



VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2011

(With Independent Auditors' Report Thereon)

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Village Center Community Development District
The Villages, Florida

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Village Center Community Development District (the District), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2011, and the respective changes in financial position, budgetary comparison of the General Fund and Public Safety Special Revenue fund, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

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

Board of Supervisors
Village Center Community Development District
The Villages, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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

February 13, 2012
Ocala, Florida

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

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

Financial Highlights

- Net assets increased over the previous year by \$11,410,146. The governmental activities recognized an increase of \$6,261,537. The business-type activities recognized a net increase of \$5,148,609.
- The District's proprietary funds (business activities) realized an increase in net assets of \$5,148,609. All four of the proprietary funds in the business type activities saw increases: the RAD fund increased \$3,022,577, the VCSA Water and Sewer Fund increased \$942,962, the LSSA Water and Sewer Fund increased by \$1,178,968 and the Fitness Fund increased by \$4,101.
- In the governmental funds, the General Fund saw an increase of \$546,528, the non-major funds saw an increase of \$154,953 and the Public Safety Fund saw a decrease of \$233,297 in fund balances. At the close of the fiscal year, the District's governmental funds reported a fund balance of \$4,640,801, a net increase of \$468,184 compared to the prior year.
- Both the Village Center Service Area (VCSA) and the Little Sumter Service Area (LSSA) water and sewer utility funds included 2.5 percent rate increases for all billing periods beginning October 1, 2010 or thereafter. These annual rate adjustments contributed to the positive financial performance of both utility funds.
- The District's total long-term debt decreased by a net of \$6,032,787 during the current fiscal year. The decrease relating to principal payments made on outstanding revenue bonds and loans to the business type activities totaling \$8,752,688. In the governmental activities, a net of \$2,806,864 in new debt was incurred to buy fire station number 44 on September 30, 2011. Loans payable of \$86,024 and capital leases of \$63,109 were retired during the year. Compensated absences liability increased by \$62,170. At the end of the year, government activities had \$3,553,374 in outstanding long-term debt, while business activities had \$298,281,861 in outstanding long-term debt. Total long-term debt outstanding on September 30, 2011 was \$301,835,235.

Overview of the Financial Statements

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

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

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government, public safety, and environmental services. The business-type activities of the District include the Recreation Amenities Division which provides general governmental, debt service and culture and recreation services. The District also operates two water and sewer utilities serving different geographical areas of The Villages. The District has no component units, as all functions are performed by the primary government.

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

The Fund Financial Statements, which report by individual fund, begin on page 11. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village Center Community Development District (VCCDD), like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There is a General Fund and five Special Revenue Funds that provide general government services, public safety services, deed compliance services and environmental and property maintenance services for the Village of Spanish Springs, Rolling Acres and Road Maintenance in commercial areas of the District. Four of the Special Revenue Funds are funded at least in part through special assessments paid by benefiting property owners. The Public Safety Special Revenue Fund also receives revenue from a variety of other sources, with the bulk of its budget funded by transfers from other units of local government. The Community Standards Fund receives payments from District Nos. 1-4 and the VCCDD RAD Fund to provide deed compliance services, along with fines that may be levied. The General Fund is funded through a large number of sources, but receives its largest share of revenue from administrative and other fees charged to benefiting governments.

The District operates four proprietary funds, the Recreation Amenities Division (RAD) Fund; two water and sewer utility funds, the Village Center Service Area (VCSA) Fund and the Little Sumter Service Area (LSSA) Fund; and the Fitness Fund. 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*.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

The District currently maintains six governmental funds. 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 totals of the General Fund and five special revenue funds. The General Fund and the Public Safety Special Revenue Fund are major funds and are separately displayed. The Community Standards, Village of Spanish Springs, Rolling Acres and Road Maintenance Special Revenue Funds are non-major funds and are included in a single column.

The District adopts an annual budget for the governmental funds. A budgetary comparison statement for the General Fund and Public Safety Special Revenue Fund can be found on pages 15 and 16, respectively, of this report.

Proprietary funds. The District maintains four proprietary funds. The Recreation Amenities Division (RAD) Enterprise Fund provides for the operation, maintenance and debt service for bonds used to acquire recreational facilities in the Districts. The District operates two separate water and sewer utility funds serving different geographical areas of The Villages. The Village Center Service Area (VCSA) Fund serves the Village of Spanish Springs commercial area and residential areas in Lake County, plus part of District No. 1 in Sumter County. The Little Sumter Service Area (LSSA) Fund provides utility services to part of District No. 1 and all of District Nos. 2, 3, and 4. The preceding funds all meet the GASB 34 criteria to be considered major funds. The Fitness Fund was established to separately account for the operations of the Mulberry Grove fitness center. It is the only non-major proprietary fund of the District. These enterprise funds, a category of proprietary funds, are included as *business-type activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, using accrual accounting, only in more detail. The proprietary fund financial statements provide separate information for the four enterprise funds. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village Center Community Development District's own programs. The accounting for fiduciary funds is much like that used for proprietary funds. The District established its first fiduciary fund, the Beyond the Stars Fund, in July 2008. This fund is used to account for donations voluntarily deducted from employees' paychecks and used for charitable purposes involving needy employees and their family members. The statement can be found on page 20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 21 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$68,910,843 as of September 30, 2011, representing an increase of \$11,410,146 from the net assets of \$57,500,697 as of September 30, 2010. The increase in net assets for September 30, 2011 is due mainly to increased charges for services revenues. At the same time there were smaller increases in the total of recreational, public safety, water and sewer, and depreciation and amortization expenses and a reduction in general government, physical environment and interest expenses.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

The District's net assets are categorized as follows, as of September 30, 2011:

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

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

Unrestricted net assets. The remaining balance of the District's net assets may be used to meet the District's ongoing obligations to residents and creditors.

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

Table 1

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2011	2010	2011	2010	2011	2010
Assets:						
Current assets	\$ 3,691,194	4,356,508	30,698,965	32,504,768	34,390,159	36,861,276
Restricted assets	1,312,060	298,766	25,298,526	23,144,458	26,610,586	23,443,224
Amenity settlement assets	-	-	4,220,333	6,412,156	4,220,333	6,412,156
Investment in annuity	-	-	13,297,485	12,565,604	13,297,485	12,565,604
Notes receivable	2,806,864	-	-	-	2,806,864	-
Bond issuance costs (net of accumulated amortization)	-	-	11,721,175	12,467,525	11,721,175	12,467,525
Capital assets, (net of accumulated depreciation)	10,309,488	4,603,098	120,637,767	119,132,040	130,947,255	123,735,138
Intangible assets, (net of accumulated amortization)	-	-	157,453,494	162,808,209	157,453,494	162,808,209
Total Assets	18,119,606	9,258,372	363,327,745	369,034,760	381,447,351	378,293,132
Liabilities:						
Current liabilities	362,453	722,356	10,338,820	12,441,755	10,701,273	13,164,111
Long-term debt						
Due within one year	1,154,131	157,984	9,065,000	8,610,000	10,219,131	8,767,984
Due in more than a year	592,379	435,790	288,086,361	297,164,050	288,678,740	297,599,840
Due to developer	1,806,864	-	1,130,500	1,260,500	2,937,364	1,260,500
Total Liabilities	3,915,827	1,316,130	308,620,681	319,476,305	312,536,508	320,792,435
Net assets:						
Invested in capital assets, net of related debt	9,864,846	4,009,324	(6,916,657)	6,961,161	2,948,189	10,970,485
Restricted	-	-	17,518,077	14,437,411	17,518,077	14,437,411
Unrestricted	4,338,933	3,932,918	44,105,644	28,159,883	48,444,577	32,092,801
Total net assets	\$ 14,203,779	7,942,242	54,707,064	49,558,455	68,910,843	57,500,697

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2011

Governmental Activities

Governmental activities increased the District's net assets by \$6,261,537 during the year ended September 30, 2011. Most of this increase occurred in the General Fund and Public Safety Funds.

Business-type Activities

Business-type activities increased the District's net assets by \$5,148,609 during the year ended September 30, 2011. All four proprietary funds contributed to this increase in net assets. Table 2, below, reflects the summary statement of activities for the current and prior years.

Table 2

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 22,510,175	22,736,402	53,136,357	51,444,126	75,646,532	74,180,528
Donated capital	731,500	-	-	-	731,500	-
Operating contributions	18,162	239,643	-	-	18,162	239,643
Capital grants and contributions	4,533,102	3,809	3,014	55,517	4,536,116	59,326
Gain on sale of fixed assets	-	-	124	(20,035)	124	(20,035)
General revenues:						
Investment earnings	17,087	22,039	1,131,035	1,442,899	1,148,122	1,464,938
Total revenues	<u>27,810,026</u>	<u>23,001,893</u>	<u>54,270,530</u>	<u>52,922,507</u>	<u>82,080,556</u>	<u>75,924,400</u>
Expenses:						
General government	4,401,673	4,060,551	3,309,004	4,867,980	7,710,677	8,928,531
Public safety	9,331,820	8,689,573	1,599,266	1,770,636	10,931,086	10,460,209
Physical environment	2,498,692	2,454,174	5,753,544	8,103,873	8,252,236	10,558,047
Recreation	4,868,797	4,465,113	12,283,332	7,543,921	17,152,129	12,009,034
Interest on long-term debt	16,930	26,670	15,446,700	15,891,094	15,463,630	15,917,764
Depreciation (unallocated)	430,577	323,349	4,629,011	4,681,103	5,059,588	5,004,452
Amortization expense	-	-	6,101,064	6,101,064	6,101,064	6,101,064
Contribution to other governments	-	-	-	341,883	-	341,883
Total expenses	<u>21,548,489</u>	<u>20,019,430</u>	<u>49,121,921</u>	<u>49,301,554</u>	<u>70,670,410</u>	<u>69,320,984</u>
Changes in net assets	6,261,537	2,982,463	5,148,609	3,620,953	11,410,146	6,603,416
Total net assets, beginning	7,942,242	4,959,779	49,558,455	45,937,502	57,500,697	50,897,281
Total net assets, ending	<u>\$ 14,203,779</u>	<u>7,942,242</u>	<u>54,707,064</u>	<u>49,558,455</u>	<u>68,910,843</u>	<u>57,500,697</u>

Capital Assets

The District's capital assets as of September 30, 2011 and 2010 amounted to \$130,947,255 and \$123,735,138, respectively. This is net of accumulated depreciation and includes buildings and structures, improvements other than buildings, and machinery and equipment. The substantial completion of the Multi-Modal Path contributed to the growth in the business-type activities. In the governmental activities, the purchase of Fire Station No. 44 and new fire apparatus to equip the station by the Public Safety Department was the largest single increase in capital assets. Additional information regarding the District's capital assets can be found in Note 4 to the Notes to Basic Financial Statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2011

Long-term Debt

As of September 30, 2011 and 2010, the District had long-term debt outstanding of \$301,835,235 and \$307,628,322, respectively. A total of \$10,219,131 of this amount is due within one year. Additional information regarding the District's long-term debt can be found in Note 7 to the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

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

These factors were considered in preparing the District's budget for the 2012 fiscal year. Total annual projected revenues for all funds increased to \$79.389 million from \$73.835 million in the fiscal year 2011 final amended budget. The expenditure budget increased to \$80.891 million from \$80.625 million for all funds in the fiscal year 2011 final amended budget, an increase of \$0.266 million. There were no major organizational changes between fiscal years 2011 and 2012 budgets.

