

**SOUTH VILLAGE
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
South Village Community Development District
Clay County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of South Village Community Development District, Clay County, Florida (the "District") as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the District as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the fiscal 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 September 30, 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, 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


September 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of South Village Community Development District, Clay County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net asset deficit balance of (\$11,544,783).
- The change in the District's total net assets in comparison with the prior fiscal year was \$68,375, an increase. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2010, the District's governmental funds reported combined ending fund balances of \$1,179,485, an increase of \$267,516 in comparison with the prior fiscal year. Of the total fund balance, \$1,011,021 is reserved for debt service, capital projects, and other items and the remainder is unreserved fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the 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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two 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 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 the 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.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues, Developer contributions and swim and tennis revenues. The governmental activities of the District include the general government (management), recreation and maintenance functions. The business-type activities of the District were transferred to a special revenue fund effective October 1, 2009.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two fund categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported 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 District'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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, recreation, debt service and capital projects funds. The general, recreation and debt service funds are considered to be major funds and the capital projects fund is considered to be a non-major fund.

The District adopts an annual appropriated budget for its general and recreation fund. A budgetary comparison schedule has been provided for the general fund and recreation fund to demonstrate compliance with the budgets.

Proprietary Fund

In accordance with GASB Statements No. 54, the proprietary fund of the District which included the recreational activities of the District was transferred to a special revenue fund effective October 1, 2009.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, liabilities exceeded assets at the close of the most recent fiscal year.

Key components of the District's net assets are reflected in the following table:

	NET ASSETS				
	SEPTEMBER 30,				
	Governmental Activities		Business-type Activities	Total	
	2010	2009	(Restated) 2009	2010	(Restated) 2009
Assets, excluding capital assets	\$ 1,657,584	\$ 1,529,785	\$ 203,662	\$ 1,657,584	\$ 1,733,447
Capital assets, net of depreciation	12,052,882	12,506,189	-	12,052,882	12,506,189
Total assets	13,710,466	14,035,974	203,662	13,710,466	14,239,636
Liabilities, excluding long-term liabilities	620,249	752,080	20,714	620,249	772,794
Long-term liabilities	24,635,000	25,080,000	-	24,635,000	25,080,000
Total liabilities	25,255,249	25,832,080	20,714	25,255,249	25,852,794
Net Assets					
Invested in capital assets, net of related debt	(12,135,389)	(12,108,631)	-	(12,135,389)	(12,108,631)
Restricted for debt service	418,329	308,606	-	418,329	308,606
Unrestricted	172,277	3,919	182,948	172,277	186,867
Total net assets (deficit)	\$ (11,544,783)	\$ (11,796,106)	\$ 182,948	\$ (11,544,783)	\$ (11,613,158)

The District's net assets reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in 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 cannot be used to liquidate these liabilities.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

The District's net assets increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key elements of the change in net assets are reflected in the following table:

