



SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2010

(With Independent Auditors' Report Thereon)

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, business-type activities and each major fund of Sumter Landing Community Development District (the District), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the District as of September 30, 2010, and the respective changes in financial position, budgetary comparison of the Special Revenue Fund, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the District adopted the provisions of the Governmental Accounting Standards Board Statement (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2010 which provides for clearer fund balance definitions and clarification of uses of governmental funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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

Purvis, Gray and Company, LLP

January 28, 2011
Ocala, Florida

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

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

Financial Highlights

- The assets of the District exceeded its liabilities as of September 30, 2010 by \$47,383,820.
- The District's total net assets increased by \$1,966,835. This increase in net assets resulted from increases in net assets in both the governmental funds and the proprietary funds. The proprietary fund increase largely resulted from the transfer of the two fitness centers located south of CR 466 from control of the Village Center Community Development District to the newly established Sumter Landing Community Development District Fitness Fund. The two existing fitness centers at Colony Cottage and Laurel Manor Recreation Centers were joined in mid-year by a third fitness center at the new SeaBreeze Recreation Center. The fitness fund contributed \$760,306 to the increase in net assets. The other Proprietary Fund, the Sumter Landing Amenities Division Fund also saw a positive change in net assets of \$613,612. The remaining \$592,917 increase in net assets was in the governmental funds, comprised of the Lake Sumter Landing and Project Wide Special Revenue Funds.
- At the close of the fiscal year, the District's governmental funds reported combined fund balances of \$4,792,913, a net increase of \$222,053, compared to the prior year. Of the total, \$2,281,890 is *unassigned fund balance*, available for use by the District on a discretionary basis.
- The District's total long-term debt decreased by \$1,002,301 during the current fiscal year. The decrease relates primarily to principal payments made on outstanding revenue bonds and other debt during the year ended September 30, 2010.
- The major organizational change in fiscal year 2009-2010 was the creation of the Sumter Landing Community Development District Fitness Fund, which is being used to manage the fitness centers located south of CR 466 in The Villages.

Overview of the Financial Statements

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

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

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government and environmental services. The business-type activities of the District include the Sumter Landing Amenities Division (SLAD) and the Sumter Landing Fitness Fund which provide general governmental, debt service, culture and recreation services. The District has no component units, as all functions are performed by the primary government.

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

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

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 17-20 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 21 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$47.4 million as of September 30, 2010, representing an increase of \$2.0 million from the net assets of approximately \$45.4 million as of September 30, 2009. The increase in net assets for September 30, 2010 is mainly due to the significant increase in the fund balance of the two proprietary funds, the SLAD Fund and the Fitness Fund.

The District's net assets are categorized as follows as of September 30, 2010:

Invested in capital assets, net of related debt. This \$35.8 million portion of the District's net assets (75.5%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

Restricted for debt service. An additional \$1.4 million portion of the District's net assets (3.1%) represents resources that are subject to external restrictions on how they may be used. The District's restricted net assets are restricted for purposes of meeting its debt service obligations.

Unrestricted net assets. The remaining \$10.1 million balance of the District's net assets (21.4%) may be used to meet the District's ongoing obligations to residents and creditors.

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

Table 1
Summary Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 4,835,547	4,967,447	14,096,391	11,553,866	18,931,938	16,521,313
Bond issuance costs (net of accumulated amortization)	-	-	2,579,950	2,672,090	2,579,950	2,672,090
Capital assets, net of accumulated depreciation	39,920,633	39,549,768	37,047,062	37,921,358	76,967,695	77,471,126
Intangible assets, net of accumulated amortization	-	-	17,440,808	17,939,117	17,440,808	17,939,117
Total assets	44,756,180	44,517,215	71,164,211	70,086,430	115,920,391	114,603,645
Liabilities:						
Current and other liabilities	42,635	396,587	5,926,080	5,813,129	5,968,715	6,209,716
Notes payable	-	-	921	1,381	921	1,381
Capital lease	-	-	13,714	20,564	13,714	20,564
Long-term liabilities	-	-	62,553,221	62,954,999	62,553,221	62,954,999
Total liabilities	42,635	396,587	68,493,936	68,790,073	68,536,571	69,186,660
Net assets (deficit)						
Invested in capital assets, net of related debt	39,920,632	39,549,768	(4,131,292)	(3,863,497)	35,789,340	35,686,271
Restricted for debt service	-	-	1,448,934	1,408,410	1,448,934	1,408,410
Unrestricted	4,792,913	4,570,860	5,352,633	3,751,444	10,145,546	8,322,304
Total net assets	\$ 44,713,545	44,120,628	2,670,275	1,296,357	47,383,820	45,416,985

Governmental Activities

Governmental activities increased the District's net assets by \$592,917 during the year ended September 30, 2010. This increase primarily results from the developer's donation of additional land capital assets to mitigate environmental concerns.

Business-type Activities

Business-type activities increased the District's net assets by \$1,373,918 during the year ended September 30, 2010. The increase reflects the addition of the Sumter Landing Fitness Enterprise Fund and the improved fiscal status of the Sumter Landing Amenities Division Fund which saw an improvement in operating income. The District's business-type activities consist of recreation, fitness and security services provided to District residents. The number of residents served by the District continued to grow during the year, with 2,246 new residential homes closed in the areas of The Villages served by the District during FY 2009-2010.

