



BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2013

(With Independent Auditors' Report Thereon)

Brownwood Community Development Districts
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BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Table of Contents

	Page
Financial Section	
Independent Auditors' Report	1
Management's Discussion and Analysis (UNAUDITED)	3
Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	14
Notes to Basic Financial Statements	15
Other Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Management Letter	26
Management Response Letter	28

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Brownwood Community Development District
The Villages, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Brownwood Community Development District (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 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.

Auditors' 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 basic 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 auditors' 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

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

Board of Supervisors
Brownwood Community Development District
The Villages, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinions (Concluded)

September 30, 2013, and the respective changes in financial position thereof, and, the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As discussed in Note 1 to the financial statements, for the year ending September 30, 2013, the District adopted new accounting guidance as follows:

- Governmental Accounting Standard Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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 our report dated February 7, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

February 7, 2014
Ocala, Florida

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2013

The Brownwood Community Development District (the District) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the District's financial activities; and (c) identify changes in the District's financial position and its ability to address the next and subsequent year challenges.

Financial Highlights

- The Brownwood Community Development District was formed on June 25, 2012 by the City of Wildwood, Florida, pursuant to Chapter 190, Florida Statutes, through enactment of Ordinance Number 02012-20. The District encompasses approximately 239.85 acres. The purpose of the District is to provide governmental services including administration, physical environment (landscape and other maintenance), and transportation services (street lighting) to this newly constructed commercial District. Initially it was funded through contributions from the Developer, The Villages of Lake Sumter, Inc., in fiscal year 2013-2014 upcoming, it will be primarily funded through a maintenance assessment levied on the commercial properties operating within the District.
- The assets of the District exceeded its liabilities as of September 30, 2013 by \$15,099,258 (net position). Almost all of the net position is currently invested in capital assets. Unrestricted net assets total \$29,325.
- The increase in net position was \$12,727,399 bringing the total net position to \$15,099,258, up from \$2,371,859 in the previous year.
- Revenues for the year were \$13,430,718, consisting primarily of operating and capital contributions from the developer. Expenses for the year were \$703,319, comprised primarily of landscaping and other physical environment charges and depreciation expenses.
- At the close of the fiscal year, the District's governmental funds reported fund balances of \$29,325.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Brownwood Community Development District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The **Statement of Net Position** presents information on all of the District's assets and deferred outflows compared to liabilities and deferred inflows, with the difference between the two reported as *net position*. The District is implementing Governmental Accounting Standards Statements Nos. 63 and 65 this fiscal year which introduced the term *net position* in place of *net assets*. A further discussion of the standards changes promulgated by the Governmental Accounting Standards Board (GASB) is contained in footnote 1. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Brownwood Community Development District is improving or deteriorating.

The **Statement of Activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected assessments).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by donations, assessments and intergovernmental revenues (*governmental activities*) from other

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2013

functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and physical environment services. The District has no business-type activities. The District also has no component units, as all functions are performed by the primary government.

The government-wide financial statements are provided on pages 8-9 of this report.

The Fund Financial Statements, which report by individual fund, begin on page 10. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Brownwood Community Development District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The single fund of the District is considered a governmental fund. There are no proprietary or fiduciary funds maintained by the District. The fund financial statements present information in more detail than the government-wide financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

Governmental funds. *Governmental funds* are used to account for essentially the same functions as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the Brownwood Special Revenue Fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for its Special Revenue Fund. A budgetary comparison statement has been provided for the Special Revenue Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10-14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 15.

Government-wide Financial Analysis

The District's net position as of September 30, 2013 and September 30, 2012 were \$15.099 and \$2.372 million, respectively, representing an increase of approximately \$12.727 million. The District's revenues for the years ended September 30, 2013 and September 30, 2012, including donations, were approximately \$13.431 million and \$2.388 million, respectively. The District's expenses for the years ended September 30, 2013 and September

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis
(UNAUDITED)
September 30, 2013

30, 2012 were \$703,319 and \$15,920, respectively. Table 1, below, reflects the Summary Statement of Net Position for the current year and prior year.

