

**The Villages®**  
Community Development Districts  
District 5



**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Basic Financial Statements

September 30, 2017

(With Independent Auditors' Report Thereon)

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

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### ON THE COVER

The cover photograph was submitted by  
Jennifer Newton, Staff Accountant, Accounting Division  
in the District Finance Department.

## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Village Community Development District No. 5  
The Villages, Florida

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Village Community Development District No. 5 (the District) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Certified Public Accountants**

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Board of Supervisors  
Village Community Development District No. 5  
The Villages, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2017, and the respective changes in financial position thereof, and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards* we have also issued our report dated January 31, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Purvis, Gray and Company, LLP*

January 31, 2018  
Ocala, Florida

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

### Management's Discussion and Analysis

September 30, 2017

The Village Community Development District No. 5 (the District) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the District's financial activities; and (c) identify changes in the District's financial position and its ability to address the next and subsequent year challenges.

#### Financial Highlights

##### Entity-Wide Level

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows as of September 30, 2017, by \$105,110,716 (net position). Of this amount, \$12,252,319 of unrestricted net position may be used to meet the District's ongoing obligations to residents and creditors.
- The District's total net position decreased by \$2,361,788. The decrease in net position results primarily from depreciation expense of \$3,290,159. Depreciation expenses are provided to reflect the using up over time of the value of capital assets in order to allow for the planning of the timely replacement or renovation of these assets.
- The District's total long-term debt decreased by \$1,922,972 during the current Fiscal Year. The decrease relates to principal payments made on outstanding revenue bonds during the year ended September 30, 2017.

##### Fund Level

- At the close of the Fiscal Year, the District's governmental funds reported combined fund balances of \$13,905,252, a net increase of \$302,934, compared to the prior year. Of the total, \$3,530,244 is available for spending at the District's discretion as *unassigned fund balance*.
- At the end of the year, unassigned fund balance of the General Fund was \$3,530,244 or 110.5 percent of total General Fund annual expenditures. This provides a healthy contingency for unexpected expenditures.
- Special assessments are shown as assessments receivable. At the fund level, there is an offsetting line item for unavailable revenue pertaining to assessments due in future years, which is a deferred inflow of resources. Assessments receivable decreased by \$1,856,241 during the year and has a September 30, 2017, balance of \$29,175,087.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village Community Development District No. 5's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The **Statement of Net Position** presents information on all of the District's assets and deferred outflows compared to liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Village Community Development District No. 5 is improving or deteriorating.

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

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Management's Discussion and Analysis

September 30, 2017

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 debt service. The District has no business-type activities. The District also has no component units, as all functions are performed by the primary government.

The government-wide financial statements are provided on pages 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 Village Community Development District No. 5, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered governmental funds. There are no proprietary or fiduciary funds maintained by the District. The fund financial statements present information in more detail than the government-wide financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

**Governmental funds.** *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 individual 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 General Fund and Debt Service Fund, both of which are considered to be major funds.

The District adopts an annual appropriated budget for both its General Fund and its Debt Service Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 11-15 of this report.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 16.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Management's Discussion and Analysis

September 30, 2017

**Government-wide Financial Analysis**

The District's net position as of September 30, 2017, and September 30, 2016, were \$105.111 million and \$107.473 million, respectively, representing a decrease of approximately \$2.362 million. The District's revenues for the years ended September 30, 2017, and September 30, 2016, including assessments, donations, and investment earnings, were approximately \$4.747 million and \$4.790 million, respectively. The District's expenses for the years ended September 30, 2017, and September 30, 2016, were \$7.108 million and \$7.109 million, respectively.

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

**Table 1**

**Net Position**

	<b>Governmental Activities</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2017</b>	<b>2016</b>
	<hr/>	<hr/>
Assets:		
Current and other assets	\$ 14,089,635	13,659,718
Assessments receivable	29,175,087	31,031,328
Capital assets - net	91,844,157	94,580,969
Total assets	<hr/> 135,108,879	<hr/> 139,272,015
Deferred outflows of resources:		
Deferred amount on debt refunding	328,843	348,874
Liabilities:		
Current and other liabilities	629,365	527,772
Long-term liabilities		
Due in less than one year	1,340,000	1,325,000
Due in more than one year	28,357,641	30,295,613
Total liabilities	<hr/> 30,327,006	<hr/> 32,148,385
Net position:		
Net investment in capital assets	62,775,359	63,609,258
Restricted for debt service	29,544,678	31,460,550
Restricted for capital improvements	538,360	681,795
Unrestricted	12,252,319	11,720,901
Total net position	<hr/> <hr/> \$ 105,110,716	<hr/> <hr/> 107,472,504

The largest share of the District's net position (59.7 percent) relates to net investment in capital assets. Reserves to pay debt service expenses represent another 28.1 percent. The resources required to repay the debt must be provided annually from assessments, since the capital assets themselves cannot be liquidated to pay the liabilities. Net position restricted for capital improvements is 0.5 percent of the total net position. The remaining net position is unrestricted.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Management's Discussion and Analysis  
September 30, 2017