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2010	2009	2010	2009	2010	2009
Operating revenues:						
Charges for services	\$ -	-	10,603,567	11,250,982	10,603,567	11,250,982
Special assessments	6,987,718	6,811,517	-	-	6,987,718	6,811,517
Donated capital	1,440,415	15,642	-	-	1,440,415	15,642
Miscellaneous revenue	95,401	15,947	4,365,939	2,378,229	4,461,340	2,394,176
General revenues:						
Investment earnings	65,963	142,222	28,487	22,399	94,450	164,621
Contributions from other governments	-	-	341,883	-	341,883	-
Total revenues	<u>8,589,497</u>	<u>6,985,328</u>	<u>15,339,876</u>	<u>13,651,610</u>	<u>23,929,373</u>	<u>20,636,938</u>
Expenses:						
General government	6,927,029	6,920,999	-	-	6,927,029	6,920,999
Recreational amenities	-	-	9,409,547	9,286,441	9,409,547	9,286,441
Depreciation and amortization	1,069,551	1,064,485	1,501,785	1,502,950	2,571,336	2,567,435
Interest on long-term debt	-	-	3,054,128	3,095,189	3,054,128	3,095,189
Loss/gain on fixed asset	-	-	498	-	498	-
Total expenses	<u>7,996,580</u>	<u>7,985,484</u>	<u>13,965,958</u>	<u>13,884,580</u>	<u>21,962,538</u>	<u>21,870,064</u>
Transfers:						
Transfer in (out)	-	-	-	-	-	-
Changes in net assets	<u>592,917</u>	<u>(1,000,153)</u>	<u>1,373,918</u>	<u>(232,970)</u>	<u>1,966,835</u>	<u>(1,233,123)</u>
Total net assets, beginning	44,120,628	45,120,781	1,296,357	1,529,327	45,416,985	46,650,108
Total net assets, ending	<u>\$ 44,713,545</u>	<u>44,120,628</u>	<u>2,670,275</u>	<u>1,296,357</u>	<u>\$ 47,383,820</u>	<u>45,416,985</u>

Budgetary Highlights

During the year, there was no change in the appropriations for the Lake Sumter Landing Special Revenue Fund, the Sumter Landing Amenities Enterprise Fund and the Sumter Landing Fitness Enterprise Fund between the original and final budget. There was an increase in the appropriations of the Project Wide Special Revenue Fund by \$210,377. The increases resulted from increased maintenance and repair costs that had been charged in prior years to other Districts. The revenue budget was also increased by \$75,093.

Capital Asset and Debt Administration

Capital Assets

The District's capital assets as of September 30, 2010 and 2009 amounted to \$76,967,695 and \$77,471,126, respectively. This is net of accumulated depreciation and includes land, buildings, improvements other than buildings, furniture and equipment, and construction in progress. The decrease resulted from depreciation expenses during the year exceeding new assets acquired. Additional information regarding the District's capital assets can be found in Note 3 of the Notes to Basic Financial Statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

Long-term Debt

As of September 30, 2010 and 2009, the District had long-term debt outstanding of \$61,553,221 and \$62,954,999, respectively. The majority of the debt as of September 30, 2010 consists of Recreational Revenue Bonds issued during FY 2005. This debt is secured by a lien and pledge of revenues under the indentures which are derived by the District from the users of the recreational facilities. \$571,750 of the debt is owed to the Developer, The Villages of Lake Sumter, Inc., for additional capital assets acquired. \$13,714 of the debt relates to a capital lease for document imaging software and hardware. Additional information regarding the District's long-term debt can be found in Note 4 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Sumter County, where the District is located, was 9.8 percent in September 2010 which is a small increase from a rate of 9.5 percent a year ago. This compares favorably with the State's average unemployment rate of 12.1 percent and is close to the national average rate of 9.6 percent.
- Inflationary trends in the area compare favorably to national indices. The national Consumer Price Increase (CPI) annual increase for all urban consumers changed from a negative 1.29 percent in September 2009 to a more normal positive 1.14 percent in September 2010.

These factors were considered in preparing the Districts' budget for the 2011 fiscal year. The Lake Sumter Landing Special Revenue Fund is projecting a revenue increase of \$219,633 and an expenditure increase of \$337,589 in FY 2011 compared to the final budget in FY 2010. These increases result from the expansion of services as additional commercial square footage has been added and the level of service has also been increased, resulting in a proposed net reduction of fund balance of \$93,740. The Project Wide Special Revenue Fund is projecting a revenue increase of \$521,579 and an expenditure increase of \$370,784. The expenditure increase is mainly for additional capital projects. The revenue increase is designed to balance the expenditures to maintain unassigned fund balance at its current level.

The Sumter Landing Amenities Division Fund sees a FY 2011 increase in revenues budgeted of \$864,515 with expenditure increases of \$932,197. The expenditure increase includes a \$500,000 transfer into committed fund balance for renewal and replacement, a \$68,000 capital outlay increase and an increase of almost \$100,000 in building maintenance and repair. The Fitness Enterprise Fund sees a FY 2011 revenue increase of \$76,635 and a projected expenditure increase of \$337,589. Most of the expenditure increase results from annualizing the cost of operating the SeaBreeze fitness center, opened in the middle of the prior year, and the replacement of over \$90,000 in fitness equipment in the Colony Cottage and Laurel Manor fitness centers. The revenue increase relates primarily to the annualizing of the SeaBreeze fitness center revenue.

Requests for Information

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Assets

September 30, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 878,020	\$ 7,361,865	\$ 8,239,885
Due from other governments	91,975	373,108	465,083
Due from developer	—	265,045	265,045
Accounts receivable	—	2,474,354	2,474,354
Prepays	—	2,943	2,943
Investments	3,865,552	3,619,076	7,484,628
Capital assets:			
Non depreciable assets	3,537,352	7,810,800	11,348,152
Depreciable assets (net of depreciation)	36,383,281	29,236,262	65,619,543
Bond issuance costs (net of accumulated amortization)	—	2,579,950	2,579,950
Intangible assets (net of accumulated amortization)	—	17,440,808	17,440,808
Total assets	44,756,180	71,164,211	115,920,391
Liabilities			
Accounts payable	42,011	124,918	166,929
Accrued expenses	—	19,719	19,719
Accrued interest payable	—	1,529,294	1,529,294
Deferred revenue	—	792,530	792,530
Due to other governments	624	189,345	189,969
Due to utility	—	424	424
Due to developer for amenity fees	—	3,283,564	3,283,564
Note payable	—	921	921
Unamortized discount/premium for bonds	—	202,757	202,757
Long-term debt:			
Due within one year	—	1,027,852	1,027,852
Due in more than one year	—	61,322,612	61,322,612
Total liabilities	42,635	68,493,936	68,536,571
Net Assets			
Invested in capital assets, net of related debt	39,920,632	(4,131,292)	35,789,340
Restricted for debt service	—	1,448,934	1,448,934
Unrestricted	4,792,913	5,352,633	10,145,546
Total net assets	\$ 44,713,545	\$ 2,670,275	\$ 47,383,820