	CHANGES IN NET ASSETS					
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	(Restated) 2009	2010	(Restated) 2009
Revenues:						
Charges for services	\$ 2,772,115	\$ 2,293,875	\$ -	\$ 420,964	\$ 2,772,115	\$ 2,714,839
Operating grants and contributions	416,108	88,275	-	610,001	416,108	698,276
Total revenues	<u>3,188,223</u>	<u>2,382,150</u>	<u>-</u>	<u>1,030,965</u>	<u>3,188,223</u>	<u>3,413,115</u>
Expenses:						
General government	238,717	134,388	-	105,911	238,717	240,299
Maintenance and operations	415,180	737,573	-	-	415,180	737,573
Recreation	1,028,505	-	-	778,312	1,028,505	778,312
Interest and debt costs	1,437,446	1,461,647	-	-	1,437,446	1,461,647
Total expenses	<u>3,119,848</u>	<u>2,333,608</u>	<u>-</u>	<u>884,223</u>	<u>3,119,848</u>	<u>3,217,831</u>
Transfers	182,948	-	(182,948)	-	-	-
Change in net assets	<u>251,323</u>	<u>48,542</u>	<u>(182,948)</u>	<u>146,742</u>	<u>68,375</u>	<u>195,284</u>
Net assets (deficit) - beginning (restated)	<u>(11,796,106)</u>	<u>(11,844,648)</u>	<u>182,948</u>	<u>36,206</u>	<u>(11,613,158)</u>	<u>(11,808,442)</u>
Net assets (deficit) - ending	<u>\$ (11,544,783)</u>	<u>\$ (11,796,106)</u>	<u>\$ -</u>	<u>\$ 182,948</u>	<u>\$ (11,544,783)</u>	<u>\$ (11,613,158)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2010 was \$3,119,848. The costs of the District's activities were paid by program revenues. Program revenues, comprised primarily of assessments and Developer contributions, decreased from the prior fiscal year. While there was an increase in operating and maintenance assessments levied to cover the anticipated increase in recreation expenses, Developer contributions also decreased from the prior fiscal year largely as a result of an overall decrease in expenses in the current fiscal year. The decrease in maintenance and operations expenses and corresponding increase in recreation expenses is largely a result of the change in allocation of depreciation expense from the prior fiscal year. During the prior fiscal year, there was no depreciation charged to recreation expenses as all of the depreciation expense was charged to maintenance and operations expenses, whereas the depreciation expense of the recreational facilities was charged to recreation expenses in the current fiscal year. The District also received funds from investment earnings and swim and tennis revenues which are also included in program revenues.

GENERAL FUND BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual expenditures for the fiscal year ended September 30, 2010 did not exceed appropriations for the general fund or recreation fund.

Actual expenditures for the general fund and recreation fund for the fiscal year ended September 30, 2010 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year. Accordingly, Developer contributions were less than budgeted amounts. Swim and tennis revenues in the recreation fund were less than budgeted amounts largely as a result of shortened hours for some of the District's services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2010, the District had \$13,505,181 invested in infrastructure, recreational facilities, and equipment. In the government-wide financial statements, depreciation of \$1,452,299 has been taken, which resulted in a net book value of \$12,052,882. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2010, the District had \$24,635,000 in Bonds outstanding for its governmental activities, a decrease of approximately 2% from the prior fiscal year. More detailed information about the District's capital debt is presented in the notes of the financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the South Village Community Development District Finance Department at 5701 N. Pine Island Road, Suite 370, Ft. Lauderdale, Florida 33321.

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	Governmental Activities
ASSETS	
Cash	\$ 188,888
Assessments receivable	247,983
Accounts receivable	14,744
Inventory	3,813
Restricted assets:	
Investments	759,150
Interest receivable	75
Deferred charges, net	442,931
Capital assets:	
Depreciable, net	12,052,882
Total assets	13,710,466
 LIABILITIES	
Accounts payable	35,168
Accrued interest payable	585,081
Non-current liabilities:	
Due within one year	460,000
Due in more than one year	24,175,000
Total liabilities	25,255,249
 NET ASSETS	
Invested in capital assets, net of related debt	(12,135,389)
Restricted for debt service	418,329
Unrestricted	172,277
Total net assets (deficit)	\$ (11,544,783)

See notes to the financial statements

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

<u>Functions/Programs</u>	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 238,717	\$ 238,717	\$ 136,934	\$ 136,934	\$ -	\$ 136,934
Maintenance and operations	415,180	51,643	4	(363,533)	-	(363,533)
Recreation	1,028,505	508,786	278,425	(241,294)	-	(241,294)
Interest on long-term debt	1,437,446	1,972,969	745	536,268	-	536,268
Total governmental activities	3,119,848	2,772,115	416,108	68,375	-	68,375
Transfers				182,948	(182,948)	-
Change in net assets				251,323	(182,948)	68,375
Net assets (deficit) - beginning (restated)				(11,796,106)	182,948	(11,613,158)
Net assets (deficit) - ending				\$ (11,544,783)	\$ -	\$ (11,544,783)

