



BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Basic Financial Statements

September 30, 2016

(With Independent Auditors' Report Thereon)

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

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ON THE COVER

The cover photograph was submitted by
Thomas Scoville, DPM & Utility Supervisor
in the District Community Watch Department.

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, 2016, 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 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.

Certified Public Accountants

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Board of Supervisors
Brownwood Community Development District
The Villages, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

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, 2016, 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.

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 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 our report dated January 31, 2017, 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.


January 31, 2017
Ocala, Florida

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2016

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

Entity-Wide Level

- The assets of the District exceeded its liabilities as of September 30, 2016, by \$15,686,177 (net position). Almost all of the net position is currently invested in capital assets. Unrestricted net position totals \$1,255,703.
- The increase in net position was \$168,484, bringing the total net position to \$15,686,177, up from \$15,517,693 in the previous year.
- Revenues for the year were \$1,739,142, consisting primarily of the maintenance assessment of \$1,689,556. Expenses for the year were \$1,570,658, comprised primarily of physical environment charges and depreciation expenses.

Fund Level

- At the close of the Fiscal Year, the District's governmental fund reported a fund balance of \$1,255,703, an increase of \$596,093 over the prior year end.

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 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*. 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 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.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2016

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 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, 2016, and September 30, 2015, were \$15.686 and \$15.518 million, respectively, representing an increase of \$0.168 million. The District's revenues for the years ended September 30, 2016, and September 30, 2015, were approximately \$1.739 million and \$1.644 million, respectively. The District's expenses for the years ended September 30, 2016, and September 30, 2015, were \$1.571 million and \$1.554 million, respectively.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis
(UNAUDITED)
September 30, 2016

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,	
	2016	2015
Assets:		
Current and other assets	\$ 1,265,800	676,563
Capital assets, net of accumulated depreciation	14,430,474	14,858,083
Total assets	15,696,274	15,534,646
Liabilities:		
Current and other liabilities	10,097	16,953
Total liabilities	10,097	16,953
Net position		
Net investment in capital assets	14,430,474	14,858,083
Unrestricted	1,255,703	659,610
Total net position	\$ 15,686,177	15,517,693

Most of the District's net position relates to net investments in capital assets, totaling \$14,430,474 (92.0%). Current and other assets total \$1,265,800. The District's liabilities are composed mostly of current trade accounts payable and amounts owed other governments that were liquidated early in Fiscal Year 2016-2017.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis
(UNAUDITED)
September 30, 2016

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,	
	2016	2015
Revenues:		
Special assessments	\$ 1,689,556	1,616,433
Other revenues	33,955	25,280
Interest and other earnings	15,631	2,478
Total revenues	<u>1,739,142</u>	<u>1,644,191</u>
Expenses:		
General government services	3,598	1,955
Physical environment	1,139,451	1,123,999
Depreciation (unallocated)	427,609	427,608
Total expenses	<u>1,570,658</u>	<u>1,553,562</u>
Changes in net position	\$ <u>168,484</u>	<u>90,629</u>

Revenues

The primary revenue source for the Fiscal Year was the maintenance assessments totaling \$1,689,556.

Expenses

General government expenses of the District were \$3,598 and primarily related to management, legal and administrative costs. Physical environment expenses are mainly for landscaping, irrigation, utilities and maintenance costs and amounted to \$1,139,451 in Fiscal Year 2015-2016. Depreciation expense remained steady at \$427,609 for the fiscal year.

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.

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 2015-2016, the District's governmental fund reported an ending fund balance of \$1,255,703, up from \$659,610 at the end of the previous year. This will continue to increase as operations continue to expand.

Major Fund Budgetary Highlights

During the year, there were no changes to the revenue budget from the original to the final budget. There were also no changes in the total appropriations for the Brownwood Special Revenue Fund between the original and final budget, however, there were some line item changes for the expenditure budget.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

(UNAUDITED)

September 30, 2016

Capital Asset and Debt Administration

Capital Assets.

The District's capital assets as of September 30, 2016, and September 30, 2015, amounted to \$14,430,474 and \$14,858,083, respectively. The decrease resulted from the depreciation expenses of \$427,609 for the fiscal year.