Requests for Information

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Assets

September 30, 2011

Assets	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 2,171,153	25,985,563	\$ 28,156,716
Accounts receivables	165,634	4,713,402	4,879,036
Note receivable amenity settlement	-	4,220,333	4,220,333
Note receivable woodshop	-	22,383	22,383
Note receivable - fire station	2,806,864	-	2,806,864
Investments	1,312,060	25,289,025	26,601,085
Investment in annuity	-	13,297,485	13,297,485
Due from other governments	1,173,159	161,031	1,334,190
Internal balances (net)	180,820	(180,820)	-
Inventory	-	6,559	6,559
Prepaid items	429	348	777
Capital assets:			
Non depreciable assets	2,501,811	11,500,508	14,002,319
Depreciable assets (net of accumulated depreciation)	7,807,676	109,137,259	116,944,935
Bond issuance costs (net of accumulated amortization)	-	11,721,175	11,721,175
Intangible assets (net of accumulated amortization)	-	157,453,494	157,453,494
Total assets	<u>18,119,606</u>	<u>363,327,745</u>	<u>381,447,351</u>
Liabilities			
Accounts payable	207,304	1,282,077	1,489,381
Accrued expenses	141,467	319,041	460,508
Accrued interest payable	-	6,585,846	6,585,846
Due to developer	-	102,617	102,617
Due to other governments	13,682	438,898	452,580
Deferred Revenue	-	1,610,341	1,610,341
Total current liabilities	<u>362,453</u>	<u>10,338,820</u>	<u>10,701,273</u>
Long-term debt:			
Unamortized premium/discount	-	1,361	1,361
Due within one year	1,154,131	9,065,000	10,219,131
Due in more than one year	2,399,243	288,085,000	290,484,243
Due to developer	-	1,130,500	1,130,500
Total long-term debt	<u>3,553,374</u>	<u>298,281,861</u>	<u>301,835,235</u>
Total liabilities	<u>3,915,827</u>	<u>308,620,681</u>	<u>312,536,508</u>
Net Assets			
Net Assets			
Invested in capital assets, net of related debt	9,864,846	(6,916,657)	2,948,189
Restricted for:			
Debt service	-	6,939,412	6,939,412
Renewal & replacement	-	10,578,665	10,578,665
Unrestricted	4,338,933	44,105,644	48,444,577
Total net assets	<u>\$ 14,203,779</u>	<u>54,707,064</u>	<u>\$ 68,910,843</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Activities
Year Ended September 30, 2011

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 4,401,673	14,769,862	-	-	10,368,189	-	10,368,189
Public safety	9,331,820	7,740,313	18,162	5,264,602	3,691,257	-	3,691,257
Physical environment	2,498,692	-	-	-	(2,498,692)	-	(2,498,692)
Recreation	4,868,797	-	-	-	(4,868,797)	-	(4,868,797)
Interest on long-term debt	16,930	-	-	-	(16,930)	-	(16,930)
Depreciation (unallocated)	430,577	-	-	-	(430,577)	-	(430,577)
Total governmental activities	21,548,489	22,510,175	18,162	5,264,602	6,244,450	-	6,244,450
Business-type activities:							
General government	3,309,004	861,296	-	3,014	-	(2,444,694)	(2,444,694)
Public safety	1,599,266	-	-	-	-	(1,599,266)	(1,599,266)
Physical environment	5,753,544	16,513,921	-	-	-	10,760,377	10,760,377
Recreation	12,283,332	35,761,264	-	-	-	23,477,932	23,477,932
Interest on long term debt	15,446,700	-	-	-	-	(15,446,700)	(15,446,700)
Depreciation (unallocated)	4,629,011	-	-	-	-	(4,629,011)	(4,629,011)
Amortization expense	6,101,064	-	-	-	-	(6,101,064)	(6,101,064)
Total business-type activities	49,121,921	53,136,481	-	3,014	-	4,017,574	4,017,574
Total primary government	\$ 70,670,410	75,646,656	18,162	5,267,616	6,244,450	4,017,574	10,262,024
General revenues:							
Investment earnings					\$ 17,087	1,131,035	1,148,122
Total general revenues					17,087	1,131,035	1,148,122
Change in net assets					6,261,537	5,148,609	11,410,146
Net assets, beginning					7,942,242	49,558,455	57,500,697
Net assets, ending					\$ 14,203,779	54,707,064	68,910,843

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Balance Sheet
Governmental Funds
September 30, 2011

	<u>General Fund</u>	<u>Department of Public Safety</u>	<u>Non-Major Funds Total</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 1,385,701	258,050	527,402	2,171,153
Accounts receivable	16,623	146,311	2,700	165,634
Notes receivable	-	2,806,864	-	2,806,864
Investments	-	871,866	440,194	1,312,060
Due from other funds	9,985	178,618	-	188,603
Due from other governments	32,682	1,140,477	-	1,173,159
Prepaid items	252	177	-	429
Total assets	<u>1,445,243</u>	<u>5,402,363</u>	<u>970,296</u>	<u>7,817,902</u>
Liabilities and Fund Balance				
Accounts payable	114,132	81,412	11,760	207,304
Accrued expenses	101,305	37,624	2,539	141,468
Deferred revenue	-	2,806,864	-	2,806,864
Due to other funds	1,122	94	6,567	7,783
Due to other governments	31	11,678	1,973	13,682
Total liabilities	<u>216,590</u>	<u>2,937,672</u>	<u>22,839</u>	<u>3,177,101</u>
Fund balances:				
Committed				
Renewal and replacement	-	403,266	363,709	766,975
Community Watch-deed covenants	-	-	40,733	40,733
Department of Public Safety	-	2,061,425	-	2,061,425
Village of Spanish Springs Common Area Maintenance	-	-	308,408	308,408
Rolling Acres Common Area Maintenance	-	-	46,375	46,375
Commercial Road Maintenance	-	-	94,891	94,891
Community standards	-	-	93,341	93,341
Unassigned	<u>1,228,653</u>	<u>-</u>	<u>-</u>	<u>1,228,653</u>
Total fund balance	<u>1,228,653</u>	<u>2,464,691</u>	<u>947,457</u>	<u>4,640,801</u>
Total liabilities and fund balance	<u>\$ 1,445,243</u>	<u>5,402,363</u>	<u>970,296</u>	<u>7,817,902</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
 September 30, 2011

Fund balance – governmental funds	\$	4,640,801
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 general fund:		
Capital assets	\$ 12,261,086	
Less accumulated depreciation	<u>(1,951,598)</u>	10,309,488
Governmental funds reports impact fees revenue when collected. Therefore, the Sumter County impact fees receivable is reported as revenue in the year of the agreement.		
Impact fee revenue recognition	3,806,864	
Payment received from Sumter County	<u>(1,000,000)</u>	2,806,864
Long-term liabilities are not due and payable in the current period and therefore are not reported in the general fund:		
Notes payable	(2,806,864)	
Leases payable	(135,404)	
Loans payable	(309,237)	
Compensated absences	<u>(301,869)</u>	<u>(3,553,374)</u>
Net assets of governmental activities	\$	<u><u>14,203,779</u></u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2011

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Department of Public Safety</u>	<u>Non-Major Funds</u>	
Revenues:				
Administration and maintenance fees	\$ 11,957,607	-	-	11,957,607
Amenities revenue	-	2,079,054	-	2,079,054
Intergovernmental fire assessments	-	3,279,191	-	3,279,191
Intergovernmental shared revenue	-	1,361,942	-	1,361,942
Intergovernmental impact fees	-	1,726,238	-	1,726,238
State revenue shariug-firefighters supplemental	-	18,162	-	18,162
Management fees	-	101,166	-	101,166
Assessments, Village of Spanish Springs	-	-	882,514	882,514
Assessments, Rolling Acres	-	-	107,669	107,669
Assessments, Commercial Road Maintenance	-	-	29,944	29,944
Assessments, Community Standards	-	-	319,632	319,632
Fees for services provided developer	1,868,582	-	216,529	2,085,111
Miscellaneous revenues	163,996	-	45,984	209,980
Other public safety revenue	-	62,849	-	62,849
Investment earnings	2,622	10,920	3,545	17,087
Disposition of fixed assets	773	-	-	773
Contributions and donations from private sources	30,993	1,750	-	32,743
Total revenues	<u>14,024,573</u>	<u>8,641,272</u>	<u>1,605,817</u>	<u>24,271,662</u>
Expenditures:				
Current				
General government	3,868,477	-	533,196	4,401,673
Public safety	2,939,248	6,260,863	-	9,200,111
Physical environment	1,686,213	-	-	1,686,213
Culture/recreation	4,868,796	-	-	4,868,796
Public works - Village of Spanish Springs	-	-	749,921	749,921
Public works - Rolling Acres	-	-	50,416	50,416
Public works - Commercial Road Maintenance	-	-	12,142	12,142
Debt service:				
Principal payments	-	1,149,133	-	1,149,133
Interest payments	-	16,930	-	16,930
Capital outlay	115,311	5,254,507	105,189	5,475,007
Total expenditures	<u>13,478,045</u>	<u>12,681,433</u>	<u>1,450,864</u>	<u>27,610,342</u>
Other financing sources and uses:				
Debt issuance	-	3,806,864	-	3,806,864
Total other financing sources	<u>-</u>	<u>3,806,864</u>	<u>-</u>	<u>3,806,864</u>
Net change in fund balance and transfers	<u>546,528</u>	<u>(233,297)</u>	<u>154,953</u>	<u>468,184</u>
Fund balance, beginning of year	682,125	2,697,988	792,504	4,172,617
Fund balance, end of year	<u>\$ 1,228,653</u>	<u>2,464,691</u>	<u>947,457</u>	<u>4,640,801</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds to the Statement of Activities
Year Ended September 30, 2011

Net change in fund balance – governmental funds	\$	468,184
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Donated capital	\$ 731,500	
Capital outlay	5,405,467	
Less depreciation	<u>(430,577)</u>	5,706,390
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal payment on note payable for Fire Station No. 44	1,000,000	
Payment on capital leases	<u>149,133</u>	1,149,133
Governmental funds record recognize the impact fee revenue for the receivable billed to Sumter County for Fire Station No 44.		
Impact revenue for Fire Station No. 44	3,806,864	
Payment Received from Sumter Co	<u>(1,000,000)</u>	2,806,864
Long term liability note payable for Fire Station No. 44 is shown on government-wide statements but not on the governmental fund statements.		(3,806,864)
Decrease (increase) in compensated absences is shown on the government-wide statements but not on the governmental fund statements.		(62,170)
Change in net assets of governmental activities	\$	<u><u>6,261,537</u></u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2011