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

**Table 2**

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Revenues:		
Special assessments	\$ 4,442,776	4,530,519
Intergovernmental revenue	25,829	24,269
Miscellaneous revenue	1,676	3,629
Investment earnings	276,420	231,902
Total revenues	<u>4,746,701</u>	<u>4,790,319</u>
Expenses:		
General government services	431,318	427,835
Physical environment	2,089,451	2,054,925
Transportation	192,798	193,583
Interest on long-term debt	1,104,763	1,164,846
Depreciation (unallocated)	3,290,159	3,268,141
Total expenses	<u>7,108,489</u>	<u>7,109,330</u>
Change in net position	\$ <u>(2,361,788)</u>	<u>(2,319,011)</u>

**Revenues**

Revenues include special assessments on District landowners for maintenance and debt service. Other revenue includes reimbursements from Sumter County for the District maintenance of county road right-of-ways. Investment earnings on cash balances held during the year make the final source of revenue to the District. Special Assessment revenue decreased by \$87,743 in Fiscal Year 2016-2017 compared to Fiscal Year 2015-2016 mainly due to a reduction in the bond assessment accrual. Intergovernmental revenue increased due to a refund from the Village Center Community Development District for maintenance fees. Investment earnings of \$276,420 marked an increase of 19.2% percent resulting from increases in money market and short term bond funds interest rates. The longer term bond investments were positioned defensively in preparation for future interest rate increases, and the Long-Term Investment Portfolio continued to show increased earnings. Additional information can be found in Note 2 of the Notes to Basic Financial Statements.



## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Management's Discussion and Analysis

September 30, 2017

### Expenses

General government expenses of the District increased between the past Fiscal Year and the current one by \$3,483. Physical environment expenses are mainly for landscaping, irrigation, utilities and maintenance costs. These expenses increased \$34,526 between the past Fiscal Year and the current one primarily due to debris removal expenses for Hurricane Irma. Transportation expenses, which relate primarily to street lighting electric bills, decreased by \$785 from the prior Fiscal Year. Interest on the long-term debt is the amount of interest paid to bondholders pertaining to the District's revenue bonds. Interest expense decreased \$60,083 compared to the prior year. The interest on the long-term debt will continue to decrease as the existing bond issues are paid off and due to the lower interest rates on the refunding debt. Depreciation expenses increased by \$22,018. Total expenses decreased by \$841. Lastly, due to Hurricane Irma, the District had expenses of \$118,826 in hurricane related debris removal and clean-up.

### Financial Analysis of the Government's Funds

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

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a Fiscal Year. As of the end of Fiscal Year 2016-2017, the District's governmental funds reported combined ending fund balances of \$13,905,252, an increase of \$302,934 in comparison with the end of Fiscal Year 2015-2016. Approximately 25.4 percent of this total amount, \$3,530,244, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved or committed* to indicate that it is not available for new spending because it has already been committed (\$8,722,075 to renewal and replacement) or restricted (\$1,114,573 for debt service and \$538,360 to capital improvements).

The General Fund is the chief operating fund of the District. At the end of Fiscal Year 2016-2017, unassigned fund balance was \$3,530,244 while total fund balance reached \$12,790,679. This represents an increase of \$387,983, compared to the balance at the end of Fiscal Year 2015-2016. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 110.5 percent of annual General Fund expenditures, while total fund balance represents 400.4 percent of that same amount.

The Debt Service Fund has a total fund balance of \$1,114,573, all of which is reserved for the payment of debt service. The net decrease in fund balance was \$85,049 due to a transfer to the General Fund of \$291,506. This fund's revenue is comprised entirely of special assessment proceeds and interest earnings on cash balances.

### General Fund Budgetary Highlights

During the year, there was no increase in the revenue budgeted for the General Fund between the original and final budget. The appropriations budget increased by \$8,413, all in the area of repairs and maintenance.

### Capital Asset and Debt Administration

**Capital Assets.** The District's capital assets as of September 30, 2017, and September 30, 2016, amounted to \$91,844,157 and \$94,580,969, respectively. These amounts are net of accumulated depreciation, and include land and improvements. Depreciation expenses of \$3,290,159 occurred between October 1, 2016, and September 30, 2017. Improvements in the amount of \$562,185 were added during the 2016-2017 Fiscal Year.

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

### Management's Discussion and Analysis

September 30, 2017

Additional information regarding the District's capital assets can be found in Note 3 of the Notes to the Basic Financial Statements.

**Long-term Debt.** As of September 30, 2017, and September 30, 2016, the District had long-term debt outstanding of \$29,697,641 and \$31,620,613, respectively. Debt principal of \$1,910,000 was retired. All of the debt is special assessment debt and is secured solely by special assessment revenue sources. Outstanding long-term debt includes premiums on the bond refundings. Those premiums are amortized during the life of the bond. During the current Fiscal Year, \$12,972 of that premium balance was amortized.

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 4.7 percent in September 2017 which is a decrease from a rate of 6.9 percent a year ago. The State's average unemployment rate is 3.7 percent and is below the national average rate of 4.2 percent.
- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual change for all urban consumers changed from 1.46 percent in September 2016 to 2.23 percent in September 2017.

These factors were considered in preparing the Districts' budget for the 2017-2018 Fiscal Year. Total annual revenues are projected to decrease by \$96,991 in the Fiscal Year 2017-2018 General Fund budget compared to the final Fiscal Year 2016-2017 budget. This decrease is anticipated due to a refund of \$10,200 from Village Center Community Development District in 2016-2017 that is not anticipated in 2017-2018 as well as a reduction in the maintenance assessment of \$89,926 due to a 3% decrease approved by the Board of Supervisors. Total Fiscal Year 2016-2017 General Fund expenditures are projected to decrease by \$672,217 compared to the Fiscal Year 2016-2017 final budget, primarily in the capital outlay line item which was \$710,156 in fiscal year 2016-2017 and is there is no capital outlays budgeted for 2017-2018. This is offset by minor increases and decreases in other items.

