



VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2010

(With Independent Auditors' Report Thereon)

Cover Credits:
Groundbreaking Multi-Modal Path Improvements (July 19, 2010)

From Left to Right:

Charles Kazlo, District 4 Supervisor

Paul Kelly, District 4 Vice Chairman

Dick Belles, District 3 Chairman

Art Terrill, District 2 Chairman

Charlie Dunlap, District 1 Chairman

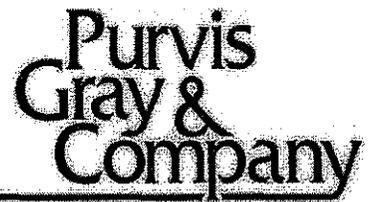
Rich Lambert, AAC Chairman and District 4 Supervisor

Janet Tutt, VCDD District Manager

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Table of Contents

	Page
Financial Section	
Independent Auditors' Report on the Financial Statements	1
Management's Discussion and Analysis (UNAUDITED)	3
Basic Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Safety Special Revenue Fund	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Assets – Fiduciary Fund	20
Notes to Basic Financial Statements	21
Other Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	46
Management Letter	48
Management Letter Comments	50
Management Response Letter	52



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, 2010, 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, 2010, and the respective changes in financial position, budgetary comparison of the General Fund and Special Revenue funds, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the District adopted the provisions of the Governmental Accounting Standards Board Statement (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2010 which provides for clearer fund balance definitions and clarification of uses of governmental funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2011, 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

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Supervisors
Village 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 GASB, 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.

Parris, Gray and Company, LLP

January 28, 2011
Ocala, Florida

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

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 \$6,603,416. The governmental activities recognized an increase of \$2,982,463, primarily in the Public Safety Fund and the addition of the General Fund and Community Standards Special Revenue Fund, discussed below. The business-type activities recognized a net increase of \$3,620,953, with all funds except the Fitness Fund seeing increases. The Recreation Amenities Division (RAD) Fund saw the largest increase of \$2,698,222, with all proprietary funds except the Fitness Fund recognizing increases in net assets.
- On October 1, 2009, the Sumter Landing Community Development District (SLCDD) established its own Fitness Fund to manage the resources of the fitness centers located south of CR 466. This new fund was established to provide for the separate financial operation of the three fitness centers operated by the Sumter Landing and Village Center Districts, based on the respective service areas of the two Districts. The net assets related to the Colony Cottage and Laurel Manor fitness centers were transferred out of the Village Center Community Development District (VCCDD) Fitness Fund to the newly established SLCDD Fitness Fund. This transfer amounted to a reduction in the net assets of the VCCDD Fitness Fund by \$341,883. The Mulberry Grove Fitness Center is the only fitness center remaining in the VCCDD Fitness Fund.
- Two new governmental funds were created as part of the fiscal year 2009-2010 budget. First, a General Fund was created in the District. Many of the general accounting functions now assigned to the General Fund were previously accounted for in the Recreation Amenities Division (RAD) Fund of the Village Center Community Development District. Some of the functions were accounted for in previous years within the Sumter Landing Amenities Division (SLAD) of the SLCDD. Consistent with generally accepted accounting principals (GAAP), the implementation of a General Fund within the VCCDD provides for a more appropriate method of allocating revenues and expenses among the twelve community development districts located in The Villages. This fund provides a single repository for the gathering of overhead and administrative costs which are then distributed to the benefiting entities. GAAP provides for the use of a General Fund as the principal operating fund of a general purpose governmental entity. The fund started the year with a zero fund balance and ended the year with a fund balance of \$682,125. This amount, less an appropriately sized reserve, will be considered as a reduction in the fiscal year 2011-2012 budgetary allocation of future costs.
- The second new fund created in the fiscal year 2009-2010 budget was the Community Standards Fund. This Special Revenue Fund was established to account for the newly authorized Deed Compliance function established pursuant to Chapter 190, Florida Statutes. This fund will address the costs of deed compliance inspection, the establishment and collection of deed compliance fines, and the allocation of these costs to The Villages CDDs benefiting from the services rendered by the deed compliance staff and the decisions made by the District Boards of Supervisors in the adjudication of fines. The fund began the fiscal year with a zero fund balance and ended the year with a fund balance of \$98,753.
- At the close of the fiscal year, the District's governmental funds reported a fund balance of \$4,172,616, a net increase of \$1,542,387 compared to the prior year.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

- The District's proprietary funds realized an increase in net assets of \$3,620,953. All funds except the Fitness Fund saw increases to net assets, with the RAD Fund increasing by \$2,698,222. The Fitness Fund gained \$49,920 as a result of operations during the year, but this was offset by the transfer out to SLCDD of \$341,883. The Village Center Service Area (VCSA) and Little Sumter Service Area (LSSA) water and sewer funds both had increases to net assets of \$939,919 and \$274,776, respectively.
- A rate review of the VCSA was completed in August 2010 to ensure debt service coverage requirements in the 1998 Utility Bonds are met. The review provided for annual rate increases of 2.5 percent effective October 1, 2010 and each year thereafter for a period of ten years. The LSSA utility had a rate review in the previous year (August 2009) that also resulted in annual rate increases of 2.5 percent effective beginning October 1, 2010.
- The District's total debt decreased by \$7,571,982 during the current fiscal year. The decrease relates to principal payments made on outstanding revenue bonds and loans during the year ended September 30, 2010. No new debt was incurred.

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 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, like other state and local

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

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*.

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

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 \$57,500,697 as of September 30, 2010, representing an increase of \$6,603,416 from the net assets of \$50,897,281 as of September 30, 2009. The increase in net assets for September 30, 2010 is due mainly to increased charges for services revenues. At the same time there were smaller increases in recreational, public safety, water and sewer expenses, and a reduction in interest expenses.

The District's net assets are categorized as follows, as of September 30, 2010:

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, on the next page, reflects the summary statement of net assets for the current and prior years.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Management's Discussion and Analysis
(UNAUDITED)
September 30, 2010

Table 1

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2010	2009	2010	2009	2010	2009
Assets:						
Current assets	\$ 4,356,508	2,663,983	32,504,768	34,052,852	36,861,276	36,716,835
Restricted assets	298,766	178,670	23,144,458	18,897,262	23,443,224	19,075,932
Amenity settlement assets	-	-	6,412,156	8,478,364	6,412,156	8,478,364
Investment in annuity	-	-	12,565,604	11,813,159	12,565,604	11,813,159
Bond issuance costs (net of accumulated amortization)	-	-	12,467,525	13,213,874	12,467,525	13,213,874
Capital assets, (net of accumulated depreciation)	4,603,098	3,142,029	119,132,040	118,658,581	123,735,138	121,800,610
Intangible assets, (net of accumulated amortization)	-	-	162,808,209	168,162,924	162,808,209	168,162,924
Total Assets	9,258,372	5,984,682	369,034,760	373,277,016	378,293,132	379,261,698
Liabilities:						
Current liabilities	880,340	440,394	21,051,755	11,984,362	21,932,095	12,424,756
Long-term liabilities	435,790	584,509	298,424,550	315,355,152	298,860,340	315,939,661
Total Liabilities	1,316,130	1,024,903	319,476,305	327,339,514	320,792,435	328,364,417
Net assets:						
Invested in capital assets, net of related debt	4,009,324	2,381,004	6,961,161	(13,484,975)	10,970,485	(11,103,971)
Restricted	-	2,578,775	14,437,411	13,014,412	14,437,411	15,593,187
Unrestricted	3,932,918	-	28,159,883	46,408,065	32,092,801	46,408,065
Total net assets	\$ 7,942,242	4,959,779	49,558,455	45,937,502	57,500,697	50,897,281

Governmental Activities

Governmental activities increased the District's net assets by \$2,982,463 during the year ended September 30, 2010. Most of this increase occurred in the Public Safety Department, along with the addition of the new General Fund and Community Standards Special Revenue Fund.