Table 1
Summary Statement of Net Position

	Governmental Activities	
	September 30,	
	2013	2012
Assets:		
Current and other assets	\$ 39,507	7,176
Capital assets, net of accumulated depreciation	15,069,933	2,371,859
Total assets	15,109,440	2,379,035
Liabilities:		
Current and other liabilities	10,182	7,176
Total liabilities	10,182	7,176
Net position		
Net investment in capital assets	15,069,933	2,371,859
Unrestricted	29,325	-
Total net position	\$ 15,099,258	2,371,859

Most of the District's net position relates to net investments in capital assets, totaling \$15,069,933 (99.8%). Current and other assets total \$39,507. The District's liabilities are solely composed of current trade accounts payable and amounts owed other governments that were liquidated early in fiscal year 2013-2014.

Table 2, below, reflects the summary statement of Changes in Net Position for the current year and prior year.

Table 2
Changes in Net Position

	Governmental Activities	
	September 30,	
	2013	2012
Revenues:		
Contributions and donations	\$ 12,905,750	2,380,603
Interest and other earnings	9,955	-
Contributions and donations from private sources	515,013	7,176
Total revenues	13,430,718	2,387,779
Expenses:		
General government services	2,420	7,077
Physical environment	493,223	100
Depreciation (unallocated)	207,676	8,743
Total expenses	703,319	15,920
Changes in net position	12,727,399	2,371,859

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2013

Revenues

Revenues include contributions and donations from private sources, primarily The Villages at Lake Sumter, Inc. One time donations of \$12,905,750 in capital assets was made by The Villages of Lake Sumter, Inc. to transfer ownership of land and infrastructure for common areas in the new Brownwood commercial district.

At the end of the 2012-2013 fiscal year, the District maintained its bank account with Citizens First Bank, with an end of year balance of \$36,039. It had no other bank, trust or investment accounts.

Expenses

General government expenses of the District were \$2,420 and primarily related to management, legal and administrative costs. Physical environment expenses are mainly for landscaping, irrigation, utilities and maintenance costs and amounted to \$493,223 in fiscal year 2012-2013, the first major year of operations. Depreciation expenses of \$207,676 resulted from the donation of capital assets to the District.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. As of the end of fiscal year 2012-2013, the District's governmental fund reported an ending fund balances of \$29,325, up from zero at the end of the previous year. This will increase in upcoming fiscal years as actual operations continue to expand.

General Fund Budgetary Highlights

During the year, there was an increase in the total appropriations for the General Fund between the original and final budget of \$50,610 primarily due to increased landscaping and repair and maintenance adjustments. There was also an increase in the revenue budget of \$75,030 to reflect higher operating contributions from the developer.

Capital Asset and Debt Administration

Capital Assets. The District's capital assets as of September 30, 2012 and September 30, 2011 amounted to \$15,069,933 and \$2,371,859, respectively. The increase resulted from the donation of \$12,905,750 in land and land improvements to the District. This total amount is net of accumulated depreciation, and includes land and improvements. Depreciation expenses of \$207,676 between September 30, 2012 and September 30, 2013 reduced the amount of the net increase. Additional information regarding the District's capital assets can be found in Note 3 of the Notes to the Basic Financial Statements.

Long-term Debt. As of September 30, 2013, the District has no long term debt.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2013

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Sumter County where the District is located was 5.7 percent in September 2013 which is a decrease from a rate of 6.9 percent a year ago. This compares favorably with the State's average unemployment rate of 6.9 percent and is below the national average rate of 7.0 percent.
- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual increase for all urban consumers decreased significantly from 1.99 percent in September 2012 to 0.92 percent in September 2013.

These factors were considered in preparing the Districts' budget for the 2013-2014 fiscal year. In fiscal year 2013-2014, revenue of \$1,223,121 is projected, an increase of \$697,983 from the final budget in the prior year. The increase reflected the first maintenance assessment being billed in fiscal year 2013-2014 with a corresponding decrease in the developer contributions. Total fiscal year 2013-2014 expenditures are projected to be \$1,206,899 providing for management and legal services, landscaping and maintenance and repair, and other miscellaneous expenditures.

