



Village Community Development District No. 8

# VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO.8

## BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

(With Independent Auditors' Report Thereon)

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**

Basic Financial Statements

September 30, 2006

(With Independent Auditors' Report Thereon)

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

### Table of Contents

	<b>Page</b>
<b>Financial Section</b>	
Independent Auditors' Report on the Financial Statements	1
Management's Discussion and Analysis (UNAUDITED)	3
Basic Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Balance Sheet-General Fund	8
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	10
Notes to Basic Financial Statements	11
<b>Other Report</b>	
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>	17
Management Letter	18

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Village Community Development District No. 8 (the District), as of and for the year ended September 30, 2006, 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 basic 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 and each major fund of the District as of September 30, 2006, and the respective changes in financial position thereof and the budgetary comparison of the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Certified Public Accountants**

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

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

The management's discussion and analysis, as listed in the accompanying contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

January 26, 2007  
Ocala, Florida

*Luvio, Gray and Company, LLP*

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**  
Management's Discussion and Analysis  
(UNAUDITED)  
September 30, 2006

The Village Community Development District No. 8 (the District) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activities and (c) identify changes in the District's financial position and its ability to address the next and subsequent year challenges.

**Financial Highlights**

- The year ended September 30, 2006 and was the District's second year of operations.
- The assets of the District exceeded its liabilities at September 30, 2006 by \$2,175 (net assets).
- All of the revenue is operating contributions by Developer pursuant to the Interim funding agreement between The Villages of Lake-Sumter, Inc. and Village Community Development District No. 8.

**Using this Annual Report**

The financial statement's focus is on both the District as a whole (government-wide) and on the general fund. Both perspectives (government-wide and general fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the District's accountability.

**The Statement of Net Assets** (page 6) and **the Statement of Activities** (page 7) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The statements are measured and reported using the economic resources measurement focus and full accrual basis of accounting and are designed to be corporate-like in structure.

**The Fund Financial Statements**, which report by individual fund, begin on page 8. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. The fund financial statements present information in more detail than the government-wide financial statements. The Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

**The Government-Wide Financial Statements**

*The Statement of Net Assets and the Statement of Activities*

Government-wide financial statements are designed to be corporate-like in structure. They are intended to allow the reader to assess the government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future.

The statement of net assets presents information on all the District's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or not.

The statement of activities presents the information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**  
**Management's Discussion and Analysis**  
**(UNAUDITED)**  
**September 30, 2006**

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds account for all of the District's assessment supported activities. These funds focus on how money flows into and out of the funds, and the balances left at year-end. The accounting method used is called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash (usually 60 day focus). The two criteria used are that the revenue is measurable and available. Examples of the difference between this and the economic resources measurement focus are that debt financing is considered current revenue, and purchases of capital assets are considered current expenditures whereas depreciation is not since there is no outlay of cash. In a highly regulatory environment, fund accounting serves a very important purpose, in that funds received for specific purposes are identified as such.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 11.

**The District as a Whole**

The District's net assets as of September 30, 2006 amounted to \$2,175. The District's revenues and expenses for the year ended September 30, 2006 amounted to \$1,036,958 and \$1,037,776, respectively. Table 1 reflects the summary statement of net assets for the current and prior year.

**Table 1**  
**Net Assets**

	<b>Governmental activities</b>	
	<b>September 30, 2006</b>	<b>September 30, 2005</b>
Assets:		
Cash	\$ 2,197	61,318
Total assets	<u>2,197</u>	<u>61,318</u>
Liabilities:		
Due to other districts	—	59,209
Accounts payable	22	—
Total liabilities	<u>22</u>	<u>59,209</u>
Net assets:		
Unrestricted	2,175	2,109
Total net assets	<u>\$ 2,175</u>	<u>2,109</u>

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**  
**Management's Discussion and Analysis**  
**(UNAUDITED)**  
**September 30, 2006**

Table 2 reflects the summary statement of activities for the current and prior year.

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>September 30, 2006</b>	<b>September 30, 2005</b>
<b>Revenues:</b>		
Developer contributions	\$ 1,036,958	475,692
Investment income	884	444
<b>Total revenues</b>	<b>1,037,842</b>	<b>476,136</b>
<b>Expenses:</b>		
General government	1,037,776	474,027
<b>Total expenses</b>	<b>1,037,776</b>	<b>474,027</b>
<b>Increase in net assets</b>	<b>\$ 66</b>	<b>2,109</b>

**Revenues**

Revenues for the year ended September 30, 2006 represent operating contributions from the Developer.

**Expenses**

General government expenses of the District are mainly for project wide landscaping, irrigation and utilities costs.

**Request 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 Sumter Landing Community Development District's Chief Financial Officer at 3231 Wedgewood Lane, Suite A, The Villages, FL 32162, telephone (352) 751-3905.