Business-type Activities

Business-type activities increased the District's net assets by approximately \$3,620,953 during the year ended September 30, 2010. All except the Fitness Fund among the four proprietary funds contributed to this increase in net assets.

Table 2, on the next page, reflects the summary statement of activities for the current and prior years.

Capital Assets

The District's capital assets as of September 30, 2010 and 2009 amounted to \$123,735,138 and \$121,800,610, respectively. This is net of accumulated depreciation and includes buildings and structures, improvements other than buildings, and machinery and equipment. 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, 2010

Table 2

	Governmental Activities		Business-type Activities		Total	
	September 30,		September 30,		September 30,	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	\$ 22,736,402	7,457,609	51,424,091	59,399,156	74,160,493	66,856,765
Donated capital	-	-	55,517	25	55,517	25
Operating contributions	239,643	71,143	-	-	239,643	71,143
Capital grants and contributions	3,809	15,137	-	-	3,809	15,137
General revenues:						
Investment earnings	22,039	27,087	1,442,899	1,678,478	1,464,938	1,705,565
Total revenues	<u>23,001,893</u>	<u>7,570,976</u>	<u>52,922,507</u>	<u>61,077,659</u>	<u>75,924,400</u>	<u>68,648,635</u>
Expenses:						
Recreational amenity	-	-	17,400,012	23,297,802	17,400,012	23,297,802
General Fund	13,219,992	-	-	-	13,219,992	-
Fire safety	5,652,208	5,248,919	-	-	5,652,208	5,248,919
Commercial area maintenance	797,211	759,384	-	-	797,211	759,384
Water & sewer utilities	-	-	4,954,165	5,271,656	4,954,165	5,271,656
Depreciation and amortization	323,349	270,136	10,714,400	10,662,178	11,037,749	10,932,314
Interest on long-term debt	26,670	41,191	15,891,094	16,302,364	15,917,764	16,343,555
Contribution to other governments	-	-	341,883	-	341,883	-
Total expenses	<u>20,019,430</u>	<u>6,319,630</u>	<u>49,301,554</u>	<u>55,534,000</u>	<u>69,320,984</u>	<u>61,853,630</u>
Changes in net assets	2,982,463	1,251,346	3,620,953	5,543,659	6,603,416	6,795,005
Total net assets, beginning	4,959,779	3,708,433	45,937,502	40,393,843	50,897,281	44,102,276
Total net assets, ending	<u>\$ 7,942,242</u>	<u>4,959,779</u>	<u>49,558,455</u>	<u>45,937,502</u>	<u>57,500,697</u>	<u>50,897,281</u>

Long-term Debt

As of September 30, 2010 and 2009, the District had long-term debt outstanding of \$298,860,340 and \$315,939,661, respectively. 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 9.8 percent in September 2010, which is an increase from a rate of 9.5 percent a year ago. This compares favorably with the State's average unemployment rate of 12.1 percent and is close to the national average rate of 9.6 percent.

Inflationary trends in the area compare favorably to national indices. The national Consumer Price Increase (CPI) annual increase for all urban consumers changed from a negative (1.29) percent in September 2009 to a more normal 1.14 percent in September 2010.

These factors were considered in preparing the District's budget for the 2011 fiscal year. Total annual projected revenues for all funds increased to \$73.873 million from \$73.625 million in the fiscal year 2010 final amended budget. The expenditure budget decreased from \$80.627 million to \$75.728 million for all funds, a decrease of \$4.899 million. There were no major organizational changes between fiscal years 2010 and 2011 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, 2010

Assets	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 2,450,356	27,958,562	\$ 30,408,918
Accounts receivables	5,516	4,546,204	4,551,720
Note receivable amenity settlement	-	6,412,156	6,412,156
Note receivable woodshop	-	30,532	30,532
Investments	1,900,638	23,042,098	24,942,736
Investment in annuity	-	12,565,604	12,565,604
Due from other governments	193,614	27,312	220,926
Internal balances	100,484	(100,484)	-
Inventory	-	432	432
Prepays	4,667	144,569	149,236
Capital assets:			
Non depreciable assets	1,478,517	13,975,413	15,453,930
Depreciable assets (net of accumulated depreciation)	3,124,581	105,156,627	108,281,208
Bond issuance costs (net of accumulated amortization)	-	12,467,525	12,467,525
Intangible assets (net of accumulated amortization)	-	162,808,209	162,808,209
Total assets	9,258,373	369,034,759	378,293,132
Liabilities			
Accounts payable	321,038	3,346,350	3,667,388
Accrued expenses	367,401	348,146	715,547
Accrued interest payable	-	6,753,444	6,753,444
Due to developer	-	62,581	62,581
Due to other governments	33,918	355,809	389,727
Unearned revenue	-	292,231	292,231
Deferred Revenue	-	1,283,193	1,283,193
Total current liabilities	722,357	12,441,754	13,164,111
Long-term debt:			
Unamortized premium/discount	-	14,050	14,050
Due within one year	157,984	8,610,000	8,767,984
Due in more than one year	435,790	298,410,500	298,846,290
Total long-term debt	593,774	307,034,550	307,628,324
Total liabilities	1,316,131	319,476,304	320,792,435
Net Assets			
Net Assets			
Invested in capital assets, net of related debt	4,009,324	6,961,161	10,970,485
Restricted for:			
Debt Service	-	6,939,412	6,939,412
Renew & Replacement	-	7,497,999	7,497,999
Unrestricted	3,932,918	28,159,883	32,092,801
Total net assets	\$ 7,942,242	49,558,455	\$ 57,500,697