Requests for Information

The District's financial statements are designed to present users (residents, taxpayers, customers, investors and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, contact the Village Community Development Districts, Finance Department at 3201 Wedgewood Lane, The Villages, FL 32162; Telephone (352) 753-0421.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Position

September 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash	\$ 36,039
Accounts receivable	3,468
Capital assets:	
Non depreciable assets	1,712,837
Depreciable assets (net of accumulated depreciation)	<u>13,357,096</u>
Total assets	<u>15,109,440</u>
Liabilities	
Accounts payable	<u>10,182</u>
Total liabilities	<u>10,182</u>
Net Position	
Net investment in capital assets	15,069,933
Unrestricted	<u>29,325</u>
Total net position	<u>\$ <u>15,099,258</u></u>

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities
Year Ended September 30, 2013

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating contributions	Capital grants and contributions	Governmental activities	Total
Governmental activities:						
General governemnt	\$ 2,420	-	-	12,905,750	12,903,330	12,903,330
Physical environment	493,223	-	-	-	(493,223)	(493,223)
Depreciation (unallocated)	207,676	-	-	-	(207,676)	(207,676)
Total governmental activities	\$ 703,319	-	-	-	12,202,431	(700,898)
General revenues:						
Interest and other earnings					9,955	9,955
Contributions and donations from private sources					515,013	515,013
Total general revenues					524,968	524,968
Change in net position					12,727,399	12,727,399
Net position – beginning					2,371,859	2,371,859
Net position – ending					\$ 15,099,258	15,099,258

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Balance Sheet – Governmental Fund

September 30, 2013

	<u>Brownwood Special Revenue Fund</u>
Assets:	
Cash	\$ 36,039
Accounts receivable	3,468
Total assets	<u>39,507</u>
Liabilities:	
Accounts payable	<u>10,182</u>
Total liabilities	<u>10,182</u>
Fund balances:	
Unassigned	<u>29,325</u>
Total fund balances	<u>29,325</u>
Total liabilities and fund balances	<u>\$ 39,507</u>

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position
September 30, 2013

Total fund balances, governmental fund		\$	29,325
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Capital assets, donated	\$	15,286,352	
Less accumulated depreciation		<u>(216,419)</u>	<u>15,069,933</u>
Net position of governmental activities			<u>\$ 15,099,258</u>

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds
Year Ended September 30, 2013

	Brownwood Special Revenue Fund
Revenues:	
Other revenue	\$ 9,925
Contributions and cash donations from private sources	515,013
Miscellaneous revenue	30
Total revenues	<u>524,968</u>
Expenditures:	
Current	
General government services	2,420
Physical environment	493,223
Total expenditures	<u>495,643</u>
Net change in fund balances	<u>29,325</u>
Fund balances, at beginning of year	<u>-</u>
Fund balances, at end of year	<u>\$ 29,325</u>

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Governmental Funds to the Statement of Activities
 Year Ended September 30, 2013

Net change in fund balances – total governmental funds	\$	29,325
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds do not report donations of capital assets, however, in the Statement of Activities the fair value of donated assets is recorded with the related depreciation expense. This is the amount of capital outlay less depreciation expense recorded in the fiscal year.		
Donated capital assets	\$	12,905,750
Less: depreciation expense		<u>(207,676)</u>
		<u>12,698,074</u>
Change in net position of governmental activities	\$	<u><u>12,727,399</u></u>

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
Year Ended September 30, 2013

	Budgeted Amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Other revenue	\$ 10,125	10,125	9,925	(200)
Contributions - private source & donations	439,983	515,013	515,013	-
Miscellaneous revenue	-	-	30	30
Total revenues	<u>450,108</u>	<u>525,138</u>	<u>524,968</u>	<u>(170)</u>
Expenditures:				
Management fees and professional services	125,617	128,317	125,693	2,624
Accounting and auditing	1,000	2,000	2,000	-
Other contractual services	1,770	10,200	10,145	55
Communication	25	25	-	25
Utility service	-	13,400	13,351	49
Insurance	31,000	35,000	34,524	476
Repairs and maintenance/landscape	-	20,900	20,731	169
Printing and binding	-	80	80	-
Other current charges	290,196	290,196	289,089	1,107
Operating supplies	500	600	30	570
Total expenditures	<u>450,108</u>	<u>500,718</u>	<u>495,643</u>	<u>5,075</u>
Excess of revenues over expenditures	-	24,420	29,325	4,905
Net change in fund balance	-	24,420	29,325	4,905
Fund balances, at beginning of year	-	-	-	-
Fund balances, at end of year	\$ <u>-</u>	<u>24,420</u>	<u>29,325</u>	<u>4,905</u>