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities
Year Ended September 30, 2010

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 7,996,580	7,083,119	—	—	(913,461)	—	(913,461)
Total governmental activities	7,996,580	7,083,119	—	—	(913,461)	—	(913,461)
Business-type activities:							
Sumter Landing Amenities Division	13,965,460	14,969,506	—	—	—	1,004,046	1,004,046
Total business-type activities	13,965,460	14,969,506	—	—	—	1,004,046	1,004,046
Total primary government	\$ 21,962,040	22,052,625	—	—	(913,461)	1,004,046	90,585
General revenues:							
Donated assets					1,440,415	—	1,440,415
Loss/gain on fixed assets					—	(498)	(498)
Investment earnings					65,963	28,487	94,450
Contributions from other governments					—	341,883	341,883
Total general revenues and transfers					1,506,378	369,872	1,876,250
Change in net assets					592,917	1,373,918	1,966,835
Net assets – beginning					44,120,628	1,296,357	45,416,985
Net assets – ending					\$ 44,713,545	\$ 2,670,275	\$ 47,383,820

See accompanying notes to basic financial statements.

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

Balance Sheet – Governmental Funds

September 30, 2010

	Lake Sumter Landing	Project Wide	Total
Assets:			
Cash and cash equivalents	\$ 483,412	394,608	878,020
Investments	547,960	3,317,592	3,865,552
Due from other governments	—	91,975	91,975
Total assets	1,031,372	3,804,175	4,835,547
Liabilities:			
Accounts payable	18,031	23,980	42,011
Due to other governments	78	546	624
Total liabilities	18,109	24,526	42,635
Fund balances:			
Committed for renewal & replacement	523,803	1,987,220	2,511,023
Unassigned	489,461	1,792,429	2,281,890
Total fund balances	1,013,264	3,779,649	4,792,913
Total liabilities and fund balances	\$ 1,031,373	3,804,175	4,835,548

See accompanying notes to basic financial statements.

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

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets

September 30, 2010

Total fund balances, governmental funds	\$	4,792,913	
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Capital assets	\$	46,018,016	
Less accumulated depreciation		<u>(6,097,394)</u>	<u>39,920,622</u>
Net assets of governmental activities			<u>\$ 44,713,545</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
GOVERNMENTAL FUNDS**

Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds

Year Ended September 30, 2010

	<u>Lake Sumter Landing</u>	<u>Project Wide</u>	<u>Total</u>
Revenues:			
Special assessments	\$ 1,537,389	5,450,329	6,987,718
Miscellaneous revenue	284	95,117	95,401
Investment earnings	10,624	55,339	65,963
Total revenues	<u>1,548,297</u>	<u>5,600,785</u>	<u>7,149,082</u>
Expenditures:			
Current:			
General government	1,247,015	5,680,014	6,927,029
Total expenditures	<u>1,247,015</u>	<u>5,680,014</u>	<u>6,927,029</u>
Net change in fund balances	<u>301,282</u>	<u>(79,229)</u>	<u>222,053</u>
Fund balances, at beginning of year	<u>711,982</u>	<u>3,858,878</u>	<u>4,570,860</u>
Fund balances, at end of year	<u>\$ 1,013,264</u>	<u>3,779,649</u>	<u>4,792,913</u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
GOVERNMENTAL FUNDS**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds to the Statement of Activities

Year Ended September 30, 2010

Net change in fund balances – total governmental funds	\$	222,053
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay less depreciation expensed in the fiscal year.		
Capital outlay	1,440,415	
Depreciation expense	\$ <u>(1,069,551)</u>	<u>370,864</u>
Change in net assets of governmental activities	\$	<u><u>592,917</u></u>

See accompanying notes to basic financial statements.

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
LAKE SUMTER LANDING SPECIAL REVENUE FUND**

Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 1,537,389	1,537,389	1,537,389	-
Miscellaneous revenue	-	-	284	284
Investment earnings	2,100	2,100	10,624	8,524
Total revenues	<u>1,539,489</u>	<u>1,539,489</u>	<u>1,548,297</u>	<u>8,808</u>
Expenditures:				
Management fees & professional services	202,934	202,934	198,168	4,766
Repair and maintenance/landscape	244,000	244,000	236,103	7,897
Infrastructure maintenance	126,000	155,000	158,481	(3,481)
Repairs & maintenance - project wide	10,000	10,000	2,689	7,311
Building & structures maintenance	329,350	323,100	173,696	149,404
Porter service	228,000	149,000	122,092	26,908
Utility services	233,550	233,550	209,880	23,670
Other current charges	89,384	89,384	89,384	-
Operating supplies	5,550	5,550	278	5,272
Capital outlay	-	56,250	56,244	6
Total expenditures	<u>1,468,768</u>	<u>1,468,768</u>	<u>1,247,015</u>	<u>221,753</u>
Excess of revenues over expenditures	<u>70,721</u>	<u>70,721</u>	<u>301,282</u>	<u>230,561</u>
Net change in fund balance	70,721	70,721	301,282	230,561
Fund balances, at beginning of year	711,982	711,982	711,982	-
Fund balances, at end of year	<u>\$ 782,703</u>	<u>782,703</u>	<u>1,013,264</u>	<u>230,561</u>

