



VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Basic Financial Statements

September 30, 2011

(With Independent Auditors' Report Thereon)

VILLAGE COMMUNITY DEVELOPMENT DISTRICT No. 8

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Village Community Development District No. 8
The Villages, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Village Community Development District No. 8 (the District), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

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

Board of Supervisors
Village Community Development District No. 8
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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management'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 31, 2012
Ocala, Florida

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

The Village Community Development District No. 8 (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

- In the prior fiscal year, District No. 8 completed the issuance of the special assessment revenue debt necessary to fund the infrastructure needed in all three Phases of the District. Active development of all three Phases is now underway, with \$21,950,365 in additional capital assets, net of depreciation, recorded at the end of FY 2010-2011 compared to the end of FY 2009-2010.
- The assets of the District exceeded its liabilities as of September 30, 2011 by \$98,935,094 (net assets). This was an increase from the net assets at the end of the preceding year of \$635,832, due to the construction of additional new capital assets exceeding the total of cash paid for the assets plus additional depreciation expense. Of this amount, (\$980,818) of unrestricted net assets exists as debt service obligations exceed the total net assets. As this debt is paid over time, the unrestricted assets will become a positive value.
- At the close of the fiscal year, the District's general fund reported a fund balance of \$1,056,853, a net increase of \$900,193, compared to the prior year. The entire total is available for spending at the District's discretion as *unassigned fund balance*.
- During fiscal year 2010-2011, \$23,554,357 was expended from the Capital Projects Fund to acquire additional infrastructure capital assets necessary to serve the new residents of the District. At the end of the fiscal year, the Capital Projects Fund has a fund balance of \$3,974,765 available for the acquisition of additional assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village Community Development District No. 8's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The **Statement of Net 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 Village Community Development District No. 8 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments and intergovernmental revenues (*governmental activities*) from other functions that are

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

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, capital projects construction, and debt service. The District has no business-type activities. The District also has no component units, as all functions are performed by the primary government. The government-wide financial statements are provided on pages 9-10 of this report.

The Fund Financial Statements, which report by individual fund, begin on page 11. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village Community Development District No. 8, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered governmental funds. There are no proprietary or fiduciary funds maintained by the District. The fund financial statements present information in more detail than the government-wide financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

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

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

The District now maintains three governmental funds, the General Fund, the Capital Projects Fund and the Debt Service Fund. 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 three funds, all of which are considered to be major funds.

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

The District's net assets as of September 30, 2011 and September 30, 2010 were \$98.935 million and \$98.299 million, respectively, representing an increase of approximately \$0.635 million. The District's revenues for the

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

years ended September 30, 2011 and September 30, 2010, including developer's contributions and investment earnings, were approximately \$10.270 million and \$65.597 million, respectively. This large decrease reflects the prior fiscal year receipt of the proceeds from the Phase II and Phase III Special Assessment Revenue Bonds, Series 2010, and the establishment of the related assessments receivable. The District has completed its infrastructure related bond issues. The District's expenses for the years ended September 30, 2011 and September 30, 2010 were \$9.634 million and \$7.262 million, respectively. The increases were related to bond interest expenses on the additional debt added during the year and increased maintenance and repair costs on the additional infrastructure acquired. Table 1 reflects the summary statement of net assets for the current year and prior year.

Table 1
Net Assets

	Governmental Activities	
	September 30, 2011	September 30, 2010
Assets:		
Current and other assets	\$ 18,343,425	36,536,423
Assessments receivable	94,396,842	98,543,297
Capital assets - net	86,251,973	64,301,608
Total assets	198,992,240	199,381,328
Liabilities:		
Current and other liabilities	2,465,623	1,827,066
Long-term debt:		
Due to developer	1,101,523	-
Due within one year	1,435,000	1,395,000
Due in more than one year	95,055,000	97,860,000
Total liabilities	100,057,146	101,082,066
Net assets:		
Invested in capital assets, net of related debt	(427,719)	(1,287,499)
Restricted for debt service	100,343,631	99,430,101
Unrestricted	(980,818)	156,660
Total net assets	\$ 98,935,094	98,299,262

The District's net assets are now broken down into three categories. The largest portion, \$100,343,631, is restricted for debt service. The second portion, (\$427,719), is invested in fixed assets net of related debt. As the principal is paid off on the District's indebtedness, this portion will transition in future years to a positive balance. The remaining portion of (\$980,818) is unrestricted and will also transition to a positive balance as the debt issued to obtain the capital assets is paid down.

