



VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Basic Financial Statements

September 30, 2005

(With Independent Auditors' Report Thereon)

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

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KPMG LLP
Suite 1600
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Independent Auditors' Report on the Financial Statements

The Board of Supervisors
Village Community Development District No. 7:

We have audited the accompanying financial statements of the governmental activities and each major fund of Village Community Development District No. 7 (the District), as of and for the year ended September 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Village Community Development District No. 7, as of September 30, 2005, and the respective changes in financial position thereof and the budgetary comparison of the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2006 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 considered in assessing the results of our audit.



The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

January 20, 2006
Certified Public Accountants

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2005

The Village Community Development District No. 7 (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 year ended September 30, 2005 was the District's first year of operations.
- The assets of the District exceeded its liabilities at September 30, 2005 by \$1,172 (net assets).

Using this Annual Report

The financial statement's focus is on both the District as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the District's accountability.

The Statement of Net Assets (page 7) and **the Statement of Activities** (page 8) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The statements are measured and reported using the economic resources measurement focus and full accrual basis of accounting and are designed to be corporate-like in structure.

The Fund Financial Statements, which report by individual fund, begin on page 9. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore you will find the reconciliation on page 10 that converts this data to an economic resources measurement focus and the accrual basis of accounting for use in the government-wide financial statements. The fund financial statements present information in more detail than the government-wide financial statements. The Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

The Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities

Government-wide financial statements are designed to be corporate-like in structure. They are intended to allow the reader to assess the government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future.

The statement of net assets presents information on all the District's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or not.

The statement of activities presents the information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2005

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds account for all of the District's assessment supported activities. These include the General fund and the Capital Projects fund. These funds focus on how money flows into and out of the funds, and the balances left at year-end. The accounting method used is called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash (usually 60 day focus). The two criteria used are that the revenue is measurable and available. Examples of the difference between this and the economic resources measurement focus are that debt financing is considered current revenue, and purchases of capital assets are considered current expenditures whereas depreciation is not since there is no outlay of cash. In a highly regulatory environment, fund accounting serves a very important purpose, in that funds received for specific purposes are identified as such.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 14.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2005

The District as a Whole

The District's net assets at September 30, 2005 amounted to \$1,172. The District's revenues and expenses for the year ended September 30, 2005, amounted to \$452,905 and \$451,733, respectively. Table 1 reflects the summary statement of net assets for the current year. As this is the District's first year of operations, comparative data for the previous year is not available. Comparisons will begin with the fiscal year ending September 30, 2006.

Table 1
Net Assets
September 30, 2005

	<u>Governmental activities</u>
Assets:	
Current and other assets	\$ 92,214
Capital assets	4,711,695
Total assets	<u>4,803,909</u>
Liabilities:	
Current and other liabilities	<u>4,802,737</u>
Total liabilities	<u>4,802,737</u>
Net assets:	
Unrestricted	<u>1,172</u>
Total net assets	<u>\$ 1,172</u>

Table 2 reflects the summary statement of activities for the current year. As this is the District's first year of operations, comparative data for the previous year is not available. Comparisons will begin with the fiscal year ending September 30, 2006.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2005

Table 2
Changes in Net Assets
Year ended September 30, 2005

	<u>Governmental activities</u>
Revenues:	
Developer contributions	\$ 452,410
Investment income	495
Total revenues	<u>452,905</u>
Expenses:	
General government	<u>451,733</u>
Total expenses	<u>451,733</u>
Increase in net assets	<u><u>\$ 1,172</u></u>

Revenues

Revenues for the year ended September 30, 2005 represented operating contributions from the Developer.

Expenses

General government expenses of the District are mainly for project wide landscaping, irrigation and utilities costs.

Capital Assets

The District's capital assets as of September 30, 2005 amounted to \$4,711,695, and include construction in process. Additional information regarding the District's capital assets can be found in Note 3 to the financial statements.

Request for Information

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, contact the Sumter Landing Community Development District's Chief Financial Officer at 3231 Wedgewood Lane, Suite A, The Villages, FL 32162, telephone (352) 751-3905.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Statement of Net Assets

September 30, 2005

	Assets	Governmental Activities
Restricted assets:		
Cash		\$ 92,214
Capital assets		<u>4,711,695</u>
Total assets		<u>4,803,909</u>
	Liabilities	
Due to other districts		91,042
Payable to developer – long-term		<u>4,711,695</u>
Total liabilities		<u>4,802,737</u>
	Net Assets	
Unrestricted		<u>1,172</u>
Total net assets		<u>\$ 1,172</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Statement of Activities

Year ended September 30, 2005

	Governmental Activities
Expenses:	
General government	\$ <u>451,733</u>
Total expenses	<u>451,733</u>
Revenues:	
Developer contributions	452,410
Investment earnings	<u>495</u>
Total revenues	<u>452,905</u>
Change in net assets	1,172
Net assets – beginning	<u>—</u>
Net assets – ending	\$ <u><u>1,172</u></u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Balance Sheet – Governmental Funds