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, 2016, the District has no long-term debt.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in Sumter County where the District is located was 6.9 percent in September 2016 which is a slight increase from a rate of 6.8 percent a year ago. The State's average unemployment rate is 4.7 percent and is below the national average rate of 5.0 percent.
- Inflationary trends in the area are comparable to national indices. The national Consumer Price Index (CPI) annual change for all urban consumers changed from a negative (0.04) percent in September 2015 to 1.46 percent in September 2016.

These factors were considered in preparing the District's budget for the 2016-2017 Fiscal Year. In Fiscal Year 2016-2017, revenue of \$1,759,724 is projected, an increase of \$127,782 from the final budget in the prior year. The increase is reflected primarily in the maintenance assessments being billed in Fiscal Year 2016-2017. Total Fiscal Year 2016-2017 expenditures are projected to be \$1,429,861 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 984 Old Mill Run, The Villages, FL 32162; Telephone (352) 753-0421.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Position

September 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 674,713
Investments	585,717
Due from other governments	4,514
Accounts receivable	856
Capital assets:	
Non depreciable assets	1,778,235
Depreciable assets (net of accumulated depreciation)	12,652,239
Total assets	<u>15,696,274</u>
Liabilities	
Accounts payable	5,423
Due to other governments	4,618
Other current liabilities	56
Total liabilities	<u>10,097</u>
Net position	
Net investment in capital assets	14,430,474
Unrestricted	1,255,703
Total net position	<u>\$ 15,686,177</u>

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities
Year Ended September 30, 2016

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 government	\$ 3,598	22,625	-	-	19,027	19,027
Physical environment	1,139,451	1,689,556	-	-	550,105	550,105
Depreciation (unallocated)	427,609	-	-	-	(427,609)	(427,609)
Total governmental activities	\$ 1,570,658	1,712,181	-	-	141,523	141,523
General revenues:						
Miscellaneous revenue					11,330	11,330
Investment earnings					15,631	15,631
Total general revenues					26,961	26,961
Change in net position					168,484	168,484
Net position – beginning					15,517,693	15,517,693
Net position – ending					\$ 15,686,177	15,686,177

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Balance Sheet – Governmental Fund

September 30, 2016

	Brownwood Special Revenue Fund
Assets:	
Cash and cash equivalents	\$ 674,713
Investments	585,717
Due from other governments	4,514
Accounts receivable	856
Total assets	<u>1,265,800</u>
Liabilities:	
Accounts payable	5,423
Due to other governments	4,618
Other current liabilities	56
Total liabilities	<u>10,097</u>
Fund balances:	
Committed for renewal & replacement	85,055
Unassigned	1,170,648
Total fund balances	<u>1,255,703</u>
Total liabilities and fund balances	<u>\$ 1,265,800</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, 2016

Total fund balances, governmental fund		\$	1,255,703
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	\$	15,928,517	
Less accumulated depreciation		<u>(1,498,043)</u>	<u>14,430,474</u>
Net position of governmental activities			<u>\$ 15,686,177</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, 2016

	Brownwood Special Revenue Fund
Revenues:	
Special assessments	\$ 1,689,556
Rents and leases	22,625
Miscellaneous revenue	11,330
Investment earnings	15,631
Total revenues	1,739,142
Expenditures:	
Current	
General government services	3,598
Physical environment	1,139,451
Total expenditures	1,143,049
Net change in fund balances	596,093
Fund balances, at beginning of year	659,610
Fund balances, at end of year	\$ 1,255,703

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, 2016

Net change in fund balances – total governmental funds	\$ 596,093
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not report capital asset activity, however, in the statement of activities the depreciation expense is recorded.	
Depreciation expense	<u>(427,609)</u>
Change in net position of governmental activities	<u>\$ 168,484</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, 2016