### **Requests for Information**

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

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Statement of Net Position

September 30, 2017

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,027,212
Investments	11,022,958
Interest receivable	1,502
Due from other governments	37,963
Assessments receivable	29,175,087
Capital assets, net	
Non-depreciable	1,841,502
Depreciable, net of depreciation	90,002,655
Total assets	<u>135,108,879</u>
 <b>Deferred outflows of resources</b>	
Deferred amount on debt refunding	<u>328,843</u>
 <b>Liabilities</b>	
Accounts payable	149,193
Due to other governments	35,190
Accrued interest payable	444,982
Long-term debt:	
Due within one year	1,340,000
Due in more than one year	28,357,641
Total liabilities	<u>30,327,006</u>
 <b>Net position</b>	
Net investment in capital assets	62,775,359
Restricted for debt service	29,544,678
Restricted for capital improvements	538,360
Unrestricted	12,252,319
Total net position	<u>\$ 105,110,716</u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Statement of Activities  
Year Ended September 30, 2017

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Total
Governmental activities:						
General government services	\$ 431,318	4,442,776	10,200	-	4,021,658	4,021,658
Physical environment	2,089,451	-	-	-	(2,089,451)	(2,089,451)
Transportation	192,798	-	15,629	-	(177,169)	(177,169)
Interest on long-term debt	1,104,763	-	-	-	(1,104,763)	(1,104,763)
Depreciation (unallocated)	3,290,159	-	-	-	(3,290,159)	(3,290,159)
Total governmental activities	<u>7,108,489</u>	<u>4,442,776</u>	<u>25,829</u>	<u>-</u>	<u>(2,639,884)</u>	<u>(2,639,884)</u>
Total primary government	\$ <u>7,108,489</u>	<u>4,442,776</u>	<u>25,829</u>	<u>-</u>	<u>(2,639,884)</u>	<u>(2,639,884)</u>
General revenues:						
Miscellaneous revenue					\$ 1,676	1,676
Investment earnings					276,420	276,420
Total general revenues					<u>278,096</u>	<u>278,096</u>
Change in net position					(2,361,788)	(2,361,788)
Net position – beginning					<u>107,472,504</u>	<u>107,472,504</u>
Net position – ending					\$ <u>105,110,716</u>	<u>105,110,716</u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Balance Sheet – Governmental Funds

September 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,913,874	1,113,338	3,027,212
Investments	11,022,958	-	11,022,958
Interest and other receivable	267	1,235	1,502
Due from other governments	37,963	-	37,963
Assessments receivable	-	29,175,087	29,175,087
	<u>12,975,062</u>	<u>30,289,660</u>	<u>43,264,722</u>
Total assets			
Liabilities:			
Accounts payable	149,193	-	149,193
Due to other governments	35,190	-	35,190
	<u>184,383</u>	<u>-</u>	<u>184,383</u>
Total liabilities			
Deferred inflows of resources:			
Unavailable special assessment revenue	-	29,175,087	29,175,087
Fund balances:			
Restricted for debt service	-	1,114,573	1,114,573
Restricted for capital improvements	538,360	-	538,360
Committed for renewal and replacement	8,722,075	-	8,722,075
Unassigned	3,530,244	-	3,530,244
	<u>12,790,679</u>	<u>1,114,573</u>	<u>13,905,252</u>
Total fund balances			
Total liabilities and fund balances	\$ <u>12,975,062</u>	<u>30,289,660</u>	<u>43,264,722</u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  
September 30, 2017

Total fund balances, governmental funds	\$	13,905,252
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets	\$	132,416,330
Less accumulated depreciation		<u>(40,572,173)</u>
		91,844,157
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Special assessment revenue bonds		(29,697,641)
Including: Deferred amount on bond refunding (to be amortized as an increase in interest expense)		328,843
Accrued interest payable		<u>(444,982)</u>
		(29,813,780)
Unavailable special assessment revenue reported in the funds is added to the balance of net position restricted for debt service to reflect the revenue as recorded when the total assessment is levied.		
		29,175,087
Net position of governmental activities	\$	<u><u>105,110,716</u></u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Statement of Revenues, Expenditures and Changes in

Fund Balances – Governmental Funds

Year Ended September 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Special assessments	\$ 3,006,143	3,292,874	6,299,017
Intergovernmental revenue	25,829	-	25,829
Miscellaneous revenue	1,676	-	1,676
Investment earnings	257,482	18,938	276,420
Total revenues	<u>3,291,130</u>	<u>3,311,812</u>	<u>6,602,942</u>
Expenditures:			
General government services	350,219	71,511	421,730
Physical environment	2,089,451	-	2,089,451
Transportation	192,798	-	192,798
Capital outlay	562,185	-	562,185
Debt service:			
Principal	-	1,910,000	1,910,000
Interest	-	1,123,094	1,123,094
Miscellaneous Bond Expense	-	750	750
Total expenditures	<u>3,194,653</u>	<u>3,105,355</u>	<u>6,300,008</u>
Excess (deficiency) of revenues over expenditures	<u>96,477</u>	<u>206,457</u>	<u>302,934</u>
Other financing sources (uses):			
Transfer in (out)	291,506	(291,506)	-
Total other financing sources (uses)	<u>291,506</u>	<u>(291,506)</u>	<u>-</u>
Net change in fund balances	387,983	(85,049)	302,934
Fund balances, at beginning of year	<u>12,402,696</u>	<u>1,199,622</u>	<u>13,602,318</u>
Fund balances, at end of year	<u>\$ 12,790,679</u>	<u>1,114,573</u>	<u>13,905,252</u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds to the Statement of Activities  
Year Ended September 30, 2017

