



**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Basic Financial Statements

September 30, 2016

(With Independent Auditors' Report Thereon)

# VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

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### ON THE COVER

The cover photograph was submitted by  
Regina DeMarco, Recreation Service Representative  
in the District Recreation Department.

## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village Center Community Development District (the District) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

### **Certified Public Accountants**

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund and Public Safety Special Revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards* we have also issued our report dated January 31, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Durvis, Gray and Company, LLP*

January 31, 2017  
Ocala, Florida

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2016

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

### Financial Highlights

#### Entity-Wide Level

- Net position increased over the previous year by \$14,241,616 to \$104,411,145. The governmental activities recognized an increase in net position of \$2,449,139. The business-type activities recognized an increase in net position of \$11,792,477. Of the total net position, in the governmental activities there is \$14,700,232 which is unrestricted and \$54,287,964 which is unrestricted in the business-type activities.
- All of the District's proprietary funds (business activities) realized an increase in net position. The RAD Fund increased by \$6,208,944; VCSA Water and Sewer Fund increased by \$2,651,183; LSSA Water and Sewer Fun increased by \$2,926,426; and the Fitness Fund increased by \$5,924.
- The District's total long-term debt decreased by a net of \$11,932,096 during the current Fiscal Year. In the governmental activities, the compensated absences liability had a net increase of \$72,904. At the end of the year, government activities had \$568,263 in outstanding long-term liabilities, while business activities had \$245,040,000 in outstanding long-term debt. Total long-term debt outstanding on September 30, 2015, was \$245,608,263.
- Both the Village Center Service Area (VCSA) and the Little Sumter Service Area (LSSA) water and sewer utility funds included 2.5 percent rate increases for all billing periods beginning October 1, 2015, and thereafter. These annual rate adjustments contributed to the financial performance of both utility funds.

#### Fund Level

- In the governmental fund statements, the General Fund saw an increase of \$749,072, the Public Safety Fund saw an increase of \$1,314,236 and the non-major funds saw an increase of \$587,298 in fund balances. At the close of the Fiscal Year, the District's governmental funds reported a fund balance of \$15,268,495, a net increase of \$2,650,606.

### Overview of the Financial Statements

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

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

The **Statement of Activities** presents information showing how the government's net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2016

statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected assessments).

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

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

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

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

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

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

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

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

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

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

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

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

### Notes to the Financial Statements

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

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$104.411 million as of September 30, 2016, representing an increase of \$14.241 million from the net position of \$90.170 million as of September 30, 2015. The increase in net position for September 30, 2016, is due mainly to increased charges for services revenues. While there were increases in most categories of expenditures, there was a decrease in interest expense.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Management's Discussion and Analysis  
(UNAUDITED)  
September 30, 2016

The District's net position is categorized as follows, as of September 30, 2016:

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

***Restricted for debt service.*** A total of \$12.739 million of the District's net position (12.2%) represents resources that are subject to external restrictions on how they may be used. This portion of the District's restricted net position is for purposes of meeting its debt service obligations.

***Restricted for renewal and replacement.*** A total of \$10.250 million of the District's net position (1.5%) is restricted by the bond indenture for use in the renewal and replacement of the capital assets as they wear out, in the RAD and two utility proprietary funds.

***Restricted for system development.*** A total of \$0.327 million of the District's net position (0.3%) is restricted for system development.

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

**Governmental Activities**

Governmental activities increased the District's net position by \$2.449 million during the year ended September 30, 2016. Most of this increase occurred in the General Fund and Public Safety Fund.

**Business-type Activities**

Business-type activities increased the District's net position by \$11.792 million during the year ended September 30, 2016. Most of this increase occurred in the RAD Fund.



**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Management's Discussion and Analysis  
(UNAUDITED)  
September 30, 2016

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

**Table 1**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>September 30,</b>		<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Assets:</b>						
Current and other assets	\$ 16,432,477	14,709,821	85,429,164	79,872,012	101,861,641	94,581,833
Capital assets, (net of accumulated depreciation)	12,600,559	12,729,122	113,193,865	114,441,475	125,794,424	127,170,597
Intangible assets, (net of accumulated amortization)	-	-	130,679,923	136,034,638	130,679,923	136,034,638
<b>Total Assets</b>	<b>29,033,036</b>	<b>27,438,943</b>	<b>329,302,952</b>	<b>330,348,125</b>	<b>358,335,988</b>	<b>357,787,068</b>
<b>Deferred outflow of resources:</b>						
Deferred amount on debt refunding	-	-	1,057,831	1,128,353	1,057,831	1,128,353
<b>Total assets and deferred outflows</b>	<b>29,033,036</b>	<b>27,438,943</b>	<b>330,360,783</b>	<b>331,476,478</b>	<b>359,393,819</b>	<b>358,915,421</b>
<b>Liabilities:</b>						
Current liabilities	1,163,982	2,091,932	7,825,466	8,705,455	8,989,448	10,797,387
Long-term debt						
Due within one year	142,066	9,907	12,120,000	12,005,000	12,262,066	12,014,907
Due in more than a year	426,197	485,452	232,920,000	245,040,000	233,346,197	245,525,452
<b>Total Liabilities</b>	<b>1,732,245</b>	<b>2,587,291</b>	<b>252,865,466</b>	<b>265,750,455</b>	<b>254,597,711</b>	<b>268,337,746</b>
<b>Deferred inflow of resources:</b>						
Deferred amount on debt refunding	-	-	384,963	408,146	384,963	408,146
<b>Total liabilities and deferred inflows</b>	<b>1,732,245</b>	<b>2,587,291</b>	<b>253,250,429</b>	<b>266,158,601</b>	<b>254,982,674</b>	<b>268,745,892</b>
<b>Net position:</b>						
Net investment in capital assets	12,600,559	12,729,122	(493,344)	(4,829,700)	12,107,215	7,899,422
Restricted	-	-	23,315,734	16,081,812	23,315,734	16,081,812
Unrestricted	14,700,232	12,122,530	54,287,964	54,065,765	68,988,196	66,188,295
<b>Total net position</b>	<b>\$ 27,300,791</b>	<b>24,851,652</b>	<b>77,110,354</b>	<b>65,317,877</b>	<b>104,411,145</b>	<b>90,169,529</b>

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Management's Discussion and Analysis  
(UNAUDITED)  
September 30, 2016

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

**Table 2**

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 37,310,571	34,794,946	58,892,048	56,862,256	96,202,619	91,657,202
Operating contributions	26,080	29,472	-	-	26,080	29,472
Capital grants and contributions	72,355	71,255	-	-	72,355	71,255
Gain on sale of fixed assets	35,217	-	-	-	35,217	-
General revenues:						
Investment earnings	181,441	41,399	1,236,246	983,284	1,417,687	1,024,683
Contributions and donations from private sources	-	-	-	400	-	400
Total revenues	37,625,664	34,937,072	60,128,294	57,845,940	97,753,958	92,783,012
Expenses:						
General government	7,506,980	6,589,585	15,463,836	17,330,782	22,970,816	23,920,367
Public safety	14,890,584	13,497,470	-	-	14,890,584	13,497,470
Physical environment	3,257,948	3,069,095	3,285,967	3,107,199	6,543,915	6,176,294
Recreation	8,350,026	7,550,199	8,090,616	6,775,628	16,440,642	14,325,827
Interest on long-term debt	-	167	10,476,600	10,646,171	10,476,600	10,646,338
Depreciation (unallocated)	1,010,677	931,517	5,577,175	5,282,314	6,587,852	6,213,831
Amortization expense	-	-	5,402,054	5,402,054	5,402,054	5,402,054
Loss on disposal of capital assets	160,310	11,637	221,767	155,238	382,077	166,875
Total expenses	35,176,525	31,649,670	48,518,015	48,699,386	83,694,540	80,349,056
Special item:						
Capital contributions - impact fees	-	-	182,198	31,979	182,198	31,979
Expired bond insurance from debt refunding	-	-	-	(995,633)	-	(995,633)
Changes in net position	2,449,139	3,287,402	11,792,477	8,182,900	14,241,616	11,470,302
Total net position, beginning	24,851,652	21,564,250	65,317,877	57,134,977	90,169,529	78,699,227
Total net position, ending	\$ 27,300,791	24,851,652	77,110,354	65,317,877	104,411,145	90,169,529

**Capital Assets**

The District's capital assets as of September 30, 2016, and September 30, 2015, amounted to \$125,794,424 and \$127,170,597, respectively. This is net of accumulated depreciation and includes buildings and structures, improvements other than buildings, and machinery and equipment.