**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**

Statement of Net Assets

September 30, 2006

	<b>Assets</b>	<b>Governmental Activities</b>
Cash		\$ <u>2,197</u>
Total assets		<u>2,197</u>
	<b>Liabilities</b>	
Accounts Payable		<u>22</u>
Total liabilities		<u>22</u>
	<b>Net Assets</b>	
Unrestricted		<u>2,175</u>
Total net assets		\$ <u><u>2,175</u></u>

See accompanying notes to basic financial statements.

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Statement of Activities

Year ended, September 30, 2006

Functions/Programs	Program revenues			Net (expense) revenue and changes in net assets	
	Expenses	Charges for services	Operating contributions	Governmental activities	Total
Governmental activities:					
General government	\$ 1,037,776	—	1,036,958	(818)	(818)
Total governmental activities	1,037,776	—	1,036,958	(818)	(818)
Total primary government	1,037,776	—	1,036,958	(818)	(818)
General revenues:					
Investment earnings				884	884
Total general revenues				884	884
Change in net assets				66	66
Net assets – beginning				2,109	2,109
Net assets – ending				\$ 2,175	\$ 2,175

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**

Balance Sheet – General Fund

September 30, 2006

	<u>General</u>
Assets	
Cash	\$ 2,197
Total assets	<u>2,197</u>
Liabilities:	
Accounts Payable	<u>22</u>
Total liabilities	<u>22</u>
Fund balance:	
Unreserved	<u>2,175</u>
Total fund balance	<u>2,175</u>
Total liabilities and fund balance	<u>\$ 2,197</u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**

**Statement of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds**

Year ended September 30, 2006

	<u>General</u>
Revenues:	
Developer contributions	\$ 1,036,958
Interest income	884
Total revenues	<u>1,037,842</u>
Expenditures:	
Current – general government	<u>1,037,776</u>
Total expenditures	<u>1,037,776</u>
Net change in fund balance	66
Fund balance, at beginning of year	<u>2,109</u>
Fund balance, at end of year	<u>\$ 2,175</u>

See accompanying notes to basic financial statements.

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**

**General Fund**

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

Year ended September 30, 2006

	<b>Budgeted Amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Developer contributions	\$ 1,036,958	1,036,958	1,036,958	—
Interest income	700	700	884	184
<b>Total revenues</b>	<b>1,037,658</b>	<b>1,037,658</b>	<b>1,037,842</b>	<b>184</b>
<b>Expenditures:</b>				
General government:				
Professional services	7,015	7,015	6,999	16
Accounting & audit	4,000	4,000	4,000	—
Repairs and maintenance/landscape	1,026,193	1,026,193	1,026,193	—
Postage	—	—	3	(3)
Other current charges	250	250	406	(156)
Dues and Subs	200	200	175	25
<b>Total expenditures</b>	<b>1,037,658</b>	<b>1,037,658</b>	<b>1,037,776</b>	<b>(118)</b>
Excess of revenues over expenditures	—	—	66	66
Fund balances, at beginning of year			2,109	2,109
Fund balances, at end of year	\$ —	—	2,175	2,175

See accompanying notes to basic financial statements.

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Financial Statements

September 30, 2006

### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

The Village Community Development District No. 8 (the District) was established October 1, 2004 for the purpose of planning, financing, constructing, operating and maintaining certain community-wide infrastructure for a community development district located entirely within Sumter County, Florida. The Villages of Lake-Sumter, Inc. (the Developer) is the developer and initial owner of the property within the District. The District was created by Sumter County Commission Ordinance No. 04-36 pursuant to the provisions of Chapter 190.005 of the *Florida Statutes* and operates within the criteria established by Chapter 190.

The District is governed by a five member board of supervisors. As of September 30, 2006, each member of the board of supervisors was an employee or affiliate of 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. The District's more significant accounting policies are described below.

There are no component units that are legally separate from the District. There are however twelve Community Development Districts (CDD) in the total makeup of The Villages.

The Developer has formed the following community development districts:

- Village Center CDD – This CDD provides water and sewer utility services, recreation and security services, and fire protection and paramedic services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance is funded through commercial maintenance assessments.
- Sumter Landing CDD – 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 is funded through maintenance assessments.
- Village CDD No. 1 (Sumter County) – This CDD's boundary consists of approximately 998 acres in the northeast corner of the county. The development includes construction of 3,427 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 3,672 residential units.
- Village CDD No. 3 (Sumter County) – This CDD's boundary consists of approximately 894 acres in the northeast corner of the county. The development includes construction of 3,765 residential units.