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Brownwood Community Development District (the District) was established on June 25, 2012 for the purpose of acquiring, operating, and maintaining certain community-wide infrastructure for a commercial community development district located entirely within the City of Wildwood and Sumter County, Florida. The District was created by the City of Wildwood Ordinance No. 02012-20, pursuant to the provisions of Chapter 190.005, Florida Statutes, and operates within the criteria established by Chapter 190. The District is governed by a five-member Board of Supervisors. As of September 30, 2013, each member of the Board of Supervisors is an appointed member selected by the City of Wildwood City Commission.

The District boundary consists of approximately 239.85 acres in the eastern portion of the City and the northeast corner of Sumter County. The land within the District is part of the active adult retirement community known as “The Villages”. The Villages consists of approximately 22,590 acres spanning the borders of Lake, Sumter and Marion Counties, City of Wildwood, City of Fruitland Park and the Town of Lady Lake, Florida, and when fully developed is expected to include approximately 58,775 residences and 111,672 residents. The Villages of Lake-Sumter, Inc. was the developer and initial owner of the property within the District. The District’s primary purpose is to provide governmental and property maintenance services to this commercial District. The Villages continues to be developed by the developer, a family-owned business established for the single purpose of developing The Villages. Most current development is being performed in District Nos. 9 and 10, north of the District.

The financial statements of the District have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District’s more significant accounting policies are described below.

There are no component units that are legally separate from the District. There are thirteen Community Development Districts (CDD) in the total structure of The Villages, each being a separate government entity established pursuant to Chapter 190, Florida Statutes.

The Developer has formed the following community development districts:

- Village Center CDD (Lake, Marion and Sumter Counties) – This CDD provides water and sewer utility services, recreation and security services, and fire protection and paramedic services to the residents. The cost of operations is funded by amenity and utility fees that residents pay monthly. This CDD also provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.
- Sumter Landing CDD (Sumter County) – This CDD provides recreation and security services to the residents. The cost of operations is funded by amenity fees that residents pay monthly. This CDD also provides for the maintenance of common areas

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas is funded through commercial maintenance assessments.

- Brownwood CDD (Sumter County) – This CDD was established in June 2012 by the City of Wildwood, Florida and is located at the southern end of The Villages. This CDD provides for the maintenance of common areas and roadways for the commercial areas within the CDD boundaries. The cost of maintenance in the commercial areas will be funded through commercial maintenance assessments as the new downtown area builds out. Currently, the District is funded through Developer contributions.
- Village CDD No. 1 (Sumter County) – This CDD’s boundary consists of approximately 993 acres in the northeast corner of the county. The development included construction of 3,420 residential units.
- Village CDD No. 2 (Sumter County) – This CDD’s boundary consists of approximately 990 acres in the northeast corner of the county. The development included construction of 3,668 residential units.
- Village CDD No. 3 (Sumter County) – This CDD’s boundary consists of approximately 894 acres in the northeast corner of the county. The development included construction of 3,762 residential units.
- Village CDD No. 4 (Marion County) – This CDD’s boundary consists of approximately 1,186 acres in the southern portion of the county. The development included construction of 5,132 residential units.
- Village CDD No. 5 (Sumter County) – This CDD’s boundary consists of approximately 1,407 acres in the northeast corner of the county. The development included construction of 6,399 residential units.
- Village CDD No. 6 (Sumter County) – This CDD’s boundary consists of approximately 1,497 acres in the northeast corner of the county. Planned development included construction of 6,697 residential units of which 9 remain unsold as of September 30, 2013.
- Village CDD No. 7 (Sumter County) – This CDD’s boundary consists of approximately 976 acres in the northeast corner of the county. The development included construction of 4,765 residential units.
- Village CDD No. 8 (Sumter County) – This CDD’s boundary consists of approximately 1,098 acres in the northeast corner of the county. Planned development includes construction of 5,193 residential units. Construction is now complete with 127 unsold and being used as lifestyle preview homes by the Developer.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,280 acres in the northeast corner of the county. Planned development includes construction of 5,376 residential units. Construction is now underway.
- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 1,588.8 acres in the northeast corner of the county. Planned development includes construction of 6,639 residential units. The first Phase I Infrastructure Assessment Bonds were issued December 18, 2012, and active development began in fiscal year 2012-2013 with 462 homes sold by September 30, 2013.