September 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Assets:			
Cash	\$ 92,214	—	92,214
Total assets	\$ 92,214	—	92,214
Liabilities:			
Due to other districts	\$ 91,042	—	91,042
Total liabilities	91,042	—	91,042
Fund balances:			
Unreserved	1,172	—	1,172
Total fund balances	1,172	—	1,172
Total liabilities and fund balances	\$ 92,214	—	92,214

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

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

September 30, 2005

Total fund balances, governmental funds	\$	1,172
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:		
Construction in progress		4,711,695
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Payable to developer		<u>(4,711,695)</u>
Net assets of governmental activities	\$	<u><u>1,172</u></u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

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

Year ended September 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Developer contributions	\$ 452,410	—	452,410
Interest income	495	—	495
Total revenues	<u>452,905</u>	<u>—</u>	<u>452,905</u>
Expenditures:			
Current – general government	451,733	—	451,733
Capital outlay	—	4,711,695	4,711,695
Total expenditures	<u>451,733</u>	<u>4,711,695</u>	<u>5,163,428</u>
Excess (deficiency) of revenues over expenditures	<u>1,172</u>	<u>(4,711,695)</u>	<u>(4,710,523)</u>
Other financing sources:			
Proceeds of loan from developer	—	4,711,695	4,711,695
Total other financing sources	<u>—</u>	<u>4,711,695</u>	<u>4,711,695</u>
Net change in fund balances	1,172	—	1,172
Fund balances, at beginning of year	—	—	—
Fund balances, at end of year	<u>\$ 1,172</u>	<u>—</u>	<u>1,172</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

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

Year ended September 30, 2005

Net change in fund balances – total governmental funds	\$	1,172
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 by which capital outlay exceeded depreciation expense.		4,711,695
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		<u>(4,711,695)</u>
Change in net assets of governmental activities	\$	<u><u>1,172</u></u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

General Fund

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

Year ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (unfavorable)</u>
Revenues:				
Developer contributions	\$ 4,000	452,410	452,410	—
Interest income	—	—	495	495
Total revenues	<u>4,000</u>	<u>452,410</u>	<u>452,905</u>	<u>495</u>
Expenditures:				
General government:				
Professional services	2,750	19,753	20,115	(362)
Accounting & audit	1,000	1,000	—	1,000
Repairs and maintenance/landscape	—	431,407	431,407	—
Other current charges	250	250	185	65
Operating supplies	—	—	26	(26)
Total expenditures	<u>4,000</u>	<u>452,410</u>	<u>451,733</u>	<u>677</u>
Excess of revenues over expenditures	—	—	1,172	1,172
Fund balances, at beginning of year	—	—	—	—
Fund balances, at end of year	<u>\$ —</u>	<u>—</u>	<u>1,172</u>	<u>1,172</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Notes to Basic Financial Statements

September 30, 2005

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Village Community Development District No. 7 (the District) was established October 1, 2004, for the purpose of planning, financing, constructing, operating and maintaining certain community-wide infrastructure for a community development district located entirely within Sumter County, Florida. The District's first year of operations was the year ended September 30, 2005. The Villages of Lake-Sumter, Inc. (the Developer) is the developer and initial owner of the property within the District. The District is governed by a five member board of supervisors. As of September 30, 2005, each member of the board of supervisors was an employee or affiliate of the Developer. The District was created by Sumter County Commission Ordinance No. 04-35 pursuant to the provisions of Chapter 190.005 of the Florida Statutes and operates within the criteria established by Chapter 190.

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

There are no component units of the District.

(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 nonfiduciary 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.

The District's net assets at September 30, 2005 are not subject to restriction.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Notes to Basic Financial Statements

September 30, 2005

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

The following are the District's major governmental funds:

General Fund

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

Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or community-wide infrastructure.

(d) Budgetary Data

Legal authority and control are established in accordance with Section 190.008, *Florida Statutes*. Annual budgets, as well as subsequent amendments, are adopted and approved for the general fund by the Board of Supervisors. Budgets are adopted on a basis consistent with GAAP. Budgetary control is established by the District through nonappropriated budgets. These budgets are financial plans approved in the manner authorized by law, but not subject to appropriation.

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

(e) Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District values and records donated capital assets at the estimated fair value of the item at the date of its donation. Depreciation of capital assets is computed using the straight-line method and is recorded in general government expenses in the District's statement of activities.

At September 30, 2005, the District's capital assets consisted of construction in progress. As such, there was no depreciation expense for the year ended September 30, 2005.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Notes to Basic Financial Statements

September 30, 2005

(f) **Net Assets**

Net assets are reported as one of three types as follows:

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 less any associated unamortized bond issuance costs.

Restricted net assets are assets that have third party (statutory, bond covenant or granting agency) or enabling legislation limitations 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.

(g) **Use of Estimates**

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

(2) **Cash**

Deposits with Financial Institutions

At September 30, 2005, the carrying amount and bank balance of the District's demand deposits was \$92,214. The bank balances were covered by federal depository insurance and by deposits held in banks that are members of the State of Florida's Collateral Pool.