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 5,450,329	5,450,329	5,450,329	-
Miscellaneous revenue	15,000	90,093	95,117	5,024
Investment earnings	7,500	7,500	55,339	47,839
Total revenues	<u>5,472,829</u>	<u>5,547,922</u>	<u>5,600,785</u>	<u>52,863</u>
Expenditures:				
Professional fees	447,417	402,417	390,917	11,500
Repair and maintenance/landscape	3,788,366	3,857,800	3,859,564	(1,764)
Miscellaneous maintenance & repairs	723,057	868,000	868,004	(4)
Utility services	527,000	566,000	558,174	7,826
Other current charges	1,000	1,000	-	1,000
Operating supplies	1,500	3,500	3,355	145
Total expenditures	<u>5,488,340</u>	<u>5,698,717</u>	<u>5,680,014</u>	<u>18,703</u>
Excess of revenues over expenditures	<u>(15,511)</u>	<u>(150,795)</u>	<u>(79,229)</u>	<u>71,566</u>
Net change in fund balance	<u>(15,511)</u>	<u>(150,795)</u>	<u>(79,229)</u>	<u>71,566</u>
Fund balances, at beginning of year	3,858,878	3,858,878	3,858,878	-
Fund balances, at end of year	<u>\$ 3,843,367</u>	<u>3,708,083</u>	<u>3,779,649</u>	<u>71,566</u>

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Proprietary Funds

Statement of Net Assets

September 30, 2010

	<u>Sumter Landing Amenities Division (SLAD)</u>	<u>Sumter Landing Fitness Fund</u>	<u>Sumter Landing Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,147,344	664,543	3,811,887
Restricted cash and cash equivalents	2,978,228	-	2,978,228
Accounts receivable	2,471,799	2,555	2,474,354
Investments	3,417,989	201,087	3,619,076
Due from other funds	3,672	(3,672)	-
Due from other governments	373,108	-	373,108
Due from developer	265,045	-	265,045
Prepaid expenses	2,943	-	2,943
Total current assets	<u>12,660,128</u>	<u>864,513</u>	<u>13,524,641</u>
Non-current assets:			
Restricted cash and investments with trustee	571,750	-	571,750
Capital assets:			
Land	7,810,800	-	7,810,800
Buildings and structures	30,372,023	-	30,372,023
Infrastructure	2,824,679	-	2,824,679
Machinery and equipment	426,449	-	426,449
Capital leases	33,721	-	33,721
Less accumulated depreciation	(4,420,610)	-	(4,420,610)
Bond issuance costs (net of accumulated amortization)	2,579,950	-	2,579,950
Intangible assets (net of accumulated amortization)	17,440,808	-	17,440,808
Total non-current assets	<u>57,639,570</u>	<u>-</u>	<u>57,639,570</u>
Total assets	<u>70,299,698</u>	<u>864,513</u>	<u>71,164,211</u>
Liabilities			
Current liabilities:			
Accounts payable	122,605	2,313	124,918
Accrued expenses	18,471	1,248	19,719
Accrued interest payable	1,529,294	-	1,529,294
Deferred revenue	691,884	100,646	792,530
Due to othe governments	189,345	-	189,345
Due to utility	425	-	425
Due to developer for amenity fees	3,283,564	-	3,283,564
Capital lease current	7,852	-	7,852
Current installments of revenue bonds payable	1,020,000	-	1,020,000
Total current liabilities	<u>6,863,440</u>	<u>104,207</u>	<u>6,967,647</u>
Non-current liabilities:			
Revenue bonds payable, net	60,745,000	-	60,745,000
Note payable	921	-	921
Capital Lease non-current	5,862	-	5,862
Unamortized discount/premium for bonds	202,757	-	202,757
Due to developer	571,750	-	571,750
Total non-current liabilities	<u>61,526,290</u>	<u>-</u>	<u>61,526,290</u>
Total liabilities	<u>68,389,730</u>	<u>104,207</u>	<u>68,493,937</u>
Net assets			
Invested in capital assets, net of related debt	(4,131,292)	-	(4,131,292)
Restricted for debt service	1,448,934	-	1,448,934
Unrestricted	4,592,327	760,306	5,352,633
Total net assets	<u>\$ 1,909,969</u>	<u>760,306</u>	<u>2,670,275</u>

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended September 30, 2010

	Sumter Landing Amenities Division (SLAD)	Sumter Landing Fitness Fund	Sumter Landing Total
	<hr/>	<hr/>	<hr/>
Operating revenues:			
Charges for services			
Recreational amenity fees	\$ 10,603,567	-	10,603,567
Other income	3,698,402	667,537	4,365,939
Total operating revenues	<hr/> 14,301,969	<hr/> 667,537	<hr/> 14,969,506
Operating expenses:			
Recreational amenity expenses	9,158,419	251,128	9,409,547
Depreciation	911,085	-	911,085
Amortization	590,700	-	590,700
Total operating expenses	<hr/> 10,660,204	<hr/> 251,128	<hr/> 10,911,332
Operating income	<hr/> 3,641,765	<hr/> 416,409	<hr/> 4,058,174
Non-operating revenue (expenses):			
Investment earnings	26,473	2,014	28,487
Interest expense	(3,054,128)	-	(3,054,128)
Loss on sale of capital assets	(498)	-	(498)
Contribution of fitness assets from VCCDD	-	341,883	341,883
Total non-operating revenue (expenses)	<hr/> (3,028,153)	<hr/> 343,897	<hr/> (2,684,256)
Change in net assets	<hr/> 613,612	<hr/> 760,306	<hr/> 1,373,918
Total net assets, beginning	<hr/> 1,296,357	<hr/> -	<hr/> 1,296,357
Total net assets, ending	<hr/> <u>\$ 1,909,969</u>	<hr/> <u>760,306</u>	<hr/> <u>2,670,275</u>