Table 2 on the next page reflects the summary statement of Changes in Net Assets for the current year and prior year.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

Table 2

Changes in Net Assets

	Governmental Activities	
	September 30, 2011	September 30, 2010
Revenues:		
Special assessments	\$ 10,226,717	65,189,451
Miscellaneous revenue	48	74,250
Donated capital	-	324,744
Investment income	43,203	8,173
Total revenues	<u>10,269,968</u>	<u>65,596,618</u>
Expenses:		
General government	481,274	365,686
Physical environment	1,478,954	1,208,619
Transportation	140,217	85,717
Interest on long-term debt	5,834,212	4,439,554
Depreciation (unallocated)	1,699,479	1,162,461
Total expenses	<u>9,634,136</u>	<u>7,262,037</u>
Increase in net assets	<u>\$ 635,832</u>	<u>58,334,581</u>

Revenues

Revenues include special assessments proceeds for landscape maintenance and debt service, and investment earnings on cash balances held during the year. Special assessments revenue for debt service and maintenance of the District's assets totaled \$10,226,717 in FY 2011, a decrease of \$54,962,734 compared to the prior year as the bond assessment receivables for Phase II and III were established in FY 2010. In FY 2011, the actual receipts of maintenance and debt service assessments paid, adjusted by the reduction in assessments outstanding for debt service, produced a substantial reduction in assessment revenue to \$10,226,717. Investment income increased to \$43,203, compared to \$8,173 in the prior year. This increase resulted from the large increase in interest paid on the District's trust balances because of the addition of the bond proceeds from the Phase II and Phase III bonds.

Expenses

General government expenses of the District increased by \$115,588, as the district began to become fully operational. Physical environment expenses, which are mainly for landscaping, irrigation, utilities and maintenance costs, increased by \$270,335, as additional areas were turned over by the developer to the District. The ongoing development of the District resulted in the transfer of a significant amount of land and infrastructure capital items to the District, accounting for this increase in maintenance costs. Transportation expenses, which are mainly related to electric utility costs for the District's street lighting, increased by \$54,500 compared to the

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Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

prior year, as more streets were turned over to the District. With the issuance of the 2010 Special Assessment Bonds, semi-annual interest payments are accrued on all three bond issues for the full fiscal year. This caused an increase of \$1,394,658 in interest expense compared to the prior year where interest expenses for two bond issues were for only part of the year.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the District's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. As of the end of fiscal year 2011, the District's governmental funds reported an ending fund balance of \$16,058,731, a decrease of \$19,184,748, in comparison with the end of fiscal year 2010. This decrease resulted from bond proceeds in the capital projects fund being expended to buy capital assets (\$20,800,887) offset by increases in the general fund (\$900,193) and debt service fund (\$715,946). Of the total fund balance amount, the *unassigned fund balance* of \$1,056,853 is available for spending at the government's discretion.

The general fund is the operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total general fund balance represents 53.5 percent of total annual general fund expenditures, a reasonable reserve to meet unanticipated needs.

General Fund Budgetary Highlights

During FY 2011, the final revenue and expenditure budgets were unchanged compared to the original budgeted revenue and expenditures.

Capital Asset and Debt Administration

Capital Assets. With the ongoing expenditure of the proceeds of three Special Assessment Revenue Bonds, the District expended \$23,649,844 for additional capital assets during the fiscal year ending September 30, 2011.