Net change in fund balances – total governmental funds	\$	302,934
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 depreciation expense, net of capital outlays, in the current period.		
Capital outlays	\$ 562,185	
Disposition of capital assets	(8,838)	
Depreciation expense	<u>(3,290,159)</u>	(2,736,812)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in accrued interest payable	25,390	
Amortization of deferred amount on bond refunding	(20,031)	
Amortization of bond premium	<u>12,972</u>	18,331
Governmental funds report special assessment debt service revenue when collected, however, in the statement of activities the revenue is recorded when the total assessment is levied.		
Deferred assessment revenue as of September 30, 2017	29,175,087	
Deferred assessment revenue as of September 30, 2016	<u>(31,031,328)</u>	(1,856,241)
Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal payments		1,910,000
Change in net position of governmental activities	\$	<u><u>(2,361,788)</u></u>

See accompanying notes to basic financial statements.



**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Statement of Revenues, Expenditures and Changes in

Fund Balances – Budget and Actual

General Fund

Year Ended September 30, 2017

	Budgeted Amount		Actual Amounts	Variance with final budget
	Original	Final		
Revenues:				
Special assessments, charges for public services	\$ 2,997,542	2,997,542	3,006,143	8,601
Local government unit grant, transportation	15,629	15,629	15,629	-
Shared revenues from other local governments	10,200	10,200	10,200	-
Other general government charges and fees	-	-	1,676	1,676
Investment earnings	9,000	9,000	257,482	248,482
Total revenues	<u>3,032,371</u>	<u>3,032,371</u>	<u>3,291,130</u>	<u>258,759</u>
Expenditures:				
Personnel services	17,269	17,269	10,793	6,476
Professional services	329,940	329,940	320,786	9,154
Accounting and auditing	9,000	9,000	9,000	-
Other contractual services	567	567	2,433	(1,866)
Travel and per diem	5,000	5,000	-	5,000
Communication and freight	100	100	-	100
Utility services	244,722	244,722	219,320	25,402
Rental and leases	500	500	-	500
Insurance	5,740	5,740	5,715	25
Repairs and maintenance/landscape	386,881	395,294	447,019	(51,725)
Printing and binding	500	500	27	473
Other current charges	1,616,941	1,616,941	1,616,656	285
Operating supplies	500	500	719	(219)
Capital outlay	710,156	710,156	562,185	147,971
Total expenditures	<u>3,327,816</u>	<u>3,336,229</u>	<u>3,194,653</u>	<u>141,576</u>
Excess of revenues over expenditures	<u>(295,445)</u>	<u>(303,858)</u>	<u>96,477</u>	<u>400,335</u>
Other financing sources:				
Transfers in	300,822	300,822	291,506	(9,316)
Transfers out	<u>(475,000)</u>	<u>(475,000)</u>	<u>-</u>	<u>475,000</u>
Total other financing sources	<u>(174,178)</u>	<u>(174,178)</u>	<u>291,506</u>	<u>465,684</u>
Net change in fund balance	<u>(469,623)</u>	<u>(478,036)</u>	<u>387,983</u>	<u>866,019</u>
Fund balance, beginning	<u>12,402,696</u>	<u>12,402,696</u>	<u>12,402,696</u>	<u>-</u>
Fund balance, ending	<u>\$ 11,933,073</u>	<u>11,924,660</u>	<u>12,790,679</u>	<u>866,019</u>

See accompanying notes to basic financial statements.

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Notes to Basic Financial Statements

September 30, 2017

### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

Village Community Development District No. 5 (the District) was established in 2002 for the purpose of planning, financing, constructing, operating, and maintaining certain community-wide infrastructure for a community development district located entirely within Sumter County, Florida. The District was created by Sumter County Commission Ordinance No. 02-05 pursuant to the provisions of Chapter 190.005, Florida Statutes, and operates within the criteria established by Chapter 190. The District is governed by a five member Board of Supervisors. As of September 30, 2017, each member of the Board of Supervisors is an elected resident of the District.

The District boundary consists of approximately 1,407 acres in the northeast corner of the county. Development includes construction of 6,399 residential units. The land within the District is part of the active adult retirement community known as “The Villages”. The Villages consists of approximately 23,686 acres spanning the borders of Lake, Sumter and Marion Counties, the City of Wildwood, the City of Fruitland Park and the Town of Lady Lake, Florida, and when fully developed is expected to include approximately 61,626 residences and 120,787 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. All of the residential units in Village Community Development District No. 5 have been completed by the developer and sold to the current residents of the District. The Villages continues to be developed by the developer, a family-owned business established for the single purpose of developing The Villages. Most current development is being performed in District Nos. 10, 11, and 12, south of District 5.