See notes to the financial statements

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Major Funds			Non-Major Fund	Total Governmental Funds
	General	Recreation	Debt Service	Capital Projects	
ASSETS					
Cash	\$ 51,026	\$ 137,862	\$ -	\$ -	\$ 188,888
Investments	-	-	755,352	3,798	759,150
Assessments receivable	-	-	247,983	-	247,983
Accounts receivable	-	14,744	-	-	14,744
Interest receivable	-	-	75	-	75
Inventory	-	3,813	-	-	3,813
Total assets	<u>\$ 51,026</u>	<u>\$ 156,419</u>	<u>\$ 1,003,410</u>	<u>\$ 3,798</u>	<u>\$ 1,214,653</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 30,537	\$ 4,631	\$ -	\$ -	\$ 35,168
Total liabilities	<u>30,537</u>	<u>4,631</u>	<u>-</u>	<u>-</u>	<u>35,168</u>
Fund balances:					
Reserved for:					
Debt service	-	-	1,003,410	-	1,003,410
Capital projects	-	-	-	3,798	3,798
Other	-	3,813	-	-	3,813
Unreserved, reported in:					
General fund	20,489	-	-	-	20,489
Recreation fund	-	147,975	-	-	147,975
Total fund balances	<u>20,489</u>	<u>151,788</u>	<u>1,003,410</u>	<u>3,798</u>	<u>1,179,485</u>
Total liabilities and fund balances	<u>\$ 51,026</u>	<u>\$ 156,419</u>	<u>\$ 1,003,410</u>	<u>\$ 3,798</u>	<u>\$ 1,214,653</u>

See notes to the financial statements

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

Fund balance - governmental funds		\$ 1,179,485
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets for the government as a whole.</p>		
Cost of capital assets	13,505,181	
Accumulated depreciation	<u>(1,452,299)</u>	12,052,882
<p>Bond issuance costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statements of net assets includes these costs, net of amortization.</p>		
Issuance costs	553,661	
Accumulated amortization	<u>(110,730)</u>	442,931
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Accrued interest payable	(585,081)	
Bonds payable	<u>(24,635,000)</u>	<u>(25,220,081)</u>
Net assets of governmental activities		<u><u>\$ (11,544,783)</u></u>

See notes to the financial statements

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Major Funds			Non-Major Fund	Total Governmental Funds
	General	Recreation	Debt Service	Capital Projects	
REVENUES					
Assessments	\$ 290,360	\$ 363,625	\$ 1,972,969	\$ -	\$ 2,626,954
Developer contributions	136,934	278,425	-	-	415,359
Swim and tennis revenues	-	145,161	-	-	145,161
Interest	-	-	745	4	749
Total revenues	<u>427,294</u>	<u>787,211</u>	<u>1,973,714</u>	<u>4</u>	<u>3,188,223</u>
EXPENDITURES					
Current:					
General government	107,455	131,262	-	-	238,717
Maintenance and operations	303,269	-	-	-	303,269
Recreation	-	687,109	-	-	687,109
Debt Service:					
Principal	-	-	445,000	-	445,000
Interest	-	-	1,429,560	-	1,429,560
Total expenditures	<u>410,724</u>	<u>818,371</u>	<u>1,874,560</u>	<u>-</u>	<u>3,103,655</u>
Excess (deficiency) of revenues over (under) expenditures	16,570	(31,160)	99,154	4	84,568
OTHER FINANCING SOURCES					
Interfund Transfer	-	182,948	-	-	182,948
Total other financing sources (uses)	<u>-</u>	<u>182,948</u>	<u>-</u>	<u>-</u>	<u>182,948</u>
Net change in fund balances	16,570	151,788	99,154	4	267,516
Fund balances - beginning	<u>3,919</u>	<u>-</u>	<u>904,256</u>	<u>3,794</u>	<u>911,969</u>
Fund balances - ending	<u>\$ 20,489</u>	<u>\$ 151,788</u>	<u>\$ 1,003,410</u>	<u>\$ 3,798</u>	<u>\$ 1,179,485</u>