Long-Term Debt. As of September 30, 2011, the District has long-term debt outstanding totaling \$97,591,523. New debt in the amount of \$1,101,523 was incurred during the fiscal year through the purchase of capital assets in Phases I and II from the developer. The District's Debt Service Reserve Funds will be used to pay down this additional debt, as it becomes available. District No. 8 has now become the focus of ongoing development in The Villages.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Sumter County where the District is located was 8.1 percent in September 2011 which is a decrease from an adjusted rate of 9.2 percent a year ago. This compares favorably with the State's average unemployment rate of 10.6 percent and is below the national average rate of 9.1 percent.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual increase for all urban consumers moved significantly higher from 1.14 percent in September 2010 to 3.87 percent in September 2011.

These factors were considered in preparing the Districts' budget for the 2012 fiscal year. In fiscal year 2012, the annual maintenance assessment will increase \$1 over the fiscal year 2011 final budget amount of \$2,869,379.

The fiscal year 2012 general fund budget reflects a revenue budget increase of \$1,749 and an increase in estimated expense of \$84,285, when compared to the fiscal year 2011 final budget. The increase in expenditures results primarily from additional maintenance and repair work.

Requests for Information

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Statement of Net Assets
September 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 16,785,675
Assessments receivable	94,396,842
Accrued interest receivable	1,333
Investments	399,804
Unamortized bond issuance costs	1,156,613
Capital assets	
Non-depreciable	13,977,940
Depreciable, net of depreciation	72,274,033
Total assets	<u>198,992,240</u>
Liabilities	
Accounts payable	14,974
Due to fiscal agent	11,584
Accrued interest payable	2,439,065
Long-term debt:	
Due to developer	1,101,523
Due within one year	1,435,000
Due in more than one year	95,055,000
Total liabilities	<u>100,057,146</u>
Net Assets	
Invested in capital assets, net of related debt	(427,719)
Restricted for debt service	100,343,631
Unrestricted	(980,818)
Total net assets	<u>\$ 98,935,094</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Statement of Activities
Year Ended September 30, 2011

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating contributions	Capital grants and contributions	Governmental activities	Total
Governmental activities:						
General government	\$ 481,274	10,226,717	-	-	9,745,443	9,745,443
Physical environment	1,478,954	-	-	-	(1,478,954)	(1,478,954)
Transportation	140,217	-	-	-	(140,217)	(140,217)
Interest on long-term debt	5,834,212	-	-	-	(5,834,212)	(5,834,212)
Depreciation (unallocated)	1,699,479	-	-	-	(1,699,479)	(1,699,479)
Total governmental activities	9,634,136	10,226,717	-	-	592,581	592,581
Total primary government	\$ 9,634,136	10,226,717	-	-	592,581	592,581
General revenues:						
Miscellaneous revenue					48	48
Investment earnings					43,203	43,203
Total general revenues					43,251	43,251
Change in net assets:					635,832	635,832
Net assets – beginning					98,299,262	98,299,262
Net assets – ending					\$ 98,935,094	98,935,094

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Balance Sheet – Governmental Funds

September 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 645,767	-	-	645,767
Cash with fiscal agent	-	12,165,528	3,974,380	16,139,908
Investments	399,804	-	-	399,804
Accrued interest receivable	28	920	385	1,333
Assessments receivable	-	94,396,842	-	94,396,842
Due from other funds	26,228	-	-	26,228
Accounts receivable	-	-	-	-
Total assets	<u>1,071,827</u>	<u>106,563,290</u>	<u>3,974,765</u>	<u>111,609,882</u>
Liabilities:				
Accounts payable	14,974	-	-	14,974
Due to other governments	-	-	-	-
Due to developer	-	1,101,523	-	1,101,523
Due to fiscal agent	-	11,584	-	11,584
Due to general fund	-	26,228	-	26,228
Deferred assessment revenue	-	94,396,842	-	94,396,842
Total liabilities	<u>14,974</u>	<u>95,536,177</u>	<u>-</u>	<u>95,551,151</u>
Fund balances:				
Restricted for debt service	-	11,027,113	-	11,027,113
Restricted for capital improvements	-	-	3,974,765	3,974,765
Unassigned	1,056,853	-	-	1,056,853
Total fund balances	<u>1,056,853</u>	<u>11,027,113</u>	<u>3,974,765</u>	<u>16,058,731</u>
Total liabilities and fund balances	<u>\$ 1,071,827</u>	<u>106,563,290</u>	<u>3,974,765</u>	<u>111,609,882</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets
Year Ended September 30, 2011