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

(b) Basic Financial Statements

Government-wide and Fund Financial Statements

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

The financial reporting model focus is on either the District as a whole, or major individual funds. The government-wide statement of net position reports the governmental activities of the District (a) on a government-wide basis and (b) on a full accrual basis, using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. Previously called the Statement of Net Assets, the Statement of Net Position also addresses deferred inflows and deferred outflows as a result of implementation of GASB 63 and 65 in this fiscal year 2012-2013 financial report. The Statement of Activities reflects the expenses of the District, which are offset by revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

The District’s has a single major fund which is presented in one column on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34. The single fund of the District, the Brownwood Special Revenue Fund, meets this definition and is designated as a major fund.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

(1) Summary of Significant Accounting Policies (continued)

(b) Basic Financial Statements (continued)

Program revenues in the Statement of Activities consist primarily of donations in fiscal year 2012-2013 but will also include special assessment revenues in future years. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets is intended to reflect the portion of net position which is associated with capital assets net of accumulated depreciation less outstanding capital asset related debt.

Restricted net position is assets that have third party (statutory, bond covenant or granting agency) or enabling legislation limits on their use. The District would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted net position represent net position not included in net investment in capital assets or restricted net position.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year in which the related debt is issued and the assessments established.

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.

Governmental funds report fund balances either as non-spendable or spendable. Spendable balances are further classified as restricted, committed, assigned or unassigned, based on the extent to which there are external or internal constraints on the spending of these fund balances. A discussion of each is as follows:

Non-spendable: Resources that can not be spent such as for inventories.

Restricted: Balances that only can be spent for specific purposes imposed by external sources.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

(1) Summary of Significant Accounting Policies (continued)

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

Committed: Resources that can only be spent for purposes established by the highest decision making authority in the government.

Assigned: Amounts designated for specific purposes, but does not meet the criteria to be designated restricted or committed.

Unassigned: The residual classification for all remaining funds not contained in other classifications.

The District does not currently use *Non-spendable* or *Assigned* categories of fund balance. All *Restricted* fund balances relate to external debt service restrictions. The Board of Supervisors, the highest decision making authority of the District, approves the establishment, increase and reduction in *Committed* fund balances by budget resolutions and amendments. All other fund balances are *Unassigned*. *Restricted* and *Committed* fund balances are always used first for the purposes for which they are designated. Changes to this practice require prior Board of Supervisors approval. A minimum fund balance amount has not been formally adopted.

The following are the District's major governmental fund:

Brownwood Special Revenue Fund

The Brownwood Special Revenue Fund is the sole operating fund of the District and is used to account for all financial resources of the general government. As a special purpose government, the responsibilities of Brownwood Community Development District are limited in scope.

The District has no non-major governmental funds.

(d) Budgetary Data

Legal authority and control are established in accordance with Section 190.008, *Florida Statutes*. Annual budgets, as well as subsequent amendments, are adopted and approved for the special revenue fund by the Board of Supervisors. Budgets are adopted on a basis consistent with GAAP. All budget amounts presented in the statements reflect the original budget and the amended final budget.

(e) Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

- Demand Deposits

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

(1) Summary of Significant Accounting Policies (continued)

(e) Assets, Liabilities, and Net Assets or Equity (continued)

1. Deposits and Investments (continued)

As of September 30, 2013, the District has a single demand deposit account with Citizens First Bank. The District had no cash equivalent or investment accounts as of September 30, 2013.