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Activities
Year Ended September 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program revenues</u>			<u>Net (expense) revenue and changes in net assets</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 13,219,992	13,397,317	48,785	-	226,110	-	226,110
Public safety	5,975,557	8,083,835	3,809	-	2,112,087	-	2,112,087
Public works	797,211	1,446,108	-	-	648,897	-	648,897
Interest on long-term debt	26,670	-	-	-	(26,670)	-	(26,670)
Total governmental activities	<u>20,019,430</u>	<u>22,927,260</u>	<u>52,594</u>	<u>-</u>	<u>2,960,424</u>	<u>-</u>	<u>2,960,424</u>
Business-type activities:							
Recreational amenities	34,731,300	36,041,553	-	-	-	1,310,253	1,310,253
VCSA water and sewer	5,060,232	5,958,090	-	-	-	897,858	897,858
LSSA water and sewer	9,046,827	9,308,843	-	-	-	262,016	262,016
Fitness	121,312	171,122	-	-	-	49,810	49,810
Total business-type activities	<u>48,959,671</u>	<u>51,479,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,519,937</u>	<u>2,519,937</u>
Total primary government	<u>\$ 68,979,101</u>	<u>74,406,868</u>	<u>52,594</u>	<u>-</u>	<u>2,960,424</u>	<u>2,519,937</u>	<u>5,480,360</u>
General revenues:							
Investment earnings					22,039	1,442,899	1,464,938
Contribution to other government					-	(341,883)	(341,883)
Total general revenues					<u>22,039</u>	<u>1,101,016</u>	<u>1,123,055</u>
Change in net assets					2,982,463	3,620,953	6,603,416
Net assets, beginning					<u>4,959,779</u>	<u>45,937,502</u>	<u>50,897,281</u>
Net assets, ending					<u>\$ 7,942,242</u>	<u>49,558,455</u>	<u>57,500,697</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

**Balance Sheet
Governmental Funds
September 30, 2010**

Assets	General Fund	Department of Public Safety	Non-Major Funds Total	Total
Cash and cash equivalents	\$ 846,348	1,070,350	533,658	2,450,356
Accounts receivable	4,154	373	989	5,516
Investments	-	1,612,689	287,949	1,900,638
Due from other governments	5,168	188,446	-	193,614
Due from other funds	20,857	89,530	-	110,387
Prepaid items	4,667	-	-	4,667
Total assets	881,194	2,961,388	822,596	4,665,178
Liabilities and Fund Balance				
Accounts payable	91,593	209,604	19,841	321,038
Accrued expenses	88,827	36,934	1,942	127,703
Due to other funds	1,350	243	8,310	9,903
Due to other governments	17,299	16,619	-	33,918
Total liabilities	199,069	263,400	30,093	492,562
Fund balances:				
Committed				
Renewal and replacement	-	-	312,164	312,164
Department of Public Safety	-	2,697,988	-	2,697,988
Village of Spanish Springs Common Area Maintenance	-	-	258,800	258,800
Rolling Acres Common Area Maintenance	-	-	35,866	35,866
Commercial Road Maintenance	-	-	86,920	86,920
Community standards	-	-	98,753	98,753
Unassigned	682,125	-	-	682,125
Total fund balance	682,125	2,697,988	792,503	4,172,616
Total liabilities and fund balance	\$ 881,194	2,961,388	822,596	4,665,178

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, 2010

Fund balance – governmental funds	\$	4,172,616
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	\$	6,124,118
Less accumulated depreciation		<u>(1,521,020)</u>
		4,603,098
Long-term liabilities are not due and payable in the current period and therefore are not reported in the general fund:		
Leases payable		(198,513)
Loans payable		(395,261)
Compensated absences		<u>(239,699)</u>
		<u>(833,472)</u>
Net assets of governmental activities	\$	<u><u>7,942,242</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, 2010

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Department of Public Safety</u>	<u>Non-Major Funds</u>	
Revenues:				
Administrative and maintenance fees	\$ 11,616,735	-	-	11,616,735
Amenities revenue	-	1,965,279	-	1,965,279
Intergovernmental fire assessments	-	3,087,095	-	3,087,095
Intergovernmental shared revenue	-	1,338,296	-	1,338,296
Intergovernmental impact fees	-	1,521,519	-	1,521,519
Grants	-	3,809	-	3,809
State revenue sharing - firefighter supplemental	-	13,323	-	13,323
Management fees	-	57,169	250,777	307,946
Assessments - Village of Spanish Springs	-	-	748,566	748,566
Assessments - Rolling Acres	-	-	132,399	132,399
Assessments - Commercial Road Maintenance	-	-	25,234	25,234
Fees for services provided developer	1,725,365	-	267,968	1,993,333
Miscellaneous revenues	104,002	-	21,164	125,166
Other public safety revenue	-	101,154	-	101,154
Investment earnings	1,705	15,034	5,300	22,039
Total revenues	<u>13,447,807</u>	<u>8,102,678</u>	<u>1,451,408</u>	<u>23,001,893</u>
Expenditures:				
Current:				
General government	12,613,046	-	439,193	13,052,239
Public safety	-	5,631,716	-	5,631,716
Public works - Village of Spanish Springs	-	-	737,743	737,743
Public works - Rolling Acres	-	-	48,890	48,890
Public works- Commercial Road Maintenance	-	-	10,578	10,578
Debt service:				
Interest payments	-	26,670	-	26,670
Principal payments	-	167,252	-	167,252
Capital outlay	152,636	1,598,652	33,130	1,784,418
Total expenditures	<u>12,765,682</u>	<u>7,424,290</u>	<u>1,269,534</u>	<u>21,459,506</u>
Net change in fund balance	682,125	678,388	181,874	1,542,387
Fund balance, beginning of year	-	2,019,600	610,629	2,630,229
Fund balance, end of year	<u>\$ 682,125</u>	<u>2,697,988</u>	<u>792,503</u>	<u>4,172,616</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, 2010

Net change in fund balance – governmental funds	\$	1,542,387
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.		
Capital outlay	\$ 1,784,417	
Less depreciation	<u>(323,349)</u>	1,461,068
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		167,252
Decrease (increase) in compensated absences.		<u>(188,244)</u>
Change in net assets of governmental activities	\$	<u><u>2,982,463</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, 2010

	<u>Budgeted</u> <u>Amounts Original</u>	<u>Budgeted</u> <u>Amounts Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenue				
Management fees	\$ 2,659,742	2,659,742	2,655,282	(4,460)
Intergovernmental fees - recreation	3,076,377	3,076,377	3,076,377	-
Intergovernmental fees - other	5,885,076	5,885,076	5,885,076	-
Administration fees from developer	94,999	94,999	94,999	-
Recreation fees from developer	1,480,301	1,480,301	1,463,002	(17,299)
Utility administration fees	167,364	167,364	167,364	-
Miscellaneous revenue	-	-	55,217	55,217
Donations	-	28,600	48,785	20,185
Investment earnings	-	-	1,705	1,705
Total revenue	<u>13,363,859</u>	<u>13,392,459</u>	<u>13,447,807</u>	<u>55,348</u>
Expenditures				
Personnel services	11,209,915	11,209,915	10,617,489	592,426
Professional services	127,469	109,469	83,067	26,402
Contractual services	131,650	120,150	177,203	(57,053)
Travel and per diem	22,550	19,850	8,989	10,861
Communication & freight services	119,090	101,380	90,068	11,312
Utility services	42,525	42,325	43,827	(1,502)
Rentals & leases	558,655	558,190	546,500	11,690
Insurance	4,500	5,520	5,520	-
Repairs & maintenance	73,522	86,942	91,972	(5,030)
Printing & binding	199,243	238,414	214,319	24,095
Promotional activities	218,400	208,107	198,838	9,269
Other current charges & obligation	4,820	1,357	467	890
Office supplies	61,700	57,160	59,737	(2,577)
Operating supplies	359,365	416,440	436,357	(19,917)
Books, subscriptions, dues	70,455	57,240	37,530	19,710
Capital outlay	160,000	160,000	153,799	6,201
Total expenditures	<u>13,363,859</u>	<u>13,392,459</u>	<u>12,765,682</u>	<u>626,777</u>
Net change in fund balance	-	-	682,125	682,125
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>682,125</u>	<u>682,125</u>