Total fund balances, governmental funds		\$	16,058,731
<p>Total net assets reported for governmental activities in the statement of net assets is different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>			
Capital assets, net of depreciation			86,251,973
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p>			
Special assessment revenue bonds	\$	(96,490,000)	
Accrued interest		<u>(2,439,065)</u>	(98,929,065)
<p>Deferred revenue reported in the funds is added to the beginning balance of net assets restricted for debt service to reflect the revenue as recorded when the total assessment is levied.</p>			
			94,396,842
<p>Certain long-term assets are not available to pay for current period expenditures and therefore are not included in the funds.</p>			
Unamortized bond issuance costs			<u>1,156,613</u>
Net assets of governmental activities		\$	<u><u>98,935,094</u></u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8
Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds
Year Ended September 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:				
Special Assessments	\$ 2,871,103	11,502,069	-	14,373,172
Miscellaneous revenue	48	-	-	48
Investment earnings	3,481	16,247	23,475	43,203
Total revenues	<u>2,874,632</u>	<u>11,518,316</u>	<u>23,475</u>	<u>14,416,423</u>
Expenditures:				
General government services	258,757	177,515	-	436,272
Physical environment	1,478,954	-	-	1,478,954
Transportation	140,217	-	-	140,217
Debt service:				-
Principal	-	2,765,000	-	2,765,000
Interest	-	5,127,860	-	5,127,860
Issuance costs	-	2,000	1,024	3,024
Other debt service administrative costs	-	-	-	-
Capital outlay:				
Physical environment capital outlay	96,511	-	23,553,333	23,649,844
Total expenditures	<u>1,974,439</u>	<u>8,072,375</u>	<u>23,554,357</u>	<u>33,601,171</u>
Excess (deficiency) of revenues over expenditures	<u>900,193</u>	<u>3,445,941</u>	<u>(23,530,882)</u>	<u>(19,184,748)</u>
Other financing sources (uses):				
Transfers in (out)	-	(2,729,995)	2,729,995	-
Total other financing sources (uses)	<u>-</u>	<u>(2,729,995)</u>	<u>2,729,995</u>	<u>-</u>
Net change in fund balances	900,193	715,946	(20,800,887)	(19,184,748)
Fund balances, at beginning of year	156,660	10,311,167	24,775,652	35,243,479
Fund balances, at end of year	<u>\$ 1,056,853</u>	<u>11,027,113</u>	<u>3,974,765</u>	<u>16,058,731</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
Year Ended September 30, 2011

Net change in fund balances – total governmental funds \$ (19,184,748)

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay that exceeded depreciation expense in the current period.

Capital outlay	\$ 23,649,844	
Depreciation expense	<u>(1,699,479)</u>	21,950,365

Governmental funds report the costs of bond issuance as expenditures. However, in the statement of activities, bond issuance costs are capitalized and allocated over the term of the related bonds as amortization expense. This is the amount of bond issuance cost amortization expense in the current period.

(41,977)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amount of accrued interest	(707,378)	
Additional cost of issuance expensed in fiscal year 2011	<u>1,025</u>	(706,353)

Governmental funds report special assessment debt service as revenue when collected, however, in the statement of activities, the revenue is recorded when the total assessment is levied.