2. Capital Assets

Capital assets are reported in the government-wide financial statements. As defined by the District, capital assets are assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The District values and records donated capital assets at the estimated fair value of the item at the date of its donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed using the straight-line method and is recorded in general government expenses in the District's Statement of Activities. Estimated useful lives of the assets are as follows:

Improvements other than buildings and structures	40 years
Furniture and equipment	5-10 years

(f) Implementation of Governmental Accounting Standards Statements

The District is implementing the following GASB Statements during the year that ended September 30, 2013. Statement No. 65 is being early implemented so as to implement it at the same time as the implementation of Statement No. 63.

1. Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement provides guidance for certain items formally classified as assets and liabilities. The Statement redefines these as "deferred outflows of resources" (formally assets) and "deferred inflows of resources" (formally liabilities). Each new category must have its own Statement of Net Position section. GASB 63 also requires that the last line of the statements formally called "Net assets" now be titled "Net position" to reflect the new classifications. In addition, "Capital assets, net of debt" will now be titled "Net investment in capital assets" in order properly present the total of the items.

2. Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement provides more guidance for the items listed in GASB 63, and adds additional changes. It requires that statements avoid the use of the word "deferred" except as it relates to items that are deferred outflows or are deferred inflows. It addresses the calculation of a deferred outflow or inflow for the refunding of debt. For non-exchange transactions like grants, amounts received before the time period of eligibility are treated as deferred inflows. This Statement also addresses taxes received prior to the period to which they relate. GASB 65 also requires

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

(1) Summary of Significant Accounting Policies (continued)

(f) Implementation of Governmental Accounting Standards Statements

debt issuance costs to be expensed in the period that the debt was issued. In the past, subsequent to the implementation of GASB 34, these costs were amortized over the life of the issue. The effects of this change are required to be disclosed on the statements in the period it is implemented. Losses on debt refundings are not expenses, but rather, treated as deferred outflows. For operating leases, any initial direct costs are recognized in the period incurred, instead of being amortized over the life of the lease. When an asset is recorded in governmental fund statements, but the revenue is not available until a future period, a deferred inflow is reported until the revenue becomes available.

(g) Use of Estimates

The management of the District has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Examples of major areas where estimates are used include the estimate for useful lives of land improvements. Actual results could differ from those estimates.

(2) Deposits and Investments

As of September 30, 2013, the District had the following deposits:

Deposits and Investment Type	Fair Value at September 30, 2013	Weighted Average Maturity (Days)	Credit Rating
Demand Deposits, CFB	36,039	1.0	n/a
Total Fair Value	\$ 36,039		
Portfolio Weighted Average Maturity (WAM)		1.0	

Operating cash is maintained with Citizens First Bank, an authorized Guaranteed Public Depository, pursuant to Chapter 280, Florida Statutes.

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District invests its operating cash solely in Guaranteed Public Depositories that meet the requirements of Chapter 280, Florida Statutes. In addition to protection of up to \$250,000 for its deposits with a single bank being provided by the Federal Deposit Insurance Corporation (FDIC), the District's deposits are provided an extra level of security afforded by using a public depository that meets the requirements of Chapter 280. This includes the provision by the public depository of collateral based on the amount of public deposits maintained at the institution and the ability of the State of Florida to levy other public depositories for shortages in collateral in the event of the failure of a public depository.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

(3) Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	<u>Beginning balance</u>	<u>Increases Transfers</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities				
Assets not being depreciated:				
Land	\$ 34,400	847,435	-	881,835
Works of art	-	831,002	-	831,002
Total assets not being depreciated	<u>34,400</u>	<u>1,678,437</u>	<u>-</u>	<u>1,712,837</u>
Assets being depreciated:				
Buildings and structures	1,554,046	-	-	1,554,046
Furniture & equipment	137,828	-	-	137,828
Infrastructure	654,328	11,227,313	-	11,881,641
Total assets being depreciated	<u>2,346,202</u>	<u>11,227,313</u>	<u>-</u>	<u>13,573,515</u>
Less accumulated depreciation for:				
Buildings and structures	(3,238)	(38,851)	-	(42,089)
Furniture & equipment	(1,914)	(22,971)	-	(24,885)
Infrastructure	(3,591)	(145,854)	-	(149,445)
Total accumulated depreciation	<u>(8,743)</u>	<u>(207,676)</u>	<u>-</u>	<u>(216,419)</u>
Governmental activities, capital assets, net	\$ <u><u>2,371,859</u></u>	<u><u>12,698,074</u></u>	<u><u>-</u></u>	<u><u>15,069,933</u></u>

All of the increases in capital assets were due to donations to the District by The Villages of Lake Sumter, Inc. The donated assets consisted of \$847,435 in land, \$831,002 in works of art, and \$11,227,313 in infrastructure. Depreciation expense for the fiscal year 2012-2013 was \$207,676.