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, 2010

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues:				
Amenities revenue	\$ 1,935,095	1,935,095	1,965,279	30,184
Intergovernmental fire assessments	2,878,869	2,878,869	3,087,095	208,226
Intergovernmental shared revenue	1,492,438	1,492,438	1,338,296	(154,142)
Intergovernmental impact fees	1,707,294	1,844,150	1,521,519	(322,631)
Grants	-	-	3,809	3,809
State revenue sharing - firefighter supplemental	13,000	13,000	13,323	323
Management fees	57,169	57,169	57,169	-
Other public safety revenue	20,400	20,400	101,154	80,754
Investment earnings	18,000	18,000	15,034	(2,966)
Total revenues	<u>8,122,265</u>	<u>8,259,121</u>	<u>8,102,678</u>	<u>(156,443)</u>
Expenditures:				
Current				
Fire safety operations	5,473,788	5,713,794	5,631,716	82,078
Debt service:				
Interest payments	31,516	31,516	26,670	4,846
Principal payments	177,540	177,540	167,252	10,288
Capital outlay	1,861,175	1,998,031	1,598,652	399,379
Total expenditures	<u>7,544,019</u>	<u>7,920,881</u>	<u>7,424,290</u>	<u>496,591</u>
Net change in fund balance	578,246	338,240	678,388	340,148
Fund balance, beginning of year	<u>2,019,600</u>	<u>2,019,600</u>	<u>2,019,600</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,597,846</u>	<u>2,357,840</u>	<u>2,697,988</u>	<u>340,148</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Assets

Proprietary Funds

September 30, 2010

Assets	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Current assets:					
Cash and cash equivalents	\$ 4,205,452	2,769,469	2,707,286	101,227	9,783,435
Restricted cash and cash equivalents	10,694,077	1,674,066	4,089,088	-	16,457,231
Accounts receivable	2,439,988	741,642	1,364,274	300	4,546,204
Note receivable amenity settlement	2,410,500	-	-	-	2,410,500
Note receivable woodshop	2,302	-	-	-	2,302
Investments	18,574,509	3,585,675	881,916	-	23,042,099
Due from other funds	98,592	10,092	12,312	-	120,996
Due from other governments	27,312	-	-	-	27,312
Inventory	-	432	-	-	432
Prepaid expenses	1,808	136,421	6,340	-	144,569
Total current assets	38,454,540	8,917,797	9,061,216	101,527	56,535,080
Non-current assets:					
Restricted cash and cash equivalents	1,260,500	314,649	142,747	-	1,717,896
Note receivable amenity settlement	4,001,656	-	-	-	4,001,656
Note receivable woodshop	28,230	-	-	-	28,230
Investment in annuity	12,565,604	-	-	-	12,565,604
Capital assets:					
Land	9,501,252	150,312	125,611	-	9,777,176
Buildings and structures	53,541,751	1,548,823	5,134,315	-	60,224,890
Infrastructure	18,250,441	30,986,276	35,381,197	-	84,617,915
Leasehold improvements	-	-	-	9,815	9,815
Furniture & fixtures	2,243,077	1,128,217	275,397	-	3,646,691
Construction in progress	4,162,071	2,275	33,891	-	4,198,236
Less accumulated depreciation	(21,479,454)	(13,163,353)	(8,698,811)	(1,063)	(43,342,683)
Bond issuance costs (net of accumulated amortization)	8,516,745	1,543,702	2,407,078	-	12,467,525
Intangible assets (net of accumulated amortization)	127,050,346	-	35,757,863	-	162,808,209
Total non-current assets	219,642,219	22,510,901	70,559,289	8,752	312,721,161
Total assets	258,096,759	31,428,698	79,620,505	110,279	369,256,241
Liabilities					
Current liabilities:					
Accounts payable	2,713,715	293,225	337,681	1,729	3,346,350
Accrued expenses	57,243	60,006	230,449	448	348,146
Accrued interest payable	4,210,191	554,031	1,989,222	-	6,753,444
Due to other funds	110,975	53,206	54,950	2,350	221,481
Due to other governments	355,809	-	-	-	355,809
Due to developer	238	-	62,343	-	62,581
Deferred revenue	1,557,278	-	-	18,146	1,575,424
Current installments of revenue bonds payable	5,995,000	1,100,000	1,515,000	-	8,610,000
Total current liabilities	15,000,449	2,060,468	4,189,645	22,673	21,273,235
Non-current liabilities:					
Revenue bonds payable, net	197,995,000	20,685,000	78,470,000	-	297,150,000
Unamortized premium/discounts	(499,131)	-	513,181	-	14,050
Due to developer	1,260,500	-	-	-	1,260,500
Total non-current liabilities	198,756,369	20,685,000	78,983,181	-	298,424,550
Total liabilities	213,756,818	22,745,468	83,172,826	22,673	319,697,785
Net assets					
Invested in capital assets, net of related debt	15,652,219	725,901	(9,425,711)	8,752	6,961,161
Restricted for:					
Debt service	1,206,274	851,200	4,881,938	-	6,939,412
Renewal and replacement	6,151,225	600,000	721,774	25,000	7,497,999
Unrestricted	21,330,223	6,506,127	269,678	53,855	28,159,883
Total net assets (deficit)	\$ 44,339,941	8,683,228	(3,552,321)	87,607	49,558,455

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, 2010

	Major Funds			Non-Major Fund	Total
	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	
Operating revenues:					
Charges for services:					
Water revenue	\$ -	2,780,935	4,837,088	-	7,618,023
Sewer revenue	-	3,097,643	4,297,305	-	7,394,948
Recreational amenity fees	33,370,659	-	-	-	33,370,659
Fitness recreational	-	-	-	170,515	170,515
Donated capital	55,517	-	-	-	55,517
Other income	2,615,377	79,512	174,450	607	2,869,946
Total operating revenues	<u>36,041,553</u>	<u>5,958,090</u>	<u>9,308,843</u>	<u>171,122</u>	<u>51,479,608</u>
Operating expenses:					
Water and sewer	-	2,539,642	2,414,523	-	4,954,165
Recreational expenses	11,613,084	-	-	45,352	11,658,436
General and administrative	5,277,920	183,354	205,323	74,979	5,741,576
Depreciation	2,208,029	1,097,739	1,306,587	981	4,613,336
Amortization	4,793,599	131,434	1,176,031	-	6,101,064
Total operating expenses	<u>23,892,632</u>	<u>3,952,169</u>	<u>5,102,464</u>	<u>121,312</u>	<u>33,068,577</u>
Operating income	<u>12,148,921</u>	<u>2,005,921</u>	<u>4,206,379</u>	<u>49,810</u>	<u>18,411,031</u>
Non-operating revenue (expenses):					
Investment earnings	1,387,969	42,060	12,760	110	1,442,899
Interest expense	(10,838,668)	(1,108,063)	(3,944,363)	-	(15,891,094)
Contribution to other governments	-	-	-	(341,883)	(341,883)
Total non-operating revenue (expenses)	<u>(9,450,699)</u>	<u>(1,066,003)</u>	<u>(3,931,603)</u>	<u>(341,773)</u>	<u>(14,790,078)</u>
Change in net assets	<u>2,698,222</u>	<u>939,918</u>	<u>274,776</u>	<u>(291,963)</u>	<u>3,620,953</u>
Total net assets (deficit), beginning	<u>41,641,719</u>	<u>7,743,310</u>	<u>(3,827,097)</u>	<u>379,570</u>	<u>45,937,502</u>
Total net assets (deficit), ending	<u>\$ 44,339,941</u>	<u>8,683,228</u>	<u>(3,552,321)</u>	<u>87,607</u>	<u>49,558,455</u>