Special assessment receivable as of September 30, 2011	94,396,842	
Special assessment receivable as of September 30, 2010	<u>(98,543,297)</u>	(4,146,455)

Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Change in net assets of governmental activities		2,765,000
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Change in net assets of governmental activities	\$	<u><u>635,832</u></u>
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See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Statement of Revenues, Expenditures and Changes in

Fund Balances – Budget and Actual

General Fund

Year Ended September 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with final budget</u>
Revenues:				
Special Assessments, charges for public services	\$ 2,869,380	2,869,380	2,871,103	1,723
Other general government charges and fees	-	-	48	48
Interest earnings	2,000	2,000	3,677	1,677
Net increase (decrease) in fair value of investments	-	-	(196)	(196)
Total revenues	<u>2,871,380</u>	<u>2,871,380</u>	<u>2,874,632</u>	<u>3,252</u>
Expenditures:				
General government:				
Professional services	258,016	258,016	240,874	(17,142)
Accounting and auditing	20,450	20,450	10,344	(10,106)
Communication and freight	500	500	993	493
Utilities services	218,000	218,000	164,390	(53,610)
Insurance	5,000	5,000	5,000	-
Repairs and maintenance/landscape	215,000	216,000	145,484	(70,516)
Printing and binding	-	-	160	160
Other current charges	1,315,047	1,315,047	1,310,635	(4,412)
Operating supplies	1,000	1,000	48	(952)
Capital outlay	125,000	125,000	96,511	(28,489)
Total expenditures	<u>2,158,013</u>	<u>2,159,013</u>	<u>1,974,439</u>	<u>(184,574)</u>
Excess (deficiency) of revenues over expenditures	<u>713,367</u>	<u>712,367</u>	<u>900,193</u>	<u>187,826</u>
Net change in fund balances	713,367	712,367	900,193	187,826
Fund balances, at beginning of year	156,660	156,660	156,660	-
Fund balances, at end of year	\$ <u>870,027</u>	<u>869,027</u>	<u>1,056,853</u>	<u>187,826</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Village Community Development District No. 8 (the District) was established on 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 was created by Sumter County Commission Ordinance No. 04-36 pursuant to the provisions of Chapter 190.005, Florida Statutes, and operates within the criteria established by Chapter 190. The District is governed by a five-member Board of Supervisors. As of September 30, 2011, two members of the Board of Supervisors are elected by qualified electors of the District (registered voters). The remaining three members are elected by the landowners of the District and are employees or affiliates of the developer.

The land within the District is part of the active adult retirement community known as "The Villages". The Villages consists of approximately 21,458 acres spanning the borders of Lake, Sumter and Marion Counties, the City of Wildwood and the Town of Lady Lake, Florida, and when fully developed is expected to include approximately 55,761 residences and 106,000 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. Development of property within District No. 8 began in fiscal year 2008, with the first home sales occurring in October 2008. The Villages continues to be developed by the developer, a family-owned business established for the single purpose of developing The Villages. Most current development is being performed in District No. 8, which is approximately 80 percent built out.

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

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

The Developer has formed the following community development districts:

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- Village CDD No. 2 (Sumter County) – This CDD’s boundary consists of approximately 990 acres in the northeast corner of the county. The development included construction of 3,668 residential units.
- Village CDD No. 3 (Sumter County) – This CDD’s boundary consists of approximately 894 acres in the northeast corner of the county. The development included construction of 3,762 residential units.
- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,186 acres in the southern portion of the county. The development included construction of 5,132 residential units.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,407 acres in the northeast corner of the county. The development included construction of 6,399 residential units.
- Village CDD No. 6 (Sumter County) – This CDD’s boundary consists of approximately 1,497 acres in the northeast corner of the county. Planned development includes construction of 6,697 residential units, of which 24 remain unsold.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. Planned development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now underway.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,280 acres in the northeast corner of the county. Planned development includes construction of 5,376 residential units. Construction is now underway.
- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 1,398 acres in the northeast corner of the county. This CDD has been formed, but is not yet being developed as of September 30, 2011.

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8
Notes to Basic Financial Statements
September 30, 2011

(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 government-wide basis and (b) on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The statement of activities reflects the expenses of the District, which are offset by revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

The District's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34. The District has three funds, all designated as major funds. These funds are the General Fund, the Debt Service Fund and the Capital Projects Fund.

Program revenues in the Statement of Activities consist primarily of special assessment revenues.

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. Related debt is the debt less any associated unamortized issuance costs.

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

Unrestricted net assets represent net assets not included in invested in capital assets, net of related debt or restricted net assets.

