



VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Basic Financial Statements

September 30, 2014

(With Independent Auditors' Report Thereon)

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Table of Contents

	Page
Financial Section	
Independent Auditors' Report on the Financial Statements	1
Management's Discussion and Analysis (UNAUDITED)	3
Basic Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	15
Notes to Basic Financial Statements	16
Other Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	29
Management Letter	31
Independent Accountants' Report	33
Management Response Letter	34



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinions (Concluded)

September 30, 2014, and the respective changes in financial position thereof, and, the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated January 20, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

January 20, 2015
Ocala, Florida

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

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

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows as of September 30, 2014, by \$91,576,466 (net position). This was a decrease from the net position at the end of the preceding year of \$1,710,990. Of the total net position, \$6,280,821 of unrestricted net position exists that can be used at the discretion of the Board of Supervisors.
- At the close of the Fiscal Year, the District's General Fund reported a fund balance of \$3,223,987, a net increase of \$798,926, compared to the prior year. A reserve for renewal and replacement of \$2,000,000 existed at the end of this year, with the remaining balance of \$1,223,987 as unassigned fund balance.
- At the end of Fiscal Year 2013-2014, the Debt Service Fund balance was \$2,921,856, all restricted for future debt service. Total fund balance for all governmental funds was \$6,145,843.
- In prior Fiscal Years, 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 complete with only 127 dwellings unsold. These houses are built and being used by the developer as part of his lifestyle preview program.
- Depreciation expenses on existing capital assets for the current Fiscal Year amounted to \$2,467,096 to show the need for the gradual replacement of these assets over time.

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 Position** presents information on all of the District's assets and deferred outflows compared to liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Village Community Development District No. 8 is improving or deteriorating.

The **Statement of Activities** presents information showing how the government's net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this 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, 2014

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 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 two governmental funds, the General 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 two funds, both 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 position as of September 30, 2014, and September 30, 2013, were \$91.576 million and \$93.287 million, respectively, representing a decrease of approximately \$1.711 million. The District's revenues for the years ended September 30, 2014, and September 30, 2013, including special assessment proceeds and investment earnings, were approximately \$7.981 million and \$6.931 million, respectively. The District's expenses for the

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2014

years ended September 30, 2014, and September 30, 2013, were \$9.692 million and \$9.978 million, respectively. The expense decrease was related primarily to reduced interest expense as the bond debt principal is reduced over time.

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

Table 1
Net Position

	Governmental Activities	
	September 30, 2014	September 30, 2013
Assets:		
Current and other assets	\$ 9,228,328	8,615,611
Assessments receivable	78,263,720	82,292,812
Capital assets, net of accumulated depreciation	88,989,817	91,456,898
Total assets	<u>176,481,865</u>	<u>182,365,321</u>
Liabilities:		
Current and other liabilities	5,120,399	5,247,865
Long-term debt:		
Due within one year	1,440,000	1,410,000
Due in more than one year	78,345,000	82,420,000
Total liabilities	<u>84,905,399</u>	<u>89,077,865</u>
Net position:		
Net investment in capital assets	8,191,965	6,613,771
Restricted for debt service	77,103,680	81,138,429
Unrestricted	6,280,821	5,535,256
Total net position	<u>\$ 91,576,466</u>	<u>93,287,456</u>

The District's net position is now broken down into three categories. The largest portion, \$77,103,680, is restricted for debt service. The second portion, \$8,191,965, is invested in net capital assets adjusted for related debt. The remaining portion of \$6,280,821 is unrestricted and available to meet the future needs of the district as unrestricted net position.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2014