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

**Long-term Debt**

As of September 30, 2016, and September 30, 2015, the District had outstanding long-term debt, including the liability for compensated absences, of \$245,608,263 and \$257,540,359, respectively. A total of \$12,233,653 of the long-term debt is due within one year.

Additional information regarding the District's long-term debt can be found in Note 6 to the Notes to the Basic Financial Statements.

## **VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2016

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

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

These factors were considered in preparing the District's budget for the 2016-2017 Fiscal Year. Total annual projected revenues for all funds increased to \$97.606 million from \$93.820 million in the Fiscal Year 2015-2016 final amended budget. The expenditure budget increased to \$100.946 million for Fiscal Year 2016-2017 from \$99.627 million for all funds in the Fiscal Year 2015-2016 final amended budget, an increase of \$1.319 million. There were no major organizational changes between Fiscal Years 2015-2016 and 2016-2017 budgets.

### **Requests for Information**

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

# VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

## Statement of Net Position September 30, 2016

Assets	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 11,632,219	32,248,401	\$ 43,880,620
Accounts receivable	45,891	4,921,465	4,967,356
Investments	3,454,132	39,597,778	43,051,910
Investment in annuity	-	8,701,711	8,701,711
Due from other governments	1,202,767	46,457	1,249,224
Internal balances (net)	92,523	(92,523)	-
Prepaid items	4,945	5,875	10,820
Capital assets:			
Non depreciable assets	1,428,206	11,170,205	12,598,411
Depreciable assets (net of accumulated depreciation)	11,172,353	102,023,660	113,196,013
Intangible assets (net of accumulated attribution)	-	130,679,923	130,679,923
Total assets	<u>29,033,036</u>	<u>329,302,952</u>	<u>358,335,988</u>
<b>Deferred outflow of resources</b>			
Deferred amount on debt refunding	-	1,057,831	1,057,831
<b>Liabilities</b>			
Accounts payable	507,863	656,491	1,164,354
Accrued expenses	443,822	26,785	470,607
Accrued interest payable	-	4,649,217	4,649,217
Due to other governments	209,332	719,695	929,027
Unearned revenue	2,965	1,773,278	1,776,243
Total current liabilities	<u>1,163,982</u>	<u>7,825,466</u>	<u>8,989,448</u>
Long-term debt:			
Due within one year	113,653	12,120,000	12,233,653
Due in more than one year	454,610	232,920,000	233,374,610
Total long-term debt	<u>568,263</u>	<u>245,040,000</u>	<u>245,608,263</u>
Total liabilities	<u>1,732,245</u>	<u>252,865,466</u>	<u>254,597,711</u>
<b>Deferred inflow of resources</b>			
Deferred amount on debt refunding	-	384,963	384,963
<b>Net position</b>			
Net investment in capital assets	12,600,559	(493,344)	12,107,215
Restricted for:			
Debt service	-	12,738,830	12,738,830
Renewal and replacement	-	10,249,875	10,249,875
System development	-	327,029	327,029
Unrestricted	14,700,232	54,287,964	68,988,196
Total net position	<u>\$ 27,300,791</u>	<u>77,110,354</u>	<u>\$ 104,411,145</u>

See accompanying notes to basic financial statements.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Statement of Activities

September 30, 2016

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 7,506,980	25,635,213	-	72,355	18,200,588	-	18,200,588
Public safety	14,890,584	11,675,358	26,080	-	(3,189,146)	-	(3,189,146)
Physical environment	3,257,948	-	-	-	(3,257,948)	-	(3,257,948)
Recreation	8,350,026	-	-	-	(8,350,026)	-	(8,350,026)
Depreciation (unallocated)	1,010,677	-	-	-	(1,010,677)	-	(1,010,677)
Total governmental activities	<u>35,016,215</u>	<u>37,310,571</u>	<u>26,080</u>	<u>72,355</u>	<u>2,392,791</u>	<u>-</u>	<u>2,392,791</u>
Business-type activities:							
General government	15,463,836	3,361,008	-	-	-	(12,102,828)	(12,102,828)
Physical environment	3,285,967	17,930,153	-	-	-	14,644,186	14,644,186
Recreation	8,090,616	37,600,887	-	-	-	29,510,271	29,510,271
Interest on long term debt	10,476,600	-	-	-	-	(10,476,600)	(10,476,600)
Depreciation (unallocated)	5,577,175	-	-	-	-	(5,577,175)	(5,577,175)
Attribution expense (intangible)	5,354,714	-	-	-	-	(5,354,714)	(5,354,714)
Attribution expense (deferred cost of refunding)	47,340	-	-	-	-	(47,340)	(47,340)
Total business-type activities	<u>48,296,248</u>	<u>58,892,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,595,800</u>	<u>10,595,800</u>
Total primary government	<u>\$ 83,312,463</u>	<u>96,202,619</u>	<u>26,080</u>	<u>72,355</u>	<u>2,392,791</u>	<u>10,595,800</u>	<u>12,988,591</u>
General revenues:							
Investment earnings					\$ 181,441	1,236,246	1,417,687
Total general revenues					<u>181,441</u>	<u>1,236,246</u>	<u>1,417,687</u>
Loss on disposal of capital assets					(125,093)	(221,767)	(346,860)
Capital contributions - impact fees					-	182,198	182,198
Change in net position					2,449,139	11,792,477	14,241,616
Net position, beginning					24,851,652	65,317,877	90,169,529
Net position, ending					<u>\$ 27,300,791</u>	<u>77,110,354</u>	<u>104,411,145</u>

See accompanying notes to basic financial statements.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Balance Sheet  
Governmental Funds  
September 30, 2016

	<b>Major Funds</b>			<b>Total</b>
	<b>General Fund</b>	<b>Department of Public Safety</b>	<b>Non-Major Funds Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 6,075,188	3,873,884	1,683,147	11,632,219
Accounts receivable (net)	16,754	5,400	23,737	45,891
Investments	419,781	2,275,297	759,054	3,454,132
Due from other funds	14,102	89,642	-	103,744
Due from other governments	53,311	1,149,456	-	1,202,767
Prepaid items	4,945	-	-	4,945
<b>Total assets</b>	<b>6,584,081</b>	<b>7,393,679</b>	<b>2,465,938</b>	<b>16,443,698</b>
<b>Liabilities and Fund Balance</b>				
Accounts payable	254,531	193,936	59,396	507,863
Accrued expenses	301,643	136,669	5,510	443,822
Due to other funds	10,310	567	344	11,221
Due to other governments	209,332	-	-	209,332
Unearned revenue	-	2,965	-	2,965
<b>Total liabilities</b>	<b>775,816</b>	<b>334,137</b>	<b>65,250</b>	<b>1,175,203</b>
<b>Fund balances:</b>				
<b>Restricted</b>				
Public Safety	-	5,397,074	-	5,397,074
Community Standards-deed covenants	-	-	86,745	86,745
Village of Spanish Springs-common area maintenance	-	-	854,797	854,797
Rolling Acres-common area maintenance	-	-	113,986	113,986
Commercial road maintenance	-	-	249,227	249,227
Community Standards	-	-	261,319	261,319
<b>Committed</b>				
Renewal and replacement	-	1,662,468	834,614	2,497,082
Unassigned	5,808,265	-	-	5,808,265
<b>Total fund balance</b>	<b>5,808,265</b>	<b>7,059,542</b>	<b>2,400,688</b>	<b>15,268,495</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,584,081</b>	<b>7,393,679</b>	<b>2,465,938</b>	<b>16,443,698</b>

See accompanying notes to basic financial statements.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position  
 September 30, 2016

Fund balance – governmental funds	\$	15,268,495
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund:		
Capital assets	\$	18,169,176
Less accumulated depreciation		<u>(5,568,617)</u>
		12,600,559
Long-term liabilities are not due and payable in the current period and therefore are not reported in the general fund:		
Compensated absences		(568,263)
Net position of governmental activities	\$	<u>27,300,791</u>

See accompanying notes to basic financial statements.

# VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

### Governmental Funds

Year Ended September 30, 2016

	Major Funds			Total
	General Fund	Department of Public Safety	Non-Major Funds	
Revenues:				
Administration and maintenance fees	\$ 17,877,523	-	-	17,877,523
Amenities revenue	-	2,737,174	-	2,737,174
Intergovernmental fire assessments	-	4,891,834	-	4,891,834
Intergovernmental shared revenue	-	4,009,117	16,160	4,025,277
State revenue sharing-firefighters' supplemental	-	26,080	-	26,080
Management fees	-	-	-	-
Assessments, Village of Spanish Springs	-	-	1,298,933	1,298,933
Assessments, Rolling Acres	-	-	107,669	107,669
Assessments, Commercial Road Maintenance	-	-	33,437	33,437
Assessments, Community Standards	-	-	656,426	656,426
Fees for services provided to developer	5,465,047	-	14,280	5,479,327
Miscellaneous revenues	100,934	37,233	64,804	202,971
Investment earnings	65,498	82,340	33,603	181,441
Contributions and donations from private sources	72,355	-	-	72,355
Sale of surplus material and scrap	30,717	4,500	-	35,217
Total revenues	23,612,074	11,788,278	2,225,312	37,625,664
Expenditures:				
Current				
General government	6,824,984	-	609,092	7,434,076
Public safety	4,846,426	10,044,158	-	14,890,584
Physical environment	2,229,026	-	-	2,229,026
Public works - Village of Spanish Springs	-	-	950,440	950,440
Public works - Rolling Acres	-	-	69,707	69,707
Public works - Commercial Road Maintenance	-	-	8,775	8,775
Culture/recreation	8,350,026	-	-	8,350,026
Capital outlay	612,540	429,884	-	1,042,424
Debt service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	22,863,002	10,474,042	1,638,014	34,975,058
Net change in fund balance and transfers	749,072	1,314,236	587,298	2,650,606
Fund balance, beginning of year	5,059,193	5,745,306	1,813,390	12,617,889
Fund balance, end of year	\$ 5,808,265	7,059,542	2,400,688	15,268,495

See accompanying notes to basic financial statements.



**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds to the Statement of Activities**  
**Year Ended September 30, 2016**

Net change in fund balance – governmental funds	\$	2,650,606
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital outlay	\$	1,042,424
Disposition of fixed assets		(160,310)
Less depreciation		<u>(1,010,677)</u>
		(128,563)
Decrease (increase) in compensated absences is shown on the government-wide statements but not on the governmental fund statements.		(72,904)
Change in net position of governmental activities	\$	<u><u>2,449,139</u></u>

See accompanying notes to basic financial statements.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2016

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Shared revenues from other local governments	17,877,523	17,877,523	17,877,523	-
General government	5,633,619	5,633,619	5,465,047	(168,572)
Miscellaneous revenue	43,051	43,051	100,934	57,883
Donations	35,000	35,000	72,355	37,355
Investment earnings	5,500	5,500	65,498	59,998
Sale of surplus materials and scrap	-	-	30,717	30,717
Total revenues	<u>23,594,693</u>	<u>23,594,693</u>	<u>23,612,074</u>	<u>17,381</u>
Expenditures:				
Personnel services	18,480,892	18,699,889	17,597,838	1,102,051
Professional services	297,736	301,916	251,930	49,986
Accounting & auditing	-	800,000	800,000	-
Other contractual services	1,366,751	1,358,451	1,272,494	85,957
Travel and per diem	49,917	58,103	39,791	18,312
Communication and freight services	359,949	355,084	336,736	18,348
Utility services	83,933	81,933	82,090	(157)
Rents and leases	753,839	759,995	695,349	64,646
Insurance	8,083	83	-	83
Repairs and maintenance	191,731	195,731	141,796	53,935
Printing and binding	225,247	219,937	163,562	56,375
Promotional activities	260,805	260,805	206,786	54,019
Other current charges and obligations	31,464	32,191	34,135	(1,944)
Office supplies	74,283	70,375	55,772	14,603
Operating supplies	735,898	1,048,813	520,169	528,644
Books, subscriptions and dues	94,549	99,227	52,014	47,213
Capital outlay	579,616	1,013,573	612,540	401,033
Total expenditures	<u>23,594,693</u>	<u>25,356,106</u>	<u>22,863,002</u>	<u>2,493,104</u>
Net change in fund balance	-	(1,761,413)	749,072	2,510,485
Fund balance, beginning of year	5,059,193	5,059,193	5,059,193	-
Fund balance, end of year	<u>\$ 5,059,193</u>	<u>3,297,780</u>	<u>5,808,265</u>	<u>2,510,485</u>

See accompanying notes to basic financial statements.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Public Safety Special Revenue Fund  
Year Ended September 30, 2016

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments - charges for public services	\$ 782,617	782,617	796,616	13,999
Intergovernmental fire assessments	10,830,788	10,835,628	10,782,361	(53,267)
Intergovernmental shared revenue	71,341	71,341	59,148	(12,193)
State revenue sharing - firefighters' supplemental compensation	28,340	28,340	26,080	(2,260)
General government charges and fees	18,875	11,375	7,539	(3,836)
Investment earnings	1,500	1,500	82,340	80,840
Other miscellaneous public safety revenue	-	7,500	29,694	22,194
Sale of surplus materials and scrap	2,500	2,500	4,500	2,000
Total revenues	<u>11,735,961</u>	<u>11,740,801</u>	<u>11,788,278</u>	<u>47,477</u>
Expenditures:				
Current				
Personnel services	8,290,254	8,345,154	8,053,076	292,078
Professional services	292,945	292,625	263,216	29,409
Accounting & Auditing	6,688	6,688	6,242	446
Contractual services	379,668	382,363	332,698	49,665
Travel and per diem	31,176	32,676	6,600	26,076
Communications and freight	33,273	33,273	26,623	6,650
Utility services	137,749	137,749	116,401	21,348
Rental and leases	125,276	126,476	120,318	6,158
Insurance	130,412	130,412	120,934	9,478
Repairs and maintenance/landscape	524,229	534,229	451,464	82,765
Current charges	5,455	5,455	1,279	4,176
Office supplies	20,568	20,568	18,264	2,304
Operating supplies	562,862	565,187	461,639	103,548
Books, publications and subscriptions	130,076	130,076	65,404	64,672
Capital outlay	629,345	961,357	429,884	531,473
Total expenditures	<u>11,299,976</u>	<u>11,704,288</u>	<u>10,474,042</u>	<u>1,230,246</u>
Excess of revenues over (under) expenditures	<u>435,985</u>	<u>36,513</u>	<u>1,314,236</u>	<u>1,277,723</u>
Net change in fund balance	435,985	36,513	1,314,236	1,277,723
Fund balance, beginning of year	5,745,306	5,745,306	5,745,306	-
Fund balance, end of year	<u>\$ 6,181,291</u>	<u>5,781,819</u>	<u>7,059,542</u>	<u>1,277,723</u>

See accompanying notes to basic financial statements.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Statement of Net Position

