



VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Basic Financial Statements

September 30, 2012

(With Independent Auditors' Report Thereon)

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Village Community Development District No. 10
The Villages, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Village Community Development District No. 10 (the District), as of and for the year ended September 30, 2012, 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 basic financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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, 2012, 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 March 6, 2013, 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.

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. 10
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 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

March 6, 2013
Ocala, Florida

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2012

The Village Community Development District No. 10 (the District) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the District's financial activities; and (c) identify changes in the District's financial position and its ability to address the next and subsequent year challenges.

Financial Highlights

- The assets of the District exceeded its liabilities as of September 30, 2012 by \$50,351 (net assets). The net assets are currently invested in capital assets, net of related debt, in the amount of \$41,325 and unrestricted assets of \$9,026.
- As development of the District was just beginning in fiscal year 2011-2012, there was a minor increase in net assets of \$39,018, with the largest share of this increase resulting from the donation of roads and other infrastructure assets in Unit 222 in the amount of \$36,296. Total revenues for the year amounted to \$67,431, which for the first time exceeded the annual threshold requirement for an audit as provided for in Section 218.39(h), Florida Statutes.
- At the close of the fiscal year, the District's governmental funds reported combined fund balances of \$9,026.
- As a subsequent event, on December 18, 2012, Village Community Development District No. 10 issued \$77,040,000 in Special Assessment Revenue Bonds, Series 2012. The bonds have a final maturity date of May 1, 2043 with an all-in total interest cost of 5.153 percent. With the construction proceeds of these bonds, active development and home sales in the District are expected to commence in fiscal year 2012-2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village Community Development District No. 10'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. 10 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 donations, assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and physical environment services. The District has no business-type activities. The District also has no component units, as all functions are performed by the primary government.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2012

The government-wide financial statements are provided on pages 8-9 of this report.

The Fund Financial Statements, which report by individual fund, begin on page 10. 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. 10, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The single fund of the District is considered a governmental fund. There are no proprietary or fiduciary funds maintained by the District. The fund financial statements present information in more detail than the government-wide financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

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

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

The District maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the District No. 10 general fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for its general 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 10-14 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 15.

Government-wide Financial Analysis

The District's net assets as of September 30, 2012 and September 30, 2011 were \$50,351 and \$11,333, respectively, representing an increase of approximately \$39,000. The District's revenues for the years ended September 30, 2012 and September 30, 2011, including donations, were \$67,431 and \$25,018, respectively. The District's expenses for the years ended September 30, 2012 and September 30, 2011 were \$28,413 and \$20,258, respectively. Table 1, on the next page, reflects the summary statement of net assets for the current year and prior year.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2012

Table 1

Net Assets

	Governmental Activities	
	September 30, 2012	September 30, 2011
Assets:		
Current and other assets	\$ 10,099	6,479
Capital assets	41,325	5,029
Total assets	<u>51,424</u>	<u>11,508</u>
Liabilities:		
Current and other liabilities	1,073	175
Total liabilities	<u>1,073</u>	<u>175</u>
Net assets:		
Invested in capital assets, net of related debt	41,325	5,029
Unrestricted	9,026	6,304
Total net assets	<u>\$ 50,351</u>	<u>11,333</u>

All of the District's net assets relates to investments in capital assets, less any related debt outstanding, used to acquire those capital assets and unrestricted assets. The District's debt is solely composed of current trade accounts payable that were liquidated early in fiscal year 2012-2013.

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

Table 2

Changes in Net Assets

	Governmental Activities	
	September 30, 2012	September 30, 2011
Revenues:		
Developer's contribution	\$ 30,964	25,009
Donated capital assets	36,296	-
Miscellaneous revenue	171	9
Total revenues	<u>67,431</u>	<u>25,018</u>
Expenses:		
General government	28,038	20,258
Physical environment	375	-
Total expenses	<u>28,413</u>	<u>20,258</u>
Increase in net assets	<u>\$ 39,018</u>	<u>4,760</u>

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2012

Revenues

Revenues include contributions and donations from private sources, primarily The Villages at Lake Sumter, Inc. A one-time donation of \$36,296 in capital assets was made in September 2012 representing land and improvements paid for by The Villages of Lake Sumter, Inc. to construct roadways in the new District No. 10.

At the end of the 2011-2012 fiscal year, the District maintained its bank account with Citizens First Bank, with a balance of \$10,099. It had no other bank, trust or investment accounts.