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT

Proprietary Funds

Statement of Cash Flows

Year Ended September 30, 2010

	<u>Sumter Landing Amenities Division (SLAD)</u>	<u>Sumter Landing Fitness Fund</u>	<u>Sumter Landing Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 15,753,134	765,628	16,518,762
Payments to suppliers	(6,370,570)	(99,783)	(6,470,353)
Payments for professional fees	(4,009,945)	(144,112)	(4,154,057)
Net cash provided by operating activities	<u>5,372,619</u>	<u>521,733</u>	<u>5,894,352</u>
Cash flows from capital and related financing activities:			
Principal payments on capital debt	(980,000)	—	(980,000)
Interest paid	(3,061,369)	—	(3,061,369)
Net cash used in capital and related financing activities	<u>(4,041,369)</u>	<u>—</u>	<u>(4,041,369)</u>
Cash flows from investing activities:			
Increase in investment balances	(3,417,989)	(201,087)	(3,619,076)
Payment for capital assets	(44,599)		(44,599)
Interest received	26,472	2,014	28,486
Net cash provided by investing activities	<u>(3,436,116)</u>	<u>(199,073)</u>	<u>(3,635,189)</u>
Net increase (decrease) in cash and cash equivalents	(2,104,866)	322,660	(1,782,206)
Cash and cash equivalents, beginning of year	<u>8,802,188</u>	<u>—</u>	<u>8,802,188</u>
Contribution of net assets for fitness	—	341,883	341,883
Cash and cash equivalents, end of year	\$ <u>6,697,322</u>	<u>664,543</u>	<u>7,361,865</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net assets:			
Unrestricted cash and cash equivalents	3,147,344	664,543	3,811,887
Restricted cash and cash equivalents- current	2,978,228	—	2,978,228
Restricted cash and cash equivalents- non-current	571,750	—	571,750
Cash and cash equivalents	\$ <u>6,697,322</u>	<u>664,543</u>	<u>7,361,865</u>

**SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Proprietary Funds**

Statement of Cash Flows (Continued)

Year Ended September 30, 2010

	Sumter Landing Amenities Division (SLAD)	Sumter Landing Fitness Fund	Sumter Landing Total
Reconciliation of operating income to net cash provided (used) in operating activities:			
Operating income	\$ 3,641,765	416,409	4,058,174
Adjustments to reconcile operating loss to net cash provided (used) in operating activities:			
Depreciation	911,085	—	911,085
Amortization	590,450	—	590,450
Cash provided by (used in) changes in:			
Due from/to developer (net)	1,804,644	—	1,804,644
Due from/to other districts (net)	(33,824)	3,672	(30,152)
Due from/to other governments (net)	85,768	—	85,768
Prepaid expenses/accounts receivable	(387,955)	(2,555)	(390,510)
Accounts payable and accrued liabilities	(1,261,182)	3,561	(1,257,621)
Deferred revenue	21,868	100,646	122,514
Net cash provided by operating activities	\$ 5,372,619	521,733	5,894,352

See accompanying notes to basic financial statements.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Sumter Landing Community Development District (the District) was established in 2002 to manage and finance basic services for a development district located in The Villages, Florida. The District was created by Sumter County Commission Ordinance No. 02-06 pursuant to the provisions of Chapter 190.005 of the Florida Statutes and operates within the criteria established by Chapter 190. The District is governed by a five-member Board of Supervisors, who are elected on a rotating basis by the landowners within the District for terms from two to four years. As of September 30, 2010, each member of the Board of Supervisors is an employee of or affiliated with the Developer.

The District provides recreation and security services to the residents of a retirement community known as The Villages, located in The Villages, Florida. The Villages consists of approximately 23,000 acres spanning the borders of Lake, Sumter and Marion Counties, the City of Wildwood and the Town of Lady Lake, Florida, and when fully developed, is expected to include 56,508 residences and approximately 107,000 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. The Villages continues to be developed by the developer, a family-owned business, established for the single purpose of developing The Villages.

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

The Developer has formed the following community development districts:

- Village Center CDD (Lake, Marion and Sumter Counties) – This CDD provides water and sewer utility services, recreation and security services, and fire protection and paramedic services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Sumter Landing CDD (Sumter County) – This CDD provides recreation and security services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Village CDD No. 1 (Sumter County) – This CDD's boundary consists of approximately 993 acres in the northeast corner of the county. The development includes construction of 3,420 residential units.
- Village CDD No. 2 (Sumter County) – This CDD's boundary consists of approximately 990 acres in the northeast corner of the county. The development includes 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 includes construction of 3,762 residential units.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

(a) *Reporting Entity (continued)*

- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,187 acres in the southern portion of the county. The development includes construction of 5,132 residential units.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,407 acres in the northeast corner of the county. The development includes 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.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. Planned development includes construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,070 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 946 acres in the northeast corner of the county. This CDD has been formed, but is not yet being developed as of September 30, 2010.
- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 999 acres in the northeast corner of the county. This CDD has been formed, but is not yet being developed as of September 30, 2010.

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

The financial statements of the District have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement No. 20. The District’s more significant accounting policies are described below.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(1) Summary of Significant Accounting Policies (continued)

(b) Basic Financial Statements

Government-wide and Fund Financial Statements

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

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

The District's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34.

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

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

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due and compensated absences are recognized to the extent they have matured.

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

Lake Sumter Landing Special Revenue Fund

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

Project Wide Special Revenue Fund

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

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

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

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

The following is the District's major enterprise fund:

Sumter Landing Amenities Division (SLAD) Fund

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

The following is the District's non-major enterprise fund:

Sumter Landing Fitness Enterprise Fund

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

(d) ***Budgetary Data***

Legal authority and control are established in accordance with Section 190.008 of *Florida Statutes*. Annual budgets are adopted and approved by the Board of Supervisors. Annual budgets, as well as subsequent amendments, are adopted for the Lake Sumter Landing and Project Wide Special Revenue Funds on a basis consistent with GAAP.

All budget amounts presented in the statements reflect the original budget and the amended budget, if so amended.