Proprietary Funds

September 30, 2016

Assets	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Current assets:					
Cash and cash equivalents	\$ 7,287,619	1,877,420	3,650,555	169,567	12,985,161
Restricted cash and cash equivalents	12,016,048	1,677,953	3,694,046	-	17,388,047
Accounts receivable (net)	2,823,434	798,103	1,299,664	264	4,921,465
Investments	26,686,052	7,060,024	5,832,901	18,801	39,597,778
Investment in annuity	2,229,900	-	-	-	2,229,900
Due from other funds	179,524	-	-	-	179,524
Due from other governments	44,207	2,250	-	-	46,457
Prepaid expenses	4,732	-	-	1,143	5,875
<b>Total current assets</b>	<b>51,271,516</b>	<b>11,415,750</b>	<b>14,477,166</b>	<b>189,775</b>	<b>77,354,207</b>
Non-current assets:					
Restricted cash and cash equivalents	921,272	276,497	677,424	-	1,875,193
Investment in annuity	6,471,811	-	-	-	6,471,811
Capital assets:					
Land	9,614,012	150,312	126,797	-	9,891,121
Buildings and structures	57,876,490	1,575,065	5,161,140	-	64,612,695
Infrastructure	31,924,312	35,254,025	37,841,245	-	105,019,582
Leasehold improvements	-	-	-	9,815	9,815
Furniture & fixtures	1,142,067	1,177,849	441,510	-	2,761,426
Construction in progress	642,197	636,887	-	-	1,279,084
Less accumulated depreciation	(34,263,919)	(19,390,019)	(16,718,968)	(6,952)	(70,379,858)
Intangible assets (net of accumulated amortization)	101,422,767	-	29,257,156	-	130,679,923
<b>Total non-current assets</b>	<b>175,751,009</b>	<b>19,680,616</b>	<b>56,786,304</b>	<b>2,863</b>	<b>252,220,792</b>
<b>Total assets</b>	<b>227,022,525</b>	<b>31,096,366</b>	<b>71,263,470</b>	<b>192,638</b>	<b>329,574,999</b>
Deferred outflow of resources:					
Deferred amount on debt refunding	1,057,831	-	-	-	1,057,831
<b>Total assets and deferred outflows</b>	<b>228,080,356</b>	<b>31,096,366</b>	<b>71,263,470</b>	<b>192,638</b>	<b>330,632,830</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	469,797	95,576	85,966	5,152	656,491
Accrued expenses	25,855	-	-	930	26,785
Accrued interest payable	2,922,585	209,142	1,517,490	-	4,649,217
Due to other funds	102,368	68,096	100,737	846	272,047
Due to other governments	701,047	4,295	14,353	-	719,695
Unearned revenue	1,753,255	-	-	20,023	1,773,278
Current installments of revenue bonds payable	8,485,000	1,465,000	2,170,000	-	12,120,000
<b>Total current liabilities</b>	<b>14,459,907</b>	<b>1,842,109</b>	<b>3,888,546</b>	<b>26,951</b>	<b>20,217,513</b>
Non-current liabilities:					
Revenue bonds payable, net	155,525,000	11,410,000	65,985,000	-	232,920,000
<b>Total non-current liabilities</b>	<b>155,525,000</b>	<b>11,410,000</b>	<b>65,985,000</b>	<b>-</b>	<b>232,920,000</b>
<b>Total liabilities</b>	<b>169,984,907</b>	<b>13,252,109</b>	<b>69,873,546</b>	<b>26,951</b>	<b>253,137,513</b>
Deferred inflow of resources:					
Deferred amount on debt refunding	-	42,367	342,596	-	384,963
<b>Total liabilities and deferred inflows</b>	<b>169,984,907</b>	<b>13,294,476</b>	<b>70,216,142</b>	<b>26,951</b>	<b>253,522,476</b>
<b>Net position</b>					
Net investment in capital assets	5,405,757	6,486,752	(12,388,716)	2,863	(493,344)
Restricted for:					
Debt service	9,093,463	1,468,811	2,176,556	-	12,738,830
Renewal and replacement	9,622,983	276,497	350,395	-	10,249,875
System development	-	-	327,029	-	327,029
Unrestricted	33,973,246	9,569,830	10,582,064	162,824	54,287,964
<b>Total net position</b>	<b>\$ 58,095,449</b>	<b>17,801,890</b>	<b>1,047,328</b>	<b>165,687</b>	<b>77,110,354</b>

See accompanying notes to basic financial statements.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2016

	<u>Major Funds</u>			<u>Non-Major Fund</u>	<u>Total</u>
	<u>RAD</u>	<u>VCSA Water and Sewer</u>	<u>LSSA Water and Sewer</u>	<u>Fitness</u>	
Operating revenues:					
Charges for services:					
Water revenue	\$ -	3,065,295	6,010,707	-	9,076,002
Sewer revenue	-	3,651,175	5,202,976	-	8,854,151
Recreational amenity fees	37,600,887	-	-	-	37,600,887
Recreational fees	1,603,247	-	-	136,612	1,739,859
Rentals and leases	643,972	-	-	-	643,972
Other Income	786,913	155,917	32,624	1,723	977,177
Total operating revenues	<u>40,635,019</u>	<u>6,872,387</u>	<u>11,246,307</u>	<u>138,335</u>	<u>58,892,048</u>
Operating expenses:					
Water and sewer expense	-	1,657,415	1,628,552	-	3,285,967
Recreational expenses	7,957,214	-	-	133,402	8,090,616
General and administrative	13,124,665	1,065,075	1,274,096	-	15,463,836
Depreciation	2,853,465	1,197,595	1,525,134	981	5,577,175
Amortization	4,341,785	(6,052)	1,066,321	-	5,402,054
Total operating expenses	<u>28,277,129</u>	<u>3,914,033</u>	<u>5,494,103</u>	<u>134,383</u>	<u>37,819,648</u>
Operating income	<u>12,357,890</u>	<u>2,958,354</u>	<u>5,752,204</u>	<u>3,952</u>	<u>21,072,400</u>
Non-operating revenue (expenses):					
Investment earnings	1,086,436	75,882	71,956	1,972	1,236,246
Interest expense	(7,023,344)	(418,279)	(3,034,977)	-	(10,476,600)
Gain (loss) on disposal of property	(212,038)	(16,416)	6,687	-	(221,767)
Total non-operating revenue (expenses)	<u>(6,148,946)</u>	<u>(358,813)</u>	<u>(2,956,334)</u>	<u>1,972</u>	<u>(9,462,121)</u>
Income before capital contribution and special item	6,208,944	2,599,541	2,795,870	5,924	11,610,279
Capital contributions - impact fees	-	51,642	130,556	-	182,198
Change in net position	6,208,944	2,651,183	2,926,426	5,924	11,792,477
Total net position (deficit), beginning	<u>51,886,505</u>	<u>15,150,707</u>	<u>(1,879,098)</u>	<u>159,763</u>	<u>65,317,877</u>
Total net position (deficit), ending	<u>\$ 58,095,449</u>	<u>17,801,890</u>	<u>1,047,328</u>	<u>165,687</u>	<u>77,110,354</u>

See accompanying notes to basic financial statements.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Statement of Cash Flows  
Proprietary Funds  
Year ended September 30, 2016