Expenses

General government expenses of the District were \$28,038 and primarily related to management, legal and administrative costs related to the management of the District. Physical environment expenses are mainly for landscaping, irrigation, utilities and maintenance costs and amounted to only \$375 in fiscal year 2011-2012.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. As of the end of fiscal year 2011-2012, the District's governmental fund reported an ending fund balances of \$9,026. This will increase in upcoming fiscal years as actual operations begin.

General Fund Budgetary Highlights

During the year, there was an initial revenue and expense budget enacted, each for \$30,964.

Capital Asset and Debt Administration

Capital Assets. The District's capital assets as of September 30, 2012 and September 30, 2011 amounted to \$41,325 and \$5,029, respectively. The increase resulted from the donation of \$36,296 in land and improvements to Unit 222 donated to the District. This amount is net of accumulated depreciation, and includes land and improvements. Additional information regarding the District's capital assets can be found in Note 3 of the Notes to the Basic Financial Statements.

Long-term Debt. As of September 30, 2012, the District has no long term debt.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Sumter County where the District is located was 6.9 percent in September 2012 which is a decrease from an adjusted rate of 8.1 percent a year ago. This compares favorably with the State's average unemployment rate of 8.7 percent and is below the national average rate of 7.8 percent.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2012

- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual increase for all urban consumers decreased significantly from 3.87 percent in September 2011 to 1.99 percent in September 2012.

These factors were considered in preparing the District's general fund budget for the 2012-2013 fiscal year. In FY 2012-2013, \$565,645 in contributions and donations and \$22,176 in intergovernmental revenue for a total revenue budget of \$587,821 is anticipated. Total FY 2012-2013 general fund expenditures are projected to be \$587,821 providing for management and legal services, maintenance and repair, and other miscellaneous expenditures.

Requests for Information

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO.10

Statement of Net Assets

September 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 10,099
Capital assets - non-depreciable	41,325
Total assets	<u>51,424</u>
Liabilities	
Accounts payable	<u>1,073</u>
Total liabilities	<u>1,073</u>
Net Assets	
Invested in capital assets	41,325
Unrestricted	9,026
Total net assets	\$ <u><u>50,351</u></u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO.10

Statement of Activities

Year Ended September 30, 2012

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 services	\$ 28,038	-	30,964	-	2,926	2,926
Physical environment	375	-	-	36,296	35,921	35,921
Total governmental activities	28,413	-	30,964	36,296	38,847	38,847
Total primary government	28,413	-	30,964	36,296	38,847	38,847
General revenues:						
Miscellaneous revenues					171	171
Total general revenues					171	171
Change in net assets:					39,018	39,018
Net assets -- beginning					11,333	11,333
Net assets -- ending					50,351	50,351

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Balance Sheet – Governmental Funds

September 30, 2012

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 10,099
Total assets	<u>10,099</u>
Liabilities:	
Accounts payable	<u>1,073</u>
Total liabilities	<u>1,073</u>
Fund balances:	
Unassigned	<u>9,026</u>
Total fund balance	<u>9,026</u>
Total liabilities and fund balances	<u>\$ 10,099</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO.10

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

Year Ended September 30, 2012

Total fund balances, governmental funds	\$	9,026
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		41,325
Net assets of governmental activities	\$	<u>50,351</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO.10

Statement of Revenues, Expenditures and Changes in

Fund Balances – Governmental Funds

Year Ended September 30, 2012

	<u>General Fund</u>
Revenues:	
Intergovernmental revenue	\$ 171
Contributions and donations from private sources	<u>30,964</u>
Total revenues	<u>31,135</u>
Expenditures:	
General government services	28,038
Other physical environment	<u>375</u>
Total expenditures	<u>28,413</u>
Excess (deficiency) of revenues over expenditures	<u>2,722</u>
Other financing sources (uses):	
Other financing uses	-
Total other financing sources (uses)	<u>-</u>
Net change in fund balances	<u>2,722</u>
Fund balances, at beginning of year	<u>6,304</u>
Fund balances, at end of year	<u>\$ <u>9,026</u></u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO.10
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Governmental Funds to the Statement of Activities
 Year Ended September 30, 2012

Net change in fund balances – total governmental funds	\$	2,722
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Governmental funds report capital outlays as expenditures.
 However, in the statement of activities the cost of those assets
 is capitalized and allocated over their estimated useful lives as
 depreciation expense. This is the amount of capital assets
 received by donation.