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

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

- Money Market Mutual Funds
- Demand Deposits
- Florida State Board of Administration's Local Government Investment Pool (SBA LGIP)

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

In May 2008, the District transferred amounts approximately equal to its long-term reserved fund balances (less debt service reserves maintained with the bond trustee) into the Florida Municipal Investment Trust (FMIVT) operated by the Florida League of Cities. The investment was placed into the FMIVT's 1-3 Year High Quality Bond Fund. In September 2009, the District placed additional investment balances into the FMIVT's 0-2 Year High Quality Bond Fund.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(1) Summary of Significant Accounting Policies (continued)

(f) Restricted Assets-Proprietary Funds

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

The Resolutions, authorizing the revenue bonds, require that the District establish a Sinking Fund and reserve accounts in amounts that equal the Reserve Account Requirements, which are defined in the Bond Trust Indentures.

In addition, the Bond Resolutions require that a renewal and replacement reserve be established. The renewal and replacement reserve deposits are maintained as restricted assets until such time as needed.

(g) Capital Assets

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

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

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

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

(h) Assessments

Maintenance Assessments

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(1) Summary of Significant Accounting Policies (continued)

(h) Assessments (continued)

Billing / Collection of Assessments

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

(i) Intangible Assets

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

(j) Compensated Absences

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

(k) Bond Discounts, Bond Premiums and Issuance Costs

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

(l) Advance implementation of GASB 54

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

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

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

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

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

(l) *Advance implementation of GASB 54 (continued)*

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

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

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

(m) *Use of Estimates*

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

(2) **Deposits and Investments**

As of September 30, 2010, the District had the following investments:

<u>Deposits and Investment Type</u>	<u>Fair Value at September 30, 2010</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Cash on Hand	\$ 3,070	-	n/a
Demand Deposits, CFB	984,068	1.0	n/a
Local Government Investment Pool, SBA	3,702,769	52.0	AAAm
U.S. Bank Money Market Mutual Funds, Federated	3,549,978	41.5	AAAm
Bond Fund FLIGIT	2,563,994	693.5	AAAf/S1
0-2 Year High Quality Bond Fund, FMIvT	2,563,165	262.8	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	2,357,469	551.2	AAA/V2
Total Fair Value	<u>\$ 15,724,513</u>		
Portfolio Weighted Average Maturity (WAM)		260.2	

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, Weighted Average Maturity (WAM), duration, and simulation model. The District has used the WAM method in the above chart. In accordance with the District's investment policy, the government manages its exposure to decline in fair values by limiting the WAM of its investment portfolio to less than three years. The WAM on September 30, 2010 was 260.2 days.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(2) Deposits and Investments (continued)

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

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

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

- The State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value which is amortized cost.
- Trust balances related to restricted debt service accounts are maintained with U.S. Bank and are invested in Federated Prime Cash Obligations Fund since August 1, 2010. The prior investments by the trustee in First American Government Obligation Fund Class Y, a money market mutual fund, were fully liquidated on August 1, 2010.
- The District has investments consisting of funds placed with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIvT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. The District owns shares in the 0-2 Year High Quality Bond Fund and the 1-3 Year High Quality Bond Fund, pools operated by the FMIvT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. In the year ended September 30, 2010, the FMIvT had incurred unrealized gains of \$63,884 and realized gains of \$9,579. The unrealized gains would only be realized if the underlying shares in the FMIvT pool are sold.
- The District initiated investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Association of County Clerks, on September 2, 2010. Initially amounts were moved from the FMIvT 0-2 Year High Quality Bond Fund to establish the FLGIT investment. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2010, the FLGIT account had achieved unrealized gains of \$7,994. The unrealized gains would only be realized if the underlying shares in the FLGIT pool are sold.
- In total, the District recognized investment earnings of \$94,450 during the fiscal year.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

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

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector;
- Limiting investments in securities with higher credit risks;
- Investment in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds, such as the Local Government Investment Pool, money market funds, or overnight repurchase agreements to ensure the appropriate liquidity is maintained to meet ongoing obligations.

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District invests its operating cash solely in Guaranteed Public Depositories that meet the requirements of Chapter 280, Florida Statutes. In addition to protection of up to \$250,000 for its deposits with a single bank being provided by the Federal Deposit Insurance Corporation (FDIC), the District's deposits are provided an extra level of security afforded by using a public depository that meets the requirements of Chapter 280. This includes the provision by the public depository of collateral based on the amount of public deposits maintained at the institution and the ability of the State of Florida to levy other public depositories for shortages in collateral in the event of the failure of a public depository. The Citizens First Bank is a Guaranteed Public Depository.

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

Investment Policy

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

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

Investment Policy (continued)

- Federal agencies and instrumentalities.
- Repurchase agreements with financial institutions approved as public depositors, provided that the underlying collateral consist of obligations of the United States Government, its agencies and instrumentalities. The repurchase agreement shall be collateralized equal to at least 102 percent of the value of the District's investment.

(3) **Capital Assets**

Capital asset activity for the year ended September 30, 2010 was as follows:

	<u>Beginning balance</u>	<u>Increases Transfers</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 2,096,936	1,440,415	-	3,537,352
Construction in progress	-	-	-	-
Total assets not being depreciated	<u>2,096,936</u>	<u>1,440,415</u>	<u>-</u>	<u>3,537,352</u>
Assets being depreciated:				
Buildings and structures	15,000	-	-	15,000
Infrastructure	42,465,675	-	-	42,465,675
Total assets being depreciated	<u>42,480,675</u>	<u>-</u>	<u>-</u>	<u>42,480,675</u>
Less accumulated depreciation for:				
Buildings and structures	(50)	(600)	-	(650)
Infrastructure	(5,027,794)	(1,068,950)	-	(6,096,744)
Total accumulated depreciation	<u>(5,027,844)</u>	<u>(1,069,550)</u>	<u>-</u>	<u>(6,097,394)</u>
Government activities capital assets, net	<u>39,549,768</u>	<u>370,865</u>	<u>-</u>	<u>39,920,633</u>
Business-type activities:				
Assets not being depreciated				
Land	7,810,800	-	-	7,810,800
Total assets not being depreciated	<u>7,810,800</u>	<u>-</u>	<u>-</u>	<u>7,810,800</u>
Assets being depreciated:				
Buildings and structures	30,332,757	39,266	-	30,372,023
Infrastructure	2,824,679	-	-	2,824,679
Furniture & fixtures	447,937	21,433	(42,922)	426,448
Capital lease	33,721	-	-	33,721
Total assets being depreciated	<u>33,639,094</u>	<u>60,699</u>	<u>(42,922)</u>	<u>33,656,871</u>
Less accumulated depreciation for:				
Buildings and structures	(2,906,288)	(759,165)	-	(3,665,453)
Infrastructure	(268,688)	(74,775)	-	(343,463)
Furniture & fixtures	(336,701)	(82,900)	31,512	(388,089)
Capital lease	(16,861)	(6,744)	-	(23,605)
Total accumulated depreciation	<u>(3,528,538)</u>	<u>(923,584)</u>	<u>31,512</u>	<u>(4,420,610)</u>
Business activities capital assets, net	<u>37,921,356</u>	<u>(862,885)</u>	<u>(11,410)</u>	<u>37,047,061</u>
Total Sumter Landing CDD capital assets, net	<u>\$ 77,471,124</u>	<u>(492,020)</u>	<u>(11,410)</u>	<u>76,967,693</u>

The Governmental activities land increase of \$1,440,415 reflects the value of land donated to the District by the Developer for environmental mitigation. Governmental activities depreciation of \$1,069,550 is for roads, drainage features and related infrastructure in Lake Sumter Landing. Business activities depreciation of \$923,584 is for recreational facilities operated by the Sumter Landing Amenities Division (SLAD) fund.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(4) Intangible Assets

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business activities, SLAD fund:				
Discounted value of amenity fees	\$ 19,932,353	-	-	19,932,353
Less accumulated amortization	<u>(1,993,236)</u>	<u>(498,309)</u>	<u>-</u>	<u>(2,491,545)</u>
Intangible assets, net	<u>\$ 17,939,117</u>	<u>(498,309)</u>	<u>-</u>	<u>17,440,808</u>

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

(5) Long-term Debt

Revenue Bonds Payable

Revenue bonds payable consisted of the following:

\$53,085,000 Recreational Revenue Refunding Bonds, Series 2005A due in annual principal installments ranging from \$855,000 to \$3,100,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 3.25% to 5.125%.	\$ 50,330,000
\$11,915,000 Recreational Revenue Refunding Bonds, Series 2005B due in annual principal installments ranging from \$165,000 to \$775,000 through October 2038 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. The interest rate is 5.70%.	\$ <u>11,435,000</u>
	61,765,000
Plus bond premium	613,335
Less bond discount	(410,578)
Less current installments of revenue bonds payable	<u>(1,020,000)</u>
Revenue Bonds payable less current installments	<u>\$ 60,947,757</u>

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

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2010 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2011	\$ 1,020,000	3,038,389	4,058,389
2012	1,060,000	2,996,609	4,056,609
2013	1,100,000	2,952,648	4,052,648
2014	1,145,000	2,900,978	4,045,978
2015	1,205,000	2,840,845	4,045,845
2016-2020	7,010,000	13,188,655	20,198,655
2021-2025	8,985,000	11,178,430	20,163,430
2026-2030	11,400,000	8,697,063	20,097,063
2031-2035	14,455,000	5,567,591	20,022,591
2036-2040	14,385,000	1,549,616	15,934,616
Total	<u>\$ 61,765,000</u>	<u>54,910,822</u>	<u>116,675,822</u>

Changes in Long-term Debt

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
Bonds payable	\$ 62,745,000	-	(980,000)	61,765,000	1,020,000
Less bond discount	(425,241)	-	14,664	(410,578)	-
Add bond premium	635,240	-	(21,905)	613,335	-
Total bonds payable	<u>62,954,999</u>	<u>-</u>	<u>(987,241)</u>	<u>61,967,757</u>	<u>1,020,000</u>
Due to developer-SLAD	579,500	-	(7,750)	571,750	-
Notes payable	1,381	-	(460)	921	527
Capital leases	20,564	-	(6,850)	13,714	7,852
Total other long-term debt	<u>601,445</u>	<u>-</u>	<u>(15,060)</u>	<u>586,385</u>	<u>8,379</u>
Total business-type activities long-term liabilities	<u>\$ 63,556,444</u>	<u>-</u>	<u>(1,002,301)</u>	<u>62,554,142</u>	<u>1,028,379</u>

Pledged Revenues

The District has pledged certain amenities fee revenue to pay the principal and interest on Recreational Revenue Bonds issued to pay for the purchase of recreational facilities from the Developer. These Recreational Revenue Bonds were outstanding on September 30, 2010 as shown below. The table reports the revenues pledged for each debt issue, the amounts of revenue received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds as of September 30, 2010.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(5) Long-term Debt (continued)

Description of Debt	Pledged Revenue	Revenue Received	Principal and Interest Paid	Estimated Percent Pledged	Outstanding Principal and Interest	Pledged Through
Recreational Revenue Bonds, Series 2005A and 2005B	Amenities Fee Revenue \$	10,603,567	4,033,889	38.04%	116,675,822	2038

Due to Developer-Recreational Amenities

The subordinate debt service reserve requirement was funded by the Recreational Revenue Bond proceeds. Therefore, this amount was not available for payment to the Developer for recreation and security facilities assets already acquired. This amount becomes available for payment to the Developer when the reserve requirement is reduced as principal payments are made on the debt. The balance in this reserve as of September 30, 2010 was \$571,500, and is classified as due to the Developer.