The works of art consist of Statues that are displayed at the Brownwood entrance which will be adequately maintained and thus have an indefinite useful life.

(4) Long-term Debt

The District has no long-term debt as of September 30, 2013.

(5) Related Parties

The District has no employees. For certain management, finance, and administrative services, the District entered into an interlocal agreement with Village Center Community Development District (Center District), a community development district created under Florida Statute 190. Under the agreement, fees accrued to Center District by the District for such services totaled \$118,256 for the year ended September 30, 2013. Brownwood paid to the Project Wide Fund of Sumter Landing District for maintenance of common use right-of-way the amount of \$287,446. Upon action by the Board of Supervisors, Brownwood may request additional services as they deem necessary for the efficient and effective management of the Brownwood District resources.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2013

(5) Related Parties (continued)

The Developer provided to the Center District at no cost information system support, including software, hardware, computer programming and internal mailroom operations. The Center District then passed on this benefit to the District. In March 2012, a new company was formed, Villages

Technology Services Group, to assume the information system support previously provided by the Developer. In fiscal year 2011-2012, the Center District began paying for information system support, with these expenses then passed on in a prorated basis to Brownwood District. These costs for the year ended September 30, 2013 were \$4,339.

Substantially all capital costs for infrastructure were acquired from the Developer through donations in the current fiscal year and prior fiscal year.

(6) Risk Management

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District generally carries insurance for these risks; however, the District retains risk for certain property coverage and for losses in excess of coverage limits. There have been no claims in excess of coverage limits since inception of the District.

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

Board of Supervisors
Brownwood Community Development District
The Villages, 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 Brownwood Community Development District (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 7, 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 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. 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 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 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.

Certified Public Accountants

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

Board of Supervisors
Brownwood Community Development District
The Villages, Florida

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

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 instance 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

February 7, 2014
Ocala, Florida

MANAGEMENT LETTER

Board of Supervisors
Brownwood Community Development District
The Villages, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Brownwood Community Development District (the District) as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated February 7, 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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports which are dated February 7, 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 auditors' report:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective action has been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding audit report.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provision 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 the District's 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.

Certified Public Accountants

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

Board of Supervisors
Brownwood Community Development District
The Villages, Florida

MANAGEMENT LETTER
(Concluded)

- 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 be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 of the September 30, 2013, the District's basic financial statements for this information).
- Section 10.554(1)(i)6.(a)., *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(s) met. In connection with our audit, we determined that the District did not meet any conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)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 agree.
- 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 the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP

February 7, 2014
Ocala, Florida



February 10, 2014

Board of Supervisors
Brownwood Community Development District
The Villages, Florida 32162

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for fiscal year 2012-2013 for Brownwood Community Development District. We are proud to report that this audit has an unmodified opinion.

There are no internal control deficiencies, material weaknesses or compliance issues identified and reported. No prior year comments were identified as all have been corrected in previous years and no new comments have been identified.

Your District staff has worked hard to assure you as supervisors that the management of the District's funds is conducted professionally, consistent with generally accepted accounting principles and governing Florida Statutes.

We believe that Brownwood Community Development District continues to set an example for the appropriate management of Community Development Districts as conceived in Chapter 190, Florida Statutes. We would particularly like to commend the staff of the Villages District Finance Department for their diligent efforts in recording and maintaining the financial records of the District.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Miles'.

David R. Miles, CGFO
Finance Director

A handwritten signature in blue ink, appearing to read 'Janet Y. Tutt'.

Janet Y. Tutt
District Manager

Brownwood Community Development District
3201 Wedgewood Lane, The Villages, Florida 32162
Business Telephone (352) 753-0421 Business Fax (352) 751-3901