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

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

The Developer has formed the following community development districts:

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

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Notes to Basic Financial Statements

September 30, 2017

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

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

maintenance in the commercial areas is funded through commercial maintenance assessments.

- Brownwood CDD (Sumter County) – This CDD was established in June 2012 by the City of Wildwood, Florida and is located at the southern end of The Villages. This CDD provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments as the new downtown area builds out.
- Village CDD No. 1 (Sumter County) – This CDD’s boundary consists of approximately 993 acres in the northeast corner of the county. The development included construction of 3,420 residential units.
- Village CDD No. 2 (Sumter County) – This CDD’s boundary consists of approximately 990 acres in the northeast corner of the county. The development included construction of 3,668 residential units.
- Village CDD No. 3 (Sumter County) – This CDD’s boundary consists of approximately 894 acres in the northeast corner of the county. The development included construction of 3,762 residential units.
- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,253 acres in the southern portion of the county. The development included construction of 5,432 residential units of which 184 remain unsold as of the end of the Fiscal Year.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,407 acres in the northeast corner of the county. The development included construction of 6,399 residential units.
- Village CDD No. 6 (Sumter County) – This CDD’s boundary consists of approximately 1,497 acres in the northeast corner of the county. Planned development included construction of 6,697 residential units of which 1 remains unsold as of the end of the Fiscal Year.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. The development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units of which 70 remain unsold and are being used as lifestyle preview homes by the Developer.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,286 acres in the northeast corner of the county. Planned development includes construction of 5,409 residential units of which 1 remains unsold as of the end of the Fiscal Year.

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Notes to Basic Financial Statements

September 30, 2017

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

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

- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 1,589 acres in the northeast corner of the county. Planned development includes construction of 6,639 residential units of which 367 remain unsold as of the end of the Fiscal Year.
- Village CDD No. 11 (Lake County) – This CDD’s boundary consists of approximately 693 acres within the city limits of Fruitland Park in the western portion of Lake County. Planned development includes construction of 2,055 residential units of which 289 remain unsold as of the end of the Fiscal Year.
- Village CDD No. 12 (Sumter County) – This CDD’s boundary consists of approximately 699 acres within the city limits of the City of Wildwood in the northeast corner of the county. Planned development includes construction of 2,503 residential units of which 2,297 remain unsold as of the end of the Fiscal Year.

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

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

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

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Notes to Basic Financial Statements

September 30, 2017

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

#### (b) Basic Financial Statements

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

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

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

The District's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34. The General Fund and the Debt Service Fund meet this definition and are designated as major funds. The District has no non-major funds.

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Notes to Basic Financial Statements

September 30, 2017

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

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

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

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

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

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

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

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

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

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

The following are the District's major governmental funds:

#### **General Fund**

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

#### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

The District has no non-major governmental funds.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

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

**(d) Budgetary Data**

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

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

**1. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and short-term investments with original maturities of three months or less from the date of acquisition. The District also holds assets that are defined as investments. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool and follows the guidance in GASB Statement No. 79, which allows the investment to be recorded at amortized cost.

**2. Capital Assets**

Capital assets are reported in the government-wide 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 District values and records donated capital assets at the estimated fair value of the item at the date of its donation.

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 and is recorded in general government expenses in the District's statement of activities. Estimated useful lives of the assets are as follows:

Improvements other than buildings and structures	40 years
Furniture and equipment	5-10 years

**3. Bond Issuance Costs**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period when the debt is issued. The face amount of debt issued is reported as other financial sources. Premiums are reported as other financial sources, while discounts are reported as other financial uses. Issuance costs are reported as other debt services expenditures.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

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

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

**4. Assessments**

*Bond Assessments*

The bond debt is repaid from the proceeds of an assessment levied by the District's Board of Supervisors. The levy is in the form of a non-ad valorem special assessment that will have a lien against properties, within the boundary of the District, that receive special benefits from the infrastructure improvements financed by the bonds. These assessments may be prepaid in total or annually as non-ad valorem special assessments. The bond assessment revenue and the debt service activity are accounted for in the Debt Service Fund.

*Maintenance Assessments*

In addition to the assessment for the repayment of bond obligations, the District has levied an assessment for the maintenance of the infrastructure and the operations of the District. This assessment is a part of the General Fund's annual budget. The maintenance assessment revenue is classified as program revenue and is accounted for in the General Fund.

*Assessment Methodology*

The assessment methodology consists of five steps. First, the District engineer determines the costs for all District improvements needed. Second, the assessable acres that benefit from the District's infrastructure improvements are determined. Third, the District Financial Advisor and Underwriter estimate total funding needed to acquire and/or construct the infrastructure improvements. Fourth, this amount is divided equally among the benefited properties on a net assessable acreage basis. Finally, as land is platted, the debt on each assessable acre is allocated to each residential unit. This methodology is applied to both the bond and the maintenance assessments.

*Billing / Collection of Assessments*

The District has entered into an agreement with the Tax Collector of Sumter County. The assessments are placed on the county property tax bill as a non-ad-valorem assessment. They are collected by the county under the uniform tax collection process and then remitted to the District.