	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Cash flows from operating activities:					
Receipts from customers	\$ 40,574,448	6,819,062	11,023,392	143,547	58,560,449
Payments to suppliers and others	(21,725,958)	(2,858,546)	(2,934,045)	(130,021)	(27,648,570)
Net cash provided (used) by operating activities	<u>18,848,490</u>	<u>3,960,516</u>	<u>8,089,347</u>	<u>13,526</u>	<u>30,911,879</u>
Cash flows from capital and related financing activities:					
Principal payments on bonds	(8,415,000)	(1,445,000)	(2,145,000)	-	(12,005,000)
Interest paid	(6,998,510)	(427,699)	(3,048,957)	-	(10,475,166)
Payment for capital assets	(1,950,213)	(2,148,605)	(467,017)	-	(4,565,835)
Receipt of capital contributions - impact fees	-	51,642	130,556	-	182,198
Proceeds from sale of surplus	24,231	(16,416)	6,687	-	14,502
Net cash (used in) provided by capital and related financing activities	<u>(17,339,492)</u>	<u>(3,986,078)</u>	<u>(5,523,731)</u>	<u>-</u>	<u>(26,849,301)</u>
Cash flows from investing activities:					
Purchase of investments	1,783,588	(63,602)	(53,042)	(1,662)	1,665,282
Interest received	1,086,436	75,882	71,956	1,972	1,236,246
Net cash provided (used) by investing activities	<u>2,870,024</u>	<u>12,280</u>	<u>18,914</u>	<u>310</u>	<u>2,901,528</u>
Net increase (decrease) in cash and cash equivalents	<u>4,379,022</u>	<u>(13,282)</u>	<u>2,584,530</u>	<u>13,836</u>	<u>6,964,106</u>
Cash and cash equivalents, beginning of year	15,845,917	3,845,152	5,437,495	155,731	25,284,295
Cash and cash equivalents, end of year	<u>20,224,939</u>	<u>3,831,870</u>	<u>8,022,025</u>	<u>169,567</u>	<u>32,248,401</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:					
Cash per statement of net position:					
Unrestricted cash and cash equivalents	7,287,619	1,877,420	3,650,555	169,567	12,985,161
Restricted cash and cash equivalents - current	12,016,048	1,677,953	3,694,046	-	17,388,047
Restricted cash and cash equivalents - non-current	921,272	276,497	677,424	-	1,875,193
Cash and cash equivalents	<u>20,224,939</u>	<u>3,831,870</u>	<u>8,022,025</u>	<u>169,567</u>	<u>32,248,401</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	12,357,890	2,958,354	5,752,204	3,952	21,072,400
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,853,465	1,197,595	1,525,134	981	5,577,175
Amortization	4,271,264	(6,052)	1,066,321	-	5,331,533
Change in assets and liabilities:					
(Increase) Decrease in:					
Accounts receivable	27,333	(53,183)	(223,990)	2,382	(247,458)
Prepaid expenses	(4,732)	-	-	(1,143)	(5,875)
Due from other funds	(126,231)	458	1,075	-	(124,698)
Due from other governments	4,054	(600)	-	-	3,454
Increase (Decrease) in:					
Accounts payable and accrued liabilities	(628,750)	(175,323)	(88,087)	4,140	(888,020)
Unearned revenue	34,273	-	-	2,830	37,103
Due to other funds	1,288	44,572	70,005	384	116,249
Due to other governments	58,636	(5,305)	(13,315)	-	40,016
Net cash provided by operating activities	\$ <u>18,848,490</u>	<u>3,960,516</u>	<u>8,089,347</u>	<u>13,526</u>	<u>30,911,879</u>

See accompanying notes to basic financial statements

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Statement of Fiduciary Net Position  
Fiduciary Fund  
September 30, 2016

		<u><b>Beyond the Stars Agency Fund</b></u>
<b>Assets:</b>		
Cash and cash equivalents	\$	<u>60,549</u>
Total assets		<u><u>60,549</u></u>
<b>Liabilities:</b>		
Due to Beyond the Stars beneficiaries		<u>60,549</u>
Total liabilities	\$	<u><u>60,549</u></u>

See accompanying notes to basic financial statements.

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

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

The District provides water and sewer utility services, recreation, security services, fire protection and paramedic services to residents of a retirement community known as The Villages, located in The Villages, Florida. The Villages consists of approximately 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. The District also provides for the maintenance of common areas and roadways for the commercial areas within the District's boundaries. As of September 30, 2016, four of the five members of the Board of Supervisors are employees of or affiliated with the Developer.

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

The Developer has formed the following community development districts:

- Village Center CDD (Lake, Marion and Sumter Counties) – This CDD provides water and sewer utility services, recreation services, security services, fire protection, and paramedic services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Sumter Landing CDD (Sumter County) – This CDD provides recreation and security services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Brownwood CDD (Sumter County) – Brownwood CDD (Sumter County) – This CDD was newly established in June 2012 by the City of Wildwood, Florida and is located at the southern end of The Villages. This CDD provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments as the new downtown area builds out.
- Village CDD No. 1 (Sumter County) – This CDD's boundary consists of approximately 993 acres in the northeast corner of the county. The development included construction of 3,420 residential units.



## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

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

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

- Village CDD No. 2 (Sumter County) – This CDD’s boundary consists of approximately 990 acres in the northeast corner of the county. The development included construction of 3,668 residential units.
- Village CDD No. 3 (Sumter County) – This CDD’s boundary consists of approximately 894 acres in the northeast corner of the county. The development included construction of 3,762 residential units.
- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,253 acres in the southern portion of the county. The development included construction of 5,432 residential units of which 300 remain unsold as of September 30, 2016.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,407 acres in the northeast corner of the county. The development included construction of 6,399 residential units.
- Village CDD No. 6 (Sumter County) – This CDD’s boundary consists of approximately 1,497 acres in the northeast corner of the county. Planned development includes construction of 6,697 residential units, of which 1 remains unsold as of September 30, 2016.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. The development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now complete with 103 unsold and being used as lifestyle preview homes by the Developer.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,286 acres in the northeast corner of the county. Planned development includes construction of 5,409 residential units of which 33 remain unsold as of September 30, 2016.
- Village 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 843 remain unsold as of September 30, 2016.
- Village CDD No. 11 (Lake County) – This CDD’s boundary consists of approximately 693 acres within the city limits of Fruitland Park in the western portion of Lake County. Planned development includes construction of 2,055 residential units of which 1,380 remain unsold as of September 30, 2016.
- Village CDD No. 12 (Sumter County) – This CDD’s boundary consists of approximately 699 acres within the city limits of the City of Wildwood in the northeast corner of the county. Planned development includes construction of 2,503 residential units. The first residential units are expected to be closed early in calendar year 2017.

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

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

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

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.

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

#### (b) Basic Financial Statements

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

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

The financial reporting model focus is on either the District as a whole, or major individual funds. The government-wide statement of net position reports the governmental activities of the District (a) on a government-wide basis and (b) on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets, receivables and deferred outflows as well as long-term debt, obligations and deferred inflows. The statement of activities reflects the expenses of the District, which are offset by revenues. Program revenues

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

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

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

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

are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

The District's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34. The General Fund and Public Safety Special Revenue Fund meet this definition as governmental funds and are designated as major funds. The Recreation Amenities Division Fund (RAD), Village Center Service Area and Little Sumter Service Area water and sewer funds also meet this definition as proprietary funds and are designated as major funds. The District has five non-major funds. The Village of Spanish Springs, Rolling Acres, Road Maintenance and Community Standards funds are all non-major governmental special revenue funds. The Fitness Fund is the single non-major proprietary fund.

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

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

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

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

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

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

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

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Basic Financial Statements  
September 30, 2016

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

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

expenditures are recorded only when payment is due and compensated absences are recognized to the extent they have matured.

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

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

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

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

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

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

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

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

**General Fund**

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

**Public Safety Special Revenue Fund**

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

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

**Rolling Acres Special Revenue Fund**

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

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

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

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

##### **Village of Spanish Springs (VOSS) Special Revenue Fund**

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

##### **Road Maintenance Special Revenue Fund**

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

##### **Community Standards Special Revenue Fund**

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

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

##### **Recreation Amenities Division (RAD) Fund**

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

##### **Village Center Service Area (VCSA) Utility Fund**

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

##### **Little Sumter Service Area (LSSA) Utility Fund**

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

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

##### **Fitness Enterprise Fund**

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

Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District uses enterprise funds, a type of proprietary funds, to account for the operations and maintenance of the water and sewer utility systems, the fitness center, and the Recreation Amenities Division (RAD) that are

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

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

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

financed and operated in a manner similar to private business enterprises, where the costs of providing services on a continuing basis are financed through user charges.

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

Additionally, the District reports on the following fund type:

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

#### (d) *Budgetary Data*

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

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

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, 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.

#### (f) *Capital Assets*

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

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (continued)

(f) Capital Assets (continued)

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

(g) Intangible Assets

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

(h) Compensated Absences

It is the District's policy to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. Compensated absences increased by \$72,904 in Fiscal Year 2015-2016 and had an ending balance of \$568,263.

