

Brighton Lakes Community
Development District

Financial Statements

September 30, 2010

Brighton Lakes Community Development District
Table of Contents
September 30, 2010

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplemental information)	2 - 6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements	
Governmental Fund Financial Statements:	
Balance Sheet	9
Reconciliation of the Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13 - 20
REQUIRED SUPPLEMENTAL INFORMATION (other than MD&A)	
Budget to Actual Comparison Schedule - General Fund	21
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>	22 - 23
Management Letter	24 - 25



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INDEPENDENT AUDITOR'S REPORT

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To the Board of Supervisors
Brighton Lakes Community Development District
Osceola County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brighton Lakes Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These 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 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, each major fund, and the aggregate remaining fund information of the District as of September 30, 2010, and the respective changes in financial position 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 a report dated March 29, 2011 on our consideration of the District's internal control over financial reporting and 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 considered in 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 on pages 2 through 6 and on page 21 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.

Carr, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 29, 2011

Management's Discussion And Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Brighton Lakes Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- At September 30, 2010, the assets of the District exceed its liabilities by approximately \$15.2 million.
- During the fiscal year ended September 30, 2010, the District incurred approximately \$359,000 of interest expenditures and repaid principal of \$150,000.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 7 – 8 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 3. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 5. The fund financial statements begin on page 9 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities and governmental funds in a reconciliation with the fund financial statements.

THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Assets and is compared to the prior year.

<i>September 30,</i>	2010	2009	Change
Assets			
Current and other assets	\$ 1,107,768	\$ 994,555	\$ 113,213
Capital assets, net	19,898,639	20,665,389	(766,750)
Total assets	\$ 21,006,407	\$ 21,659,944	\$ (653,537)
Liabilities			
Current liabilities	\$ 320,912	\$ 312,829	\$ 8,083
Other liabilities	5,490,460	5,633,509	(143,049)
Total liabilities	5,811,372	5,946,338	(134,966)
Net assets			
Invested in capital assets, net of related debt	16,323,606	16,995,407	(671,801)
Restricted for:			
Debt service	117,396	116,834	562
Capital projects	-	4,383	(4,383)
Unrestricted	(1,245,967)	(1,403,018)	157,051
Total net assets (deficit)	15,195,035	15,713,606	(518,571)
Total liabilities and net assets	\$ 21,006,407	\$ 21,659,944	\$ (653,537)

For more detailed information, see the accompanying Statement of Net Assets.

During the fiscal year ended September 30, 2010, total assets and liabilities decreased by approximately \$654,000 and \$135,000, respectively. The decrease in assets is primarily a result of depreciation on capital assets. The decrease in liabilities is primarily due to the repayment of outstanding long-term bond principal.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Year ended September 30,</i>	2010	2009	Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,231,583	\$ 1,163,498	\$ 68,085
Grants and contributions	2,169	1,936	233
General revenues:			
Interest and other revenues	6,169	15,265	(9,096)
Total revenues	1,239,921	1,180,699	59,222
Expenses:			
General government	129,163	134,658	(5,495)
Maintenance and operations	1,077,087	1,089,713	(12,626)
Gatehouse	73,084	97,915	(24,831)
Community center	84,675	83,986	689
Interest	394,483	402,807	(8,324)
Total expenses	1,758,492	1,809,079	(50,587)
Change in net assets	(518,571)	(628,380)	109,809
Net assets, beginning	15,713,606	16,341,986	(628,380)
Net assets, ending	\$ 15,195,035	\$ 15,713,606	\$ (518,571)

For more detailed information, see the accompanying Statement of Activities.

Revenues and expenses did not change significantly from the prior year. The overall result was a \$518,571 decrease in net assets for fiscal year 2010.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 9) reported a combined fund balance of approximately \$781,000, which is an increase from last year's balance that totaled approximately \$647,000. Significant transactions are discussed below.

- The District incurred approximately \$359,000 of interest expenditures and repaid principal of approximately \$150,000.

The overall increase in fund balance for the year ended September 30, 2010 totaled approximately \$134,000.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the General Fund, including the original budget and final adopted budget, is shown at page 21.

The District experienced favorable variances in revenues and expenditures as compared to the budget in the amount of \$13,444 and \$123,431, respectively. These differences occurred primarily due to miscellaneous contingencies that were budgeted for but did not arise.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2010, the District had approximately \$19.9 million invested in capital assets (net of depreciation). This amount represents a net decrease of approximately \$767,000 from the fiscal year 2009 total.