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Management fees	\$ 2,833,050	3,100,266	3,100,265	(1)
Intergovernmental fees - recreation	3,060,031	3,060,031	3,060,031	-
Intergovernmental fees - other	5,751,844	5,751,844	5,751,844	-
Administration fees from developer	169,951	169,951	169,951	-
Recreation fees from developer	1,668,845	1,668,845	1,698,631	29,786
Utility administration fees	272,802	46,000	45,468	(532)
Miscellaneous revenue	62,883	122,883	163,995	41,112
Donations	-	31,000	30,993	(7)
Investment earnings	1,500	1,500	2,622	1,122
Disposition of fixed assets	-	-	773	773
Total revenues	<u>13,820,906</u>	<u>13,952,320</u>	<u>14,024,573</u>	<u>72,253</u>
Expenditures:				
Current - General government				
Personnel services	11,547,883	11,573,908	11,199,959	(373,949)
Professional services	130,666	145,581	129,494	(16,087)
Other contractual services	176,993	221,925	161,064	(60,861)
Travel and per diem	20,150	18,391	15,925	(2,466)
Communication and freight services	101,690	100,556	92,191	(8,365)
Utility services	42,880	46,880	46,544	(336)
Rents and leases	586,822	603,140	597,819	(5,321)
Insurance	3,450	5,850	5,830	(20)
Repairs and maintenance	108,587	121,082	116,433	(4,649)
Printing and binding	180,600	180,305	146,633	(33,672)
Promotional activities	237,200	231,650	219,121	(12,529)
Other current charges and obligations	5,573	8,279	4,191	(4,088)
Office supplies	60,300	57,361	54,211	(3,150)
Operating supplies	472,759	596,679	538,227	(58,452)
Books, subscriptions and dues	53,125	46,394	35,092	(11,302)
Capital outlay	65,845	64,424	115,311	50,887
Total expenditures	<u>13,794,523</u>	<u>14,022,405</u>	<u>13,478,045</u>	<u>(544,360)</u>
Net change in fund balance	26,383	(70,085)	546,528	616,613
Fund balance, beginning of year	<u>682,125</u>	<u>682,125</u>	<u>682,125</u>	<u>-</u>
Fund balance, end of year	<u><u>708,508</u></u>	<u><u>612,040</u></u>	<u><u>1,228,653</u></u>	<u><u>682,125</u></u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Safety Special Revenue Fund
Year Ended September 30, 2011

	Budgeted Amount Original	Final	Budgetary Basis Actual Amounts	Variance with final budget
Revenues:				
Special assessments - charges for public services	\$ 714,272	714,272	730,064	15,792
Intergovernmental fire assessments	2,049,711	2,049,711	2,079,053	29,342
Intergovernmental shared revenue	2,325,996	3,841,776	3,911,069	69,293
Intergovernmental impact fees	2,007,368	1,727,000	1,726,238	(762)
State revenue sharing - firefighters supplemental compensation	13,000	13,000	18,162	5,162
Management fees	101,166	101,166	101,166	-
Public safety revenue	-	-	24,476	24,476
General government charges and fees	6,400	24,135	27,536	3,401
Investment earnings	18,000	18,000	10,920	(7,080)
Contributions and donations from private sources	-	-	1,750	1,750
Other miscellaneous public safety revenue	10,000	10,000	10,838	838
Total revenues	<u>7,245,913</u>	<u>8,499,060</u>	<u>8,641,272</u>	<u>142,212</u>
Expenditures:				
General government:				
Current				
Personnel services	5,072,992	5,162,747	5,073,014	(89,733)
Professional services	224,348	210,348	196,363	(13,985)
Contractual services	110,284	110,284	99,248	(11,036)
Travel and per diem	20,912	20,912	18,546	(2,366)
Communications and freight	21,920	24,420	23,537	(883)
Utility services	56,000	56,000	58,174	2,174
Rental and leases	118,608	118,608	107,555	(11,053)
Insurance	67,507	67,507	66,308	(1,199)
Repairs and maintenance/landscape	221,776	215,776	207,460	(8,316)
Current charges	5,500	7,000	6,500	(500)
Office supplies	9,040	9,040	6,726	(2,314)
Operating supplies	240,915	372,850	313,253	(59,597)
Books, publications and subscriptions	80,722	80,722	84,177	3,455
Debt service				
Principal	146,210	146,210	149,133	2,923
Interest	24,221	24,221	16,930	(7,291)
Capital outlay	1,322,633	2,451,633	2,447,643	(3,990)
Total expenditures	<u>7,743,588</u>	<u>9,078,278</u>	<u>8,874,569</u>	<u>(203,709)</u>
(Deficiency) of Revenue (Under) Expenditures	(497,675)	(579,218)	(233,297)	345,921
Net change in fund balance	(497,675)	(579,218)	(233,297)	345,921
Fund balance, beginning of year	2,697,988	2,697,988	2,697,988	-
Fund balance, end of year	<u>\$ 2,200,313</u>	<u>2,118,770</u>	<u>2,464,691</u>	<u>345,921</u>

Note to Budgetary Comparison Schedule

An explanation of the difference between the budgetary process versus GAAP is as follows:

- (1) The District budgets on the cash basis related to long-term debt issuances for capital outlay expenditures; therefore, proceeds and the related capital expenditures are not included in the budgeted amounts.

Debt Issuance	(3,806,864)
Capital Outlay	2,806,864

- (2) The District budgeted for capital outlay in the current year in the amount of the principal payment on the debt issuance - refer to (1).

1,000,000

Net Increase (Decrease) in Fund Balance

-

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Assets

Proprietary Funds

September 30, 2011

Assets	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Current assets:					
Cash and cash equivalents	\$ 2,526,648	2,341,283	2,824,798	105,713	7,798,442
Restricted cash and cash equivalents	10,886,435	1,697,002	4,050,920	-	16,634,357
Accounts receivable	2,623,397	696,063	1,393,441	501	4,713,402
Note receivable amenity settlement	2,120,800	-	-	-	2,120,800
Note receivable woodshop	2,302	-	-	-	2,302
Investments	17,296,574	5,106,410	2,886,041	-	25,289,025
Due from other funds	207,701	6,559	-	-	214,260
Due from other governments	152,368	7,838	825	-	161,031
Inventory	-	-	6,559	-	6,559
Prepaid expenses	-	-	348	-	348
Total current assets	35,816,225	9,855,155	11,162,932	106,214	56,940,526
Non-current assets:					
Restricted cash and cash equivalents	1,130,500	319,651	102,615	-	1,552,766
Note receivable amenity settlement	2,099,533	-	-	-	2,099,533
Note receivable woodshop	20,081	-	-	-	20,081
Investment in annuity	13,297,485	-	-	-	13,297,485
Capital assets:					
Land	9,501,294	150,312	126,508	-	9,778,114
Buildings and structures	53,653,294	1,548,823	5,134,315	-	60,336,432
Infrastructure	26,405,341	31,075,782	35,541,998	-	93,023,121
Leasehold improvements	-	-	-	9,815	9,815
Furniture & fixtures	2,186,523	1,189,181	304,677	-	3,680,381
Construction in progress	1,656,929	20,720	44,745	-	1,722,394
Less accumulated depreciation	(23,620,689)	(14,272,742)	(10,017,014)	(2,045)	(47,912,490)
Bond issuance costs (net of accumulated amortization)	7,994,409	1,412,268	2,314,498	-	11,721,175
Intangible assets (net of accumulated amortization)	122,779,082	-	34,674,412	-	157,453,494
Total non-current assets	217,103,782	21,443,995	68,226,754	7,770	306,782,301
Total assets	252,920,007	31,299,150	79,389,686	113,984	363,722,827
Liabilities					
Current liabilities:					
Accounts payable	536,590	187,644	556,707	1,136	1,282,077
Accrued expenses	66,423	133,018	118,801	799	319,041
Accrued interest payable	4,095,329	525,156	1,965,361	-	6,585,846
Due to other funds	181,824	142,141	70,453	664	395,082
Due to other governments	438,898	-	-	-	438,898
Due to developer	-	-	102,617	-	102,617
Deferred revenue	1,590,664	-	-	19,677	1,610,341
Current installments of revenue bonds payable	6,350,000	1,155,000	1,560,000	-	9,065,000
Total current liabilities	13,259,728	2,142,959	4,373,939	22,276	19,798,902
Non-current liabilities:					
Revenue bonds payable, net	191,645,000	19,530,000	76,910,000	-	288,085,000
Unamortized premium/discounts	(477,739)	-	479,100	-	1,361
Due to developer	1,130,500	-	-	-	1,130,500
Total non-current liabilities	192,297,761	19,530,000	77,389,100	-	289,216,861
Total liabilities	205,557,489	21,672,959	81,763,039	22,276	309,015,763
Net assets					
Invested in capital assets, net of related debt	3,038,923	758,996	(10,722,346)	7,770	(6,916,657)
Restricted for:					
Debt service	1,206,274	851,200	4,881,938	-	6,939,412
Renewal and replacement	7,803,665	1,650,000	1,100,000	25,000	10,578,665
Unrestricted	35,313,656	6,365,995	2,367,055	58,938	44,105,644
Total net assets (deficit)	\$ 47,362,518	9,626,191	(2,373,353)	91,708	54,707,064

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended September 30, 2011

	<u>Major Funds</u>			<u>Non-Major Fund</u>	<u>Total</u>
	<u>RAD</u>	<u>VCSA Water and Sewer</u>	<u>LSSA Water and Sewer</u>	<u>Fitness</u>	
Operating revenues:					
Charges for services:					
Water revenue	\$ -	3,101,201	5,624,019	-	8,725,220
Sewer revenue	-	3,153,697	4,640,565	-	7,794,262
Recreational amenity fees	34,152,882	-	-	-	34,152,882
Fitness recreational	-	-	-	159,414	159,414
Other Income	2,294,149	9,551	543	336	2,304,579
Total operating revenues	<u>36,447,031</u>	<u>6,264,449</u>	<u>10,265,127</u>	<u>159,750</u>	<u>53,136,357</u>
Operating expenses:					
Water and sewer expense	-	3,056,036	2,697,508	-	5,753,544
Recreational expenses	12,128,564	-	-	47,276	12,175,840
General and administrative	4,904,658	1,892	1,720	107,493	5,015,763
Depreciation	2,197,789	1,109,388	1,320,853	981	4,629,011
Amortization	4,793,599	131,434	1,176,031	-	6,101,064
Total operating expenses	<u>24,024,610</u>	<u>4,298,750</u>	<u>5,196,112</u>	<u>155,750</u>	<u>33,675,222</u>
Operating income	<u>12,422,421</u>	<u>1,965,699</u>	<u>5,069,015</u>	<u>4,000</u>	<u>19,461,135</u>
Non-operating revenue (expenses):					
Interest earnings	237,013	6,839	8,275	101	252,228
Net increase (decrease) in fair value of investments	572,133	3,246	1,749	-	577,128
Gain (loss) on investments	281,813	17,490	2,376	-	301,679
Investment earnings	<u>1,090,959</u>	<u>27,575</u>	<u>12,400</u>	<u>101</u>	<u>1,131,035</u>
Debt interest payments	(10,499,748)	(1,050,312)	(3,896,640)	-	(15,446,700)
Disposition of fixed assets	6,828	-	(6,704)	-	124
Contributions and donations from private sources	2,117	-	897	-	3,014
Total non-operating revenue (expenses)	<u>(9,399,844)</u>	<u>(1,022,737)</u>	<u>(3,890,047)</u>	<u>101</u>	<u>(14,312,527)</u>
Change in net assets	3,022,577	942,962	1,178,968	4,101	5,148,608
Total net assets (deficit), beginning	44,339,941	8,683,229	(3,552,321)	87,607	49,558,456
Total net assets (deficit), ending	<u>\$ 47,362,518</u>	<u>9,626,191</u>	<u>(2,373,353)</u>	<u>91,708</u>	<u>54,707,064</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2011