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

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

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

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 sixty 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. The following are the District's major governmental funds:

General Fund

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

Debt Service Fund

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

Capital Projects Fund

The capital projects fund is used to account for the funds provided through debt issues and other sources necessary to construct or acquire capital assets of the District.

(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.

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

(e) *Assets, Liabilities, and Net Assets or Equity*

1. 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 (Restricted Investments)
- Demand Deposits
- Florida State Board of Administration's Local Government Investment Pool (SBA LGIP)

In July 2011, the District opened an account with the Florida Local Government Investment Trust (FLGIT), sponsored by the Florida Association of Counties and the Florida Association of County Clerks. The District made an initial deposit of \$400,000 in the account from its account with the

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(e) Assets, Liabilities, and Net Assets or Equity (continued)

1. Deposits and Investments (continued)

State Board of Administration LGIP. The investment in this pool is evidenced by shares which are marked to market monthly.

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

2. Capital Assets

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

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

Depreciation of capital assets is computed using the straight-line method and is recorded in general government expenses in the District's Statement of Activities. Estimated useful lives of the assets are as follows:

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

3. Bond Issuance Costs

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

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

4. Assessments

Bond Assessments

The bond debt is repaid from the proceeds of an assessment levied by the District's Board of Supervisors. The levy is in the form of non-ad valorem special assessment that will have a lien against properties within the boundary of the District that receive special benefits from the infrastructure improvements financed by the bonds. These assessments may be prepaid in total or

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(e) *Assets, Liabilities, and Net Assets or Equity (continued)*

4. Assessments (continued)

Bond Assessments (continued)

annually as non-ad valorem special assessments. The bond assessment revenue and the debt service activity are accounted for in the Debt Service Fund.

Maintenance Assessments

In addition to the assessment for the repayment of bond obligations, the District has levied an assessment for the maintenance of the infrastructure and the operations of the District. This assessment is part of the General Fund's annual budget. In District No. 8, this assessment has been recorded in FY 2008 and prior years as a developer contribution. The maintenance assessment revenue is classified as program revenue and is accounted for in the General Fund.

Assessment Methodology

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

Billing / Collection of Assessments

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

(f) *Implementation of GASB 54*

The Governmental Accounting Standards Board (GASB) has promulgated Statement No. 54, entitled Fund Balance Reporting and Governmental Fund Type Definitions. This new standard makes two major changes to the accounting for governmental funds. It is effective for all fiscal periods beginning after June 15, 2010. The District advance implemented this standard in the prior 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:

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(f) Implementation of GASB 54 (continued)

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

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

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

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

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

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

(g) Use of Estimates

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

(2) Deposits and Investments

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

<u>Deposits and Investment Type</u>	<u>Fair Value at September 30, 2011</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Demand Deposits, CFB	\$ 209,999	1.0	n/a
Local Government Investment Pool, SBA	435,767	38.3	AAAm
U.S. Bank Money Market Mutual Funds, Federated	4,164,323	33.0	AAAm
U.S. Bank Money Market Mutual Funds, Fidelity	11,975,586	41.0	AAAm
Florida Local Government Investment Trust	399,804	620.5	AAAf/S1
Total Fair Value	<u>\$ 17,185,479</u>		
Portfolio Weighted Average Maturity (WAM)		52.0	

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements
September 30, 2011

(2) Deposits and Investments (continued)

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, Weighted Average Maturity (WAM), duration, and simulation model. The District has used the WAM method in the above chart. In accordance with the District's investment policy, the government manages its exposure to decline in fair values by limiting the WAM of its investment portfolio to less than three years. The WAM on September 30, 2011 was 52.0 days.

Credit Risk. GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities. Investments may be aggregated by ratings categories within the disclosure. Ratings are set by nationally recognized statistical rating organizations (Fitch, Moody's, and Standard and Poor's (S&P)). S&P provides the ratings for the U.S. Bank money market accounts with Fidelity and Federated, the Florida Local Government Investment Trust (FLGIT) and the State Board of Administration (SBA) investment pool.