A listing of capital assets for the current and prior year follows:

<i>September 30,</i>	2010	2009	Change
Capital assets not being depreciated	\$ 690,000	\$ 690,000	\$ -
Capital assets being depreciated	21,479,839	21,479,839	-
Total, prior to depreciation	22,169,839	22,169,839	-
Accumulated depreciation	(2,271,200)	(1,504,450)	(766,750)
Net capital assets	\$ 19,898,639	\$ 20,665,389	\$ (766,750)

More information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At September 30, 2010, the District had approximately \$6 million of bonds outstanding. This amount represents a net decrease of \$150,000 from the fiscal year 2009 total.

A listing of debt amounts outstanding for the current and prior year is as follows:

<i>September 30,</i>	2010	2009	Change
Series 2004A bonds	\$ 3,080,000	\$ 3,140,000	\$ (60,000)
Series 2007 bonds	2,915,000	3,005,000	(90,000)
	\$ 5,995,000	\$ 6,145,000	\$ (150,000)

More information about the District's long-term debt is presented in Note 5 to the financial statements.

FUTURE FINANCIAL FACTORS

Brighton Lakes Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2011 were established to provide for the operations of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Brighton Lakes Community Development District's management company at 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

Basic Financial Statements

Brighton Lakes Community Development District

Statement of Net Assets

<i>September 30,</i>	2010
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 284,529
Investments	512,174
Due from other governments	11,087
Prepaid expenses	7,805
Deferred charges, net	292,173
Capital assets:	
Not being depreciated	690,000
Depreciable, net	19,208,639
Total assets	21,006,407
Liabilities	
Accounts payable	33,053
Accrued liabilities	1,531
Accrued interest	146,328
Non-current liabilities:	
Due within one year	140,000
Due in more than one year	5,490,460
Total liabilities	5,811,372
Net assets	
Invested in capital assets, net of related debt	16,323,606
Restricted for:	
Debt service	117,396
Unrestricted	(1,245,967)
Total net assets	\$ 15,195,035

See accompanying notes to financial statements.

Brighton Lakes Community Development District

Statement of Activities

Year ended September 30,

2010

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Primary government:					
Governmental activities:					
General government	\$ (129,163)	\$ 157,429	\$ -	\$ 28,266	
Maintenance and operations	(1,077,087)	378,252	-	(698,835)	
Gatehouse	(73,084)	89,078	-	15,994	
Community center	(84,675)	103,206	-	18,531	
Interest	(394,483)	503,618	2,169	111,304	
Total governmental activities	\$ (1,758,492)	\$ 1,231,583	\$ 2,169	(524,740)	

General revenues

Interest and other revenues	6,169
Change in net assets	(518,571)
Net assets - beginning of the year	15,713,606
Net assets - end of the year	\$ 15,195,035

See accompanying notes to financial statements.

Brighton Lakes Community Development District

Balance Sheet - Governmental Funds

September 30,

2010

	General	Debt Service Series 2004	Debt Service Series 2007	Other Non Major	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 284,529	\$ -	\$ -	\$ -	\$ 284,529
Investments	9,700	399,003	103,471	-	512,174
Due from other governments	6,606	2,256	2,225	-	11,087
Prepaid expenditures	7,805	-	-	-	7,805
Total assets	\$ 308,640	\$ 401,259	\$ 105,696	\$ -	\$ 815,595
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 33,053	\$ -	\$ -	\$ -	\$ 33,053
Accrued liabilities	1,531	-	-	-	1,531
Total liabilities	34,584	-	-	-	34,584
Fund balances					
Reserved for debt service	-	401,259	105,696	-	506,955
Reserved for prepaid expenditures	7,805	-	-	-	7,805
Unreserved, undesignated	266,251	-	-	-	266,251
Total fund balances	274,056	401,259	105,696	-	781,011
Total liabilities and fund balances	\$ 308,640	\$ 401,259	\$ 105,696	\$ -	\$ 815,595

See accompanying notes to financial statements.

Brighton Lakes Community Development District

Reconciliation of the Balance Sheet to the Statement of Net Assets

<i>September 30,</i>	2010
Total fund balances, governmental funds	\$ 781,011
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements.	19,898,639
Bond issue costs are not financial resources and therefore are not reported as assets in governmental funds. The Statement of Net Assets includes these costs, net of amortization.	292,173
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(5,776,788)
Total net assets - governmental activities	\$ 15,195,035

See accompanying notes to financial statements.