(i) Bond Discounts, Bond Premiums and Issuance Costs

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

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

(j) Use of Estimates

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

(k) Restricted Assets – Proprietary Funds

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

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

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

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

#### (k) *Restricted Assets – Proprietary Funds (continued)*

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

#### (l) *Accounts and Notes Receivable*

Accounts and notes receivable in the proprietary funds consists of amounts due on amenity contracts, charges for water and sewer, and amounts owed by the developer as a portion of the settlement agreement. For uncollectible accounts receivable, the allowance method is used. As of September 30, 2016, the amounts for allowance for doubtful accounts are \$335,663 in RAD, \$35,015 for VCSA, and \$25,989 in LSSA.

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

In Fiscal Year 2015-2016, the Village Center Community Development District (VCCDD) is the only District, of the fifteen that comprise the local government for The Villages that has employees, except for elected officials in some of the other Districts. Employees are assigned to one of two payrolls; one payroll is for Public Safety Department employees and the other covers the general employees of the Districts and elected officials. The elected officials in the other Districts are paid through the general employees' payroll and the Districts reimburse the Village Center District for the costs.

The benefits provided by the District to current employees consist of accrued vacation leave, which is calculated and recorded as a compensated absence liability, group health and life insurance policies, and participation in an IRS Section 401(a) defined contribution retirement provided to retired employees of the District. The VCCDD Section 401(a) retirement plan provides for a normal retirement age of 65. No early retirement option is provided by the District's plan. Although an employee separating at an earlier age, with vested balances in the plan may withdraw those balances at or subsequent to separation, the employee is not considered a retiree of the District unless the person has reached the normal retirement age of the District (age 65) and has a vested balance in the 401(a) retirement plan.

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



**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2016

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

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

participate in the District's group health and life insurance plans, it is not anticipated that any future retiree will apply to participate in the plan as currently constituted. Therefore, no OPEB liability is recognized or recorded for the District.

***(n) Retirement Benefits***

Full-time employees participate in the District defined contribution retirement plan. The plan was established under IRS section 401(a) and is administered by Nationwide. Employees may choose among various investment options available to plan participants. There are two classes of employees participating in the plan, regular full-time employees and professional fire-fighters. During Fiscal Year 2015-2016, regular full-time employees received a 6% contribution and professional fire-fighters received a 15.0% contribution based on each employee's total salary. At the end of Fiscal Year 2015-2016, there were 194 regular full-time employee participants and 76 professional fire-fighters. Employer contributions to the plan for the Fiscal Year 2015-2016 totaled \$407,499 for the regular full-time employees and \$775,574 for the professional fire-fighters. Beginning in Fiscal Year 2015-2016, the Board approved an employer match of 1% for those employees that participate in either of the 457-B plans with contributions from the employee to those 457-B plans of at least 1%. Employer match contributions for the Fiscal Year 2015-2016 totaled \$25,628 for the regular full-time employees and \$3,223 for the professional fire-fighters. The plan can only be amended with the approval of the District Board of Supervisors and in the case of the professional fire-fighters, the IAFF Local 4770 must approve changes to the Collective Bargaining Agreement regarding pension contributions.

***(o) Implementation of Governmental Accounting Standards Statements***

During the year ending September 30, 2016, The District implemented GASB Statement No. 72 *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement clarifies the definition of fair value as an exit price. This Statement also defines an investment as a security or other asset that (a) a government holds primarily to generate income or profit and (b) has a present service capacity based solely on that assets ability to generate cash or to generate cash when sold. Governmental entities are required to record investments at fair value unless an exception applies and disclose the fair value measurement and hierarchy.

During the year ending September 30, 2016, The District implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement allows qualifying external investment pools to elect to measure all investments at amortized cost if the pool meets certain criteria and subsequently allows pool participants to record an investment in the pool at amortized cost.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2016

**(2) Deposits and Investments**

**Short-Term Portfolio**

As of September 30, 2016, the District had the following deposits and investments:

<u>Deposits and Investment Type</u>	<u>Fair Value at September 30, 2016</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Cash on Hand	\$ 3,285	-	n/a
Demand Deposits, CFB	3,222,120	1.0	n/a
Florida Education Investment Trust Fund, FEITF	10,407,889	47.0	AAAm
State Board of Administration, Florida Prime <sup>TM</sup>	12,303	50.0	AAAm
U.S. Bank - State Board of Administration, Florida Prime <sup>TM</sup>	19,263,239	50.0	AAAm
Florida Cooperative Liquid Assets Securities System, FLCLASS	11,032,332	67.0	AAAm
Florida Local Government Investment Trust	20,871,026	587.7	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	17,667,705	511.0	AAAf/S2
Metlife Annuity Investment	8,701,711	594.5	AA-
Total Fair Value	\$ 91,181,610		
Less: Fiduciary Fund Cash & Cash Equivalent Balances	60,549		
Basic Financial Statement Balances	\$ 91,121,061		
Portfolio Weighted Average Maturity (WAM)		314.3	

**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, 2016, was 314.3 days (0.86 years).

**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 (CFB), a Qualified Public Depository, pursuant to Chapter 280, Florida Statutes.

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

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

#### Short-Term Portfolio (continued)

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

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

- The State Board of Administration (SBA) for participation in the Local Government Investment Pool (Florida Prime™) created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Florida Prime™, an external investment pool, are reported at amortized cost. The District recognized \$107,463 in earnings from Florida Prime™ during the 2015-2016 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™).
- During September of 2016, the Board approved the transfer of funds from Florida Prime™ to 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 \$961 in earnings from FLCLASS during the month of September 2016.
- 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 \$807 in earnings from FEITF during the month of September 2016.

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 pools. The pools are authorized investments 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, 2016, the FMIVT had recorded an unrealized gain of \$135,666. The realization of this gain will only occur from the future sale of underlying shares in the FMIVT.
- The District has investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Court Clerks & Comptrollers. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term investment policy. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2016, the FLGIT had achieved unrealized gains of \$212,101. The realization of these gains will only occur from the future sale of underlying share in the FLGIT.

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

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

#### Short-Term Portfolio (continued)

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

- On May 13, 2008, The Villages of Lake Sumter, Inc. (VLS) obtained an annuity contract with MetLife, Inc. with an initial balance of \$10,961,777, and provided it to the Village Center Community Development District (VCCDD) as sole beneficiary of the annuity contract proceeds. Provision of this annuity contract was required in the litigation settlement agreement among VLS, VCCDD and residents of The Villages. This annuity provides interest earnings at a rate of 5.87 percent with payments in various amounts due annually on December 31, 2013, through December 31, 2020, and totaling \$17,124,200. As of September 30, 2016, the annuity contract was valued at \$8,701,711, including accrued interest. MetLife is rated A+ by A.M. Best, AA- by Standard & Poor's, Aa3 by Moody's and AA- by Fitch. The Standard & Poor's rating is shown in the above schedule. The unrealized gain in Fiscal Year 2015-2016 was \$522,171. This investment is at contract value and not subject to GASB 72 fair value classifications.
- In total, the District recognized investment earnings of \$979,169 in the short-term portfolio during the Fiscal Year.

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

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector;
- Limiting investments in securities with higher credit risks;
- Investment in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds, such as the Florida Prime™, 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.

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

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

#### Short-Term Portfolio (continued)

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

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

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

***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).

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2016

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

**Short-Term Portfolio (continued)**

***Fair Value Measurement (continued)***

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™)
- 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.