	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Cash flows from operating activities:					
Receipts from customers	\$ 36,215,594	6,316,166	10,239,976	161,085	52,932,821
Receipts from other funds	-	81,097	26,990	-	108,087
Payments to suppliers	(19,721,933)	(3,087,863)	(2,689,489)	(109,424)	(25,608,709)
Payments to employees	-	-	-	(47,276)	(47,276)
Net cash provided (used) by operating activities	<u>16,493,661</u>	<u>3,309,400</u>	<u>7,577,477</u>	<u>4,385</u>	<u>27,384,923</u>
Cash flows from capital and related financing activities:					
Contributions from others	2,117	-	-	-	2,117
Principal payments on bonds	(6,125,000)	(1,100,000)	(1,515,000)	-	(8,740,000)
Impact fee payments to developer	-	-	40,274	-	40,274
Interest paid	(10,070,882)	(947,753)	(3,862,002)	-	(14,880,637)
Net cash (used in) provided by capital and related financing activities	<u>(16,193,765)</u>	<u>(2,047,753)</u>	<u>(5,336,728)</u>	<u>-</u>	<u>(23,578,246)</u>
Cash flows from investing activities:					
Payments from notes receivable	2,418,649	-	-	-	2,418,649
Payment for capital assets	(5,761,342)	(168,916)	(211,186)	-	(6,141,444)
Donations	-	-	897	-	897
Proceeds from sale of capital assets	6,828	-	-	-	6,828
Purchase of investments	546,054	(1,520,736)	(2,004,125)	-	(2,978,807)
Investment earnings	873,469	27,756	12,877	101	914,203
Net cash provided (used) by investing activities	<u>(1,916,342)</u>	<u>(1,661,896)</u>	<u>(2,201,537)</u>	<u>101</u>	<u>(5,779,674)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,616,446)</u>	<u>(400,249)</u>	<u>39,212</u>	<u>4,486</u>	<u>(1,972,997)</u>
Cash and cash equivalents, beginning of year	16,160,029	4,758,185	6,939,121	101,227	27,958,562
Cash and cash equivalents, end of year	<u>14,543,583</u>	<u>4,357,936</u>	<u>6,978,333</u>	<u>105,713</u>	<u>25,985,565</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net assets:					
Cash per statement of net assets:					
Unrestricted cash and cash equivalents	2,526,648	2,341,283	2,824,798	105,713	7,798,442
Restricted cash and cash equivalents - current	10,886,435	1,697,002	4,050,920	-	16,634,357
Restricted cash and cash equivalents - non-current	1,130,500	319,651	102,615	-	1,552,766
Cash and cash equivalents	<u>14,543,583</u>	<u>4,357,936</u>	<u>6,978,333</u>	<u>105,713</u>	<u>25,985,565</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	12,422,421	1,965,699	5,069,015	4,000	19,461,135
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,197,789	1,109,388	1,320,853	982	4,629,012
Amortization	4,271,263	-	1,083,451	-	5,354,714
Cash provided by (used in) changes in:					
Accounts receivable	(184,596)	45,400	(29,642)	(196)	(169,034)
Due from/to developer (net)	(238)	-	-	(5)	(243)
Interfund balances (net)	(163,316)	3,533	-	(1,686)	(161,469)
Intergovernmental balances (net)	83,089	81,097	26,990	-	191,176
Inventory	-	432	(6,559)	-	(6,127)
Prepaid expenses	1,808	136,421	5,993	-	144,222
Accounts payable and accrued liabilities	(2,167,945)	(32,570)	107,376	(241)	(2,093,380)
Deferred revenue	33,386	-	-	1,531	34,917
Net cash provided by operating activities	<u>\$ 16,493,661</u>	<u>3,309,400</u>	<u>7,577,477</u>	<u>4,385</u>	<u>27,384,923</u>

See accompanying notes to basic financial statements

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
September 30, 2011

		<u>Beyond the Stars Agency Fund</u>
Assets:		
Cash and cash equivalents	\$	43,749
Investments		108
Total assets		<u>43,857</u>
Liabilities:		
Due to Beyond the Stars beneficiaries		43,857
Total liabilities	\$	<u>43,857</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Village Center Community Development District (the District) was established in 1992 to manage and finance basic services for a community development district located in The Villages, Florida. The District is governed by a five-member Board of Supervisors who are elected on a rotating basis by the landowners within the District for terms from two to four years. The District was created by the Town of Lady Lake, Florida, in Ordinance No. 92-06, pursuant to the provisions of Chapter 190.005 of the *Florida Statutes*, and operates within the criteria established by Chapter 190.

The District provides water and sewer utility services, recreation, security services, fire protection and paramedic services to residents of a retirement community known as The Villages, located in The Villages, Florida. The Villages consists of approximately 21,458 acres spanning the borders of Lake, Sumter and Marion Counties, the City of Wildwood and the Town of Lady Lake, Florida, and when fully developed, is expected to include 55,761 residences and approximately 106,000 residents. The District also provides for the maintenance of common areas and roadways for the commercial areas within the District's boundaries. The Villages of Lake-Sumter, Inc. (Developer) developed The Villages. As of September 30, 2011, four of the five members of the Board of Supervisors are employees of or affiliated with the Developer.

There are no component units that are legally separate from the District. There are twelve Community Development Districts (CDD's) 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, security services, fire protection and paramedic services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Sumter Landing CDD (Sumter County) – This CDD provides recreation and security services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Village CDD No. 1 (Sumter County) – This CDD's boundary consists of approximately 993 acres in the northeast corner of the county. The development included construction of 3,420 residential units.
- Village 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 CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

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

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

The North Sumter Utility Dependent District (NSCUDD) was formed by Sumter County in July 2010 pursuant to Chapter 189, Florida Statutes, as a single purpose government to acquire the privately owned North Sumter Utility Company, LLC and the Village Water Conservation Authority, LLC. These two companies operated the potable water and sewage systems and the non-potable irrigation system, respectively, for the portion of The Villages bounded by CR 466 on the north, CR 466A on the south, the Lake County line on the east and the boundary of The Villages on the west. On December 7, 2010, NSCUDD purchased the utilities previously owned by the two private companies. The Villages Community Development District, through

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

an interlocal agreement with the Sumter Landing Community Development District provides certain administrative, accounting and financial management, operational and other support to NSCUDD.

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

(b) Basic Financial Statements

Government-wide and Fund Financial Statements

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

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

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

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

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

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

Restricted net assets are assets that have third party (statutory, bond covenant or granting agency) or enabling legislation limits on their use. The District would typically use restricted

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(b) Basic Financial Statements

Restricted net assets (continued)

assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted net assets represent net assets not included in *Invested in capital assets, net of related debt* or *Restricted net assets*.

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

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

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

The following are the District's major governmental funds:

General Fund

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

Public Safety Special Revenue Fund

The District's second major governmental fund is the Public Safety Special Revenue Fund, which is used to account for all financial resources of the Public Safety Department.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

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

Rolling Acres Special Revenue Fund

This fund is used to account for all financial resources, including special assessments, related to the maintenance of facilities in the Rolling Acres Plaza commercial area, a major retail center in The Villages.

Road Maintenance Special Revenue Fund

This fund is used to account for all financial resources, including special assessments, related to the maintenance of roads and rights-of-way facilities in the commercial areas of The Villages.

Community Standards Special Revenue Fund

This special revenue fund is used to account for those services related to deed compliance within The Villages. Any fines levied are also accounted for within this fund.

The following are the District's three major enterprise funds, a type of proprietary fund:

Recreation Amenities Division (RAD) Fund

The principal operating revenues of the District's RAD fund are charges to customers for amenity fee based services, including recreation and security.

Village Center Service Area (VCSA) Utility Fund

The principal operating revenues of the District's VCSA Utility fund are charges to customers for water and waste water services. VCSA Utility's operating fund is used to account for all costs of providing services on a continuing basis to customers located in the Lake County portion of The Villages, and a portion of District No. 1 residential areas in Sumter County.

Little Sumter Service Area (LSSA) Utility Fund

The principal operating revenues of the District's LSSA Utility fund are charges to customers for water and waste water services. LSSA Utility's operating fund is used to account for all costs of providing services on a continuing basis in the residential areas located in District Nos. 1 (portion), 2, 3, and 4, along with associated commercial areas.

The following fund is the only non-major enterprise fund within the District:

Fitness Enterprise Fund

This fund provides for the accounting of all resources for the operation of the fitness center located at the Mulberry Grove recreation center.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

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

Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District uses enterprise funds, a type of proprietary funds, to account for the operations and maintenance of the water and sewer utility systems, the fitness centers, and the Recreation Amenities Division (RAD) that are financed and operated in a manner similar to private business enterprises, where the costs of providing services on a continuing basis are financed through user charges.

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

Additionally, the District reports on the following fund type:

Fiduciary fund - The Beyond the Stars Agency Fund accounts for the voluntary donations made by District employees for the benefit of needy employees and their families. This fund is not reflected in the government-wide financial statements because the resources of the fund are not available to support the District's own programs. The accounting used for this fund is much like that used for proprietary funds.

(d) *Budgetary Data*

Legal authority and control are established in accordance with Section 190.008 of Florida Statutes. Annual budgets are adopted and approved by the Board of Supervisors. Annual budgets, as well as subsequent amendments, are adopted for all funds on a basis consistent with GAAP.

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

(e) *Deposits and Investments*

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

- Money Market Mutual Funds
- Demand Deposits

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(e) Deposits and Investments (continued)

- Florida State Board of Administration's Local Government Investment Pool (SBA LGIP).

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

In May 2008, the District transferred amounts approximately equal to its long-term reserved fund balances (less debt service reserves maintained with the bond trustee) into the Florida Municipal Investment Trust (FMIVT) operated by the Florida League of Cities. The investment was placed into the FMIVT 1-3 Year High Quality Bond Fund. In September 2009, the District also opened accounts for some funds in the FMIVT 0-2 Year High Quality Bond Fund. In September 2010, the District opened accounts with the Florida Local Government Investment Trust (FLGIT), sponsored by the Florida Association of Counties and the Florida Association of County Clerks. Approximately half of the balances in the FMIVT 0-2 Year High Quality Bond Fund were transferred to the FLGIT fund. The FLGIT fund has an investment portfolio similar in duration to the FMIVT 1-3 Year High Quality Bond Fund. In December 2010 approximately half of the account balances in the FMIVT 1-3 Year High Quality Bond Fund

were also transferred into the FLGIT fund accounts. This change was done to improve liquidity, enhance diversification and slightly improve yield. The investment in these pools is evidenced by shares which are marked to market monthly.

(f) Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of capital assets is computed using the straight-line method. Estimated useful lives of the assets are as follows:

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

(g) Intangible Assets

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

(h) Compensated Absences

It is the District's policy to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(i) *Bond Discounts, Bond Premiums and Issuance Costs*

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

(j) *Use of Estimates*

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

(k) *Restricted Assets – Proprietary Funds*

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

The resolutions authorizing both the utility and recreational revenue bonds require that the District establish sinking fund and reserve accounts in amounts that equal the Reserve Account Requirements, which are defined in the Bond Trust Indentures.

In addition, the bond resolutions require that a renewal and replacement reserve be established. The renewal and replacement reserve deposits are maintained as restricted assets until such time as needed to fund those necessary water and sewer system renewals and replacements.

The utility bond resolutions further require that the District deposit all system development charges promptly, upon receipt thereof, in the System Development Charges account. These funds shall be accumulated and applied by the District in accordance with the provisions of the Bond Trust Indentures. Certain of these assets are reimbursed to the Developer by the Little Sumter Service Area Utility Fund.

(l) *Accounts and Notes Receivable*

Accounts and notes receivable in the proprietary funds consists of amounts due on amenity contracts, charges for water and sewer, and amounts owed by the developer as a portion of the settlement agreement. For uncollectible accounts receivable, the allowance method is used.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(m) *Other Pay and Employee Benefits (OPEB)*

In fiscal year 2011, the Village Center Community Development District (VCCDD) is the only District of the twelve that comprise the local government for The Villages that has employees, who are assigned to two payrolls. One payroll is for Public Safety Department employees and the other covers the general employees of the Districts and elected officials.