See accompanying notes to basic financial statements.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2010

	RAD	VCSA Water and Sewer	LSSA Water and Sewer	Fitness	Total
Cash flows from operating activities:					
Receipts from customers	\$ 35,884,307	5,868,955	9,086,441	91,431	50,931,135
Receipts from other funds	71,823	57,154	28,598	-	157,575
Payments to suppliers	(14,826,791)	(2,642,434)	(2,602,751)	(86,396)	(20,158,371)
Payments to employees	(486,425)	-	-	(47,952)	(534,376)
Contribution to other governments	-	-	-	(341,883)	(341,883)
Net cash provided (used) by operating activities	<u>20,642,915</u>	<u>3,283,676</u>	<u>6,512,289</u>	<u>(384,800)</u>	<u>30,054,080</u>
Cash flows from capital and related financing activities:					
Principal payments on bonds	(5,665,000)	(1,045,000)	(1,475,000)	-	(8,185,000)
Capital lease payments	(1,429)	-	-	-	(1,429)
Litigation settlement payments received	2,160,037	-	-	-	2,160,037
Impact fee payments to developer	-	-	(1,013,236)	-	(1,013,236)
Interest paid	(11,241,089)	(1,108,063)	(3,978,444)	-	(16,327,596)
Net cash (used in) provided by capital and related financing activities	<u>(14,747,482)</u>	<u>(2,153,063)</u>	<u>(6,466,680)</u>	<u>-</u>	<u>(23,367,225)</u>
Cash flows from investing activities:					
Payment for capital assets	(4,591,471)	(178,700)	(51,629)	-	(4,821,799)
Purchase of investments	(3,370,644)	(1,352,415)	(358,476)	-	(5,081,535)
Proceeds from sale of assets	(20,035)	-	-	-	(20,035)
Investment earnings	1,292,885	58,032	12,760	109	1,363,786
Net cash provided (used) by investing activities	<u>(6,689,265)</u>	<u>(1,473,083)</u>	<u>(397,345)</u>	<u>109</u>	<u>(8,559,584)</u>
Net increase (decrease) in cash and cash equivalents	<u>(793,832)</u>	<u>(342,470)</u>	<u>(351,736)</u>	<u>(384,691)</u>	<u>(1,872,729)</u>
Cash and cash equivalents, beginning of year	<u>16,953,861</u>	<u>5,100,655</u>	<u>7,290,857</u>	<u>485,918</u>	<u>29,831,291</u>
Cash and cash equivalents, end of year	<u>16,160,029</u>	<u>4,758,185</u>	<u>6,939,121</u>	<u>101,227</u>	<u>27,958,562</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	4,205,452	2,769,469	2,707,286	101,227	9,783,435
Restricted cash and cash equivalents - current	10,694,077	1,674,066	4,089,088	-	16,457,231
Restricted cash and cash equivalents - non-current	1,260,500	314,649	142,747	-	1,717,896
Cash and cash equivalents	<u>16,160,029</u>	<u>4,758,185</u>	<u>6,939,121</u>	<u>101,227</u>	<u>27,958,562</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	12,148,921	2,005,921	4,206,379	49,810	18,411,031
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,196,605	1,159,886	1,302,181	981	4,659,653
Amortization	4,793,599	131,434	1,176,031	-	6,101,064
Cash provided by (used in) changes in:					
Accounts receivable	(13,655)	(85,979)	(211,984)	9,692	(301,926)
Due from/to developer (net)	(179,288)	-	-	-	(179,288)
Interfund balances (net)	52,419	57,154	28,598	(8,489)	129,682
Contribution to other governments	-	-	-	(341,883)	(341,883)
Inventory	-	5,467	3,995	-	9,462
Prepaid expenses	390,533	(136,421)	(1,643)	-	252,469
Accounts payable and accrued liabilities	1,188,020	146,213	8,732	(5,809)	1,337,157
Deferred revenue	65,760	-	-	(89,102)	(23,343)
Net cash provided by operating activities	<u>\$ 20,642,915</u>	<u>3,283,676</u>	<u>6,512,289</u>	<u>(384,800)</u>	<u>30,054,080</u>

See accompanying notes to basic financial statements

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
September 30, 2010

		<u>Beyond the Stars</u> <u>Agency Fund</u>
Assets:		
Cash and cash equivalents	\$	2,000
Investments		<u>36,184</u>
Total assets		<u><u>38,184</u></u>
Liabilities:		
Due to Beyond the Stars beneficiaries		<u>38,184</u>
Total liabilities	\$	<u><u>38,184</u></u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(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 23,000 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 56,508 residences and approximately 107,000 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, 2010, the 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 includes 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 includes construction of 3,668 residential units.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(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 includes construction of 3,762 residential units.
- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,187 acres in the southern portion of the county. The development includes 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 includes 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.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. Planned development includes construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,070 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 946 acres in the northeast corner of the county. This CDD has been formed, but is not yet being developed as of September 30, 2010.
- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 999 acres in the northeast corner of the county. This CDD has been formed, but is not yet being developed as of September 30, 2010.

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 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.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

(b) ***Basic Financial Statements***

Government-wide and Fund Financial Statements

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

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

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

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

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.

The following are the District's four non-major governmental funds:

Village of Spanish Springs (VOSS) Special Revenue Fund

This fund is used to account for all financial resources, including special assessments, related to the maintenance of facilities in the commercial areas that comprise a major retail, entertainment and downtown area of The Villages.

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.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

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

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.

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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

- (c) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**
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
- 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. This change was done to improve liquidity, enhance diversification and slightly improve yield. The investment

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(1) Summary of Significant Accounting Policies (continued)

(e) Deposits and Investments (continued)

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.

(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.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(1) Summary of Significant Accounting Policies (continued)

(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 Bond Trust Indenture. 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.

(m) Other Pay and Employee Benefits (OPEB)

In fiscal year 2010, 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 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.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

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

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

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 203 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) ***Advance 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 is advance implementing this standard for the current fiscal year. The statement is designed to do two things. First, it clarifies the definition of what activities are to be reported within different types of governmental funds (general fund, special revenue fund type, capital project fund type, debt service fund type and permanent fund type). No changes were required by the District based on this standard clarification.

