

Brighton Lakes Community
Development District

Financial Statements

September 30, 2013

Brighton Lakes Community Development District
Table of Contents
September 30, 2013

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplemental information)	3 - 7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Governmental Fund Financial Statements:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14 - 22
REQUIRED SUPPLEMENTAL INFORMATION (other than MD&A)	
Budget to Actual Comparison Schedule - General Fund	23
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>	24 - 25
Management Letter	26 - 27



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Brighton Lakes Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2013, 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2014, 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* in considering the District's internal control over financial reporting and compliance.

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

Miramar Beach, Florida
February 17, 2014

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, 2013. Please read it in conjunction with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- At September 30, 2013, the assets of the District exceed its liabilities by approximately \$13.4 million.
- During the fiscal year ended September 30, 2013, the District incurred approximately \$336,000 of interest expenditures and repaid principal of \$145,000.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 – 9 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 10. 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 4. 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 Position 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 position and related changes during the current year. You can think of the District's net position – 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 position 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 10 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 Position and is compared to the prior year. Certain prior year amounts have been modified to reflect changes associated with the adoption of new accounting standards in the current year.

<i>September 30,</i>	2013	2012	Change
Assets			
Current and other assets	\$ 1,241,450	\$ 1,117,189	\$ 124,261
Capital assets, net	17,610,738	18,365,139	(754,401)
Total assets	18,852,188	19,482,328	(630,140)
Deferred outflows of resources			
Deferred charge on refunding	339,687	358,646	(18,959)
Total deferred outflows of resources	339,687	358,646	(18,959)
Total assets and deferred outflows of resources	\$ 19,191,875	\$ 19,840,974	\$ (649,099)
Liabilities			
Current liabilities	\$ 321,290	\$ 298,733	\$ 22,557
Other liabilities	5,447,430	5,603,961	(156,531)
Total liabilities	5,768,720	5,902,694	(133,974)
Net position			
Net investment in capital assets	14,111,721	14,750,957	(639,236)
Restricted for:			
Debt service	150,554	117,317	33,237
Unrestricted	(839,120)	(929,994)	90,874
Total net position	13,423,155	13,938,280	(515,125)
Total liabilities and net position	\$ 19,191,875	\$ 19,840,974	\$ (649,099)

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

During the fiscal year ended September 30, 2013, total assets and liabilities decreased by approximately \$630,000 and \$134,000, 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. Certain prior year amounts have been modified to reflect changes associated with the adoption of new accounting standards in the current year.

<i>Year ended September 30,</i>	2013	2012	Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,228,765	\$ 1,228,626	\$ 139
Grants and contributions	12,320	625	11,695
General revenues:			
Interest and other revenues	10,260	7,695	2,565
Total revenues	1,251,345	1,236,946	14,399
Expenses:			
General government	125,305	121,108	4,197
Maintenance and operations	1,102,344	1,069,711	32,633
Gatehouse	105,480	88,886	16,594
Community center	83,215	76,399	6,816
Interest	350,126	357,815	(7,689)
Total expenses	1,766,470	1,713,919	52,551
Change in net position	(515,125)	(476,973)	(38,152)
Net position, beginning	13,938,280	14,415,253	(476,973)
Net position, ending	\$ 13,423,155	\$ 13,938,280	\$ (515,125)

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 \$515,125 decrease in net position for fiscal year 2013.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$1.2 million, which is an increase from last year's balance that totaled approximately \$1.1 million. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2013, the District incurred approximately \$336,000 of interest expenditures and repaid principal of \$145,000.

The overall increase in fund balance for the year ended September 30, 2013 totaled approximately \$108,000.

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 23.

The District experienced favorable variances in revenues and expenditures as compared to the budget in the amount of \$12,145 and \$78,729, respectively. The variance in expenditures occurred primarily due to anticipated budgeted operating expenditures that were not incurred during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the District had approximately \$17.6 million invested in capital assets (net of accumulated depreciation). This amount represents a net decrease of approximately \$754,000 from the fiscal year 2012 total.

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

<i>September 30,</i>	2013	2012	Change
Land	\$ 690,000	\$ 690,000	\$ -
Capital assets being depreciated	21,492,785	21,479,839	12,946
Total, prior to depreciation	22,182,785	22,169,839	12,946
Accumulated depreciation	(4,572,047)	(3,804,700)	(767,347)
Net capital assets	\$ 17,610,738	\$ 18,365,139	\$ (754,401)

More information about the District's capital assets is presented in Note 6 to the financial statements.

Debt

At September 30, 2013, the District had approximately \$5.6 million of bonds outstanding. This amount represents a decrease of \$145,000 from the fiscal year 2012 total.

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

<i>September 30,</i>	2013	2012	Change
Series 2004A bonds	\$ 2,900,000	\$ 2,960,000	\$ (60,000)
Series 2007 bonds	2,675,000	2,760,000	(85,000)
	\$ 5,575,000	\$ 5,720,000	\$ (145,000)

More information about the District's long-term debt is presented in Note 7 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 2014 were established to provide for the operations of the District as well as necessary debt service requirements.