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

Table 2

Changes in Net Position

	Governmental Activities	
	September 30, 2014	September 30, 2013
Revenues:		
Special assessments	\$ 7,951,030	6,919,955
Miscellaneous revenue	17,356	2,690
Donated capital	15	-
Investment income	12,818	8,394
Total revenues	7,981,219	6,931,039
Expenses:		
General government	521,710	490,414
Physical environment	1,570,808	1,592,161
Transportation	156,042	155,039
Interest on long-term debt	4,976,553	5,273,898
Depreciation (unallocated)	2,467,096	2,466,077
Total expenses	9,692,209	9,977,589
Increase (decrease) in net position	\$ (1,710,990)	(3,046,550)

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 \$7,951,030 in Fiscal Year 2013-2014, an increase of \$1,031,075 compared to the prior year due to prepayments. Over time the amount will decrease slightly each year as bond assessments are paid, assuming no increase the annual maintenance assessment occurs. Investment income increased by \$4,424 as the money market and short-term bond fund interest rates began to rise in Fiscal Year 2013-2014.

Expenses

General government expenses of the District in Fiscal Year 2013-2014 increased by \$31,296, compared to Fiscal Year 2012-2013. Physical environment expenses, which are mainly for landscaping, irrigation, utilities and maintenance costs, decreased by \$21,353, as compared to Fiscal Year 2012-2013. Transportation expenses, which are mainly related to electric utility costs for the District's street lighting, increased by \$1,003 compared to the prior year. In Fiscal Year 2013-2014, interest expenses declined by \$297,345 compared to Fiscal Year 2012-

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

2013 as the District is now paying down all three bond issues. Depreciation expense increased by \$1,019 as the last of the initial infrastructure was received.

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 2013-2014, the District's governmental funds reported an ending fund balance of \$6,145,843, an increase of \$644,048, in comparison with the end of Fiscal Year 2012-2013. This increase resulted from an increase in the General Fund of \$798,926 offset by a decrease in the Debt Service Fund of \$154,878. Of the total fund balance amount, the *unassigned fund balance* of \$1,223,987 is available for spending at the government's discretion, while \$2,000,000 is committed for renewal and replacement and \$2,921,856 is restricted for debt service.

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 the unassigned and total fund balance to total fund expenditures. General Fund unassigned fund balance represents 58.8 percent of total annual General Fund expenditures and total fund balance represents 155.0 percent of total annual General Fund expenditures, a healthy reserve to meet unanticipated needs.

General Fund Budgetary Highlights

During Fiscal Year 2013-2014, the final General Fund revenue and expenditure budgets were unchanged compared to the original budgeted revenues and the expenditures.

Capital Asset and Debt Administration

Capital Assets. New capital assets totaled \$15 during the year. This was offset by \$2,467,096 in depreciation expenses resulting in a net decrease to capital assets of \$2,467,081.

Long-Term Debt. As of September 30, 2014, the District has long-term debt outstanding totaling \$79,785,000. No new debt was issued during the year, with \$4,045,000 paid on the three Special Revenue Assessment Bonds.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Sumter County where the District is located was 5.1 percent in September 2014 which is a decrease from a rate of 5.7 percent a year ago. This compares favorably with the State's average unemployment rate of 6.1 percent and is below the national average rate of 5.9 percent.
- 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 1.18 percent in September 2013 to 1.66 percent in September 2014.

These factors were considered in preparing the District's General Fund budget for the 2014-2015 Fiscal Year. In Fiscal Year 2014-2015, the total revenues are projected to decrease by \$13,937 compared to the Fiscal Year

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2014

2013-2014 final budget. This is due to the receipt of a refund from the Village Center District General Fund of \$10,240 in Fiscal Year 2013-2014 that is not expected again in the 2014-2015 budget.

The Fiscal Year 2014-2015 General Fund expenditure budget projects a decrease in estimated expense of \$54,723, when compared to the Fiscal Year 2013-2014 final budget. The decrease in expenditures results primarily from capital project decreases offset in part by numerous minor operating expense increases.

