceding annual financial audit report. (There were no findings and recommendations made in the preceding annual financial audit report).

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provision of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit we determined that the District complied with Section 218.415, Florida Statutes.

Sections 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the District's financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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

MANAGEMENT LETTER
(Concluded)

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, also requires that the name or official title and legal authority for the primary government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See Note 1 of the September 30, 2011, Sumter Landing Community Development District's basic financial statements for this information.

Section 10.554(1)(i)7.(a.), *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity 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.

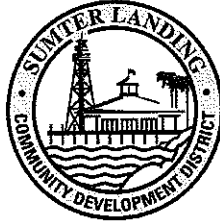
Section 10.554(1)(i)7.(b.), *Rules of the Auditor General*, requires that we determined whether the annual financial report for the District for the fiscal year ended September 30, 2011, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports agree.

Pursuant to Sections 10.554(1)(i)7.(c) and 10.556(7), *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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

February 14, 2012
Ocala, Florida



SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
3201 Wedgewood Lane, The Villages, FL 32162 Telephone: (352) 753-0421 Fax: (352) 751-3901

February 15, 2012

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

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2010-2011 for Sumter Landing Community Development District. We are proud to report that this audit has an unqualified opinion. There are no internal control deficiencies, material weaknesses, or compliance issues identified and reported. All prior year management letter comments have now been corrected to the satisfaction of the auditors and no new comments have been identified.

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

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

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

Sincerely,

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

David R. Miles, CGFO
Finance Director

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

Janet Y. Tutt
District Manager