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

The District's investments and cash equivalents consist of funds placed with three 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 and Fidelity Prime Money Market Portfolio Fund since September 1, 2011.
- In July 2011, \$400,000 was invested in shares of the Florida Local Government Investment Trust (FLGIT) operated by the Florida Association of Counties and Florida Association of County Clerks. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. The transfer from the State Board of Administration was done to further diversify the District's investment portfolio and improve earnings in the long term. FLGIT recognized an unrealized loss of \$196 during the final three months of FY 2010-2011.
- In total, the District recognized investment earnings of \$43,203 during the fiscal year.

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

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2011

(2) Deposits and Investments (continued)

Concentration of Credit Risk. (continued)

- Investment in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds, such as the Local Government Investment Pool, money market funds, or overnight repurchase agreements to ensure the appropriate liquidity is maintained to meet ongoing obligations.

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District invests its operating cash solely in 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.
- 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.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8
Notes to Basic Financial Statements
September 30, 2011

(3) Capital Assets

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
Governmental activities:					
Assets not being depreciated:					
Land	\$ 807,951	-	-	-	807,951
Construction in progress	<u>4,105,326</u>	<u>10,187,537</u>	-	<u>(1,122,874)</u>	<u>13,169,989</u>
Assets not being depreciated:	<u>4,913,277</u>	<u>10,187,537</u>	-	<u>(1,122,874)</u>	<u>13,977,940</u>
Assets being depreciated					
Improvements other than buildings	60,550,792	13,462,307	-	1,122,874	75,135,973
Less accumulated depreciation for:					
Improvements other than buildings	<u>(1,162,461)</u>	<u>(1,699,479)</u>	-	-	<u>(2,861,940)</u>
Total assets being depreciated, net	<u>59,388,331</u>	<u>11,762,828</u>	-	<u>1,122,874</u>	<u>72,274,033</u>
Governmental activities, capital assets	<u>\$ 64,301,608</u>	<u>21,950,365</u>	-	-	<u>86,251,973</u>

(4) Long-Term Debt

Long-term debt consisted of the following as of September 30, 2011:

\$41,790,000 Special Assessment Revenue Bonds, Series 2008, annual principal installments ranging from \$555,000 to \$2,910,000 through May 2038 in accordance with the redemption schedule. Interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity. Interest rate is 6.375%.

\$ 38,715,000

\$31,445,000 Special Assessment Refunding Revenue Bonds, Series 2010 (Phase II), annual principal installments ranging from \$485,000 to \$2,220,000 through May 2039 in accordance with the redemption schedule. Interest is due annually on November 1 of each year until redemption or maturity. Interest rate ranges from 3.000% to 6.125%.

\$ 30,915,000

\$27,265,000 Special Assessment Revenue Bonds, Series 2010 (Phase III), annual principal installments ranging from \$395,000 to \$1,905,000 through May 2040 in accordance with the redemption schedule. Interest is due annually on November 1 of each year until redemption or maturity. Interest rate ranges from 3.000% to 6.125%.

\$ 26,860,000

Total long-term debt

96,490,000

Less current installments of bonds payable

(1,435,000)

Revenue bonds payable less current installments

\$ 95,055,000

The Special Assessment Revenue Bonds are secured by a lien and pledge of revenues under the indentures, which are derived by the District through levy and collection on land within the District

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements
September 30, 2011

(4) Long-Term Debt (continued)

specifically benefited. These bonds are additionally secured by amounts on deposit in the funds and accounts created pursuant to the indentures. The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2011 are as follows:

Fiscal year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,435,000	5,853,756	7,288,756
2013	1,505,000	5,789,775	7,294,775
2014	1,580,000	5,717,850	7,297,850
2015	1,655,000	5,639,688	7,294,688
2016	1,745,000	5,555,113	7,300,113
2017-2021	10,355,000	26,230,931	36,585,931
2022-2026	14,025,000	22,703,500	36,728,500
2027-2031	19,160,000	17,734,025	36,894,025
2032-2036	26,145,000	10,947,394	37,092,394
2037-2040	18,885,000	2,428,819	21,313,819
Totals	\$ <u>96,490,000</u>	<u>108,600,851</u>	<u>205,090,851</u>