See notes to the financial statements

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - total governmental funds	\$ 267,516
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation on capital assets is not recognized in the governmental fund statements, but is reported as an expense in the statement of activities.	(453,307)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statements, but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	445,000
Amortization of deferred charges is not recognized in the governmental fund statements, but is reported as an expense in the statement of activities.	(18,455)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities, but not in the fund financial statements.	<u>10,569</u>
Change in net assets of governmental activities	<u><u>\$ 251,323</u></u>

See notes to the financial statements

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Transfers out	<u>\$ (182,948)</u>
Change in net assets	(182,948)
Total net assets - beginning (as restated)	<u>182,948</u>
Total net assets - ending	<u><u>\$ -</u></u>

See notes to the financial statements

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers, users and other funds	\$ 120,361
Payments to suppliers	12,719
Transfers out	<u>(182,948)</u>
Net cash provided (used) by operating activities	<u>(49,868)</u>
 Net increase (decrease) in cash and cash equivalents	 (49,868)
 Cash and cash equivalents - October 1	 <u>49,868</u>
 Cash and cash equivalents - September 30	 <u>\$ -</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Decrease in accounts receivable	10,243
Decrease in interfund receivable	106,542
Decrease in other receivables	3,576
Increase in accounts payable	12,719
Transfer out	<u>(182,948)</u>
Total adjustments	<u>(49,868)</u>
Net cash provided (used) by operating activities	<u>\$ (49,868)</u>

See notes to the financial statements

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

South Village Community Development District (the "District") was created on April 28, 2003 by Ordinances 2003-36 and 2004-67 of Clay County, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2010, three of the Board members were affiliated with East West Partners Group. East West Partners Group is the parent company of Eagle Landing Limited Partnership ("Developer").

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments

Assessments are non-ad valorem assessments on benefited property within the District. Operating and maintenance assessments are based upon the adopted budget and levied annually at a public hearing of the District. Debt service assessments are levied when Bonds are issued and assessed and collected on an annual basis. The District may collect assessments directly or utilize the uniform method of collection under Florida Statutes. Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by the County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the debt service assessments on their property subject to various provisions in the Bond documents.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

General Fund

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

Recreation Fund

The recreation fund is a special revenue fund established to account for the financial resources of the District's recreation areas.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

The District also reports the following non-major governmental fund:

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District reports the following major proprietary fund:

Recreation Fund

The proprietary fund of the District which included the recreational activities of the District was transferred to a special revenue fund effective October 1, 2009.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, any unspent proceeds are required to be held in investments as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure & recreation facilities	30
Equipment	10

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Deferred Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$553,661. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2010, the District reported accumulated amortization of \$110,730.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general and recreation fund. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the upcoming October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriations for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District's investments were held as follows at September 30, 2010:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
First American Prime Obligation Class Z	<u>\$ 759,150</u>	S&P AAAm	Weighted average of the fund portfolio: 45 days

Custodial risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2010 were as follows:

Fund	Transfer in	Transfer out
Special revenue	\$ 182,948	\$ -
Enterprise	-	182,948
Total	<u>\$ 182,948</u>	<u>\$ 182,948</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use.

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides for interpretations of certain terms within the definition of a special revenue fund type. Based on the clarification provided in this Statement, it was determined that the activities of the recreation fund would be more appropriate if classified as a special revenue fund rather than as an enterprise fund. While the requirements of GASB 54 are effective for financial statements for periods beginning after June 15, 2010, early implementation is encouraged. As a result, the financial resources of the enterprise fund were transferred into a special revenue fund effective October 1, 2009.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Construction in progress	\$ 38,829	\$ -	\$ 38,829	\$ -
Total capital assets, not being depreciated	<u>38,829</u>	<u>-</u>	<u>38,829</u>	<u>-</u>
Capital assets, being depreciated				
Infrastructure	3,216,944	38,829	-	3,255,773
Recreation facilities	10,218,057	-	-	10,218,057
Equipment	31,351	-	-	31,351
Total capital assets, being depreciated	<u>13,466,352</u>	<u>38,829</u>	<u>-</u>	<u>13,505,181</u>
Less accumulated depreciation for:				
Infrastructure	236,430	108,776	-	345,206
Recreation facilities	750,980	341,396	-	1,092,376
Equipment	11,582	3,135	-	14,717
Total accumulated depreciation	<u>998,992</u>	<u>453,307</u>	<u>-</u>	<u>1,452,299</u>
Total capital assets, being depreciated, net	<u>12,467,360</u>	<u>(414,478)</u>	<u>-</u>	<u>12,052,882</u>
Governmental activities capital assets	<u>\$ 12,506,189</u>	<u>\$ (414,478)</u>	<u>\$ 38,829</u>	<u>\$ 12,052,882</u>