Custodial Credit Risk

As of September 30, 2005, the District's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, *Florida Statutes*. Under this chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits. The District had deposits only with qualifying institutions as of September 30, 2005, or with banks in which depository insurance was sufficient to cover the deposit balance.

Credit Risk

The District is authorized to invest in those financial instruments as established by Florida Statute 218.415. 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.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Notes to Basic Financial Statements

September 30, 2005

- 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.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof, and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The District's investment policies follow *Florida Statutes* which do not address custodial credit risk or concentration of credit risk.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Assets not being depreciated:				
Construction in progress	\$ —	4,711,695	—	4,711,695
Governmental activities, capital assets	\$ —	4,711,695	—	4,711,695

(4) Payable to Developer

In October 2004, the District entered into an agreement with the Developer whereby amounts needed to fund construction of District infrastructure were loaned to the District in anticipation of the issuance of the Special Assessment Revenue Bonds. The District agreed to reimburse the Developer for amounts borrowed with, among other sources as noted in the agreement, any available bond proceeds and amounts held by the District in excess of Bond Reserve Amount Requirements, as described in the related bond indentures. As of September 30, 2005, the District owed the Developer \$4,711,695 under this agreement, which is recorded as a long-term liability on the District's statement of net assets.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 7

Notes to Basic Financial Statements

September 30, 2005

(5) Interlocal Agreements

The District has no employees. For certain management, finance, and administrative services, the District entered into interlocal agreements with Village Center Community Development District (VCCDD) and Sumter Landing Community Development District (SLCDD). VCCDD and SLCDD are both community development districts created under *Florida Statutes* Section 190. Administrative expenses incurred by the District under the agreements with VCCDD and SLCDD totaled \$0 and \$91,042, respectively, for the year ended September 30, 2005

(6) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.



KPMG LLP
Suite 1600
111 North Orange Avenue
PO Box 3031
Orlando, FL 32802

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Supervisors
Village Community Development District No. 7:

We have audited the financial statements of the governmental activities and each major fund of Village Community Development District No. 7 (the District) as of and for the year ended September 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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



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

KPMG LLP

January 20, 2006
Certified Public Accountants



KPMG LLP
Suite 1600
111 North Orange Avenue
PO Box 3031
Orlando, FL 32802

Management Letter

Board of Supervisors
Village Community Development District No. 7:

We have audited the financial statements of the governmental activities and each major fund of Village Community Development District No. 7 (the District) as of and for the year ended September 30, 2005, and have issued our report thereon dated January 20, 2006.

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 also issued our report dated January 20, 2006, 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. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of governmental audits performed in the State of Florida and require that certain items be addressed in this letter. The *Rules of the Auditor General* Section 10.554(1)(h)(1) require that, unless otherwise required to be reported in the auditors' report on internal control over financial reporting and compliance and other matters, a management letter shall include a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There was no annual financial audit report in the preceding year as this was the District's first year of operations.

The Rules of the Auditor General Section 10.554(1)(h)(2) require that we determine whether or not the District complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds. At September 30, 2005, the District was in compliance with Section 218.415, *Florida Statutes* as it relates to the investment of public funds.

The Rules of the Auditor General, Section 10.554(1)(h)(3) require that we report any recommendations to improve the District's financial management, accounting procedures, and internal controls. There were no recommendations to improve the District's financial management, accounting procedures, and internal controls.

The Rules of the Auditor General, Section 10.554(1)(h)(4) state that, if not already reported in the auditors' report on internal control over financial reporting and compliance and other matters, the management letter shall include, unless clearly inconsequential, the following:

- (a) Violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit.



- (b) Improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements.
- (c) Deficiencies in internal control that are not reportable conditions, including, but not limited to:
 - (1) Improper or inadequate accounting procedures (i.e., the omission of required disclosures from the annual financial statements).
 - (2) Failures to properly record financial transactions.
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

The results of our audit disclosed no violations of laws, rules, regulations or contractual provisions or abuse, no improper or illegal expenditures, or other deficiencies in internal control.

The *Rules of the Auditor General* Section 10.554(1)(h)(5) also require that we report on the District's name or official title and legal authority. The disclosure of this information is included in the notes to the financial statements.

As required by the *Rules of Auditor General* Section 10.554(1)(h)(6)(a), the scope of our audit included a review of the provisions of Section 218.503(1), *Florida Statutes*, regarding financial emergencies. In connection with our audit, we determined that the District is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), *Florida Statutes*.

As required by the *Rules of the Auditor General* Section 10.554(1)(h)(6)(b), we determined that the annual financial report for the District for the fiscal year ended September 30, 2005, to be filed with the Florida Department of Financial Services pursuant to Section 218.32, *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2005.

As required by the *Rules of the Auditor General* Sections 10.554(h)(6)(c) and 10.556(7), 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.

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

KPMG LLP

January 20, 2006