The benefits provided by the District to current employees consist of accrued vacation leave, which is calculated and recorded as a compensated absence liability, group health and life insurance policies, and participation in an IRS Section 401(a) defined contribution retirement plan. Contributions to the group health and life insurance plans and the Section 401(a) plan cease upon separation of an employee from the District, including retirement. No benefits are provided to retired employees of the District. The VCCDD Section 401(a) retirement plan provides for a normal retirement age of 65. No early retirement option is provided by the District's plan. Although an employee separating at an earlier age, with vested balances in the plan may withdraw those balances at or subsequent to separation, the employee is not considered a retiree of the District unless the person has reached the normal retirement age of the District (age 65) and has a vested balance in the 401(a) retirement plan.

Chapter 112.0801(1), Florida Statutes requires any local government, including special districts, which provides life, health, accident, hospitalization, or annuity insurance of any kind through group insurance plans, to make available to its officers and employees and their eligible dependents, the option of continuing to participate in such group insurance plan following retirement. The premium cost may be no higher than the cost of insurance applicable to active employees. For retired employees, and their eligible dependents, the cost of any such continued participation in any type of plan may be paid by the employer or the retired employee. The District does not contribute to this cost, so any such cost must be paid by the retired employee. The District has approximately 217 eligible full-time employees and their dependents in the group health and life insurance plans. Since inception of the group health and life insurance plan in 1997, no retired employee or their dependent has ever requested to continue participation in the group health and life insurance plans. Due to the District's normal retirement age being 65, with no early retirement option, and the fact that persons eligible for employment and retirement with the District are also eligible to apply for and receive Medicare coverage at a cost that is substantially less than the current cost to participate in the District's group health and life insurance plans, it is not anticipated that any future retiree will apply to participate in the plan as currently constituted. Therefore, no material OPEB liability is recognized or recorded for the District.

(n) *Implementation of GASB 54*

The Governmental Accounting Standards Board (GASB) has promulgated Statement No. 54, entitled Fund Balance Reporting and Governmental Fund Type Definitions. This new standard makes two major changes to the accounting for governmental funds. It is effective for all fiscal periods beginning after June 15, 2010. The District advance implemented this standard in the past fiscal year. The statement is designed to do two things. First, it clarifies the definition of what activities are to be reported within different types of governmental funds (general fund,

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies (continued)

(n) Advance implementation of GASB 54 (continued)

special revenue fund type, capital project fund type, debt service fund type and permanent fund type). No changes were required by the District based on this standard clarification.

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

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

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

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

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.

(2) Stewardship, Compliance and Accountability

Deficit Net Assets

The District's Little Sumter Service Area (LSSA) Utility Fund reported accumulated negative net assets for the year ended September 30, 2011 and September 30, 2010 of \$2,373,353 and \$3,552,321, respectively. The utility has migrated to a conservation rate structure supported by the Southwest Florida Water Management District in fiscal year 2008-2009 and implemented a 3.94 percent inflation-based rate adjustment in October 2008. A rate sufficiency study was completed in August 2009 that provided for an annual rate increase of 2.5 percent beginning on October 1, 2010 and each of the subsequent four years. These adjustments resulted in the operating revenue covering expenses in each of the past three years. In fiscal years 2010-2011 and 2009-2010, the utility had positive increases in net assets of \$1,178,968 and \$274,776, respectively. In fiscal year 2010-2011, the utility met its required bond debt service coverage as provided for in the Indenture of Trust. Management also believes that the LSSA Water and Sewer Utility Fund's cash flows will be sufficient to fund its operations and debt service requirements in the future.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2011

(3) Deposits and Investments

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

<u>Deposits and Investment Type</u>	<u>Fair Value at September 30, 2010</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Cash on Hand	\$ 3,560	-	n/a
Demand Deposits, CFB	3,288,825	1.0	n/a
Local Government Investment Pool, SBA	6,721,066	38.3	AAAm
U.S. Bank Money Market Mutual Funds, Federated	8,367,442	33.0	AAAm
U.S. Bank Money Market Mutual Funds, Fidelity	9,819,683	41.0	AAAm
Bond Fund, FLGIT	14,072,439	620.5	AAAf/S1
0-2 Year High Quality Bond Fund, FMIvT	6,518,486	266.5	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	6,010,159	598.6	AAA/v2
Metlife Annuity Investment	13,297,485	1,840.6	AA-
Total Fair Value	\$ 68,099,145		
Less: Fiduciary Fund Cash & Cash Equivalent Balances	43,857		
Basic Financial Statement Balances	\$ 68,055,288		
Portfolio Weighted Average Maturity (WAM)		579.8	

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, Weighted Average Maturity (WAM), duration, and simulation model. The District has used the WAM method in the above chart. In accordance with the District's investment policy, the government manages its exposure to decline in fair values by limiting the WAM of its investment portfolio to less than three years. The WAM on September 30, 2011 was 579.8 days (1.59 years).

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)). Fitch provides the ratings for FMIvT 0-3 Year High Quality Bond Fund, while S&P provides the ratings for the U.S. Bank money market funds (Federated Prime and Fidelity Prime), Florida Local Government Investment Trust (FLGIT), FMIvT 0-2 Year High Quality Bond Fund and the SBA investment pool.

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

The District's investments consist of funds placed with five entities:

- The State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47,

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(3) Deposits and Investments (continued)

Credit Risk. (continued)

Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value which is amortized cost.

- Trust balances related to restricted debt service accounts are maintained with U.S. Bank and are invested in Federated Prime Cash Obligations Fund and Fidelity Prime Fund since August 1, 2010.
- The District has investments consisting of funds placed with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIVT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. The District owns shares in the 0-2 Year High Quality Bond Fund and the 1-3 Year High Quality Bond Fund, pools operated by the FMIVT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2011 the FMIVT had recognized unrealized losses of a net amount of (\$238,196) and realized gains of \$305,085, for a net gain in the year of \$66,889. These realized gains and unrealized losses occurred due to the sale of a portion of the underlying shares in the FMIVT pools.
- On May 13, 2008, The Villages of Lake Sumter, Inc. (VLS) obtained an annuity contract with MetLife, Inc. with an initial balance of \$10,961,776.79, and provided it to the Village Center Community Development District (VCCDD) as sole beneficiary of the annuity contract proceeds. Provision of this annuity contract was required in the litigation settlement agreement among VLS, VCCDD and residents of The Villages. This annuity provides interest earnings at a rate of 5.87 percent with payments in various amounts due annually on December 31, 2013 through December 31, 2020, and totaling \$17,124,200. As of September 30, 2011, the annuity contract was valued at \$13,297,485, including accrued interest. MetLife is rated A+ by A.M. Best, AA- by Standard & Poor's, Aa3 by Moody's and AA- by Fitch. The Standard & Poor's rating is shown in the above schedule. The unrealized gain in FY 2010-2011 was \$731,881.
- The District initiated investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Association of County Clerks, on September 2, 2010. Initially amounts were moved from the FMIVT 0-2 Year High Quality Bond Fund to establish the FLGIT investment. Additional amounts were moved in December 2010 from the FMIVT 1-3 Year High Quality Bond Fund into the FLGIT accounts. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes and the District's investment policy. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2011, the FLGIT account had achieved unrealized gains of \$91,457. The unrealized gains would only be realized if the underlying shares in the FLGIT pool are sold.
- In total, the District recognized an investment gain of \$1,148,122 during the fiscal year.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements
September 30, 2011

(3) Deposits and Investments (continued)

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

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

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

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

Investment Policy

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

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01 Florida Statutes.
- Securities and Exchange Commission registered money market mutual funds with the highest credit quality rating from a nationally-recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02 Florida Statutes.
- Direct obligations of the United States Treasury.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(3) Deposits and Investments (continued)

Investment Policy (continued)

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

(4) Capital Assets

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
Governmental activities:					
Assets not being depreciated:					
Land	\$ -	1,002,500	-	-	1,002,500
Construction in progress	1,478,517	1,257,466	-	(1,236,671)	1,499,311
Total assets not being depreciated	<u>1,478,517</u>	<u>2,259,966</u>	<u>-</u>	<u>(1,236,671)</u>	<u>2,501,811</u>
Assets being depreciated:					
Building	-	3,545,215	-	-	3,545,215
Furniture & fixtures	4,228,519	238,331	-	1,165,356	5,632,207
Infrastructure	33,130	93,456	-	-	126,586
Leasehold improvements	383,952	-	-	71,315	455,267
Total assets being depreciated	<u>4,645,602</u>	<u>3,877,002</u>	<u>-</u>	<u>1,236,671</u>	<u>9,759,274</u>
Total assets	<u>6,124,119</u>	<u>6,136,967</u>	<u>-</u>	<u>-</u>	<u>12,261,086</u>
Less accumulated depreciation for:					
Building	-	-	-	-	-
Furniture & fixtures	(1,500,619)	(409,788)	-	-	(1,910,407)
Infrastructure	(138)	(4,722)	-	-	(4,860)
Leasehold improvements	(20,264)	(16,067)	-	-	(36,331)
Total accumulated depreciation	<u>(1,521,021)</u>	<u>(430,577)</u>	<u>-</u>	<u>-</u>	<u>(1,951,598)</u>
Governmental activities capital assets, net	<u>4,603,098</u>	<u>5,706,390</u>	<u>-</u>	<u>-</u>	<u>10,309,488</u>
Business activities:					
Assets not being depreciated:					
Land	9,777,175	939	-	-	9,778,114
Construction in progress	4,198,237	5,534,830	-	(8,010,673)	1,722,395
Total assets not being depreciated	<u>13,975,412</u>	<u>5,535,769</u>	<u>-</u>	<u>(8,010,673)</u>	<u>11,500,508</u>
Assets being depreciated:					
Buildings and structures	60,224,890	111,543	-	-	60,336,433
Infrastructure	84,617,915	403,887	(9,354)	8,010,673	93,023,121
Leasehold improvements	9,815	-	-	-	9,815
Furniture & fixtures	3,646,691	90,244	(56,554)	-	3,680,381
Total assets being depreciated	<u>148,499,311</u>	<u>605,674</u>	<u>(65,908)</u>	<u>8,010,673</u>	<u>157,049,750</u>
Total assets	<u>162,474,723</u>	<u>6,141,443</u>	<u>(65,908)</u>	<u>-</u>	<u>168,550,258</u>
Less accumulated depreciation for:					
Buildings and structures	(14,451,314)	(1,659,873)	-	-	(16,111,187)
Infrastructure	(25,838,910)	(2,788,886)	2,650	-	(28,625,146)
Leasehold improvements	(1,063)	(981)	-	-	(2,044)
Furniture & fixtures	(3,051,396)	(179,272)	56,554	-	(3,174,114)
Total accumulated depreciation	<u>(43,342,683)</u>	<u>(4,629,012)</u>	<u>59,204</u>	<u>-</u>	<u>(47,912,491)</u>
Business activities capital assets, net	<u>119,132,040</u>	<u>1,512,431</u>	<u>(6,704)</u>	<u>-</u>	<u>120,637,767</u>
Total capital assets governmental and business activities:	<u>\$ 123,735,138</u>	<u>7,218,821</u>	<u>(6,704)</u>	<u>-</u>	<u>130,947,255</u>

Government activities depreciation expense of \$430,577 pertains primarily to the Department of Public Safety.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2011