*(f) Use of Estimates*

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



**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

**(2) Deposits and Investments**

**Short-Term Portfolio**

As of September 30, 2017, the District had the following deposits and investments:

<u>Deposits and Investment Type</u>	<u>Fair Value at September 30, 2017</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Demand Deposits, CFB	\$ 195,607	1.0	n/a
Florida Education Investment Trust Fund, FEITF	742,510	51.0	AAAm
State Board of Administration, Florida Prime <sup>TM</sup>	867	51.9	AAAm
U.S. Bank - State Board of Administration, Florida Prime <sup>TM</sup>	1,113,338	51.9	AAAm
Florida Cooperative Liquid Assets Securities System, FLCLASS	974,890	56.0	AAAm
Florida Local Government Investment Trust, FLGIT	5,103,930	671.6	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	4,259,426	547.5	AAAf/S2
Total Fair Value	<u>\$ 12,390,568</u>		
Portfolio Weighted Average Maturity (WAM)		469.5	

**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, 2017, was 469.5 days.

**Credit Risk.** GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities. Investments may be aggregated by ratings categories within the disclosure. Ratings are set by nationally recognized statistical rating organizations (Fitch, Moody's, and Standard and Poor's (S&P)). Fitch provides the ratings for Florida Municipal Investment Trust (FMIvT), while S&P provides the ratings for the Florida Education Investment Trust Fund (FEITF), Florida Local Government Investment Trust (FLGIT), Florida Cooperative Liquid Assets Securities System (FLCLASS), and the State Board of Administration, Florida Prime<sup>TM</sup>.

Operating cash is maintained with Citizens First Bank, a Qualified Public Depository, pursuant to Chapter 280, Florida Statutes. Interest earned on the deposits during the Fiscal Year totaled \$773.

The District's cash equivalents consist of funds placed with three entities:

- The State Board of Administration, for participation in the Local Government Investment Pool (Florida Prime<sup>TM</sup>) created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in Florida Prime<sup>TM</sup>, an external investment pool, are reported at amortized cost. The District recognized \$18,948 in earnings from Florida Prime<sup>TM</sup> during

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Notes to Basic Financial Statements

September 30, 2017

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

#### Short-Term Portfolio (continued)

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

the 2016-2017 Fiscal Year. During September of 2016, the trust balances related to restricted debt service accounts, which are maintained with U.S. Bank, were transferred from Federated and Fidelity to the Local Government Investment Pool (Florida Prime™).

- The District has funds with the Florida Cooperative Liquid Assets Securities System (FLCLASS). FLCLASS is an independent local government investment pool and is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term investment policy. The District's investments in FLCLASS are reported at amortized cost. The District recognized \$16,785 in earnings from FLCLASS during the Fiscal Year ending September 30, 2017.
- During September of 2016, the Board also approved the transfer of funds from Florida Prime™ to Florida Education Investment Trust Fund (FEITF). FEITF is a common law trust and is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term investment policy. The District's investments in FEITF are reported at amortized cost. The District recognized \$7,081 in earnings from FEITF during the Fiscal Year ending September 30, 2017.

The District's short-term investments consist of funds placed with the following entities:

- The District has investments consisting of funds placed with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIvT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term investment policy. The District owns shares in the 1-3 Year High Quality Bond Fund pool operated by the FMIvT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2017, the FMIvT had an unrealized gain of \$21,080. The realization of the gain will only occur from the future sale of underlying shares in the FMIvT.
- The District also has investments with Florida Local Government Investment Trust (FLGIT) operated by the Florida Association of Counties and Florida Court Clerks and Comptrollers. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term investment policy. FLGIT recognized an unrealized gain of \$40,075 during Fiscal Year 2016-2017. The realization of the gain will only occur from the future sale of underlying shares in the FLGIT.
- In total, the District recognized investment earnings of \$104,742 on the short-term portfolio during the Fiscal Year.

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

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

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Notes to Basic Financial Statements

September 30, 2017

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

#### Short-Term Portfolio (continued)

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

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

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

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

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

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5

Notes to Basic Financial Statements

September 30, 2017

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

#### Short-Term Portfolio (continued)

***Fair Value Measurement.*** The District holds assets that are defined as short-term investments. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1 inputs-are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 inputs-are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs-are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The following short-term investments are recorded at fair value:

- Florida Municipal Investment Trust (FMIvT)
- Florida Local Government Investment Trust (FLGIT).

Under the fair value hierarchy, all of these investments are considered to be Level 2.

The District's holds investments in qualified external investments pools that measure all of its investment at amortized cost for financial reporting purposes. These investments are recorded at amortized cost. The following investments are recorded at amortized costs and are not subject to the fair value hierarchy:

- Florida Local Government Investment Pool (Florida Prime<sup>TM</sup>)
- Florida Cooperative Liquid Assets Securities System (FLCLASS)
- Florida Education Investment Trust Fund (FEITF)

None of the pools have limitations or restrictions on participant withdrawals including items such as redemption notices, maximum transaction amounts, and the pool's authority to impose liquidity fees or redemption gates.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

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

**Long-Term Portfolio**

In August of 2014, the District adopted a Long-Term Investment Policy (LTIP). Implementation of the LTIP occurred in October of 2014. Investments in fixed income and equity mutual funds, and money market funds, as authorized in the LTIP, are reported at fair value as of September 30, 2017, as follows:

<u>Long Term Investment Portfolio</u>	<u>Fair Value at September 30, 2017</u>	<u>Average Maturity (years)</u>	<u>Credit Rating</u>
Domestic Equity			
Vanguard Total Stock Market Index	\$ 628,348	N/A	N/A
T. Rowe Price Dividend Growth	54,932	N/A	N/A
International Equity			
Vanguard Total International Stock Index	119,642	N/A	N/A
Vanguard International Value	93,727	N/A	N/A
J. O. Hambro International Select	109,071	N/A	N/A
Oppenheimer International Small-Mid Company	58,327	N/A	N/A
Fixed Income			
Baird Core Plus	195,481	7.59	A
DoubleLine Core Fixed Income I	87,920	6.60	A
Prudential Total Return	58,693	7.88	A
Vanguard Intermediate-Term Investment Grade	195,059	5.90	A
Vanguard High Yield Corporate	52,758	4.90	BB
Cash Equivalent			
First American Government Obligation	5,644	28 Days	AAAm
Total Fair Value	<u>\$ 1,659,602</u>		

The District's LTIP allocations seek to have up to 60% in equities with the remainder in fixed income and/or cash and cash equivalents. The District contracts with qualified investment managers to whom authority is delegated to invest and reinvest assets in accordance with the LTIP. The District's LTIP does not place specific limits on maturities. During the current Fiscal Year, the Long-Term Investment Portfolio had an unrealized gain of \$171,100. The realization of the gain will only occur from the future sale of underlying shares in the portfolio.

**Interest Rate Risk.** Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The District's LTIP addresses managing its exposure for changes in interest rate through maintaining diversification of its investments to minimize the impact of downturns in the market.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

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

**Long-Term Portfolio (continued)**

**Credit Risk.** GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, fixed income mutual funds, money market funds, and other pooled investments of fixed income securities. The District's LTIP stipulates that the average credit rating of the overall fixed income portfolio should be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization (NRSRO), such as Fitch, Moody's, Standard and Poor's (S&P), etc.

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

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

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

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

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

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

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

**Long-Term Portfolio (continued)**

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

- Cash Equivalents

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

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

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

***Fair Value Measurement.*** The District holds assets that are defined as long-term investments. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79. All of the long-term investments are recorded at fair value.

Under the fair value hierarchy, all of these investments are considered to be Level 2.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

**(3) Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 1,841,502	-	-	1,841,502
Assets being depreciated:				
Improvements other than buildings	130,112,794	562,185	(100,151)	130,574,828
Less accumulated depreciation for:				
Improvements other than buildings	(37,373,327)	(3,290,159)	91,313	(40,572,173)
Total assets being depreciated, net	92,739,467	(2,727,974)	(8,838)	90,002,655
Governmental activities, capital assets	\$ 94,580,969	(2,727,974)	(8,838)	91,844,157

Improvements totaling \$562,185 were added during the Fiscal Year. Depreciation expense of \$3,290,159 was recognized during the 2016-2017 Fiscal Year. Assets with a net book value of \$8,838 were disposed of during the fiscal year.

**(4) Long-term Debt**

Long-term debt consisted of the following as of September 30, 2017:

\$14,790,000 Special Assessment Revenue Bonds, Series 2013 (Phase 1) principal installments ranging from \$555,000 to \$945,000 through May 2033 in accordance with the redemption schedule. Interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity. Interest rates range from 3.0% to 4.0%.	\$ 11,625,000
\$22,940,000 Special Assessment Revenue Bonds, Series 2013 (Phase 2) principal installments ranging from \$785,000 to \$1,395,000 through May 2034 in accordance with the redemption schedule. Interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity. Interest rate range from 3.0% to 4.0%.	17,865,000
Total long-term bond debt	29,490,000
Plus unamortized bond premium	207,641
Less current installments of bonds payable	(1,340,000)
Revenue bonds payable less current installments	\$ 28,357,641



**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

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

The Special Assessment Revenue Bonds are secured by a lien and pledge of revenues under the indentures, which are derived by the District through levy and collection on land within the District specifically benefited. These bonds are additionally secured by amounts on deposit in the funds and accounts created pursuant to the indentures. The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30 of each year are as follows:

Fiscal Year ending September 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30,			
2018	\$ 1,340,000	1,067,956	2,407,956
2019	1,390,000	1,027,756	2,417,756
2020	1,440,000	972,156	2,412,156
2021	1,485,000	928,956	2,413,956
2022	1,525,000	884,406	2,409,406
2023-2027	8,465,000	3,627,652	12,092,652
2028-2032	10,165,000	1,979,225	12,144,225
2033-2034	3,680,000	203,000	3,883,000
Total	\$ <u>29,490,000</u>	<u>10,691,107</u>	<u>40,181,107</u>

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within one year</b>
Governmental activities:					
Bonds payable	\$ 31,400,000	-	1,910,000	29,490,000	1,340,000
Plus unamortized bond premium	<u>220,613</u>	<u>-</u>	<u>12,972</u>	<u>207,641</u>	<u>-</u>
Governmental activities					
Long-term debt	\$ <u>31,620,613</u>	<u>-</u>	<u>1,922,972</u>	<u>29,697,641</u>	<u>1,340,000</u>

***Pledged Revenues.*** The District has pledged certain benefit special assessment revenue to pay the principal and interest on special assessment bonds issued to pay for infrastructure improvements. These special assessment revenue bonds were outstanding on September 30, 2017, 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 the 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, 2017.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