Requests for Information

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Statement of Net Position

September 30, 2014

		Governmental Activities
Assets		
Cash and cash equivalents	\$	7,708,296
Investments		1,519,021
Assessments receivable		78,263,720
Accrued interest receivable		72
Accounts receivable		15
Due from other governments		924
Capital assets		
Non-depreciable		807,966
Depreciable, net of accumulated depreciation		88,181,851
Total assets		176,481,865
Liabilities		
Accounts payable		7,704
Due to fiscal agent		17,855
Due to other governments		20
Due to developer		3,056,906
Accrued interest payable		2,037,914
Long-term debt:		
Due within one year		1,440,000
Due in more than one year		78,345,000
Total liabilities		84,905,399
Net Position		
Net investment in capital assets		8,191,965
Restricted for debt service		77,103,680
Unrestricted		6,280,821
Total net position	\$	91,576,466

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Statement of Activities

Year Ended September 30, 2014

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	\$ 521,710	7,951,030	-	15	7,429,335	7,429,335
Physical environment	1,570,808	-	-	-	(1,570,808)	(1,570,808)
Transportation	156,042	-	13,936	-	(142,106)	(142,106)
Interest on long-term debt	4,976,553	-	-	-	(4,976,553)	(4,976,553)
Depreciation (unallocated)	2,467,096	-	-	-	(2,467,096)	(2,467,096)
Total governmental activities	9,692,209	7,951,030	13,936	15	(1,727,228)	(1,727,228)
Total primary government	\$ 9,692,209	7,951,030	13,936	15	(1,727,228)	(1,727,228)
General revenues:						
Miscellaneous revenue					3,420	3,420
Investment earnings					12,818	12,818
Total general revenues					16,238	16,238
Change in net position:					(1,710,990)	(1,710,990)
Net position – beginning					93,287,456	93,287,456
Net position – ending					\$ 91,576,466	91,576,466

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Balance Sheet – Governmental Funds

September 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 1,655,490	6,052,806	7,708,296
Investments	1,519,021	-	1,519,021
Accrued interest receivable	-	72	72
Assessments receivable	-	78,263,720	78,263,720
Due from other funds	74,116	-	74,116
Due from other governments	924	-	924
Accounts receivable	15	-	15
Total assets	<u>3,249,566</u>	<u>84,316,598</u>	<u>87,566,164</u>
Liabilities:			
Accounts payable	7,704	-	7,704
Due to other governments	20	-	20
Due to developer	-	3,056,906	3,056,906
Due to fiscal agent	17,855	-	17,855
Due to other funds	-	74,116	74,116
Total liabilities	<u>25,579</u>	<u>3,131,022</u>	<u>3,156,601</u>
Deferred inflows of resources:			
Unavailable special assessment revenue	-	78,263,720	78,263,720
Fund balances:			
Restricted for debt service	-	2,921,856	2,921,856
Committed for renewal and replacement	2,000,000	-	2,000,000
Unassigned	1,223,987	-	1,223,987
Total fund balances	<u>3,223,987</u>	<u>2,921,856</u>	<u>6,145,843</u>
Total liabilities and fund balances \$	<u>3,249,566</u>	<u>84,316,598</u>	<u>87,566,164</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 Position
 Year Ended September 30, 2014