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

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.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(1) Summary of Significant Accounting Policies (continued)

(n) Advance implementation of GASB 54 (continued)

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, 2010 and September 30, 2009 of \$3,552,321 and \$3,827,097, 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 resulting in the operating revenue covering expenses in each of the past two years. In fiscal years 2009-2010 and 2008-2009, the utility had positive increases in net assets of \$274,776 and \$247,431, respectively. 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. 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. In fiscal year 2009-2010, the utility did meet its required bond debt service coverage as provided for in the Indenture of Trust.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(3) Deposits and Investments

As of September 30, 2010, the District had the following investments:

Deposits and Investment Type	Fair Value at September 30, 2010	Weighted Average Maturity (Days)	Credit Rating
Cash on Hand	\$ 3,585	-	n/a
Demand Deposits, CFB	4,625,180	1.0	n/a
Local Government Investment Pool, SBA	7,643,209	52.0	AAAm
U.S. Bank Money Market Mutual Funds, Federated	8,278,938	41.5	AAAm
U.S. Bank Money Market Mutual Funds, Fidelity	9,896,189	51.0	AAAm
Bond Fund, FLGIT	8,378,281	693.5	AAAf/S1
0-2 Year High Quality Bond Fund, FMIvT	8,474,135	284.7	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	8,090,324	547.5	AAA/v2
Metlife Annuity Investment, Settlement Proceeds	12,565,604	2,204.3	AA-
Total Fair Value	\$ 67,955,445		
Less: Fiduciary Fund Balances	38,184		
Basic Financial Statement Balances	\$ 67,917,261		
Portfolio Weighted Average Maturity (WAM)		612.2	

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, 2010 was 612.2 days (1.68 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, 2010

(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 prior investments by the trustee in First American Government Obligation Fund Class Y, a money market mutual fund, were fully liquidated on 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, 2010, the FMIvT had recognized unrealized gains of a net amount of \$249,552 and realized gains of \$69,538. The unrealized gains would only be realized if the underlying shares in the FMIvT pools are sold.
- 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, 2010, the annuity contract was valued at \$12,565,604, 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 2009-2010 was \$752,445.
- 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. 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, 2010, the FLGIT account had achieved unrealized gains of \$26,116. 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 \$1,464,937 during the fiscal year.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(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, 2010

(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, 2010 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Assets not being depreciated:				
Construction in progress	\$ -	1,478,517	-	1,478,517
Total assets not being depreciated	-	1,478,517	-	1,478,517
Assets being depreciated:				
Furniture & fixtures	4,026,840	272,770	(71,091)	4,228,519
Infrastructure	-	33,130	-	33,130
Leasehold improvements	383,952	-	-	383,952
Total assets being depreciated	4,410,792	305,900	(71,091)	4,645,601
Total assets	4,410,792	1,784,417	(71,091)	6,124,118
Less accumulated depreciation for:				
Furniture & fixtures	(1,261,296)	(310,413)	(71,091)	(1,500,618)
Infrastructure	-	(138)	-	(138)
Leasehold improvements	(7,466)	(12,798)	-	(20,264)
Total accumulated depreciation	(1,268,762)	(323,349)	(71,091)	(1,521,020)
Governmental activities capital assets, net	3,142,030	1,461,068	-	4,603,098
Business activities:				
Assets not being depreciated:				
Land	9,703,741	76,215	(2,780)	9,777,176
Construction in progress	1,099,619	3,477,584	(378,966)	4,198,237
Total assets not being depreciated	10,803,359	3,553,800	(381,746)	13,975,413
Assets being depreciated:				
Buildings and structures	59,053,054	1,171,835	-	60,224,890
Infrastructure	83,988,909	629,006	-	84,617,915
Leasehold improvements	9,815	-	-	9,815
Furniture & fixtures	3,944,656	195,931	(493,897)	3,646,691
Total assets being depreciated	146,996,435	1,996,772	(493,897)	148,499,310
Total assets	157,799,794	5,550,572	(875,643)	162,474,724
Less accumulated depreciation for:				
Buildings and structures	(12,813,674)	(1,637,642)	-	(14,451,316)
Infrastructure	(23,050,689)	(2,788,221)	-	(25,838,910)
Leasehold improvements	(82)	(980)	-	(1,062)
Furniture & fixtures	(3,276,769)	(254,260)	479,634	(3,051,396)
Total accumulated depreciation	(39,141,214)	(4,681,103)	479,634	(43,342,683)
Business activities capital assets, net	118,658,580	869,469	(396,008)	119,132,040
Total capital assets governmental and business activities:	\$ 121,800,610	2,330,537	(396,008)	123,735,138

Government activities depreciation expense of \$323,349 pertains primarily to the Department of Public Safety.

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(4) Capital Assets (continued)

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

Recreation Amenities Division (RAD)

	Beginning balance	Increases	Decreases	Ending balance
RAD:				
Assets not being depreciated:				
Land	\$ 9,448,516	55,517	(2,781)	9,501,252
Construction in progress	750,746	3,411,325	-	4,162,071
Total assets not being depreciated	<u>10,199,262</u>	<u>3,466,842</u>	<u>(2,781)</u>	<u>13,663,323</u>
Assets being depreciated:				
Buildings and structures	52,378,667	1,163,084	-	53,541,751
Infrastructure	18,025,621	224,820	-	18,250,441
Furniture & fixtures	2,518,254	82,123	(357,300)	2,243,077
Total assets being depreciated	<u>72,922,542</u>	<u>1,470,028</u>	<u>(357,300)</u>	<u>74,035,270</u>
Total assets	<u>83,121,804</u>	<u>4,936,870</u>	<u>(360,081)</u>	<u>87,698,593</u>
Less accumulated depreciation for:				
Buildings and structures	(10,935,311)	(1,386,704)	(2)	(12,322,013)
Infrastructure	(6,574,731)	(691,177)	-	(7,265,908)
Furniture & fixtures	(2,098,802)	(135,769)	343,037	(1,891,534)
Total accumulated depreciation	<u>(19,608,843)</u>	<u>(2,213,650)</u>	<u>343,035</u>	<u>(21,479,454)</u>
RAD capital assets, net	<u>\$ 63,512,960</u>	<u>2,723,220</u>	<u>(17,046)</u>	<u>66,219,138</u>

Village Center Service Area (VCSA) Water and Sewer Utility

	Beginning balance	Increases	Decreases	Ending balance
VCSA Water and Sewer:				
Assets not being depreciated:				
Land	\$ 129,614	20,699	-	150,312
Construction in progress	-	2,275	-	2,275
Total assets not being depreciated	<u>129,614</u>	<u>22,974</u>	<u>-</u>	<u>152,587</u>
Assets being depreciated:				
Buildings and structures	1,548,823	-	-	1,548,823
Infrastructure	30,944,358	41,918	-	30,986,276
Furniture & fixtures	1,151,005	113,808	(136,597)	1,128,217
Total assets being depreciated	<u>33,644,187</u>	<u>155,726</u>	<u>(136,597)</u>	<u>33,663,316</u>
Total assets	<u>33,773,801</u>	<u>178,700</u>	<u>(136,597)</u>	<u>33,815,903</u>
Less accumulated depreciation for:				
Buildings and structures	(996,453)	(91,599)	-	(1,088,052)
Infrastructure	(10,157,480)	(985,831)	-	(11,143,311)
Furniture & fixtures	(986,131)	(82,456)	136,597	(931,991)
Total accumulated depreciation	<u>(12,140,064)</u>	<u>(1,159,886)</u>	<u>136,597</u>	<u>(13,163,353)</u>
VCSA Water and Sewer capital assets, net	<u>\$ 21,633,736</u>	<u>(981,186)</u>	<u>-</u>	<u>20,652,550</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(4) **Capital Assets (continued)**