(4) Capital Assets (continued)

Capital assets relating to business-type activities are further detailed as follows:

Recreation Amenities Division (RAD)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
RAD:					
Assets not being depreciated:					
Land	\$ 9,501,252	42	-	-	9,501,294
Construction in progress	4,162,071	5,401,999	-	(7,907,141)	1,656,929
Total assets not being depreciated	<u>13,663,323</u>	<u>5,402,041</u>	<u>-</u>	<u>(7,907,141)</u>	<u>11,158,222</u>
Assets being depreciated:					
Buildings and structures	53,541,751	111,543	-	-	53,653,294
Infrastructure	18,250,441	247,758	-	7,907,141	26,405,341
Furniture & fixtures	2,243,077	-	(56,554)	-	2,186,523
Total assets being depreciated	<u>74,035,270</u>	<u>359,301</u>	<u>(56,554)</u>	<u>7,907,141</u>	<u>82,245,158</u>
Total assets	<u>87,698,593</u>	<u>5,761,342</u>	<u>(56,554)</u>	<u>-</u>	<u>93,403,381</u>
Less accumulated depreciation for:					
Buildings and structures	(12,322,013)	(1,408,643)	-	-	(13,730,656)
Infrastructure	(7,265,908)	(708,045)	-	-	(7,973,952)
Furniture & fixtures	(1,891,534)	(81,101)	56,554	-	(1,916,081)
Total accumulated depreciation	<u>(21,479,453)</u>	<u>(2,197,789)</u>	<u>56,554</u>	<u>-</u>	<u>(23,620,689)</u>
RAD capital assets, net	<u>\$ 66,219,138</u>	<u>3,563,553</u>	<u>-</u>	<u>-</u>	<u>69,782,691</u>

Village Center Service Area (VCSA) Water and Sewer Utility

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
VCSA Water and Sewer:					
Assets not being depreciated:					
Land	\$ 150,312	-	-	-	150,312
Construction in progress	2,275	18,445	-	-	20,720
Total assets not being depreciated	<u>152,587</u>	<u>18,445</u>	<u>-</u>	<u>-</u>	<u>171,032</u>
Assets being depreciated:					
Buildings and structures	1,548,823	-	-	-	1,548,823
Infrastructure	30,986,276	89,506	-	-	31,075,782
Furniture & fixtures	1,128,217	60,964	-	-	1,189,181
Total assets being depreciated	<u>33,663,316</u>	<u>150,470</u>	<u>-</u>	<u>-</u>	<u>33,813,786</u>
Total assets	<u>33,815,903</u>	<u>168,915</u>	<u>-</u>	<u>-</u>	<u>33,984,819</u>
Less accumulated depreciation for:					
Buildings and structures	(1,088,052)	(91,599)	-	-	(1,179,651)
Infrastructure	(11,143,311)	(955,897)	-	-	(12,099,208)
Furniture & fixtures	(931,991)	(61,892)	-	-	(993,883)
Total accumulated depreciation	<u>(13,163,353)</u>	<u>(1,109,388)</u>	<u>-</u>	<u>-</u>	<u>(14,272,742)</u>
VCSA Water and Sewer capital assets, net	<u>\$ 20,652,550</u>	<u>(940,473)</u>	<u>-</u>	<u>-</u>	<u>19,712,077</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(4) Capital Assets (continued)

Little Sumter Service Area (LSSA) Water and Sewer Utility

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending balance</u>
LSSA Water and Sewer:					
Assets not being depreciated:					
Land	\$ 125,611	897	-	-	126,508
Construction in progress	33,891	114,386	-	(103,533)	44,745
Total assets not being depreciated	<u>159,502</u>	<u>115,283</u>	<u>-</u>	<u>(103,533)</u>	<u>171,253</u>
Assets being depreciated:					
Buildings and structures	5,134,315	-	-	-	5,134,315
Infrastructure	35,381,197	66,623	(9,355)	103,533	35,541,998
Furniture & fixtures	275,397	29,280	-	-	304,677
Total Assets being depreciated	<u>40,790,909</u>	<u>95,903</u>	<u>(9,355)</u>	<u>103,533</u>	<u>40,980,990</u>
Total	<u>40,950,412</u>	<u>211,186</u>	<u>(9,355)</u>	<u>-</u>	<u>41,152,242</u>
Less accumulated depreciation for:					
Buildings and structures	(1,041,249)	(159,630)	-	-	(1,200,879)
Infrastructure	(7,429,691)	(1,124,944)	2,651	-	(8,551,984)
Furniture & fixtures	(227,871)	(36,279)	-	-	(264,150)
Total accumulated depreciation	<u>(8,698,811)</u>	<u>(1,320,853)</u>	<u>2,651</u>	<u>-</u>	<u>(10,017,014)</u>
LSSA Water and Sewer capital assets, net	\$ <u>32,251,600</u>	<u>(1,109,667)</u>	<u>(6,704)</u>	<u>-</u>	<u>31,135,229</u>

Capital assets in the Fitness Enterprise Fund total \$9,815 with accumulated depreciation of \$2,045 for a net value of \$7,770.

(5) Intangible Assets

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
RAD:				
Discounted value of amenity fees	\$ 171,440,228	-	-	171,440,228
Less accumulated amortization	<u>(44,389,882)</u>	<u>(4,271,264)</u>	<u>-</u>	<u>(48,661,146)</u>
Intangible assets, net	<u>127,050,346</u>	<u>(4,271,264)</u>	<u>-</u>	<u>122,779,082</u>
LSSA:				
Discounted value of utilities charges	43,338,051	-	-	43,338,051
Less accumulated amortization	<u>(7,580,188)</u>	<u>(1,083,451)</u>	<u>-</u>	<u>(8,663,639)</u>
Intangible assets, net	<u>35,757,863</u>	<u>(1,083,451)</u>	<u>-</u>	<u>34,674,412</u>
Business-type activities total:				
Discounted value of amenity fees	171,440,228	-	-	171,440,228
Discounted value of utilities charges	43,338,051	-	-	43,338,051
Less accumulated amortization	<u>(51,970,070)</u>	<u>(5,354,715)</u>	<u>-</u>	<u>(57,324,785)</u>
Intangible assets, net	\$ <u>162,808,209</u>	<u>(5,354,715)</u>	<u>-</u>	<u>157,453,494</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2011

(6) Interfund Balances

The composition of interfund balances as of September 30, 2011, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	RAD	\$ 3,205
	VCSA	214
	LSSA	103
	Fitness	2
	VOSS	6,182
	Rolling Acres	170
	Road Maintenance	11
	Safety	94
	Community Standards	4
RAD	General Fund	1,122
	VCSA	141,927
	LSSA	63,790
	Fitness	662
	Community Standards	200
VCSA	LSSA	6,559
Safety	RAD	178,618
Total		<u>\$ 402,862</u>

The outstanding balances between funds result from normal monthly reimbursements that were accrued at the end of the fiscal year, September 30, 2011, and in all cases were liquidated by payments in October 2011.

(7) Long-term Debt

Revenue Bonds Payable

Revenue bonds payable consisted of the following:

Recreation Amenities Division Bonds:

\$60,175,000 Recreational Revenue Refunding Bonds, Series 1998A due in annual principal installments ranging from \$2,320,000 to \$3,640,000 through November 2022 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 rates range from 4.10% to 5.50%. \$ 36,860,000

\$14,220,000 Recreational Revenue Bonds, Series 1999A due in annual principal installments ranging from \$415,000 to \$5,035,000 through November 2023 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 rates range from 3.9% to 5.0%. 12,485,000

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2011

(7) Long-term Debt (continued)

Revenue Bonds Payable (continued)

Recreation Amenities Division Bonds (continued)

<p>\$36,455,000 Recreational Revenue Bonds, Series 2001A due in annual principal installments ranging from \$840,000 to \$7,310,000 through November 2025 in accordance with the redemption schedule. Interest rates range from 3.25% to 5.20% and interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity.</p>	<p>29,365,000</p>
<p>\$57,250,000 Recreational Revenue Bonds, Series 2003A due in annual principal installments ranging from \$0 to \$10,110,000 through November 2032 in accordance with the redemption schedule. Interest rate is 5.0% and interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity.</p>	<p>57,250,000</p>
<p>\$39,425,000 Recreational Revenue Bonds, Series 2004A due in annual principal installments ranging from \$0 to \$12,110,000 through November 2036 in accordance with the redemption schedule. Interest rates are 5.125% to 5.375% and interest is due semi-annually on May 1 and November 1 of each year until redemption or maturity.</p>	<p>39,425,000</p>
<p>\$5,755,000 Subordinate Recreational Revenue Bonds, Series 1998B due in annual principal installments ranging from \$335,000 to \$470,000 through January 2017 in accordance with the redemption schedule. Interest at 8.25% is due semi-annually on January 1 and July 1 of each year until redemption or maturity.</p>	<p>2,520,000</p>
<p>\$5,340,000 Subordinate Recreational Revenue Bonds, Series 1998C due in annual principal installments ranging from \$215,000 to \$1,005,000 through January 2019 in accordance with the redemption schedule. Interest at 7.375% is due semi-annually on January 1 and July 1 of each year until redemption or maturity.</p>	<p>3,665,000</p>
<p>\$7,665,000 Subordinate Recreational Revenue Bonds, Series 1999B due in annual principal installments ranging from \$880,000 to \$910,000 through January 2013 in accordance with the redemption schedule. Interest at 6.25% is due semi-annually on January 1 and July 1 of each year until redemption or maturity.</p>	<p>1,790,000</p>
<p>\$7,005,000 Subordinate Recreational Revenue Bonds, Series 2003B due in annual principal installments ranging from \$0 to \$2,420,000 through January 2018 in accordance with the redemption schedule. Interest at 6.35% is due semi-annually on January 1 and July 1 of each year until redemption or maturity.</p>	<p>7,005,000</p>
<p>\$11,160,000 Subordinate Recreational Revenue Bonds, Series 2004B due in annual principal installments ranging from \$1,320,000 to \$2,475,000 through January 2015 in accordance with the redemption schedule. Interest at 5.875% is due semi-annually on January 1 and July 1 of each year until redemption or maturity.</p>	<p>7,630,000</p>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(7) Long-term Debt (continued)

Revenue Bonds Payable (continued)

VCSA Utility Revenue Bonds

\$25,465,000 Utility Revenue Refunding Bonds, Series 1998A due in annual principal installments ranging from \$945,000 to \$1,720,000 through October 2023 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 3.60% to 5.25%.

16,920,000

\$5,690,000 Subordinate Utility Revenue Bonds, Series 1998B due in annual principal installments ranging from \$210,000 to \$385,000 through October 2023 in accordance with the redemption schedule. Interest rates range from 3.65% to 5.25%. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity.

3,765,000

LSSA Utility Revenue Bonds

\$86,400,000 Utility Revenue Bonds, Series 2003 due in annual principal installments ranging from \$1,560,000 to \$5,230,000 through October 2036 in accordance with the redemption schedule. Interest is due semi-annually on April 1 and October 1 of each year until redemption or maturity. Interest rates range from 5.00% to 5.25%.