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, Severn Trent Services, at 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

Basic Financial Statements

Brighton Lakes Community Development District

Statement of Net Position

<i>September 30,</i>	2013
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 308,148
Investments	916,207
Other receivables	9,269
Prepaid expenses	7,826
Capital assets:	
Not being depreciated	690,000
Depreciable, net	16,920,738
Total assets	18,852,188
Deferred outflows of resources	
Deferred charge on refunding	339,687
Total deferred outflows of resources	339,687
Liabilities	
Accounts payable	29,643
Accrued interest payable	136,647
Non-current liabilities:	
Due within one year	155,000
Due in more than one year	5,447,430
Total liabilities	5,768,720
Net position	
Net investment in capital assets	14,111,721
Restricted for:	
Debt service	150,554
Unrestricted	(839,120)
Total net position	\$ 13,423,155

See accompanying notes to financial statements.

Brighton Lakes Community Development District

Statement of Activities

Year ended September 30,

2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ (125,305)	\$ 142,066	\$ -	\$ 16,761
Maintenance and operations	(1,102,344)	379,809	-	(722,535)
Gatehouse	(105,480)	119,590	-	14,110
Community center	(83,215)	94,347	-	11,132
Interest	(350,126)	492,953	12,320	155,147
Total governmental activities	\$ (1,766,470)	\$ 1,228,765	\$ 12,320	(525,385)

General revenues

Interest and other revenues	10,260
Change in net position	(515,125)
Net position - beginning of the year, as restated	13,938,280
Net position - end of the year	\$ 13,423,155

See accompanying notes to financial statements.

Brighton Lakes Community Development District

Balance Sheet - Governmental Funds

September 30,

2013

	General	Debt Service Series 2004	Debt Service Series 2007	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 308,148	\$ -	\$ -	\$ 308,148
Investments	388,417	392,931	134,859	916,207
Other receivables	6,155	1,548	1,566	9,269
Prepaid expenditures	7,826	-	-	7,826
Total assets	\$ 710,546	\$ 394,479	\$ 136,425	\$ 1,241,450
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 29,643	\$ -	\$ -	\$ 29,643
Total liabilities	29,643	-	-	29,643
Fund balances				
Nonspendable	7,826	-	-	7,826
Restricted for debt service	-	394,479	136,425	530,904
Assigned for capital reserves	324,000	-	-	324,000
Assigned for operating reserves	164,732	-	-	164,732
Unassigned	184,345	-	-	184,345
Total fund balances	680,903	394,479	136,425	1,211,807
Total liabilities and fund balances	\$ 710,546	\$ 394,479	\$ 136,425	\$ 1,241,450

See accompanying notes to financial statements.

Brighton Lakes Community Development District

Reconciliation of the Balance Sheet to the Statement of Net Position

<i>September 30,</i>	2013
Total fund balances, governmental funds	\$ 1,211,807
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements.	17,610,738
Deferred charges on refunding are not financial resources and, therefore are not reported as assets in governmental funds. The Statement of Net Position includes these charges, net of accumulated amortization.	339,687
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(5,739,077)
Total net position - governmental activities	\$ 13,423,155

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,

2013

	General	Debt Service Series 2004	Debt Service Series 2007	Total Governmental Funds
Revenues				
Assessments	\$ 735,812	\$ 245,073	\$ 247,880	\$ 1,228,765
Prepayment revenue	-	-	11,758	11,758
Interest and other revenues	10,260	481	81	10,822
Total revenues	746,072	245,554	259,719	1,251,345
Expenditures				
Current:				
General government	118,560	3,353	3,392	125,305
Maintenance and operations	334,997	-	-	334,997
Gatehouse	105,480	-	-	105,480
Community center	83,215	-	-	83,215
Debt service:				
Principal	-	60,000	85,000	145,000
Interest	-	181,300	154,788	336,088
Capital outlay	12,946	-	-	12,946
Total expenditures	655,198	244,653	243,180	1,143,031
Net change in fund balances	90,874	901	16,539	108,314
Fund balances, beginning of year	590,029	393,578	119,886	1,103,493
Fund balances, end of year	\$ 680,903	\$ 394,479	\$ 136,425	\$ 1,211,807

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>	2013
Net change in fund balances - governmental funds	\$ 108,314
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	12,946
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities	(767,347)
Amortization of deferred refunding amounts and original issue premium is not recognized in the governmental fund statements but is reported as an expense in the Statement of Activities.	(17,428)
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 Position.	145,000
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.	3,390
Change in net assets of governmental activities	\$ (515,125)

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 exercises 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) as defined by the Governmental Accounting Standards Board (GASB) in statements No. 14 and No. 61. 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:

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 Position 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2013, 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.

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.

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.

Brighton Lakes Community Development District

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013, 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. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as 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 in accordance with collateral requirements determined by the State's Chief Financial Officer. 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).

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

<u>Asset</u>	<u>Years</u>
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.

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.