Little Sumter Service Area (LSSA) Water and Sewer Utility

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
LSSA Water and Sewer:				
Assets not being depreciated:				
Land	\$ 125,611	-	-	125,611
Construction in progress	348,874	63,984	(378,967)	33,891
Total assets not being depreciated	<u>474,485</u>	<u>63,984</u>	<u>(378,967)</u>	<u>159,502</u>
Assets being depreciated:				
Buildings and structures	5,125,565	8,750	-	5,134,315
Infrastructure	35,018,930	362,267	-	35,381,197
Furniture & fixtures	275,397	-	-	275,397
Total Assets being depreciated	<u>40,419,892</u>	<u>371,017</u>	<u>-</u>	<u>40,790,909</u>
Total	<u>40,894,377</u>	<u>435,002</u>	<u>(378,967)</u>	<u>40,950,412</u>
Less accumulated depreciation for:				
Buildings and structures	(881,910)	(159,339)	-	(1,041,249)
Infrastructure	(6,318,478)	(1,111,213)	-	(7,429,691)
Furniture & fixtures	(191,836)	(36,035)	-	(227,871)
Total accumulated depreciation	<u>(7,392,224)</u>	<u>(1,306,587)</u>	<u>-</u>	<u>(8,698,811)</u>
LSSA Water and Sewer capital assets, net	<u>\$ 33,502,153</u>	<u>(871,586)</u>	<u>(378,967)</u>	<u>32,251,600</u>

Capital assets in the Fitness Enterprise Fund total \$9,815 with accumulated depreciation of \$1,063 for a net value of \$8,752.

(5) **Intangible Assets**

Intangible asset activity for the year ended September 30, 2010 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	(40,118,618)	(4,271,264)	-	(44,389,882)
Intangible assets, net	<u>131,321,610</u>	<u>(4,271,264)</u>	<u>-</u>	<u>127,050,346</u>
LSSA:				
Discounted value of utilities charges	43,338,051	-	-	43,338,051
Less accumulated amortization	(6,496,736)	(1,083,452)	-	(7,580,188)
Intangible assets, net	<u>36,841,315</u>	<u>(1,083,452)</u>	<u>-</u>	<u>35,757,863</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	(46,615,354)	(5,354,716)	-	(51,970,070)
Intangible assets, net	<u>\$ 168,162,925</u>	<u>(5,354,716)</u>	<u>-</u>	<u>162,808,209</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(6) Interfund Balances

The composition of interfund balances as of September 30, 2010, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	RAD	\$ 9,618
	VCSA	621
	LSSA	228
	Fitness	1,836
	VOSS	51
	Safety	243
	Community Standards	8,258
RAD	General Fund	927
	VCSA	52,521
	LSSA	44,630
	Fitness	514
LSSA	RAD	12,249
	VCSA	63
VCSA	LSSA	10,092
Safety	General Fund	423
	RAD	<u>89,107</u>
Total		\$231,381

The outstanding balances between funds result from normal monthly reimbursements that were accrued at the end of the fiscal year, September 30, 2010, and in all cases were liquidated by payments in October 2010.

(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 \$2,230,000 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%. \$ 39,090,000

\$14,220,000 Recreational Revenue Bonds, Series 1999A due in annual principal installments ranging from \$360,000 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%. 12,845,000

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(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 \$805,000 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>	30,170,000
<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>	57,250,000
<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>	39,425,000
<p>\$5,755,000 Subordinate Recreational Revenue Bonds, Series 1998B due in annual principal installments ranging from \$320,000 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>	2,840,000
<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>	3,880,000
<p>\$7,665,000 Subordinate Recreational Revenue Bonds, Series 1999B due in annual principal installments ranging from \$825,000 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>	2,615,000
<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>	7,005,000
<p>\$11,160,000 Subordinate Recreational Revenue Bonds, Series 2004B due in annual principal installments ranging from \$1,240,000 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>	8,870,000

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(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 \$900,000 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%. 17,820,000

\$5,690,000 Subordinate Utility Revenue Bonds, Series 1998B due in annual principal installments ranging from \$200,000 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. 3,965,000

LSSA Utility Revenue Bonds

\$86,400,000 Utility Revenue Bonds, Series 2003 due in annual principal installments ranging from \$1,515,000 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%. 79,985,000

Total revenue bonds payable	\$	305,760,000
Plus bond premium		847,371
Less bond discount		(833,322)
Less current installment of revenue bonds payable		<u>(8,610,000)</u>
Revenue bonds payable less current installments	\$	<u><u>297,164,050</u></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, 2010

(7) Long-term Debt (continued)

The annual requirements to amortize the principal and interest of all revenue bonds payable as of September 30, 2010 are as follows:

Fiscal year ending September 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011 \$	8,610,000	15,626,988	24,236,988
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
2016-2020	52,795,000	58,918,051	111,713,051
2021-2025	52,370,000	45,488,527	97,858,527
2026-2030	52,550,000	32,533,726	85,083,726
2031-2035	50,595,000	15,047,422	65,642,422
2036-2037	49,485,000	3,875,256	53,360,256
Total	\$ <u>305,760,000</u>	<u>229,023,507</u>	<u>534,783,507</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, 2010 were \$1,260,500.

Capital Leases

The District is obligated under capital leases covering machinery and equipment that expire at various dates through 2014. As of September 30, 2010, the gross amount of machinery and equipment recorded under capital leases was \$565,289 with accumulated depreciation of \$280,866.

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, 2010 are:

Fiscal year ending September 30:	<u>Capital Leases Governmental Funds</u>
2011 \$	71,862
2012	71,862
2013	36,768
2014	36,768
Total minimum lease payments	<u>217,260</u>
Less interest	<u>18,747</u>
Net present value	<u>\$ 198,513</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(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>395,261</u>
Total loans payable	395,261
Less current installments of loan payable	86,122
Long-term portion of loans payable	\$ <u><u>309,139</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:			
2011	\$ 86,122	8,080	94,202
2012	88,097	6,105	94,202
2013	90,118	4,084	94,202
2014	92,185	2,017	94,202
2015	38,739	219	38,958
Total	\$ <u><u>395,261</u></u>	<u><u>20,504</u></u>	<u><u>415,765</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	\$ 484,605	-	(89,344)	395,261	86,122
Capital leases	276,421	-	(77,908)	198,513	71,862
Governmental activities long-term debt	<u>761,026</u>	<u>-</u>	<u>(167,252)</u>	<u>593,774</u>	<u>157,984</u>
Business-type activities:					
Bonds payable					
RAD	209,655,000	-	(5,665,000)	203,990,000	5,995,000
VCSA Water and Sewer	22,830,000	-	(1,045,000)	21,785,000	1,100,000
LSSA Water and Sewer	81,460,000	-	(1,475,000)	79,985,000	1,515,000
Plus bond discount and deferred amounts	26,739	-	(12,690)	14,049	-
Total bonds payable	<u>313,971,739</u>	<u>-</u>	<u>(8,197,690)</u>	<u>305,774,049</u>	<u>8,610,000</u>
Due to developer - RAD	1,381,984	-	(121,484)	1,260,500	-
Capital leases	1,429	-	(1,429)	-	-
Total business-type activities long-term liabilities	<u>315,355,152</u>	<u>-</u>	<u>(8,320,603)</u>	<u>307,034,549</u>	<u>8,610,000</u>
Total debt	\$ <u><u>316,116,178</u></u>	<u>-</u>	<u><u>(8,487,855)</u></u>	<u><u>307,628,323</u></u>	<u><u>8,767,984</u></u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(7) Long-term Debt (continued)

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, 2010 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, 2010.