Donated capital assets		36,296
Change in net assets of governmental activities	\$	<u><u>39,018</u></u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO.10

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

Year Ended September 30, 2012

	Budgeted Amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Contributions and donations from private sources	\$ 30,964	30,964	30,964	-
Miscellaneous revenue	-	-	171	171
Total revenues	<u>30,964</u>	<u>30,964</u>	<u>31,135</u>	<u>171</u>
Expenditures:				
Professional services	20,509	20,509	19,630	879
Accounting & audit	1,000	1,000	-	1,000
Other contractual services	1,455	1,455	1,913	(458)
Utilities services	-	-	213	(213)
Insurances	4,500	4,500	5,000	(500)
Repairs and maintenance/landscape	-	-	162	(162)
Other current charges	<u>3,500</u>	<u>3,500</u>	<u>1,495</u>	<u>2,005</u>
Total expenditures	<u>30,964</u>	<u>30,964</u>	<u>28,413</u>	<u>2,551</u>
Excess of revenues over expenditures	-	-	2,722	2,722
Operating transfers in (out)	-	-	-	-
Fund balances, beginning	6,304	6,304	6,304	-
Fund balances, ending	<u>\$ 6,304</u>	<u>6,304</u>	<u>9,026</u>	<u>2,722</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Notes to Basic Financial Statements

September 30, 2012

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Village Community Development District No. 10 (the District) was established on September 28, 2004 for the purpose of acquiring, operating, and maintaining certain community-wide infrastructure for a commercial community development district located entirely within the Sumter County, Florida. The District was created by the Sumter County Ordinance No. 04-38, 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, 2012, each member of the Board of Supervisors is a landowner elected member selected by the developer, the Villages of Lake-Sumter, Inc.

The District boundary consists of approximately 1489.5 acres in northeast portion of Sumter County. The land within the District is part of the active adult retirement community known as "The Villages". The Villages consists of approximately 21,812 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 56,294 residences and 110,336 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. The District's primary purpose is to provide governmental and property maintenance services to this District. The Villages continues to be developed by the developer, a family-owned business established for the single purpose of developing The Villages. Most current development is being performed in District Nos. 8 and 9, north of the District.

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 thirteen Community Development Districts (CDD) in the total structure of The Villages, each being a separate government entity established pursuant to Chapter 190, Florida Statutes.

The Developer has formed the following community development districts:

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Notes to Basic Financial Statements

September 30, 2012

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.

- Brownwood CDD (Sumter County) – This CDD was newly established in June 2012 by the City of Wildwood, Florida and is located at the southern end of The Villages. This CDD provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas will be funded through commercial maintenance assessments as the new downtown area builds out. Currently, the District is funded through Developer contributions.
- Village CDD No. 1 (Sumter County) – This CDD’s boundary consists of approximately 993 acres in the northeast corner of the county. The development included construction of 3,420 residential units.
- Village CDD No. 2 (Sumter County) – This CDD’s boundary consists of approximately 990 acres in the northeast corner of the county. The development included construction of 3,668 residential units.
- Village CDD No. 3 (Sumter County) – This CDD’s boundary consists of approximately 894 acres in the northeast corner of the county. The development included construction of 3,762 residential units.
- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,186 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. The development included construction of 6,697 residential units, of which 15 remain unsold.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. The development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now 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 COMMUNITY DEVELOPMENT DISTRICT NO. 10

Notes to Basic Financial Statements

September 30, 2012

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- Village CDD No. 10 (Sumter County) – This CDD's boundary consists of approximately 1,489.5 acres in the northeast corner of the county. Planned development includes construction of 6,200 residential units. The first Phase Infrastructure Assessment Bonds were issued December 18, 2012, and active development is anticipated to begin in FY 2012-2013.

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.

(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 has a single major fund which is presented in one column on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34. The single fund of the District, the General Fund, meets this definition and is designated as a major fund.

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

Program revenues in the Statement of Activities consist primarily of donations in FY 2011-2012 but will also include special assessment revenues in future years. Net assets are categorized as invested in capital assets, net of related debt, restricted and unrestricted.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10
Notes to Basic Financial Statements
September 30, 2012

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

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

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. The District has no long-term debt at this time.

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. As of September 30, 2012, the District has no restricted net assets.

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

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

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

The following is the District's major governmental fund. The District has no non-major governmental funds.