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

*Pledged Revenues (continued)*

<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>
Special Assessment Revenue Bonds, Series 2013, Phase I	Special Assessments Phase I	\$ 1,321,843	\$ 1,175,569	100%	\$ 15,655,788	2033
Special Assessment Revenue Bonds, Series 2013, Phase II	Special Assessments Phase II	\$ 1,971,031	\$ 1,857,525	100%	\$ 24,525,319	2034

**(5) Related Parties**

The District has no employees. For certain management, finance, and administrative services, the District entered into an interlocal agreement with Village Center Community Development District (Center District), a community development district created under Florida Statute 190. Under the agreement, fees accrued to Center District by the District for such services totaled \$177,589 for the year ended September 30, 2017. There is an additional agreement for deed compliance services and the amount for Fiscal Year 2016-2017 was \$56,725.

The District has an agreement with the Sumter Landing Community Development District (SLCDD) for maintenance of Project Wide Improvements. This fund under SLCDD is designed for the Districts south of Highway 466 to share in the cost to maintain improvements and facilities that extend beyond the geographic boundaries of those Districts and benefit all residents of the Districts. Each participating District is allocated a proportionate share based on assessable acreage for the actual cost of maintaining the Project Wide Improvements. During the Fiscal Year ending September 30, 2017, District 5's allocation to Project Wide was \$1,615,191.

**(6) Risk Management**

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

**(7) Commitments and Contingencies**

**Hurricane Irma related expenses and revenues**

On September 4, 2017, Governor Rick Scott issued Executive Order Number 17-235, Emergency Management- Hurricane Irma. By virtue of issuing the Executive Order, the Governor declared a state of emergency for every county in the State of Florida. On September 10, 2017, Hurricane Irma made landfall in southwest Florida. The storm traveled up the State and entered The Villages in the early morning hours of September 11, 2017. The District sustained damage related to the storm, in most part, with debris, trees and falling limbs. Expenses related to storm damage for Fiscal Year 2016-2017 have been accrued for actual expenses and estimated where actual expenses had not been finalized for Fiscal Year-End financial presentation. FEMA is expected to reimburse the District in Fiscal Year 2017-2018 for storm related damage if it meets the specific category for reimbursement at different percentages. Category A- Debris for the weeks of September 4<sup>th</sup> through September 17<sup>th</sup> will receive a 75% cost share and for the weeks of September 18<sup>th</sup> through October 17<sup>th</sup> a cost share

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 5**

Notes to Basic Financial Statements

September 30, 2017

**(7) Commitments and Contingencies (continued)**

of 90% will be received. Category B-Emergency Protective Measure for the weeks of September 4<sup>th</sup> through October 3<sup>rd</sup> will receive a 100% cost share for Force Account Labor Overtime. The State of Florida will share a 5% reimbursement on the remaining approved cost from FEMA.

<u>Year Ending September 30, 2017</u>	<u>Actual/Estimated Expenses</u>
Hurricane Irma clean-up & related expenses	\$118,826

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

Board of Supervisors  
Village Community Development District No. 5  
The Villages, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, of Village Community Development District No. 5 (the District) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Certified Public Accountants**

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Board of Supervisors  
Village Community Development District No. 5  
The Villages, Florida

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Darvis, Gray and Company, LLP*

January 31, 2018  
Ocala, Florida

## MANAGEMENT LETTER

Board of Supervisors  
Village Community Development District No. 5  
The Villages, Florida

### Report on the Financial Statements

We have audited the financial statements of Village Community Development District No. 5 (the District) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated January 31, 2018.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Florida Auditor General*.

### Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated January 31, 2018, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 of District's the September 30, 2017 basic financial statements, for this information).

### Financial Condition and Management

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

### Certified Public Accountants

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Board of Supervisors  
Village Community Development District No. 5  
The Villages, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition and Management (Concluded)**

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. 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.

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

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports agree.

**Additional Matters**

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

**Purpose of this Letter**

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

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

*Curvis, Gray and Company, LLP*

January 31, 2018  
Ocala, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH  
FLORIDA STATUTE SECTION 218.415-INVESTMENT OF PUBLIC FUNDS**

Board of Supervisors  
Village Community Development District No. 5  
The Villages, Florida

We have examined Village Community Development District No. 5 (the District)'s compliance with Section 218.415, Florida Statutes, with regards to the District's investments during the fiscal year ended September 30, 2017. District management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2017.

This report is intended solely for the information and use of the Florida Auditor General, the Board of Supervisors of the District, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

January 31, 2018  
Ocala, Florida

**Certified Public Accountants**

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**The Villages®**  
**Community Development Districts**  
**District 5**

January 31, 2018

Board of Supervisors  
Village Community Development District No. 5  
The Villages, FL 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for Fiscal Year 2016 – 2017 for the Village Community Development District No. 5. We are proud to report that this audit has an unmodified opinion.

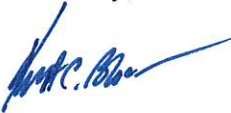
There are no internal control deficiencies, material weaknesses, or compliance issues identified and reported. No prior year comments were identified, as all have been corrected in previous years, and no new comments have been identified in the current audit report.

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

We believe that Village Community Development District No. 5 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,



Kenneth C. Blocker  
Finance Director



Janet Y. Tutt  
District Manager

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT No. 5**  
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