Brighton Lakes Community Development District

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

Year ended September 30,

2010

	General	Debt Service Series 2004	Debt Service Series 2007	Other Non Major	Total Governmental Funds
Revenues					
Assessments	\$ 727,965	\$ 248,869	\$ 245,490	\$ -	\$ 1,222,324
Prepayment revenue	-	9,259	-	-	9,259
Interest and other revenues	6,169	2,147	22	-	8,338
Total revenues	734,134	260,275	245,512	-	1,239,921
Expenditures					
Current:					
General government	129,163	-	-	-	129,163
Maintenance and operations	310,337	-	-	-	310,337
Gatehouse	73,084	-	-	-	73,084
Community center	84,675	-	-	-	84,675
Debt service:					
Principal	-	60,000	90,000	-	150,000
Interest	-	192,172	166,850	-	359,022
Total expenditures	597,259	252,172	256,850	-	1,106,281
Excess (deficiency) of revenues over expenditures	136,875	8,103	(11,338)	-	133,640
Other Financing Sources (Uses)					
Transfer in	4,383	-	-	-	4,383
Transfer out	-	-	-	(4,383)	(4,383)
Total other financing sources (uses)	4,383	-	-	(4,383)	-
Net change in fund balances	141,258	8,103	(11,338)	(4,383)	133,640
Fund balances, beginning of year	132,798	393,156	117,034	4,383	647,371
Fund balances, end of year	\$ 274,056	\$ 401,259	\$ 105,696	\$ -	\$ 781,011

See accompanying notes to financial statements.

Brighton Lakes Community Development District

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

<i>Year ended September 30,</i>	2010
Net change in fund balances - governmental funds	\$ 133,640
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities	(766,750)
Amortization of bond issuance costs, deferred refunding and original issue premium are not recognized in the governmental fund statement but is reported as an expense in the Statement of Activities.	(38,951)
Governmental funds report principal payments on bonds when debt is paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds payable in the Statement of Net Assets.	150,000
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	3,490
Change in net assets of governmental activities	\$ (518,571)

See accompanying notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

The Brighton Lakes Community Development District (the “District”) was established on April 12, 2000 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Osceola County Ordinance No. 00-09. 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 a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected by qualified electors of Osceola County whose primary residence is within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

1. Assessing and levying special 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.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP). The primary criteria for including organizations within the District's reporting entity, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is financial accountability. The District is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or a jointly appointed board. Based on the foregoing criteria, no potential component units were found.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2010, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

The preparation of government-wide financial statements includes the application of both GASB pronouncements and those of the Financial Accounting Standards Board (FASB) issued before November 30, 1989.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of 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 the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments, including debt service assessments along with operation and maintenance assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District's activities, operation and maintenance. Assessments are levied and certified for collection by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District. Certain debt service assessments are collected upon the closing of those lots subject to short term debt and are used to prepay a portion of the bonds outstanding.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund Series 2004 – The Debt Service Fund Series 2004 is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Debt Service Fund Series 2007 – The Debt Service Fund Series 2007 is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

For the year ended September 30, 2010, the District does not report any proprietary funds.

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 District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash, Deposits and Investments

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB, Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others, direct obligations of the United States Treasury; the Local Government Surplus Funds Trust as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institution. In addition, the District's Bond Indentures allow it to invest in highly rated commercial paper and interest-bearing time deposits with any bank insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

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

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

Asset	Years
Infrastructure	20 - 30
Improvements other than buildings	20 - 30
Furniture, fixtures and equipment	5 - 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.

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 over the life of the bonds using the effective-interest or straight-line method. Bonds payable are reported net of premiums or discounts. Bond issuance costs are shown as deferred charges and are presented net of \$50,651 of accumulated amortization.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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 current period expenditures.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

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 net assets restricted by the District's bond covenants.

Budgets

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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 following October 1.
- B. Public hearings are conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All significant budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 3 – INVESTMENTS

Custodial credit risk – For an investment, custodial credit risk is the risk that 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. At September 30, 2010, the United States Treasury Bills and the Commercial Paper are category 2 custodial credit risk. These investments are held by counterparty in the District's name. None of the other investments listed below are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest rate risk – The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to seek reasonable returns, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

Brighton Lakes Community Development District

Notes to Financial Statements

NOTE 3 – INVESTMENTS (CONTINUED)

Concentration risk – The District’s investment policy requires diversification, but does not specify limits on types of investments.

All investments held at September 30, 2010 are reported at fair value based on quoted market prices, which approximates amortized cost. Values for most of the District’s investments are based on quoted market prices or amounts determined by the issuer. The SBA Investment Pool Fund B is accounted for as a fluctuating NAV pool. Fair value is based on the District’s account balance and a fair value factor provided by the State Board of Administration.