General Fund

The General Fund is the sole operating fund of the District and is used to account for all financial resources of the general government. As a special purpose government, the responsibilities of Village Community Development District No. 10 are limited in scope.

(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.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Notes to Basic Financial Statements

September 30, 2012

(1) Summary of Significant Accounting Policies (continued)

(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.

- Demand Deposits

As of September 30, 2012, the District has opened a single demand deposit account with Citizens First Bank. The balance at the end of the fiscal year was \$10,099.

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

(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 became effective for all fiscal periods beginning after June 15, 2010 and the District has implemented this standard. The statement is designed to do two things. First, it clarifies the definition of what activities are to be reported within different types of governmental funds (general fund, special revenue fund type, capital project fund type, debt service fund type and permanent fund type). No changes were required by the District based on this standard clarification.

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

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

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Notes to Basic Financial Statements

September 30, 2012

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

(f) *Implementation of GASB 54 (continued)*

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*, *Restricted*, or *Assigned* categories of fund balance. *Restricted* fund balances typically relate to external debt service restrictions and the District currently has no long-term debt. 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*. *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, 2012, the District had the following deposits. As of September 30, 2012, the District has no investments.

<u>Deposits</u>	<u>Fair Value at September 30, 2012</u>
Demand Deposits, CFB	\$ 10,099
Total Fair Value	\$ 10,099

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Notes to Basic Financial Statements

September 30, 2012

(2) Deposits and Investments (continued)

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

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.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Assets not being depreciated:				
Land	\$ 5,029	36,296	-	\$ 41,325
Governmental activities, capital assets	<u>\$ 5,029</u>	<u>36,296</u>	<u>-</u>	<u>\$ 41,325</u>

A donation of \$36,296 of land and improvements to the District consisting of road right of way in Unit 222 was made by The Villages of Lake Sumter, Inc. during FY 2011-2012.

(4) Long-term Debt

The District has no long-term debt as of September 30, 2012.

(5) Related Parties

The District has no employees. For certain management, finance, and administrative services, the District entered into an interlocal agreement with Village Center Community Development District (Center District), a community development district created under Florida Statute 190. Under the agreement, fees accrued to Center District by the District for such services totaled \$16,722 for the year ended September 30, 2012.

The Developer provided to the Center District at no cost information system support, including software, hardware, computer programming and internal mailroom operations. The Center District then passed on this benefit to the District. In March 2012, a new company was formed, Villages Technology Services Group, to assume the information system support previously provided by the Developer. In FY 2011-2012, the Center District began paying for information system support, with these expenses then passed on in a prorated basis to District No. 10. These costs for the year ended September 30, 2012 were \$3,200.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 10

Notes to Basic Financial Statements

September 30, 2012

(5) Related Parties (continued)

Substantially all capital costs for infrastructure were acquired from the Developer through donations in the current and prior fiscal years.

(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 since inception of the District.

(7) Subsequent Event

As a subsequent event, on December 18, 2012, Village Community Development District No. 10 issued \$77,040,000 in Special Assessment Revenue Bonds, Series 2012. The bonds have a final maturity date of May 1, 2043 with an all-in total interest cost of 5.153 percent. With the construction proceeds of these bonds, active development and home sales in the District are expected to commence in fiscal year 2012-2013. The proceeds will be used to construct the infrastructure assets in Phase I of District No. 10.

**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. 10
The Villages, Florida

We have audited the financial statements of the governmental activities and each major fund of Village Community Development District No. 10 (the District), as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2013. 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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Supervisors
Village Community Development District No. 10
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

March 6, 2013
Ocala, Florida

MANAGEMENT LETTER

Board of Supervisors
Village Community Development District No. 10
The Villages, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Village Community Development District No. 10 (the District), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 6, 2013.

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 that report, which is dated March 6, 2013, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective action has been taken to address findings and recommendations made in the preceding annual financial audit report. This is the first year audit of the District and there was no 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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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Supervisors
Village Community Development District No. 10
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, 2012, 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, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. 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

March 6, 2013
Ocala, Florida



March 7, 2013

Board of Supervisors
Village Community Development District No. 10
The Villages, Florida 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2011-2012 for Village Community Development District No. 10. This is the first audit of the District No. 10 financial records. We are proud to report that this audit has an unqualified opinion. There are no internal control deficiencies, material weaknesses or compliance issues identified and reported.

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. 10 sets 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,

David R. Miles, CGFO
Finance Director

Janet Y. Tuft
District Manager

Village Community Development District No. 10
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