Total fund balances, governmental funds		\$ 6,145,843
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital Assets	99,111,598	
Less Accumulated depreciation	<u>(10,121,781)</u>	88,989,817
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Special assessment revenue bonds	(79,785,000)	
Accrued interest	<u>(2,037,914)</u>	(81,822,914)
Unavailable special assessment revenue reported in the funds is added to the beginning balance of net position restricted for debt service to reflect the revenue as recorded when the total assessment is levied.		
		<u>78,263,720</u>
Net position of governmental activities		\$ <u><u>91,576,466</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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Special Assessments	\$ 2,850,105	9,130,017	11,980,122
Miscellaneous revenue	17,356	-	17,356
Investment earnings	11,912	906	12,818
Total revenues	<u>2,879,373</u>	<u>9,130,923</u>	<u>12,010,296</u>
Expenditures:			
General government services	353,597	163,613	517,210
Physical environment	1,570,808	-	1,570,808
Transportation	156,042	-	156,042
Debt service:			
Principal	-	4,045,000	4,045,000
Interest	-	5,072,688	5,072,688
Miscellaneous bond expense	-	4,500	4,500
Total expenditures	<u>2,080,447</u>	<u>9,285,801</u>	<u>11,366,248</u>
Excess (deficiency) of revenues over expenditures	<u>798,926</u>	<u>(154,878)</u>	<u>644,048</u>
Net change in fund balances	798,926	(154,878)	644,048
Fund balances, at beginning of year	<u>2,425,061</u>	<u>3,076,734</u>	<u>5,501,795</u>
Fund balances, at end of year	<u>\$ 3,223,987</u>	<u>2,921,856</u>	<u>6,145,843</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, 2014

Net change in fund balances – total governmental funds	\$	644,048
<p>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.</p>		
Donations	\$	15
Depreciation expense		(2,467,096)
		(2,467,081)
<p>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.</p>		
Amount of change in accrued interest		96,135
<p>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.</p>		
Special assessment receivable as of September 30, 2014		78,263,720
Special assessment receivable as of September 30, 2013		(82,292,812)
		(4,029,092)
<p>Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		4,045,000
Change in net position of governmental activities	\$	(1,710,990)

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, 2014

	<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	\$ 2,844,240	2,844,240	2,850,105	5,865
Local government unit grant, transportation	7,393	7,393	3,696	(3,697)
Shared revenues from other local governments	10,240	10,240	10,240	-
Other general government charges and fees	-	-	3,420	3,420
Investment earnings	5,600	5,600	11,912	6,312
Total revenues	<u>2,867,473</u>	<u>2,867,473</u>	<u>2,879,373</u>	<u>11,900</u>
Expenditures:				
Personnel services	15,532	15,557	9,726	5,831
Professional services	333,009	333,009	325,981	7,028
Accounting and auditing	10,654	10,654	10,653	1
Other contractual services	2,265	2,265	586	1,679
Communication and freight	100	100	-	100
Utilities services	202,010	197,185	179,035	18,150
Rental and leases	500	500	-	500
Insurance	5,950	5,950	5,408	542
Repairs and maintenance/landscape	242,516	247,316	235,119	12,197
Printing and binding	500	500	32	468
Other current charges and interest refunds	1,314,946	1,314,946	1,313,907	1,039
Operating supplies	500	500	-	500
Capital outlay	68,850	68,850	-	68,850
Total expenditures	<u>2,197,332</u>	<u>2,197,332</u>	<u>2,080,447</u>	<u>116,885</u>
Excess (deficiency) of revenues over expenditures	<u>670,141</u>	<u>670,141</u>	<u>798,926</u>	<u>128,785</u>
Other financing sources (uses):				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
Net change in fund balances	170,141	170,141	798,926	628,785
Fund balances, at beginning of year	2,425,061	2,425,061	2,425,061	-
Fund balances, at end of year	\$ <u>2,595,202</u>	\$ <u>2,595,202</u>	\$ <u>3,223,987</u>	\$ <u>628,785</u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(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, 2014, four members of the Board of Supervisors were elected by qualified electors of the District (registered voters). The remaining Supervisor was elected by the landholders based on one vote per acre or part thereof. The final landowner elected supervisor position transitioned to election by qualified electors in November 2014.

The land within the District is part of the active adult retirement community known as “The Villages”. The Villages consists of approximately 22,601 acres spanning the borders of Lake, Sumter and Marion Counties, City of Wildwood, City of Fruitland Park and the Town of Lady Lake, Florida, and when fully developed is expected to include approximately 58,789 residences and 111,699 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. All 5,193 of the residential units in Village Community Development District No. 8 have been completed by the developer, although 127 remain unsold as of September 30, 2014, and are being used in the developer’s lifestyle preview program. 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. 10 and 11 south and east of District No. 8.