<i>September 30,</i>	2010	Credit Risk	Maturities
Short-term Money Market Funds	\$ 9,259	S&P AAAM	42 days
State Board of Administration Florida PRIME	4,619	S&P AAAM	52 days
State Board of Administration Florida Fund B	5,081	Not rated	7.49 years
United States Treasury Bills	204,816	S&P AAAM	10/21/2010
Commercial Paper	105,380	A-1+	n/a
Certificates of Deposit	183,019	n/a	6/27/11 & 1/31/11
Total investments	\$ 512,174		

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 690,000	\$ -	\$ -	\$ 690,000
Total capital assets not being depreciated	690,000	-	-	690,000
Capital assets being depreciated				
Furniture, fixtures and equipment	51,000	-	-	51,000
Infrastructure	19,005,984	-	-	19,005,984
Improvements other than buildings	2,422,855	-	-	2,422,855
Total capital assets being depreciated	21,479,839	-	-	21,479,839
Less accumulated depreciation for:				
Furniture, fixtures and equipment	30,600	5,100	-	35,700
Infrastructure	1,110,422	640,507	-	1,750,929
Improvements other than buildings	363,428	121,143	-	484,571
Total accumulated depreciation	1,504,450	766,750	-	2,271,200
Total capital assets being depreciated, net	19,975,389	(766,750)	-	19,208,639
Governmental activities capital assets, net	\$ 20,665,389	\$ (766,750)	\$ -	\$ 19,898,639

Brighton Lakes Community Development District

Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$766,750 was allocated to maintenance and operations on the accompanying Statement of Activities.

NOTE 5 – BONDS PAYABLE

On August 20, 2004, the District issued \$3,325,000 of Special Assessment Bonds, Series 2004A with a fixed interest rate of 6.125%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2004A Bonds is paid serially commencing on May 1, 2006 through May 1, 2035.

On August 29, 2007, the District issued \$3,165,000 of Special Assessment Refunding Bonds, Series 2007 with an interest rate of 5.00% to 5.75%. The Bonds were issued to refinance and defease the Series 2000 Bonds. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2007 Bonds is paid serially commencing on May 1, 2008 through May 1, 2031.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedure to be followed by the District on assessments to property owners. The District agreed 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 the requirements of the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in the reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement has been met for the fiscal year ended September 30, 2010.

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

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2011	\$ 140,000	\$ 350,882	\$ 490,882
2012	135,000	343,457	478,457
2013	145,000	336,088	481,088
2014	155,000	327,951	482,951
2015	165,000	319,244	484,244
2016 - 2020	970,000	1,446,413	2,416,413
2021 - 2025	1,290,000	1,131,609	2,421,609
2026 - 2030	1,745,000	699,747	2,444,747
2031 - 2035	1,250,000	206,164	1,456,164
	\$ 5,995,000	\$ 5,161,555	\$ 11,156,555

Brighton Lakes Community Development District

Notes to Financial Statements

NOTE 5 – BONDS PAYABLE (CONTINUED)

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2004A	\$ 3,140,000	\$ -	\$ (60,000)	\$ 3,080,000	\$ 65,000
Series 2007	3,005,000	-	(90,000)	2,915,000	75,000
	<u>\$ 6,145,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 5,995,000</u>	<u>\$ 140,000</u>

The balance of the long-term bonds at September 30, 2010 is summarized as follows:

<i>September 30,</i>	2010
Bond principal balance	\$ 5,995,000
Add: unamortized bond premium	32,024
Less: deferred refunding amount	(396,564)
Net balance	\$ 5,630,460

NOTE 6 – 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 maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in the previous three years.

NOTE 7 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

Required Supplemental Information
(Other Than MD&A)

Brighton Lakes Community Development District

Budget to Actual Comparison Schedule - General Fund

<i>Year ended September 30,</i>	2010		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Assessments	\$ 715,390	\$ 727,965	\$ 12,575
Interest and other revenues	5,300	6,169	869
Total revenues	720,690	734,134	13,444
Expenditures			
General government	129,762	129,163	599
Maintenance and operations	405,200	310,337	94,863
Gatehouse	92,785	73,084	19,701
Community center	92,943	84,675	8,268
Total expenditures	720,690	597,259	123,431
Excess (deficiency) of revenues over expenditures	\$ -	\$ 136,875	\$ 136,875

**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
Brighton Lakes Community Development District
Osceola County, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brighton Lakes Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report dated March 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the 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, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management, the Board of Supervisors, others within the District, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

Caru, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 29, 2011

MANAGEMENT LETTER

To the Board of Supervisors
Brighton Lakes Community Development District
Osceola County, Florida

We have audited the financial statements of Brighton Lakes Community Development District ("District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 29, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report which is dated March 29, 2011, should be considered in conjunction with this management letter.

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. This letter includes the following information, which is not included in the aforementioned auditor's reports:

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes during the year ended September 30, 2010.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Carly Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 29, 2011