	Budgeted Amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Special assessments	\$ 1,606,267	1,606,267	1,689,556	83,289
Rents and leases	24,925	24,925	22,625	(2,300)
Miscellaneous revenue	-	-	11,330	11,330
Investment earnings	750	750	15,631	14,881
Total revenues	<u>1,631,942</u>	<u>1,631,942</u>	<u>1,739,142</u>	<u>107,200</u>
Expenditures:				
Management fees and professional services	322,097	322,097	312,137	9,960
Accounting and auditing	4,000	4,000	4,000	-
Other contractual services	74,976	74,976	74,472	504
Communication	100	100	-	100
Utility service	97,433	90,233	72,738	17,495
Rentals and leases	3,000	3,000	990	2,010
Insurance	61,071	61,071	54,604	6,467
Repairs and maintenance/landscape	536,739	543,939	420,294	123,645
Other current charges	209,793	209,793	203,657	6,136
Operating supplies	500	500	157	343
Total expenditures	<u>1,309,709</u>	<u>1,309,709</u>	<u>1,143,049</u>	<u>166,660</u>
Excess of revenues over expenditures	<u>322,233</u>	<u>322,233</u>	<u>596,093</u>	<u>273,860</u>
Other financing sources:				
Transfer in (out)	(33,119)	(33,119)	-	33,119
Total other financing sources	<u>(33,119)</u>	<u>(33,119)</u>	<u>-</u>	<u>33,119</u>
Net change in fund balance	289,114	289,114	596,093	306,979
Fund balances, at beginning of year	659,610	659,610	659,610	-
Fund balances, at end of year	<u>\$ 948,724</u>	<u>948,724</u>	<u>1,255,703</u>	<u>306,979</u>

See accompanying notes to basic financial statements.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(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, 2016, 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 23,686 acres spanning the borders of Lake, Sumter and Marion Counties, the City of Wildwood, the City of Fruitland Park and the Town of Lady Lake, Florida, and when fully developed is expected to include approximately 61,626 residences and 120,787 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 No. 10, north of the District, District No. 11, east of the District, and District No. 12, southeast 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 fifteen 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 services, security services, 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 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 COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- 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.
- 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 1,253 acres in the southern portion of the county. The development included construction of 5,432 residential units of which 300 remain unsold as of September 30, 2016.
- 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 1 remains unsold as of September 30, 2016.
- 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 103 unsold and being used as lifestyle preview homes by the Developer.
- Village CDD No. 9 (Sumter County) – This CDD’s boundary consists of approximately 1,286 acres in the northeast corner of the county. Planned development includes construction of 5,409 residential units of which 33 remain unsold as of September 30, 2016.
- Village CDD No. 10 (Sumter County) – This CDD’s boundary consists of approximately 1,589 acres in the northeast corner of the county. Planned development includes construction of 6,639 residential units of which 843 remain unsold as of September 30, 2016.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting Entity (continued)

- Village CDD No. 11 (Lake County) – This CDD’s boundary consists of approximately 693 acres within the city limits of Fruitland Park in the western portion of Lake County. Planned development includes construction of 2,055 residential units of which 1,380 remain unsold as of September 30, 2016.
- Village CDD No. 12 (Sumter County) – This CDD’s boundary consists of approximately 699 acres within the city limits of the City of Wildwood in the in the northeast corner of the county. Planned development includes construction of 2,503 residential units. The first residential units are expected to be closed early in calendar year 2017.

Some 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.

In addition to the above there is one dependent district of Sumter County that is part of the family of Districts that comprise the local government of The Villages.

- North Sumter County Utility Dependent District (NSCUDD) (Sumter and Marion Counties) – The dependent district was established in July 2010 to manage and finance basic potable water, wastewater treatment and reclaimed water services for approximately 7,721 acres of land located in unincorporated Sumter County in The Villages, Florida. The District was created on July 13, 2010, by Sumter County, Florida, in Ordinance No. 2010-10, pursuant to the provisions of Chapter 189 of the Florida Statutes, and operates within the criteria established by Chapter 189. The service area of NSCUDD was expanded to include solid waste collection services for the entire Sumter County portion of The Villages. The City of Wildwood and Marion County entered into interlocal agreements with the District on November 20, 2012, authorizing the District to provide solid waste collection services in portions of their jurisdictions, including Brownwood District and District No. 4.

(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. The statement of net position also addresses deferred inflows

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (continued)

(b) Basic Financial Statements (continued)

Government-wide and Fund Financial Statements (continued)

and deferred outflows. 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 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.

Program revenues in the statement of activities consist primarily of special assessment revenues. 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 represents 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:

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (continued)

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

Non-spendable: Resources that cannot be spent, such as for inventories.