NOTE 6 – CAPITAL ASSETS (Continued)

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$49 million. The infrastructure includes roadways, stormwater management system, water and sewer facilities, recreational facilities, entry features, landscaping and signage, and other related infrastructure. A portion of the project costs was financed with the proceeds from the issuance of the Series 2005A Bonds while the remainder will be funded by additional Bonds or the Developer. In a prior fiscal year, upon completion, certain improvements were conveyed to other entities for ownership and maintenance responsibilities.

Depreciation expense was charged to function/programs as follows:

Maintenance and operations	\$ 111,911
Recreation	341,396
Total depreciation expense	<u>\$ 453,307</u>

NOTE 7 – LONG TERM LIABILITIES

On January 15, 2005, the District issued \$26,635,000 of Capital Improvement Revenue Bonds, Series 2005A due on May 1, 2035 with a fixed interest rate of 5.7%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2005A Bond is to be paid annually on each May 1, commencing May 1, 2006.

The Series 2005A Bonds are subject to redemption at the option of the District prior to maturity. The Series 2005A Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected prepaid assessments and prepaid \$15,000 of the Bonds. In addition, see Note – 14 Subsequent Events for extraordinary redemption amounts subsequent to fiscal year end.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with those requirements of the Bond Indenture at September 30, 2010.

Changes in long-term liability activity for the fiscal year ended September 30, 2010 were as follows:

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
Series 2005A	\$ 25,080,000	\$ -	\$ 445,000	\$ 24,635,000	\$ 460,000
Total	<u>\$ 25,080,000</u>	<u>\$ -</u>	<u>\$ 445,000</u>	<u>\$ 24,635,000</u>	<u>\$ 460,000</u>

NOTE 7 – LONG TERM LIABILITIES (Continued)

At September 30, 2010, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2011	\$ 460,000	\$ 1,404,195	\$ 1,864,195
2012	485,000	1,377,975	1,862,975
2013	515,000	1,350,330	1,865,330
2014	545,000	1,320,975	1,865,975
2015	575,000	1,289,910	1,864,910
2016-2020	3,430,000	5,916,885	9,346,885
2021-2025	4,545,000	4,819,350	9,364,350
2026-2030	6,045,000	3,362,715	9,407,715
2031-2035	8,035,000	1,425,000	9,460,000
Total	\$ 24,635,000	\$ 22,267,335	\$ 46,902,335

NOTE 8 – INTERLOCAL AGREEMENTS

In 2004, the District entered into a cost sharing agreement with Middle Village Community Development District (“Middle Village”) for the maintenance of certain landscape improvements for which they both benefit. In accordance with the agreement, Middle Village will perform required maintenance and the District will provide 31% of the costs to perform the maintenance. For the fiscal year ended September 30, 2010, the cost of related maintenance incurred by Middle Village was approximately \$54,000, of which \$16,746 was remitted to Middle Village by the District in connection with the agreement.

NOTE 9 – DEVELOPER TRANSACTIONS

The Developer owns a portion of land within the District; therefore, assessment revenues in the general, recreation, and debt service funds include the assessments levied on the property owned by the Developer.

The Developer has agreed to fund any deficit of the District's general government, recreation and maintenance expenditures in excess of the assessments collected up to the total amount budgeted by the District for the fiscal year, without any reimbursement by the District. In connection with that agreement, Developer contributions to the general and recreation fund were \$136,934 and \$278,425, respectively.