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 fourteen 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 COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- Brownwood CDD (Sumter County) – Brownwood CDD (Sumter County) – This CDD was newly established in June 2012 by the City of Wildwood, Florida and is located at the southern end of The Villages. This CDD provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments as the new downtown area builds out.
- Village CDD No. 1 (Sumter County) – This CDD’s boundary consists of approximately 993 acres in the northeast corner of the county. The development included construction of 3,420 residential units.
- Village 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 included construction of 6,697 residential units of which 1 remains unsold as of September 30, 2014.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. The development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now complete with 127 unsold and being used as lifestyle preview homes by the Developer.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,280 acres in the northeast corner of the county. Planned development includes construction of 5,376 residential units. Construction is now almost complete with 57 remaining unsold as of September 30, 2014.
- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 1,588.8 acres in the northeast corner of the county. Planned development includes construction of 6,639 residential units. Construction is now underway with 2,489 homes closed as of September 30, 2014.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- Village CDD No. 11 (Lake County) – This CDD’s boundary consists of approximately 693 acres in the city limits of Fruitland Park in the western portion of Lake County. Planned development includes construction of 2,050 residential units. The infrastructure assessment bonds were issued on November 14, 2014, and active development has begun.

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.

In addition to the above there is one dependent district of Sumter County that is part of the family of Districts that comprise the local government of The Villages.

- North Sumter County Utility Dependent District (NSCUDD) (Sumter and Marion Counties) – The dependent district was established in July 2010 to manage and finance basic potable water, wastewater treatment and reclaimed water services for approximately 7,721 acres of land located in unincorporated Sumter County in The Villages, Florida. The District was created on July 13, 2010, by Sumter County, Florida, in Ordinance No. 2010-10, pursuant to the provisions of Chapter 189 of the *Florida Statutes*, and operates within the criteria established by Chapter 189. The service area of NSCUDD was expanded to include solid waste collection services for the entire Sumter County portion of The Villages. The City of Wildwood and Marion County entered into interlocal agreements with the District on November 20, 2012, authorizing the District to provide solid waste collection services in portions of their jurisdictions, including Brownwood District and District No. 4.

(b) Basic Financial Statements

Government-wide and Fund Financial Statements

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

The financial reporting model focus is on either the District as a whole, or major individual funds. The government-wide Statement of Net Position reports the governmental activities of the District (a) on a government-wide basis and (b) on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Statement of Net Position also addresses deferred inflows and deferred outflows. 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 General Fund

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(b) Basic Financial Statements (continued)

Government-wide and Fund Financial Statements (continued)

and the Debt Service Fund meet this definition and are designated as major funds. The District has no non-major funds.

Program revenues in the Statement of Activities consist primarily of special assessment revenues. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 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.

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

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

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

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

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

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

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

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

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.

(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 and Debt Service 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 Position 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, Florida Prime™

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 State Board of Administration LGIP. In May 2012, the District opened an account in the 1-3 Year

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

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

1. Deposits and Investments (continued)

High Quality Bond Fund, of the Florida Municipal Investment Trust (FMIvT). The FMIvT is sponsored by the Florida League of Cities. The investment in these pools 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 Position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period 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 assessments 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 annually as non-ad valorem special assessments. The bond assessment revenue and the debt service activity are accounted for in the Debt Service Fund.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(1) Summary of Significant Accounting Policies (continued)

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

4. Assessments (continued)

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. 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 Governmental Accounting Standards Statements*

GASB 65, which was effective for the Fiscal Year ending September 30, 2014, was early implemented during the last Fiscal Year, ending September 30, 2013. There are no other GASB standards that are effective with the current Fiscal Year that were applicable to the District and required Fiscal Year 2014 implementation.