**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, 2016, as follows:

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2016

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

**Long-Term Portfolio (continued)**

<u>Long Term Investment Portfolio</u>	<u>Fair Value at September 30, 2016</u>	<u>Average Maturity (years)</u>	<u>Credit Rating</u>
Domestic Equity			
Vanguard Total Stock Market Index	\$ 1,430,454	N/A	N/A
Vanguard Dividend Growth	286,879	N/A	N/A
Vanguard Small Cap Index	191,187	N/A	N/A
International Equity			
Vanguard Total International Stock Index	201,115	N/A	N/A
Vanguard International Value	168,081	N/A	N/A
J. O. Hambro International Select	205,845	N/A	N/A
Oppenheimer International Small-Mid Company	101,637	N/A	N/A
Other Growth			
Vanguard REIT Index	182,153	N/A	N/A
Fixed Income			
Metropolitan West Total Return	433,495	6.37	AA
Baird Core Plus	572,065	7.18	A
Vanguard Intermediate-Term Investment Grade	572,436	6.40	A
Vanguard High Yield Corporate	156,476	5.80	BB
Cash Equivalent			
First American Government Obligation	11,356	25 Days	AAA m
Total Fair Value	<u>\$ 4,513,179</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 \$399,004. The realization of the gain will only occur from the future sale of underlying shares in the portfolio.

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

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

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2016

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

**Long-Term Portfolio (continued)**

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

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

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

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

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

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



**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2016

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

**Long-Term Portfolio (continued)**

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

(an average total annual rate of return that is equal to or greater than the portfolio's hurdle rate of 5%).

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

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

***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 CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Basic Financial Statements  
September 30, 2016

**(3) Capital Assets**

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 1,520,000	-	(92,481)	1,427,519
Construction in progress	39,530	15,023	(53,866)	687
Total assets not being depreciated	<u>1,559,530</u>	<u>15,023</u>	<u>(146,347)</u>	<u>1,428,206</u>
Assets being depreciated:				
Building	4,737,798	13,345	-	4,751,143
Furniture & fixtures	10,331,866	1,067,922	(411,824)	10,987,964
Infrastructure	511,640	-	-	511,640
Leasehold improvements	490,223	-	-	490,223
Total assets being depreciated	<u>16,071,527</u>	<u>1,081,267</u>	<u>(411,824)</u>	<u>16,740,970</u>
Total assets	<u>17,631,057</u>	<u>1,096,290</u>	<u>(558,171)</u>	<u>18,169,176</u>
Less accumulated depreciation for:				
Building	(444,353)	(120,091)	-	(564,444)
Furniture & fixtures	(4,286,526)	(842,744)	343,995	(4,785,275)
Infrastructure	(65,086)	(27,892)	-	(92,978)
Leasehold improvements	(105,970)	(19,950)	-	(125,920)
Total accumulated depreciation	<u>(4,901,935)</u>	<u>(1,010,677)</u>	<u>343,995</u>	<u>(5,568,617)</u>
Governmental activities capital assets, net	<u>12,729,122</u>	<u>85,613</u>	<u>(214,176)</u>	<u>12,600,559</u>
	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business activities:				
Assets not being depreciated:				
Land	9,891,121	-	-	9,891,121
Construction in progress	2,249,531	2,402,895	(3,373,342)	1,279,084
	<u>12,140,652</u>	<u>2,402,895</u>	<u>(3,373,342)</u>	<u>11,170,205</u>
Assets being depreciated:				
Buildings and structures	62,674,379	2,183,840	(245,524)	64,612,695
Infrastructure	101,681,366	3,338,216	-	105,019,582
Leasehold improvements	9,815	-	-	9,815
Furniture & fixtures	3,405,714	13,001	(657,289)	2,761,426
Total assets being depreciated	<u>167,771,274</u>	<u>5,535,057</u>	<u>(902,813)</u>	<u>172,403,518</u>
Total assets	<u>179,911,926</u>	<u>7,937,952</u>	<u>(4,276,155)</u>	<u>183,573,723</u>
Less accumulated depreciation for:				
Buildings and structures	(22,339,691)	(1,716,265)	11,867	(24,044,089)
Infrastructure	(40,683,288)	(3,696,730)	-	(44,380,018)
Leasehold improvements	(5,971)	(981)	-	(6,952)
Furniture & fixtures	(2,441,501)	(163,199)	655,901	(1,948,799)
Total accumulated depreciation	<u>(65,470,451)</u>	<u>(5,577,175)</u>	<u>667,768</u>	<u>(70,379,858)</u>
Business activities capital assets, net	<u>114,441,475</u>	<u>2,360,777</u>	<u>(3,608,387)</u>	<u>113,193,865</u>
Total capital assets governmental and business activities:	<u>\$ 127,170,597</u>	<u>2,446,390</u>	<u>(3,822,563)</u>	<u>125,794,424</u>

Government activities depreciation expense of \$1,010,677 pertains primarily to the Department of Public Safety.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Basic Financial Statements  
September 30, 2016

**(4) Intangible Assets**

Intangible asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
RAD:				
Discounted value of amenity fees	\$ 171,432,090	-	-	171,432,090
Less accumulated amortization	<u>(65,738,059)</u>	<u>(4,271,264)</u>	-	<u>(70,009,323)</u>
Intangible assets, net	<u>105,694,031</u>	<u>(4,271,264)</u>	-	<u>101,422,767</u>
LSSA:				
Discounted value of utilities charges	43,338,051	-	-	43,338,051
Less accumulated amortization	<u>(12,997,444)</u>	<u>(1,083,452)</u>	-	<u>(14,080,896)</u>
Intangible assets, net	<u>30,340,607</u>	<u>(1,083,452)</u>	-	<u>29,257,155</u>
Business-type activities total:				
Discounted value of amenity fees	171,432,090	-	-	171,432,090
Discounted value of utilities charges	43,338,051	-	-	43,338,051
Less accumulated amortization	<u>(78,735,503)</u>	<u>(5,354,716)</u>	-	<u>(84,090,219)</u>
Intangible assets, net	<u>\$ 136,034,638</u>	<u>(5,354,716)</u>	-	<u>130,679,922</u>

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Basic Financial Statements  
September 30, 2016

**(5) Interfund Balances**

The composition of interfund balances as of September 30, 2016, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	
General Fund	RAD	12,726.00
	VCSA	314.00
	LSSA	239.00
	Fitness	17.00
	VOSS	144.00
	Rolling Acres	21.00
	Road Maintenance	50.00
	Safety	567.00
	Community Standards	24.00
RAD	General Fund	10,310.00
	VCSA	67,782.00
	LSSA	100,498.00
	Fitness	829.00
	VOSS	105.00
Safety	RAD	89,642.00
Total		283,268.00

The outstanding balances between funds result from normal monthly reimbursements that were accrued at the end of the Fiscal Year, September 30, 2016, and in all cases were liquidated by payments in October 2016.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**  
Notes to Basic Financial Statements  
September 30, 2016

**(6) Long-term Debt**

***Revenue Bonds Payable***

Revenue bonds payable consisted of the following:

**Recreation Amenities Division Bonds:**

\$172,425,000 Taxable Recreational Revenue Refunding Bonds, Series 2014 due in annual principal installments ranging from \$3,320,000 to \$11,595,000 through November 2036 in accordance with the redemption schedule. Interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity. Interest rates range from 1.303% to 5.015%. \$ 164,010,000

**VCSA Utility Revenue Bonds**

\$14,320,000 Utility Revenue Refunding Bonds, Series 2014A due in annual principal installments ranging from \$1,465,000 to \$1,810,000 through October 2023 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 1.303% to 3.956%. 12,875,000

**LSSA Utility Revenue Bonds**

\$70,300,000 Utility Revenue Bonds, Series 2014B due in annual principal installments ranging from \$2,170,000 to \$4,955,000 through October 2036 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 1.303% to 5.015%. 68,155,000

Total revenue bonds payable	\$	245,040,000
Less current installment of revenue bonds payable		<u>(12,120,000)</u>
Revenue bonds payable less current installments	\$	<u><u>232,920,000</u></u>

The Taxable Recreational Revenue Bonds, Series 2014 are secured by a lien and pledge of amenity fees and other revenues under the indenture which are derived by the District from the users of the recreational facilities.