NOTE 10 – CONCENTRATION

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The fiscal year 2010 report has adjusted the following item listed in the fiscal year 2009 report.

	Business-type Activities
Net assets - as previously stated	\$ -
Overstatement of liabilities	182,948
Net assets - as restated	\$ 182,948

NOTE 12 – MANAGEMENT AGREEMENTS

The District has contracted with a management company to perform management advisory services, which include financial and accounting services. Certain employees of the management company also serve as officers of the District. The District has contracted with two additional management companies (both of which are affiliated with the Developer) to perform property management services, which include managing, operating, maintaining, and supervising the clubhouse facility of the District. Under these agreements, the District compensates the management companies for management, accounting, financial reporting, computer and other administrative costs.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to September 30, 2010, the District prepaid \$20,000 of the Series 2005A Bonds. The prepayment was an extraordinary mandatory redemption as outlined in the Bond Indenture.

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original & Final	Actual Amounts	
REVENUES			
Assessments	\$ 282,085	\$ 290,360	\$ 8,275
Developer contributions	238,541	136,934	(101,607)
Total revenues	<u>520,626</u>	<u>427,294</u>	<u>(93,332)</u>
EXPENDITURES			
Current:			
General government	138,853	107,455	31,398
Maintenance and operations	<u>381,773</u>	<u>303,269</u>	<u>78,504</u>
Total expenditures	<u>520,626</u>	<u>410,724</u>	<u>109,902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	16,570	<u>\$ 16,570</u>
Fund balance - beginning		<u>3,919</u>	
Fund balance - ending		<u>\$ 20,489</u>	

See notes to required supplementary information

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – RECREATION FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original & Final	Actual Amounts	
REVENUES			
Assessments	\$ 349,889	\$ 363,625	\$ 13,736
Developer contributions	309,141	278,425	(30,716)
Swim and tennis revenue	206,765	145,161	(61,604)
Total revenues	<u>865,795</u>	<u>787,211</u>	<u>(78,584)</u>
EXPENDITURES			
Current:			
General government	51,428	131,262	(79,834)
Recreation	814,367	687,109	127,258
Total expenditures	<u>865,795</u>	<u>818,371</u>	<u>47,424</u>
Excess (deficiency) of revenues over (under) expenditures	-	(31,160)	(31,160)
OTHER FINANCING SOURCES			
Interfund transfers	-	182,948	182,948
Total other financing sources	<u>-</u>	<u>182,948</u>	<u>182,948</u>
Net change in fund balance	<u>\$ -</u>	<u>151,788</u>	<u>\$ 151,788</u>
Fund balance - beginning		<u>-</u>	
Fund balance - ending		<u>\$ 151,788</u>	

See notes to required supplementary information

**SOUTH VILLAGE COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund and recreation fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual expenditures for the fiscal year ended September 30, 2010 did not exceed appropriations for the general fund or recreation fund.

Actual general and recreation fund expenditures for the fiscal year ended September 30, 2010 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year. Accordingly, Developer contributions were less than budgeted amounts. Swim and tennis revenues in the recreation fund were less than budgeted amounts largely as a result of shortened hours for some of the District's services.



**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**

To the Board of Supervisors
South Village Community Development District
Clay County, Florida

We have audited the financial statements of the governmental activities, business-type activities, each major fund, , and the remaining fund information of South Village Community Development District, Clay County, Florida ("District") as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 30, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management, Board of Supervisors of South Village Community Development District, Clay County, Florida 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.


September 30, 2011



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
South Village Community Development District
Clay County, Florida

We have audited the accompanying basic financial statements of South Village Community Development District ("District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated September 30, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated September 30, 2011. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

This report is intended for the information of the management, Board of Supervisors of South Village Community Development District, Clay County, Florida 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 thank South Village Community Development District, Clay County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.


September 30, 2011

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2009.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2010.

4. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2010.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2010.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2010 financial audit report.

REPORT TO MANAGEMENT (Continued)

8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor 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.