Capital Lease

A capital lease for document imaging hardware and software was acquired in a previous year. A total of \$13,714 remains to be paid in future years on this lease. The remaining lease payments are as follows:

	Capital Leases Proprietary Funds
Fiscal year ending September 30:	
2011	\$ 7,852
2012	5,862
Total minimum lease payments	<u>13,714</u>
Less interest	<u>1,706</u>
Net present value	<u>\$ 12,008</u>

(6) Related Parties

The District entered into interlocal agreements to provide Village Center Community Development District (VCCDD) to obtain certain management, payroll, finance, office rental and administrative services. Under the agreement, fees paid to VCCDD by the Sumter Landing District for the year ended September 30, 2010 amounted to \$4,279,015. Village Community Development District Nos. 5, 6, 7 and 8 paid amounts to the Project Wide Fund for maintenance of common use right-of-way. The amounts of these payments were \$1,557,160, \$1,653,628, \$1,046,464, and \$1,103,693 respectively. Upon action by their respective Boards of Supervisors, District Nos. 5, 6, 7 and 8 may request additional services as they deem necessary for the efficient and effective management of their respective districts. Such additional services are billed to the benefiting district at the District's cost.

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(6) Related Parties (continued)

The District has purchased from the developer computerized tee-time reservation system and repair services for \$220,518. The District purchases water, waste water, irrigation water, and trash collection services from companies affiliated with the Developer for \$309,231. The District received for no charge from the Developer certain rents, information system support including software, hardware and computer programming and internal mailroom operations.

The District operates new facilities as they are opened by the developer. The Developer reimburses all start-up costs and all operating costs until the facility is transferred through an amenity sale. These costs as of September 30, 2010 were \$968,532, which were paid to the District by the Developer.

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

On December 1, 2005, the District issued \$53,085,000, Series 2005A Recreational Revenue Bonds and \$11,915,000, 2005B Subordinate Recreational Revenue Bonds. The proceeds were used to (i) pay a portion of the cost of acquiring certain recreation and golf facilities from the Developer; (ii) purchase a Reserve Account Insurance Policy issued by MBIA Insurance Corporation to be deposited to the credit of the 2005 Sub-account of the Reserve Account; (iii) make deposits to the Renewal and Replacement Fund and the 2005 Working Capital Fund; and (iv) pay the cost of issuing the Series 2005A Bonds. The District paid \$7,810,100 for land costs, \$33,302,209 for buildings and structures, and \$19,336,602 in discounted value of amenities contracts (intangible assets). Additional intangible assets of \$593,500 were recorded with the offset as a due to the developer. These funds will be paid to the developer as the subordinated debt service reserve is reduced. The balance owed as of September 30, 2010 was \$571,500.

The Board of Supervisors for SLCDD as of September 30, 2010 is made up of five members that are either employees or affiliates of the developer.

(7) Commitments and Contingencies

Operating Leases

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

Year ending September 30,	Equipment Leases
2011	\$ 1,680
2012	1,680
2013	1,680
2014	140
Total	\$ <u>5,180</u>

SUMTER LANDING COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(8) Risk Management

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

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

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

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

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

"The Village Center Community Development District (the "Issuer") received on January 23, 2009 three (3) "Notice of Proposed Issues" (collectively, the "Notices") relating to the Internal Revenue Services' (the "IRS") examination of the above referenced bond issue. The conclusions stated in the Notices are as follows: (1) the Issuer does not qualify as a political subdivision or as "an on behalf of issuer" of tax-exempt bonds pursuant to Section 1.103-1(b) of the Internal Revenue Code regulations; (2) the opinions of value do not support the price paid by the Issuer to the developer for the Series 2003 Facilities and the payment of the sales price for the facilities to the developer by the Issuer is not a governmental use of the proceeds of the Bonds; and (3) the Bonds are private activity bonds, the interest on which is not excludable under IRS Section 103.

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

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

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

We have audited the financial statements of the governmental activities, business-type activities and each major fund of Sumter Landing Community Development District (the District), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

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

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

Purvis, Gray and Company, LLP

January 28, 2011
Ocala, Florida

MANAGEMENT LETTER

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

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, and each major fund of Sumter Landing Community Development District (the District), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated January 28, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and compliance and other matters. Disclosures in those reports, which are dated January 28, 2011, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective action has been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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

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

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

MANAGEMENT LETTER
(Concluded)

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

Section 10.554(1)(i)6., *Rules of the Auditor General*, also requires that the name or official title and legal authority for the primary government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See Note 1 of the September 30, 2010, Sumter Landing Community Development District's basic financial statements for this information.

Section 10.554(1)(i)7.(a)., *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(s) met. In connection with our audit, we determined that the District did not meet any conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.(b)., *Rules of the Auditor General*, requires that we determined whether the annual financial report for the District for the fiscal year ended September 30, 2010, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports agree.

Pursuant to Sections 10.554(1)(i)7.(c) and 10.556(7)., *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Purvis, Gray and Company, LLP

January 28, 2011
Ocala, Florida

MANAGEMENT LETTER COMMENTS

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

During the course of our audit the following items came to our attention involving primarily operational matters, which if improved will result in more efficient and effective operations:

Status of Prior Year Comments and Recommendations

Sumter Landing Community Development District (the District) has addressed all the prior year comments and recommendations.

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

We would like to take this opportunity to express our appreciation for the courtesies that have been extended to our staff. If you have any questions or comments about the contents of this letter, please do not hesitate to contact us.

Purvis, Gray and Company, LLP

January 28, 2011
Ocala, Florida

Certified Public Accountants

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

February 10, 2011

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

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2009-2010 for Sumter Landing Community Development District. We are proud to report that this audit has an unqualified opinion. There are no internal control deficiencies, material weaknesses, or compliance issues identified and reported. All prior year management letter comments have now been corrected to the satisfaction of the auditors and no new comments have been identified.

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

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

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

Sincerely,

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

David R. Miles, CGFO
Finance Director

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

Janet Y. Tutt
District Manager