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Financial Statements

September 30, 2006

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

#### (a) Reporting Entity (continued)

- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,187 acres in the northeast corner of the county. The development includes construction of 5,141 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 1,008 acres in the northeast corner of the county. Planned development includes construction of 4,621 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 4,745 residential units.
- Village CDD No. 8 (Sumter County) – This CDD has been formed, but is not being developed as of September 30, 2006.
- Village CDD No. 9 (Sumter County) – This CDD has been formed, but is not being developed as of September 30, 2006.
- Village CDD No. 10 (Sumter County) – This CDD has been formed, but is not being developed as of September 30, 2006.

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

**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**  
Notes to Financial Statements  
September 30, 2006

(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 nonfiduciary 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 consolidated 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 a given function or segment, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

Program revenues in the Statement of Activities consist of contributions from the Developer for the government activity.

The District's net assets at September 30, 2006 are not subject to restriction.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 only recorded when payment is due.

The District's only major fund at September 30, 2006 is the general fund. The general fund is the operating fund of the District and is used to account for all financial resources of the general government.



**VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8**  
Notes to Financial Statements  
September 30, 2006

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

**(d) Budgetary Data**

Legal authority and control are established in accordance with Section 190.008, *Florida Statutes*. Annual budgets, as well as subsequent amendments, are adopted and approved for the general fund by the Board of Supervisors. Budgets are adopted on a basis consistent with GAAP. Budgetary control is established by the District through nonappropriated budgets. These budgets are financial plans approved in the manner authorized by law, but not subject to appropriation.

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

**(e) Cash equivalents and Investments**

The District considers the following highly liquid investments (including restricted assets) to be cash equivalents:

- Money Market Mutual Funds
- Repurchase Agreements

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

**(f) 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.

**(g) Income Taxes**

The District is created as a special purpose government under Florida Statutes Chapter 190 and therefore is exempt from federal and state income tax.

**(2) Investments**

<u>Investment Type</u>	<u>Fair Value at 9/30/2006</u>	<u>Weighted Average Maturity Days</u>	<u>Credit Rating</u>
Repurchase Agreement	2,097	overnight	n/a

VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Financial Statements

September 30, 2006

(2) Investments (continued)

*Custodial Credit Risk*

All cash and investments, other than demand deposit accounts, are held in the name of a custodian or a Trustee for the District. The repurchase agreement is an obligation of Citizen's First Bank. The securities pledged as collateral are held by a safekeeping agent. In the event of insolvency of the bank the District may become an unsecured creditor to the extent the market value of the federal agency security falls below the amount invested during the tenure of the repurchase agreement.

*Interest Rate Risk*

The short term liquidity of the cash equivalents and investments minimizes the impact that interest rate risk may have on the District.

*Concentration of Credit Risk*

Type of Investment:	Issuer:	% of Total Investments
Repurchase Agreement	Citizen's First Bank	95.45%

*Investment Policy*

The District is authorized to invest in those financial instruments as established by Florida Statute 218.415 (17). 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.
- 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.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.

The Districts' investment policies follow *Florida Statutes 218.45 (17)* which does not address interest rate risk, custodial credit risk or concentration of credit risk.

Although not addressed in an investment policy, the Districts' governing board approved by resolution the investment of District funds in overnight repurchase agreements. The District is in the process of adopting a comprehensive investment policy.

## VILLAGE COMMUNITY DEVELOPMENT DISTRICT NO. 8

Notes to Financial Statements

September 30, 2006

### (3) Related Parties

The District has no employees. For certain management, finance, and administrative services, the District entered into an inter-local agreement with Sumter Landing Community Development District (SLCDD) and Village Center Community Development District (VCCDD). Both are community development districts created under Florida Statute 190. Under the agreement, fees paid to SLCDD and VCCDD by the District for such services totaled \$6,264 and \$0, respectively for the year ended September 30, 2006.

The Developer provides to SLCDD at no cost information system support, including software, hardware, computer programming and internal mail room operations. The SLCDD then passes on this benefit to the District.

Engineering services were provided to the District by the Developer, some of which were for no charge.

The Board of Supervisors for the District consists of five members that are either employees or affiliates of the Developer.

#### Project Wide Agreement

Village Community Development District No. 8, as well as Village Community Development Districts No. 6 & 7, has joined in a Project Wide Agreement between Village Community Development District No. 5 and Sumter Landing Community Development District. The Districts pay their share of areas that are classified as project wide and benefit the area South of CR 466. The shares are calculated by dividing a District's assessable acreage into the total assessable acreage South of CR 466.

#### Interim Funding Agreement

The District has entered into an interim funding agreement with The Villages of Lake-Sumter, Inc. The Developer begins construction prior to bonds being issued and has agreed to fund as is necessary to commence or continue construction of the work. The District gives the Developer certain assurances of its intent to purchase the Project and repay the Developer from all permissible sources. Prior to the District being developed, the Developer provides the money to pay the costs in the operating budget. This in total is classified as developer contributions.