78,470,000

Total revenue bonds payable	\$ 297,150,000
Plus bond premium	800,283
Less bond discount	(798,923)
Less current installment of revenue bonds payable	<u>(9,065,000)</u>
Revenue bonds payable less current installments	<u>\$ 288,086,360</u>

The Recreational Revenue Bonds, Series 1998A, 1998B, 1998C, 1999A, 1999B, 2001A, 2003A, 2003B, 2004A, and 2004B are secured by a lien and pledge of amenity fees and other revenues under the indentures which are derived by the District from the users of the recreational facilities. These bonds and notes are additionally secured by amounts on deposit in the funds and accounts created pursuant to the indentures. The Recreational Revenue Bonds, Series 1998B, 1998C, 1999B, 2003B and 2004B are secured by a lien and pledge of amenity fees and other revenues which is junior and subordinate to the lien and pledge of revenues on the Recreational Revenue Bonds, Series 1998A, 1999A, 2001A, 2003A and 2004A.

The Utility Revenue Bonds, Series 1998A and 1998B are secured by a lien and pledge of the revenues under the indenture which are derived by the District from the fees and charges for water and wastewater services in the Village Center Service Area (VCSA). The Utility Revenue Bonds, Series 1998B are secured by a lien and pledge of revenues which is junior and subordinate to the lien and pledge of revenues on the Utility Revenue Bonds, Series 1998A.

The Utility Revenue Bond, Series 2003 is secured by a lien and pledge of the revenues under the indenture which is derived by the District from the fees and charges for water and wastewater services in the Little Sumter Service Area (LSSA).

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(7) Long-term Debt (continued)

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2012	9,065,000	15,162,126	24,227,126
2013	9,560,000	14,664,197	24,224,197
2014	10,090,000	14,135,641	24,225,641
2015	10,640,000	13,571,573	24,211,573
2016	10,560,000	12,984,500	23,544,500
2017-2021	52,085,000	56,098,338	108,183,338
2022-2026	52,875,000	42,807,010	95,682,010
2027-2031	55,245,000	29,817,013	85,062,013
2032-2036	69,690,000	13,715,053	83,405,053
2037	17,340,000	441,069	17,781,069
Total	\$ <u>297,150,000</u>	<u>213,396,519</u>	<u>510,546,519</u>

Due to Developer – Recreational Capital Assets

Subordinate debt service reserve requirements were funded by the recreational revenue bond proceeds. Therefore, this amount was not available for payment to the developer for the purchase of recreation and security facilities. This amount becomes available for payment to the developer when the reserve requirement is reduced as principal payments are made on the debt. Amounts due to the developer as of September 30, 2011 were \$1,130,500.

Capital Leases

The District is obligated under capital leases covering machinery and equipment that expire at various dates through 2014. As of September 30, 2011, the gross amount of machinery and equipment recorded under capital leases was \$298,082 with accumulated depreciation of \$140,453.

Future minimum lease payments (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of September 30, 2011 are:

	<u>Capital Leases Governmental Funds</u>
Fiscal year ending September 30:	
2012	71,862
2013	36,768
2014	36,768
Total minimum lease payments	145,398
Less interest	9,994
Net present value	\$ <u>135,404</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements
September 30, 2011

(7) Long-term Debt (continued)

Loans Payable

District loans payable related to the District's governmental activities consisted of the following:

Loan payable to bank, secured by fire and safety equipment, principal and interest payments due monthly, interest fixed at 4.30% for five years and then adjusted to 70% of lenders prime rate, maturing February 28, 2015.	\$	<u>309,237</u>
Total loans payable		309,237
Less current installments of loan payable		<u>88,095</u>
Long-term portion of loans payable	\$	<u><u>221,142</u></u>

The annual requirements to amortize the loans payable are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2012	88,095	6,107	94,202
2013	90,116	4,086	94,202
2014	92,183	2,019	94,202
2015	38,844	220	39,064
Total	\$ <u><u>309,237</u></u>	<u><u>12,432</u></u>	<u><u>321,670</u></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:					
Loans payable	\$ 395,261	-	(86,024)	309,237	88,095
Capital leases	198,513	-	(63,109)	135,404	66,036
Note payable	-	3,806,864	(1,000,000)	2,806,864	1,000,000
Compensated absences	239,699	62,170	-	301,869	-
Governmental activities long-term debt	<u>833,473</u>	<u>3,869,034</u>	<u>(1,149,133)</u>	<u>3,553,374</u>	<u>1,154,131</u>
Business-type activities:					
Bonds payable					
RAD	203,990,000	-	(5,995,000)	197,995,000	6,350,000
VCSA Water and Sewer	21,785,000	-	(1,100,000)	20,685,000	1,155,000
LSSA Water and Sewer	79,985,000	-	(1,515,000)	78,470,000	1,560,000
Plus bond discount and deferred amounts	14,049	-	(12,688)	1,361	-
Total bonds payable	<u>305,774,049</u>	<u>-</u>	<u>(8,622,688)</u>	<u>297,151,361</u>	<u>9,065,000</u>
Due to developer - RAD	1,260,500	-	(130,000)	1,130,500	-
Total business-type activities long-term liabilities	<u>307,034,549</u>	<u>-</u>	<u>(8,752,688)</u>	<u>298,281,861</u>	<u>9,065,000</u>
Total debt	\$ <u><u>307,868,022</u></u>	<u><u>3,869,034</u></u>	<u><u>(9,901,821)</u></u>	<u><u>301,835,235</u></u>	<u><u>10,219,131</u></u>

The new governmental activities debt was incurred on September 29, 2011 through the purchase of land and a building to house Fire Station No. 44. The total purchase price was \$3,806,864 which

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2011

(7) Long-term Debt (continued)

Changes in Long-term Debt (continued)

included both the land and the building. \$1,000,000 of the purchase price was paid on September 30, 2011 at the closing, resulting in an immediate reduction in the outstanding indebtedness. The remaining balance will be paid in three installments of \$1,000,000, \$1,000,000, and \$806,864, each due by September 30, 2012, 2013, and 2014, respectively. The cost of the fire station will be reimbursed by Sumter County Fire Impact fees as each installment is made.

Pledged Revenues:

The District has pledged certain amenities fee revenue to pay the principal and interest on Recreational Revenue and Utility Revenue Bonds issued to pay for the purchase of recreational and water and sewer utility facilities from the Developer. These Recreational and Utility Revenue Bonds were outstanding on September 30, 2011 as shown below. The table reports the revenues pledged for each debt issue, the amounts of revenue received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds as of September 30, 2011.

Description of Debt	Pledged Revenue	Revenue Received	Principal and Interest Paid	Estimated Percent Pledged	Outstanding Principal and Interest	Pledged Through
Recreational Revenue Bonds, Series 1998A, 1999A, 2001A, 2003A, 2004A, 1998B, 1998C, 1999B, 2003B and 2004B	Business type funds Amenities Fee Revenue and Other Income of RAD Fund	\$ 36,595,326	\$ 16,588,218	45.33%	\$ 341,551,321	2036
Utility Revenue Bonds, Series 1998A and 1998B	Water and Sewer Revenue, VCSA Fund	6,292,024	2,179,188	34.63%	28,163,194	2023
Utility Revenue Bonds, Series 2003	Water and Sewer Revenue, LSSA Fund	10,271,725	5,469,583	53.25%	140,832,004	2036
Fire Station No. 44 Note	Government type funds Fire Impact Fees	1,000,000	1,000,000	100.00%	2,806,864	2014

(8) Related Parties

The District entered into interlocal agreements to provide Village Community Development District No. 1 (District No. 1), Village Community Development District No. 2 (District No. 2), Village Community Development District No. 3 (District No. 3), Village Community Development District No. 4 (District No. 4), Village Community Development District No. 5 (District No. 5), Village Community Development District No. 6 (District No. 6), Village Community Development District No. 7 (District No. 7), Village Community Development District No. 8 (District No. 8), Village Community Development District No. 9 (District No. 9), and Village Community Development District No. 10 (District No. 10) and Sumter Landing Community Development District (Sumter Landing), certain management, finance, and administrative services for fees of \$157,029, \$155,302, \$156,056, \$168,254, \$174,492, \$186,541, \$171,616, \$180,016, \$16,210, \$14,759, and \$5,259,199 respectively, for the fiscal year ended September 30, 2011. Upon action by their respective Boards of Supervisors, District No. 1 through District No. 10 and Sumter Landing District may request additional services as they deem necessary for the efficient and effective management of their

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(8) Related Parties (continued)

respective districts. Such additional services are billed to the benefiting district at the District's cost, and include items such as payroll reimbursement for board members, reimbursement for payment of the investment advisor contract, and office equipment lease and copy costs.

The District has purchased from the Developer classified advertising, building rents, management services, and repair services for \$635,284. In addition, the District reimbursed the Developer \$131,290 for items and services purchased or paid for by the Developer on behalf of the District. The District purchased water, waste water, and irrigation water, paying rates approved by the Public Service Commission, from companies affiliated with the Developer for \$1,842. The District paid bank fees and loan interest to a bank affiliated with the Developer in the amount of \$60,972 and maintained demand deposit accounts with the same bank based on a compensating balance agreement. The District received for no charge from the Developer information system support, including software, hardware and computer programming and internal mail room operations. However, beginning in FY 2011-2012, the District will begin paying for its information system support and will pass these costs on to the other Districts on a proportional basis.

The District purchased the Little Sumter Service Area (LSSA) Utility from a company affiliated with the Developer and per the terms of the sale, has paid Contributions In Aid of Construction (CIAC) receipts to the seller. In February 2005, \$3,145,819 was paid, in March 2006, \$713,381 was paid, in May 2007, \$323,695 was paid, in March 2008, \$1,134,409 was paid, in February 2010, \$1,075,579 was paid and in February 2011, \$62,332 was paid. As of September 30, 2011, the remaining balance of potential additional CIAC proceeds to the Seller is \$401,315 of which \$102,614 has been collected and not yet paid.

The District and the Developer entered into a Utility Option agreement dated September 19, 2008. In the agreement, the District grants the Developer the option to purchase up to 20,000 gallons per day of additional wastewater treatment capacity at Little Sumter Wastewater Treatment Plant in return for a one-time option fee of \$6,820, which represents ten percent (10%) of the total Contribution-in-Aid of Construction (CIAC) if the additional reserved capacity is utilized in the future. The payment of \$6,820, received in September 2009, would be credited against the total CIAC due if the option is exercised. The agreement expires five years from the effective date.

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

The District is governed by a five-member Board of Supervisors. As of September 30, 2011, four of the five members of the Board of Supervisors are employees of or affiliated with the Developer.

(9) Commitments and Contingencies

Operating Leases

The District has entered into seven leases with the Developer for five office buildings and two public safety facilities. The District has also entered into operating leases for office equipment. Each of the building leases has a CPI-based increase scheduled in their renewal month that is not included in the amounts on the next page. In addition, the District has entered into various operating leases for

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(9) Commitments and Contingencies (continued)

copiers and other equipment items as shown below. The future minimum leases payments for these leases are as follows:

Year Ending September 30:	<u>Building Leases</u>	<u>Equipment Leases</u>	<u>Total</u>
2012	751,418	20,273	771,692
2013	381,301	16,637	397,938
2014	355,083	12,295	367,378
2015	302,646	12,295	314,941
2016	302,646	6,677	309,324
2017-2021	588,150	-	588,150
2022-2026	173,996	-	173,996
2027-2031	173,996	-	173,996
2032-2036	139,197	-	139,197
Total	\$ <u>3,168,434</u>	<u>68,177</u>	<u>3,236,611</u>

(10) 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 two years.