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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line or effective interest method. Bonds payable are reported net of these premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item, a deferred charge on refunding, that qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item at September 30, 2013.

Fund Equity

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by the District's bond covenants.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

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. A public hearing is 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

All investments held at September 30, 2013 are reported at fair value. 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>	2013	Credit Risk	Maturities
State Board of Administration Florida PRIME	\$ 9,708	S&P AAAm	44 days
State Board of Administration Florida Fund B	2,435	Not rated	4.04 years
Short-term Money Market Funds	11,758	S&P AAAm	51 days
Commercial Paper	516,032	A-1+	n/a
Certificates of Deposit	376,274	n/a	various
Total investments	\$ 916,207		

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, 2013, the Commercial Paper is held by a counterparty in the District's name. None of the other investments listed above 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.

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

NOTE 4 – 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.

Brighton Lakes Community Development District

Notes to Financial Statements

NOTE 5 – 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 as there have been no claims.

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2013:

	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	12,946	-	63,946
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	12,946	-	21,492,785
Less accumulated depreciation for:				
Furniture, fixtures and equipment	45,900	5,697	-	51,597
Infrastructure	3,031,943	640,507	-	3,672,450
Improvements other than buildings	726,857	121,143	-	848,000
Total accumulated depreciation	3,804,700	767,347	-	4,572,047
Total capital assets being depreciated, net	17,675,139	(754,401)	-	16,920,738
Governmental activities capital assets, net	\$ 18,365,139	\$ (754,401)	\$ -	\$ 17,610,738

Depreciation expense totaling \$767,347 was allocated to maintenance and operations on the Statement of Activities.

NOTE 7 – 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.

Brighton Lakes Community Development District

Notes to Financial Statements

NOTE 7 – BONDS PAYABLE (CONTINUED)

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 Indentures have 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 Indentures.

The Bond Indentures require that the District maintain adequate funds in the reserve accounts to meet the debt service reserve requirements as defined in the Indentures. The requirements have been met for the fiscal year ended September 30, 2013.

At September 30, 2013, the scheduled debt service requirements on long-term debt were as follows:

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2014	\$ 155,000	\$ 327,951	\$ 482,951
2015	165,000	319,244	484,244
2016	175,000	309,968	484,968
2017	180,000	300,125	480,125
2018	190,000	290,019	480,019
2019 - 2023	1,150,000	1,269,508	2,419,508
2024 - 2028	1,555,000	888,997	2,443,997
2029 - 2033	1,570,000	385,196	1,955,196
2034 - 2035	435,000	40,119	475,119
	\$ 5,575,000	\$ 4,131,127	\$ 9,706,127

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2004A	\$ 2,960,000	\$ -	\$ (60,000)	\$ 2,900,000	\$ 65,000
Series 2007	2,760,000	-	(85,000)	2,675,000	90,000
	\$ 5,720,000	\$ -	\$ (145,000)	\$ 5,575,000	\$ 155,000

Brighton Lakes Community Development District

Notes to Financial Statements

NOTE 7 – BONDS PAYABLE (CONTINUED)

The balance of the long-term bonds at September 30, 2013 is summarized as follows:

<i>September 30,</i>		2013
Bond principal balance	\$	5,575,000
Add: unamortized bond premium		27,430
Net balance	\$	5,602,430

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position and creates a new format for the statement of financial position that requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

The District made the decision to implement these standards effective October 1, 2012.

As a result of implementation, government-wide net position at the beginning of the year ended September 30, 2013 has been restated. GASB Statement No. 65 requires, among other things, that bond issue costs be shown as current-period outflows of resources (expenses) and not capitalized. Accordingly, prior year deferred charges have been removed from the current year financial statements. The restatement resulted in a decrease in the beginning net position of \$265,455.

In addition to the above restatement, other items have been reclassified in the financial statements in order to conform to the newly required presentation. On the government-wide Statement of Net Position, the deferred charge on refunding was previously netted against long-term debt. In the current year financial statements, this amount is presented separately as a deferred outflow of resources.

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>	2013		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Assessments	\$ 731,377	\$ 735,812	\$ 4,435
Interest and other revenues	2,550	10,260	7,710
Total revenues	733,927	746,072	12,145
Expenditures			
General government	135,984	118,560	17,424
Maintenance and operations	414,500	334,997	79,503
Gatehouse	78,500	105,480	(26,980)
Community center	104,943	83,215	21,728
Capital outlay	-	12,946	(12,946)
Total expenditures	733,927	655,198	78,729
Excess of revenues over expenditures	\$ -	\$ 90,874	\$ 90,874

**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, in accordance with the 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, the financial statements of the governmental activities and each major fund of Brighton Lakes Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Miramar Beach, Florida
February 17, 2014

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, 2013, and have issued our report thereon dated February 17, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated February 17, 2014, should be considered in conjunction with this management letter.

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

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 noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., 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)6.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, 2013.

Section 10.554(1)(i)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.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.

Our management letter is intended solely for the information and use of Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Miramar Beach, Florida
February 17, 2014