(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.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(2) Deposits and Investments

As of September 30, 2014, the District had the following deposits and investments:

Deposits and Investment Type	Fair Value at September 30, 2014	Weighted Average Maturity (Days)	Credit Rating
Demand Deposits, CFB	\$ 297,855	1.0	n/a
State Board of Administration, Florida Prime™	1,357,635	39.0	AAAm
U.S. Bank Money Market Mutual Funds, Federated	1,915,136	49.0	AAAm
U.S. Bank Money Market Mutual Funds, Fidelity	4,137,670	43.0	AAAm
Florida Local Government Investment Trust	814,004	664.3	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	705,017	543.9	AAA/v2
Total Fair Value	\$ 9,227,317		
Portfolio Weighted Average Maturity (WAM)		135.4	

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, 2014, was 135.4 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, Florida Prime™ investment pool. Fitch provides the rating for the FMIvT 1-3 Year High Quality Bond Fund.

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

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

- The State Board of Administration for participation in the Local Government Investment Pool (Florida Prime™) created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in Florida Prime™, 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.
- In July 2011, funds were invested in shares of the Florida Local Government Investment Trust (FLGIT) operated by the Florida Association of Counties and Florida Association of County

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(2) Deposits and Investments

Credit Risk.(continued)

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. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. FLGIT recognized an unrealized gain of \$4,831 during Fiscal Year 2013-2014. The realization of this gain will only occur from the future sale of underlying shares in the FLGIT.

- In May 2012, the District began investing funds with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIVT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. The District owns shares in the 1-3 Year High Quality Bond Fund, a pool operated by the FMIVT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2014, the FMIVT had an unrealized gain of \$4,005. The realization of this gain will only occur from the future sale of underlying shares in the FMIVT.
- In total, the District recognized investment earnings of \$12,818 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;
- Investment in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds, such as the Florida Prime™, money market funds, or overnight repurchase agreements to ensure the appropriate liquidity is maintained to meet ongoing obligations.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District invests its operating cash solely in Qualified Public Depositories that meet the requirements of Chapter 280, Florida Statutes. In addition to protection of up to \$250,000 for its deposits with a single bank 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 Qualified Public Depository.

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

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(2) Deposits and Investments (continued)

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 depositories, provided that the underlying collateral consist of obligations of the United States Government, its agencies and instrumentalities. The repurchase agreement shall be collateralized equal to at least 102 percent of the value of the District's investment.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2014, 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	15	-	-	807,966
Total assets not being depreciated:	<u>807,951</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>807,966</u>
Assets being depreciated					
Improvements other than buildings	98,303,632	-	-	-	98,303,632
Less accumulated depreciation for:					
Improvements other than buildings	<u>(7,654,685)</u>	<u>(2,467,096)</u>	<u>-</u>	<u>-</u>	<u>(10,121,781)</u>
Total assets being depreciated, net	<u>90,648,947</u>	<u>(2,467,096)</u>	<u>-</u>	<u>-</u>	<u>88,181,851</u>
Governmental activities, capital assets	\$ <u>91,456,898</u>	<u>(2,467,081)</u>	<u>-</u>	<u>-</u>	<u>88,989,817</u>

Only \$15 in new capital assets were added during Fiscal Year 2013-2014. Depreciation expenses of \$2,467,096 led to a net decrease of \$2,467,081 in the value of capital assets during the year.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(4) Long Term Debt

Long-term debt consisted of the following as of September 30, 2014:

\$41,790,000 Special Assessment Revenue Bonds, Series 2008, annual principal installments ranging from \$555,000 to \$2,730,000 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%. \$ 31,690,000

\$31,445,000 Special Assessment Refunding Revenue Bonds, Series 2010 (Phase II), annual principal installments ranging from \$490,000 to \$2,145,000 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 4.000% to 6.125%. 25,005,000

\$27,265,000 Special Assessment Revenue Bonds, Series 2010 (Phase III), annual principal installments ranging from \$400,000 to \$1,875,000 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 4.000% to 6.125%. 23,090,000