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

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*, *Restricted*, or *Assigned* categories of fund balance. *Restricted* fund balance is not currently used because the District has no debt. 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*. *Committed* fund balance is 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 is 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 Position*

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and short-term investments with original maturities of three months or less from the date of acquisition. The District also holds assets that are defined as investments. The District's investments are recorded at fair value unless the investment qualifies as an

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(1) Summary of Significant Accounting Policies (continued)

(e) Assets, Liabilities, and Net Position (continued)

1. Deposits and Investments (continued)

external investment pool and follows the guidance in GASB Statement No. 79, which allows the investment to be recorded at amortized cost.

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

(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.

(h) Implementation of Government Accounting Standards Statements

During the year ending September 30, 2016, The District implemented GASB Statement No. 72 *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement clarifies the definition of fair value as an exit price. This Statement also defines an investment as a security or other asset that (a) a government holds primarily to generate income or profit and (b) has a present service capacity based solely on that assets ability to generate cash or to generate cash when sold. Governmental entities are required to record investments at fair value unless an exception applies and disclose the fair value measurement and hierarchy.

During the year ending September 30, 2016, The District implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement allows qualifying external investment pools to elect to measure all investments at amortized cost if the pool meets certain criteria and subsequently allows pool participants to record an investment in the pool at amortized cost.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(2) Deposits and Investments

Short-Term Portfolio

As of September 30, 2016, the District had the following deposits and investments:

<u>Deposits and Investment Type</u>	<u>Fair Value at September 30, 2016</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Demand Deposits, CFB	\$ 81,000	1.0	n/a
State Board of Administration, Florida Prime™	347	50.0	AAAm
Florida Cooperative Liquid Assets Securities System, FLCLASS	593,366	67.0	AAAm
Florida Local Government Investment Trust	253,045	587.7	AAAf/S1
1-3 Year High Quality Bond Fund, FMIvT	252,461	511.0	AAAf/S2
Total Fair Value	<u>\$ 1,180,219</u>		
Portfolio Weighted Average Maturity (WAM)		269.1	

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, Weighted Average Maturity (WAM), duration, and simulation model. The District has used the WAM method in the above chart. In accordance with the District's short-term investment policy, the government manages its exposure to decline in fair values by limiting the WAM of its investment portfolio to less than three years. The WAM on September 30, 2016, was 269.1 days.

Credit Risk. GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities. Investments may be aggregated by ratings categories within the disclosure. Ratings are set by nationally recognized statistical rating organizations (Fitch, Moody's, and Standard and Poor's (S&P)). Fitch provides the ratings for FMIvT 1-3 Year High Quality Bond Fund, while S&P provides the ratings for the Florida Local Government Investment Trust (FLGIT), Florida Cooperative Liquid Assets Securities System (FLCLASS), and the State Board of Administration, Florida Prime™.

Operating cash is maintained with Citizens First Bank, a Qualified Public Depository, pursuant to Chapter 280, Florida Statutes.

The District's cash equivalents consist of funds placed with the following entities:

- The State Board of Administration (SBA) for participation in the Florida Local Government Investment Pool (Florida Prime™) created by Section 218.415, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Florida Prime™ external investment pool are reported at amortized cost. The District recognized \$3,969 in earnings from Florida Prime™ during the 2015-2016 Fiscal Year.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(2) Deposits and Investments (continued)

Short-Term Portfolio (continued)

Credit Risk (continued)

- In September of 2016, the Board approved the transfer of funds from Florida Prime™ to Florida Cooperative Liquid Assets Securities System (FLCLASS). FLCLASS is an independent local government investment pool and is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term investment policy. The District's investments in FLCLASS are reported at amortized cost. The District recognized \$52 in earnings from FLCLASS during the month of September 2016.