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	Amenities Fee Revenue and Other Income of RAD Fund	\$ 37,429,521	\$ 16,503,668	44.09%	\$ 358,139,539	2036
Utility Revenue Bonds, Series 1998A and 1998B	Water and Sewer Revenue, VCSA Fund	6,000,150	2,153,063	35.88%	30,342,381	2023
Utility Revenue Bonds, Series 2003	Water and Sewer Revenue, LSSA Fund	9,321,630	5,419,363	58.14%	146,301,587	2036

(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), Sumter Landing Community Development District (Sumter Landing), and 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) certain management, finance, and administrative services for fees of \$159,894, \$160,488, \$154,651, \$165,817, \$5,176,729, \$174,285, \$182,235, \$174,324, \$127,925, \$7,431 and \$6,907, respectively, for the fiscal year ended September 30, 2010. 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 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 \$600,609. In addition, the District reimbursed the Developer \$96,833 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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(8) Related Parties (continued)

Service Commission, from companies affiliated with the Developer for \$80,543. The District paid bank fees and loan interest to a bank affiliated with the Developer in the amount of \$76,368 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.

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 and in February 2010 \$1,075,579 was paid. As of September 30, 2010 the remaining balance of potential additional CIAC proceeds to the Seller is \$463,647 of which \$62,332 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, 2010, all 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 six leases with the Developer for four 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 (October, January and June for two lease renewals each) that is not included in the amounts below. In addition, the District has entered into various operating leases for 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>
2011	\$ 631,237	12,865	644,102
2012	631,237	6,142	637,379
2013	631,237	2,662	633,899
2014	595,958	222	596,180
2015	525,399	-	525,399
Total	<u>\$ 3,015,068</u>	<u>21,891</u>	<u>3,036,959</u>

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(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 \$12,565,604 to cover the last eight years of this settlement requirement. The third through fifth annual payments are shown as a receivable with a net present value of \$6,412,156 as of September 30, 2010.

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.

(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.

(13) 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

VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2010

(13) Internal Revenue Service (IRS) Audit of Recreation Bonds (continued)

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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2011. 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

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

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

Board of Supervisors
Village 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 January 28, 2011.

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.

Parris, Gray and Company, LLP
January 28, 2011
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, 2010, and have issued our report thereon dated January 28, 2011.

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 January 28, 2011, 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 provision of Section 218.415, Florida Statutes, regarding 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. In connection with our audit, we did not have any such findings.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Supervisors
Village 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, 2010, 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, 2010, 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, 2010. 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.

Parris, Gray and Company, LLP

January 28, 2011
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

Fleet Management and Gas Cards

The District and affiliated Districts have a fleet of over 100 vehicles which range from fire trucks to pick-up trucks and passenger vehicles. During our audit, we noted that the District does not have a comprehensive set of fleet management policies to address key operational areas such as purchasing of maintenance materials and services, timing of replacement vehicle purchases, take home usage and other relevant areas all of which currently vary among user departments. Accordingly, we recommend that the District review this area and prepare comprehensive policies to address these and other aspects of fleet management.

Also, the District utilizes gas cards issued by two different fleet services companies to fuel the fleet: one for public safety and community watch and one for all other departments. Currently, there are over 100 gas cards in use, one for every vehicle with each driver utilizing a unique PIN to use the card. Our review of the gas card transaction area indicates that the District could benefit from a more formalized and detailed review of the monthly invoices. This review should include reconciling all pump receipts to charges detailed on monthly invoices and following up on any exception items.

We also suggest that the District review for proper segregation of duties for personnel working in the purchasing office where new gas cards are obtained from the fleet services companies and the PIN numbers are assigned. Proper segregation of duties is recommended to insure that one person does not control the entire assignment process. Additionally, the use of two different fleet services companies should be reviewed to determine if it adds unnecessary work and complication to the gas card transaction process when one would be sufficient.

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.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

MANAGEMENT LETTER COMMENTS
(Concluded)

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

January 28, 2011
Ocala, Florida



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

February 14, 2011

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 2009-2010 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 one new comment has been identified as follows:

Current Year Recommendations

Fleet Management and Gas Cards

The District and affiliated Districts have a fleet of over 100 vehicles which range from fire trucks to pick-up trucks and passenger vehicles. During our audit, we noted that the District does not have a comprehensive set of fleet management policies to address key operational areas such as purchasing of maintenance materials and services, timing of replacement vehicle purchases, take home usage and other relevant areas all of which currently vary among user departments. Accordingly, we recommend that the District review this area and prepare comprehensive policies to address these and other aspects of fleet management.

Also, the District utilizes gas cards issued by two different fleet services companies to fuel the fleet: one for public safety and community watch and one for all other departments. Currently, there are over 100 gas cards in use, one for every vehicle with each driver utilizing a unique PIN to use the card. Our review of the gas card transaction area indicates that the District could benefit from a more formalized and detailed review of the monthly invoices. This review should include reconciling all pump receipts to charges detailed on monthly invoices and following up on any exception items.

We also suggest that the District review for proper segregation of duties for personnel working in the purchasing office where new gas cards are obtained from the fleet services companies and the PIN numbers are assigned. Proper segregation of duties is recommended to insure that one person does not control the entire assignment process. Additionally, the use of two different fleet

services companies should be reviewed to determine if it adds unnecessary work and complication to the gas card transaction process when one would be sufficient.

Management Response: Concur

The Purchasing Department has been assigned the responsibility of reviewing the current internal controls in place related to the servicing and maintenance of the fleet of District vehicles. This will include new procedures to more closely monitor and reconcile individual fuel purchase receipts to the monthly reports from our fleet fuel service vendors. Together with documenting our process for scheduling the acquisition and replacement of fleet vehicles, these procedures will be included within a single policy that applies to all departments. Economies may result in the consolidation of our vehicle maintenance into competitively solicited term contracts. The policy will ensure the adequate separation of duties in the assignment of gas cards and PIN numbers occurs. These steps will be reviewed and a completed District policy will be brought to the Board of Supervisors for approval by the end of fiscal year 2010-2011.

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 Villages District Finance Department for their diligent efforts in recording and maintaining the financial records of the District.

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

Sincerely,



David R. Miles, CGFO
Finance Director


Janet Y. Tutt
District Manager