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

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

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2016

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

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

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2016, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2017	12,120,000	10,370,335	22,490,335
2018	12,325,000	10,133,797	22,458,797
2019	12,605,000	9,818,688	22,423,688
2020	10,495,000	9,480,931	19,975,931
2021	9,780,000	9,117,270	18,897,270
2022-2026	51,590,000	39,173,880	90,763,880
2027-2031	53,065,000	27,916,265	80,981,265
2032-2036	66,510,000	12,808,310	79,318,310
2037	16,550,000	414,991	16,964,991
Total	\$ <u>245,040,000</u>	<u>129,234,467</u>	<u>374,274,467</u>

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Compensated absences	\$ 495,359	72,904	-	568,263	113,653
Governmental activities long-term debt	495,359	72,904	-	568,263	113,653
Business-type activities:					
Bonds payable					
RAD	172,425,000	-	(8,415,000)	164,010,000	8,485,000
VCSA Water and Sewer	14,320,000	-	(1,445,000)	12,875,000	1,465,000
LSSA Water and Sewer	70,300,000	-	(2,145,000)	68,155,000	2,170,000
Total business-type activities long-term liabilities	257,045,000	-	(12,005,000)	245,040,000	12,120,000
Total debt	\$ <u>257,540,359</u>	<u>72,904</u>	<u>(12,005,000)</u>	<u>245,608,263</u>	<u>12,233,653</u>

***Pledged Revenues:***

The District has pledged certain amenities fee and water and sewer revenue to pay the principal and interest on Recreational Revenue and Utility Revenue Bonds issued to pay for the purchase of recreational and water and sewer utility facilities from the Developer. These Recreational and Utility Revenue Bonds were outstanding on September 30, 2016, as shown below. The table below reports the revenues pledged for each debt issue, the amounts of revenue received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds as of September 30, 2016.

**VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT**

Notes to Basic Financial Statements

September 30, 2016

**(6) 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>
<b>Business type funds</b>						
Taxable Recreational Revenue Bonds, Series 2014	Amenities Fee Revenue and Other Income of RAD Fund	\$ 41,721,455	\$ 15,438,344	37.00%	251,621,599	2036
Taxable Utility Revenue Bonds, Series 2014A	Water and Sewer Revenue, VCSA Fund	6,999,911	1,863,279	26.62%	14,847,896	2023
Taxable Utility Revenue Bonds, Series 2014B	Water and Sewer Revenue, LSSA Fund	11,448,819	5,179,977	45.24%	107,804,971	2036

**(7) Related Parties**

The District entered into interlocal agreements to provide Village Community Development District No. 1 (District No. 1), Village Community Development District No. 2 (District No. 2), Village Community Development District No. 3 (District No. 3), Village Community Development District No. 4 (District No. 4), Village Community Development District No. 5 (District No. 5), Village Community Development District No. 6 (District No. 6), Village Community Development District No. 7 ( District No. 7), Village Community Development District No. 8 ( District No. 8), Village Community Development District No. 9 ( District No. 9 ), Village Community Development District No. 10 ( District No. 10), and Village Community Development District No. 11 ( District No. 11), Sumter Landing Community Development District (Sumter Landing), North Sumter County Utility Dependent District and Brownwood Community Development District, certain management, finance, and administrative services for fees of \$162,173, \$164,404, \$169,031, \$206,139, \$169,392, \$171,729, \$160,273, \$162,932, \$163,154, \$157,916, \$138,791, \$6,061,430, \$847,303, and \$281,539, respectively, for the Fiscal Year ended September 30, 2016. Upon action by their respective Boards of Supervisors, District No. 1 through District No. 11, Sumter Landing District, NSCUDD, and Brownwood may request additional services as they deem necessary for the efficient and effective management of their respective districts. Such additional services are billed to the benefiting district at the District's cost, and include items such as payroll reimbursement for board members, reimbursement for payment of the investment advisor contract, and office equipment lease and copy costs. The District also has agreements to provide Deed Compliance Services to Village Community Development District No. 1 (District No. 1), Village Community Development District No. 2 (District No. 2), Village Community Development District No. 3 (District No. 3), Village Community Development District No. 4 (District No. 4), Village Community Development District No. 5 (District No. 5), Village Community Development District No. 6 (District No. 6), Village Community Development District No. 7 ( District No. 7), Village Community Development District No. 8 ( District No. 8), and Village Community Development District No. 9 ( District No. 9 ). For the year ending September 30, 2016, those fees were \$41,749, \$40,383, \$45,372, \$50,151, \$63,437, \$67,008, \$54,982, 78,929, and \$135,486, respectively.

The District has purchased from the Developer classified advertising, building rents, management services, and repair services for \$713,924. In addition, the District reimbursed the Developer \$301,970 for items and services purchased or paid for by the Developer on behalf of the District.

## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

### (7) Related Parties (continued)

The District purchased water, waste water, and irrigation water, paying rates approved by the Public Service Commission, from companies affiliated with the Developer for \$16,762. The District paid bank fees and loan interest to a bank affiliated with the Developer in the amount of \$25,462 and maintained demand deposit accounts with the same bank based on a compensating balance agreement.

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

The District is governed by a five-member Board of Supervisors. As of September 30, 2016, four of the five members of the Board of Supervisors are employees of, or affiliated with, the Developer.

### (8) Commitments and Contingencies

#### *Operating Leases*

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

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

	<u>Building Leases</u>	<u>Equipment Leases</u>	<u>Total</u>
Year Ending September 30:			
2017	762,642	42,207	804,849
2018	762,642	29,632	792,274
2019	762,642	19,203	781,845
2020	762,642	14,218	776,860
2021	762,642	3,306	765,948
2022-2026	2,407,885	-	2,407,885
2027-2031	570,155	-	570,155
2032-2035	450,788	-	450,788
Total	\$ <u>7,242,038</u>	<u>108,566</u>	<u>7,350,604</u>

### (9) Risk Management

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



## VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

### **(10) Litigation Settlement Agreement and Amenity Authority Committee (AAC)**

As part of the litigation settlement agreement between the District, The Villages of Lake Sumter, and Villages residents, an initial payment of \$11,886,151 in cash was received in April 2008. In addition, a total of \$28,021,000 in further payments is due each December until 2020. The Villages of Lake Sumter provided the District an annuity contract which is held as an investment valued at \$13,110,449 to cover the last eight years of this settlement requirement. All five annual payments from the Developer have now been received. The payment of \$2,229,900 due December 31, 2016, was the fourth of the eight annuity payments received from the annuity contract.

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

### **(11) Investment Advisory Committee (IAC)**

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

### **(12) Internal Revenue Service (IRS) Audit of Recreation Bonds**

In January 2008, the Internal Revenue Service (IRS) started an examination of bonds issued by the Village Center Community Development District (VCCDD) in 2003. The examination was expanded in July 2009 to include all tax-exempt bonds issued by the VCCDD. All of the bonds under examination were refunded by the VCCDD by January 2, 2015.

The ongoing audit came to a conclusion during the current fiscal year when a letter was received on July 14, 2016, from the IRS stating that they had closed the examination without further IRS action.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village Center Community Development District (the District) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Certified Public Accountants**

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Durvis, Gray and Company, LLP*

January 31, 2017  
Ocala, Florida

## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village Center Community Development District (the District) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated January 31, 2017.

### Auditors' Responsibility

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

### Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountants' Report on an examination conducted in accordance with American Institute of Certified Public Accountants Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports which are dated January 31, 2017, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title and Legal Authority

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

### Certified Public Accountants

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

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition**

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

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

**Annual Financial Report**

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports agree.

**Other Matters**

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

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

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

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



January 31, 2017  
Ocala, Florida

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have examined the Village Center Community Development District's (the District) compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

*Purvis, Gray and Company, LLP*  
January 31, 2017  
Ocala, Florida

**Certified Public Accountants**

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January 31, 2017

Board of Supervisors  
Village Center Community Development District  
The Villages, FL 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for Fiscal Year 2015 – 2016 for the Village Center Community Development District. We are proud to report that this audit has an unmodified opinion.

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

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

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

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

Sincerely,

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

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

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

**Village Center Community Development District**  
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