Changes in Long-Term Debt

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds Payable	\$ 99,255,000	-	(2,765,000)	96,490,000	1,435,000
Due to developer	-	1,101,523	-	1,101,523	-
Long-term debt	\$ <u>99,255,000</u>	<u>1,101,523</u>	<u>(2,765,000)</u>	<u>97,591,523</u>	<u>1,435,000</u>

Pledged Revenues

The District has pledged certain benefit special assessment revenue to pay the principal and interest on special assessment bonds issued to pay for infrastructure improvements. These special assessment revenue bonds were outstanding on September 30, 2011 as shown below. The table reports the revenues pledged for each debt issue, the amounts of revenue received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds as of September 30, 2011.

<u>Description of Debt</u>	<u>Pledged Revenue</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percent Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
Special Assessment Revenue Bonds Series 2008 (Phase 1)	Special Assessments Phase I	\$ 5,460,182	\$ 4,376,972	100%	\$ 82,375,781	2038
Special Assessment Revenue Bonds Series 2010 (Phase 2)	Special Assessments Phase II	3,804,015	1,909,814	100%	64,983,601	2039
Special Assessment Revenue Bonds Series 2010 (Phase 3)	Special Assessments Phase III	2,254,142	1,606,074	100%	57,731,470	2040

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2011

(5) Related Parties

The District has no employees. For certain management, finance, and administrative services, the District entered into an interlocal agreement with Village Center Community Development District (Center District), a community development district created under Florida Statute 190. Under the agreement, fees accrued to Center by the District for such services totaled \$180,016 for the year ended September 30, 2011.

The Developer provides to Village Center District at no cost information system support, including software, hardware, computer programming and internal mailroom operations. The Village Center District then passes on this benefit to the District. In FY 2011-2012, the Center District will begin paying for its information system support, resulting in District No. 8 paying its prorated share.

All capital costs for infrastructure were acquired from the Developer using bond proceeds in the current or prior fiscal year.

(6) 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. The District generally carries insurance for these risks, however, the District retains risk for certain property coverage and for losses in excess of coverage limits. There have been no claims in excess of coverage limits for the past three years.



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

Board of Supervisors
Village Community Development District No. 8
The Villages, Florida

We have audited the financial statements of the governmental activities and each major fund of Village Community Development District No. 8 (the District), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Certified Public Accountants

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

Board of Supervisors
Village Community Development District No. 8
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 31, 2012
Ocala, Florida

MANAGEMENT LETTER

Board of Supervisors
Village Community Development District No. 8
The Villages, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Village Community Development District No. 8 (the District), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated January 31, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and compliance and other matters. Disclosures in those reports, which are dated January 31, 2012, should be considered in conjunction with this management letter.

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

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

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

Section 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.

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.

Certified Public Accountants

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Board of Supervisors
Village Community Development District No. 8
The Villages, Florida

MANAGEMENT LETTER
(Concluded)

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See Note 1 of the September 30, 2011, the 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 determine whether the annual financial report for the District for the fiscal year ended September 30, 2011, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports agree.

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

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

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

Purvis, Gray and Company, LLP

January 31, 2012
Ocala, Florida



February 6, 2012

Board of Supervisors
Village Community Development District No. 8
The Villages, Florida 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2010-2011 for Village Community Development District No. 8. We are proud to report that this audit has an unqualified opinion.

There are no internal control comments, material weaknesses or compliance issues identified and reported. All prior year 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 Village Community Development District No. 8 continues to set an example for the appropriate management of Community Development Districts as conceived in Chapter 190, Florida Statutes. We would particularly like to commend the staff of the Villages District Finance Department for their diligent efforts in recording and maintaining the financial records of the District.

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

Sincerely,

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

David R. Miles, CGFO
Finance Director

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

Janet Y. Tutt
District Manager

Village Community Development District No. 8
3201 Wedgewood Lane, The Villages, Florida 32162
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