(11) Litigation Settlement Agreement and Amenity Authority Committee (AAC)

As part of the litigation settlement agreement between the District, The Villages of Lake Sumter, and Villages residents, an initial payment of \$11,886,151 in cash was received in April 2008. In addition, a total of \$28,021,000 in further payments is due each December for the next thirteen years. The Villages of Lake Sumter provided the District an annuity contract which is held as an investment valued at \$13,297,485 to cover the last eight years of this settlement requirement. The fourth and fifth annual payments are shown as a receivable with a net present value of \$4,220,333 as of September 30, 2011.

As part of the settlement agreement a requirement was established to form an Amenity Authority Committee (AAC) with duties, authority and limitations to be defined in an Interlocal Agreement among the Village Center Community Development District, the Town of Lady Lake, and Village Community Development District Nos. 1, 2, 3 and 4. This Interlocal Agreement dated April 18, 2008 establishes the membership of the AAC including elected representatives from each of the six jurisdictions named above. It establishes the powers and limitations of the AAC in advising and providing direction to the Board of Supervisors of the Village Center Community Development District concerning the receipt and expenditure of amenities fees, settlement proceeds and related funds.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2011

(12) Investment Advisory Committee (IAC)

In December 2007, the Boards of Supervisors of the Village Center Community Development District, Sumter Landing Community Development District and Village Community Development District Nos. 1-8 formed an Investment Advisory Committee, comprised of one member for each District, to provide staff guidance on the Districts' investment strategy and to report back to their respective boards the status of the Districts investments. In January 2009, an eleventh member was added to the committee, with the consent of all ten Districts, to represent the Amenity Authority Committee of the Village Center Community Development District. In July 2011, the committee was expanded to include representatives from the North Sumter County Utility Dependent District and in the future Village Community Development District Nos. 9 and 10 when they achieve investable balances.

(12) Internal Revenue Service (IRS) Audit of Recreation Bonds

On January 7, 2008, the Internal Revenue Service (IRS) notified the Village Center Community Development District (VCCDD) of its intent to audit the \$57,250,000 Village Center Community Development District Recreational Revenue Bonds, Series 2003A, and the \$7,005,000 Village Center Community Development District Recreational Revenue Bonds, Series 2003B. The IRS routinely examines municipal debt issues to determine compliance with Federal tax requirements. In May 2008, the District engaged the services of Mr. Perry Israel, as tax counsel, to represent the District before the IRS. On June 5, 2008, the District provided a Notice of Material Event-IRS Examination, to the bondholders and potential bondholders of CUSIP 92706NCQ4 and 92706NCS0. The Village Center Community Development District (the "Issuer") received on January 23, 2009 three (3) "Notice of Proposed Issues" (collectively, the "Notices") relating to the Internal Revenue Services' (the "IRS") examination of the above referenced bond issue. The conclusions stated in the Notices are as follows: (1) the Issuer does not qualify as a political subdivision or as "an on behalf of issuer" of tax-exempt bonds pursuant to Section 1.103-1(b) of the Internal Revenue Code regulations; (2) the opinions of value do not support the price paid by the Issuer to the developer for the Series 2003 Facilities and the payment of the sales price for the facilities to the developer by the Issuer is not a governmental use of the proceeds of the Bonds; and (3) the Bonds are private activity bonds the interest on which is not excludable under IRS Section 103.

In July 2009, the IRS expanded the scope of the audit to include all recreational and utility revenue bonds issued by the Village Center Community Development District. A further Notice of Material Events-IRS Examination was provided to the secondary market for holders of these additional series of bonds on July 22, 2009.

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

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

Board of Supervisors
Village Center Community Development District
The Villages, Florida

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Village Center Community Development District (the District), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Certified Public Accountants

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Board of Supervisors
Village Center Community Development District
The Villages, Florida

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

We noted certain matters that we reported to management of the District in a separate letter dated February 13, 2012.

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

February 13, 2012
Ocala, Florida

MANAGEMENT LETTER

Board of Supervisors
Village Center Community Development District
The Villages, Florida

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Village Center Community Development District (the District), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated February 13, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and compliance and other matters. Disclosures in those reports, which are dated February 13, 2012, should be considered in conjunction with this management letter.

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

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

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.

Sections 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the District's financial management (see attached management letter comments).

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 (see attached management letter comments).

Certified Public Accountants

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Board of Supervisors
Village Center Community Development District
The Villages, Florida

MANAGEMENT LETTER
(Concluded)

Section 10.554(1)(i)6., *Rules of the Auditor General*, also requires that the name or official title and legal authority for the primary government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See Note 1 of the September 30, 2011, Village Center Community Development District's basic financial statements for this information.

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

Section 10.554(1)(i)7.(b)., *Rules of the Auditor General*, requires that we determined whether the annual financial report for the District for the fiscal year ended September 30, 2011, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports agree.

Pursuant 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

February 13, 2012
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Board of Supervisors
Village Center Community Development District
The Villages, Florida

Status of Prior Year Comments and Recommendations

The Village Center Community Development District (the District) has addressed all prior year comments and recommendations.

Current Year Recommendations

Payroll Time Estimates

During our review of the payroll timekeeping process, it was noted that there is a short time lapse between the end of the payroll period and pay date that requires employees to estimate a portion of their worked time on their timesheets. This estimation process causes the opportunity for errors in payroll if employees do not work the hours that have been submitted. When a difference between actual and estimated time occurs, the responsibility falls on the employee and their supervisor to make the proper adjustments on the following week's timesheet.

We recommend that management consider changing the pay period versus the pay date time frame to allow more time for employees to enter actual time into their timesheet and submit the correct information. Additionally, the District should consider obtaining an automated timekeeping system that is integrated with the payroll software that could assist with the speed and accuracy of this information and processing time.

Wire Transfer Register

During our review of the wire transfer process, we noted that all of the districts initiate multiple wire transfer requests on a monthly basis. These wire transfer requests are a substitute for written checks and are used to transfer funds primarily between accounts and for the payment of goods acquired by specific purchasing cards. However, we noted that there is no central wire transfer register that is kept that would chronologically list wire transfers that have taken place during the month.

We recommend that management develop a wire transfer register for each district that would provide chronological fund transfer information the same information that a check register provides. This register would serve as an additional control over the movement of funds and would assist with providing detailed, consolidated information for the monthly cash reconciliation process.

Certified Public Accountants

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Board of Supervisors
Village Center Community Development District
The Villages, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

Management Succession Plan

The District administration is currently providing all management, finance and accounting functions for Districts No. 1 through No. 10, Village Center Community Development District (VCCDD), Sumter Landing Community Development District (SLCDD), and North Sumter County Utility Dependent District (NSCUDD). Additionally, the District administration is in the process of expanding its scope to with the probability of providing services for the Central Sumter Utility (CSU), a newly formed utility. Based on this information, it is apparent that the management, finance, and accounting function continues to grow both in volume of transactions and complexity as additional Districts are brought on.

During the course of our audit, we also noted that during the year there were turnovers in key staff level accounting positions. These turnovers along with the addition of a new District, NSCUDD, posed challenges and increased pressure for the accounting department to assimilate and stay on schedule with the year-end audit and financial reporting process.

Additionally, we wanted to bring to the attention of the Board, that the Accounting Manager and Finance Director are gradually nearing retirement, which will require administration's evaluation of the department to develop a succession plan to guarantee a smooth and timely transition of department leadership when necessary.

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

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

Purvis, Gray and Company, LLP

February 13, 2012
Ocala, Florida



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

February 13, 2012

Board of Supervisors
Village Center Community Development District
The Villages, Florida 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2010-2011 for Village Center Community Development District. We are proud to report that this audit has an unqualified opinion. There are no material weaknesses or compliance issues identified and reported. All prior year management letter comments have now been corrected to the satisfaction of the auditors and only three new comments have been identified as follows:

Current Year Recommendations

1. Auditor Comment: Payroll Time Estimates

During our review of the payroll timekeeping process, it was noted that there is a short time lapse between the end of the payroll period and pay date that requires employees to estimate a portion of their worked time on their timesheets. This estimation process causes the opportunity for errors in payroll if employees do not work the hours that have been submitted. When a difference between actual and estimated time occurs, the responsibility falls on the employee and their supervisor to make the proper adjustments on the following week's timesheet.

We recommend that management consider changing the pay period versus the pay date time frame to allow more time for employees to enter actual time into timesheet and submit the correct information. Additionally, the District should consider obtaining an automated timekeeping system that is integrated with the payroll software that could assist with the speed and accuracy of this information and processing time.

Management Response: Concur

In August 2011, the District concluded a Request for Proposal (RFP) process to engage a new payroll service provider. Included in this RFP was the acquisition of the licensing rights to an automated timekeeping system. A new vendor, Paylocity LLC, was engaged to replace ADP. The District has moved pragmatically and sequentially in upgrading its payroll system through the following steps:

- In September 2011, the District added a new position of Payroll Administrator in the Finance Department to coordinate the required changes to be made to upgrade the payroll system.
- In October 2011, the District switched payroll providers from ADP to Paylocity.
- In November 2011 to January 2012, the District set up an automated benefits system in the Human Resources (HR) Department that interfaces with the payroll function. This automated benefits system was previously done manually.
- In February/March 2012, the District is inserting a three-day pay period that will change the pay ending date starting March 3, 2012 and thereafter from Wednesday to 2nd Tuesday to a new schedule of Saturday to 2nd Friday. This will allow the expansion of the pay lag from the current 3 days to 7 days, thus ensuring time to complete time cards after the pay period ends and still meet the Friday pay dates.
- In April 2012 and thereafter, the District will be reviewing and considering the steps necessary to implement an automated time and attendance system.

2. Auditor Comment: Wire Transfer Register

During our review of the wire transfer process, we noted that all of the districts initiate multiple wire transfer requests on a monthly basis. These wire transfer requests are a substitute for written checks and are used to transfer funds primarily between accounts and for the payment of goods acquired by specific purchasing cards. However, we noted that there is no central wire transfer register that is kept that would chronologically list wire transfers that have taken place during the month.

We recommend that management develop a wire transfer register for each district that would provide chronological fund transfer information the same information that a check register provides. This register would serve as an additional control over the movement of funds and would assist with providing detailed, consolidated information for the monthly cash reconciliation process.

Management Response: Concur

The Finance Department will implement a control register for each District to assign a control number to each transfer and record the transfer in a log.

3. Auditor Comment: Management Succession Plan

The District administration is currently providing all management, finance and accounting functions for Districts No. 1 through No. 10, Village Center Community Development District (VCCDD), Sumter Landing Community Development District (SLCDD), and North Sumter County Utility Dependent District (NSCUDD). Additionally, the District administration is in the process of expanding its scope with the probability of providing services for the Central Sumter Utility (CSU), a newly formed utility. Based on this information, it is apparent that the management, finance, and accounting function continues to grow both in volume of transactions and complexity as additional Districts are brought on.

During the course of our audit, we also noted that during the year, there are turnovers in key staff level accounting positions. These turnovers along with the addition of a new District, NSCUDD,

posed challenges and increased pressure for the accounting department to assimilate and stay on schedule with the year-end audit and financial reporting process.

Additionally, we wanted to bring to the attention of the Board, that the Accounting Manager and Director are gradually nearing retirement, which will require administration's evaluation of the department to develop a succession plan to guarantee a smooth and timely transition of department leadership when necessary.

Management Response: Concur

Management is aware of the turnovers within the accounting staff as the Districts' financial functions have expanded and become fully staffed. Management is also aware of the need for succession planning and continues to identify alternatives to accomplish a smooth and timely transition when necessary.

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 Center Community Development District continues to set an example for the appropriate management of Community Development Districts as conceived in Chapter 190, Florida Statutes. We would particularly like to commend the staff of the Village 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