Total long-term debt	79,785,000
Less current installments of bonds payable	<u>(1,440,000)</u>
Total long term debt	<u>\$ 78,345,000</u>

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 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, 2014, are as follows:

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(4) Long Term Debt (continued)

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30,				
2015	\$	1,440,000	4,890,994	6,330,994
2016		1,520,000	4,817,575	6,337,575
2017		1,595,000	4,737,644	6,332,644
2018		1,690,000	4,651,238	6,341,238
2019		1,790,000	4,557,113	6,347,113
2020-2024		10,730,000	21,065,325	31,795,325
2025-2029		14,640,000	17,274,850	31,914,850
2030-2034		20,000,000	12,086,525	32,086,525
2035-2039		24,665,000	4,997,950	29,662,950
2040		1,715,000	105,044	1,820,044
Totals	\$	<u>79,785,000</u>	<u>79,184,258</u>	<u>158,969,258</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	\$ 83,830,000	-	4,045,000	79,785,000	1,440,000
Long-term debt	\$ 83,830,000	-	4,045,000	79,785,000	1,440,000

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, 2014, 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, 2014.

<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 \$	3,630,528	\$ 3,593,331	100%	\$ 62,889,250	2038
Special Assessment Revenue Bonds Series 2010 (Phase 2)	Special Assessments Phase II	3,190,150	3,116,672	100%	49,400,726	2039
Special Assessment Revenue Bonds Series 2010 (Phase 3)	Special Assessments Phase III	2,309,339	2,407,685	100%	46,679,282	2040

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Basic Financial Statements

September 30, 2014

(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 the Center District by the District for such services totaled \$156,014 for the year ended September 30, 2014. There is an additional agreement for deed compliance services and the amount for Fiscal Year 2013-2014 was \$97,057.

In prior years 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 Fiscal Year 2012-2013, the Center District began paying for information system support, with these expenses then passed on in a prorated basis to District No. 8. These costs for the year ended September 30, 2014, were \$9,370.

Most capital costs for infrastructure were acquired from the Developer using bond proceeds in 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 for the past three years.

(7) **Subsequent Event**

During the Board meetings in August and September of 2014, all District Boards adopted a Long-Term Investment Policy. The initial funds were subsequently transferred to the Long-Term Investment Portfolio (LTIP) on October 3, 2014. The funds transferred for District 8 totaled \$410,232. The main investment objective of the LTIP is to achieve long-term growth of LTIP assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the District's obligations with an investment horizon of 5-10 years. The new policy was developed in accordance with Chapter 218.415, Florida Statutes.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Village Community Development District No. 8 (the District) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2015.

Internal Control Over Financial Reporting

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

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

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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

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

Compliance and Other Matters

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

Purpose of this Report

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

Purvis, Gray and Company, LLP

January 20, 2015
Ocala, Florida

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Village Community Development District No. 8 (the District) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated January 20, 2015.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with American Institute of Certified Public Accountants Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated January 20, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 of the September 30, 2014, District's basic financial statements for this information).

Financial Condition

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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

MANAGEMENT LETTER
(Concluded)

Financial Condition (Concluded)

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

Annual Financial Report

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports agree.

Other Matters

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

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

Purpose of this Letter

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

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

Purvis, Gray and Company, LLP

January 20, 2015
Ocala, Florida

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the District's compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

Purvis, Gray and Company, LLP

January 20, 2015
Ocala, Florida

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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



January 21, 2014

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 2013-2014 for Village Community Development District No. 8. We are proud to report that this audit has an unmodified opinion.

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

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,

David R. Miles, CGFO
Finance Director

Janet Y. Tutt
District Manager

Village Community Development District No. 8
984 Old Mill Run, The Villages, Florida 32162
Business Phone: (352) 753-0421 Business Fax: (352) 751-3901