### (4) 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 for which the District generally carries insurance for these risks. However, the District retains risks for certain property coverage and for any losses in excess of coverage limits. There have been no claims in excess of coverage limits for the past two years.

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

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

We have audited the financial statements of the governmental activities and each major fund of Village Community Development District No. 8 (the District), as of and for the year ended September 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 26, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have communicated to the Board of Supervisors in a separate letter dated January 26, 2007.

**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 instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors, management and the Auditor General of the State of Florida. It is not intended to be used, and should not be used by anyone other than these specified parties.

January 26, 2007  
Ocala, Florida

*Purvis, Gray and Company, LLP*

**Certified Public Accountants**

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MANAGEMENT LETTER

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Village Community Development District No. 8 (the District), as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated January 26, 2007.

We have issued our independent auditors' report on compliance and on internal control over financial reporting dated January 26, 2007. Disclosures in this report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.554(1)(h)1.] require that we comment as to whether or not corrective action has been taken to address significant findings and recommendations made in the preceding annual financial audit report (see attached management letter comments).

The *Rules of the Auditor General* [Section 10.554(1)(h)2.] require that we determine whether the District complied with Section 218.415, Florida Statutes, regarding investment of public funds (see attached management letter comments).

The *Rules of the Auditor General* [Sections 10.554(1)(h)3.] require us to provide any recommendations to improve the District's financial management, accounting procedures and internal controls (see attached management letter comments).

The *Rules of the Auditor General* [Sections 10.554(1)(h)4.] require disclosure in the management letter of the following matters if not clearly inconsequential, and if not already addressed in the auditors' report on compliance and internal control: violations of laws, rules, regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements; deficiencies in internal control, including but not limited to: improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters required to be disclosed by *Rules of the Auditor General* [Sections 10.554(1)(h)4.].

**Certified Public Accountants**

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

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

**MANAGEMENT LETTER**  
*(Concluded)*

The *Rules of the Auditor General* [Section 10.554(1)(h)5.] also require that the name or official title and legal authority for the government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See note 1 of the September 30, 2006, Village Community Development District No. 8 basic financial statements for this information.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(a)], the scope of our audit included a review of the provisions of Section 218.503(1)(a), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the District did not meet one or more of the financial emergency criteria described in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(b)], we determined that the financial report for the District for the fiscal year ended September 30, 2006, 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, 2006.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(c)], we applied financial condition assessment procedures pursuant to Rule 10.556(8). There were no findings of deteriorating financial condition, which were required to be reported.

This management letter is intended solely for the information and use of the Board of Supervisors, management and the Auditor General of the State of Florida, 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.

January 26, 2007  
Ocala, Florida

*Purvis, Gray and Company, LLP*

**MANAGEMENT LETTER COMMENTS**

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

During the course of our audit, the following items came to our attention involving primarily operational matters, which if improved, will result in more efficient and effective operations:

**Status of Prior Year Comments and Recommendations**

All prior year comments and recommendations have been addressed.

**Current Year Recommendations**

**Purchase of Road and Street Infrastructure from Developer**

During the construction phase of Village Community Development District No. 8 (the District), Special Assessment Bonds are issued to provide funding for the purchase of infrastructure such as roads and streets, drainage, site grading and other related items from the Developer, who has previously contracted for the work to be performed. The bond proceeds are held by a Trustee Bank and disbursed upon presentation of paid construction invoices by the Developer. We believe it would benefit the District to work with the Developer in the contractor selection phase of each project through a joint bidding process whereby the contractors are hired under the District's purchasing policies. This would provide the District with more control over the process, ensure the best value is procured and allow the District to unitize the infrastructure costs.

**Investment Policy**

Section 218.415 of the Florida Statutes requires that all local governments develop a comprehensive 15-point investment policy unless the local government chooses to limit its investments to certain safe harbor items defined in the Statute. The Statute also recognizes the authority of bond indentures that may dictate investment guidelines for bond funds. The Districts did not have the required investment policies but entered into overnight repurchase agreements with the local bank for the investment of surplus funds. Our reading of the Statute indicates that repurchase agreements are not included among the safe harbor investments and require adoption of the comprehensive investment policy. Although the District did not have an approved investment policy prior to September 30, 2006, it has subsequently begun development of policies to come into compliance with the State Statute. We recommend that the District continue its efforts to develop a comprehensive investment policy.

This management letter comments is intended solely for the information and use of the Board of Supervisors, management, the State of Florida and other governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

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Board of Supervisors  
Village Community Development District No. 8  
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.

January 26, 2007  
Ocala, Florida

*Hurvis, Day and Company, LLP*



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

**Response to Management Letter Comments**

- **Purchase of Road and Street Infrastructure From Developer**  
Management agrees and will implement recommendations.
- **Investment Policy**  
All Districts are adopting an Investment Policy. The Policy requires an annual review by the Board of Supervisors.