The District's short-term investments consist of funds placed with the following entities:

- The District has investments with the Florida League of Cities, Inc. for participation in the Florida Municipal Investment Trust (FMIvT) investment pool. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term investment policy. The District owns shares in the 1-3 Year High Quality Bond Fund pool operated by the FMIvT. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2016, the FMIvT had unrealized gains of \$1,939. The unrealized gain would only be realized if the underlying shares of the FMIvT are sold.
- The District has investments in the Florida Local Government Investment Trust (FLGIT), a pool sponsored by the Florida Association of Counties and the Florida Court Clerks and Comptrollers. The pool is an authorized investment consistent with Section 218.415(16)(a), Florida Statutes, and the District's short-term investment policy. GASB 31 requires all governments to mark to market the unrealized gains and losses incurred in its investments. As of September 30, 2016, the FLGIT had unrealized gains of \$2,571. The unrealized gains would only be realized if the underlying shares in the FLGIT pool are sold.
- In total, the District recognized earnings of \$8,531 on the short-term portfolio during the Fiscal Year.

Concentration of Credit Risk. The District's short-term investment policy requires the diversification of its investment portfolio. Investments may be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector;
- Limiting investments in securities with higher credit risks;
- Investment in securities with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds, such as the Florida Prime™, money market funds, or overnight repurchase agreements to ensure the appropriate liquidity is maintained to meet ongoing obligations.

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 Qualified Public Depositories that meet the requirements of Chapter 280, Florida Statutes. In

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(2) Deposits and Investments (Continued)

Short-Term Portfolio (continued)

Custodial Credit Risk - Deposits (continued)

In addition to protection of up to \$250,000 for its deposits with a single bank as provided by the Federal Deposit Insurance Corporation (FDIC), the District's deposits are provided the 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. Citizens First Bank is a Qualified Public Depository.

Custodial Credit Risk - Investments. For an investment this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All investments are held in the name of the District by a custodian or a trustee for the District.

Short-Term Investment Policy. The District is authorized to invest in those financial instruments as established by the short-term investment policy of the District. This policy allows investments authorized under Section 218.415, Florida Statutes, amended to include repurchase agreements and prohibiting derivative-type investments. The authorized investments consist of:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01 Florida Statutes.
- Securities and Exchange Commission registered money market mutual funds with the highest credit quality rating from a nationally-recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02 Florida Statutes.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Repurchase agreements with financial institutions approved as public depositors, provided that the underlying collateral consists of obligations of the United States Government, its agencies and instrumentalities. The repurchase agreement shall be collateralized equal to at least 102 percent of the value of the District's investment.

Fair Value Measurement. The District holds assets that are defined as short-term investments. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- **Level 1** inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- **Level 2** inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(2) Deposits and Investments (continued)

Short-Term Portfolio (continued)

Fair Value Measurement (continued)

- **Level 3** inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The following short-term investments are recorded at fair value:

- Florida Municipal Investment Trust (FMIVT)
- Florida Local Government Investment Trust (FLGIT).

Under the fair value hierarchy, all of these investments are considered to be Level 2.

The District's holds investments in qualified external investments pools that measure all of its investment at amortized cost for financial reporting purposes. These investments are recorded at amortized cost. The following investments are recorded at amortized costs and are not subject to the fair value hierarchy:

- Florida Local Government Investment Pool (Florida Prime™)
- Florida Cooperative Liquid Assets Securities System (FLCLASS)

None of the pools have limitations or restrictions on participant withdrawals including items such as redemption notices, maximum transaction amounts, and the pool's authority to impose liquidity fees or redemption gates.

Long-Term Portfolio

In August of 2014, the District adopted a Long-Term Investment Policy (LTIP). Investments in fixed income and equity mutual funds, and money market funds, as authorized in the LTIP, are reported at fair value as of September 30, 2016, as follows:

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(2) **Deposits and Investments (continued)**

Long-Term Portfolio (continued)

<u>Long Term Investment Portfolio</u>	<u>Fair Value at September 30, 2016</u>	<u>Average Maturity (years)</u>	<u>Credit Rating</u>
Domestic Equity			
Vanguard Total Stock Market Index	\$ 25,305	N/A	N/A
Vanguard Dividend Growth	5,099	N/A	N/A
Vanguard Small Cap Index	3,394	N/A	N/A
International Equity			
Vanguard Total International Stock Index	3,573	N/A	N/A
Vanguard International Value	2,983	N/A	N/A
J. O. Hambro International Select	3,656	N/A	N/A
Oppenheimer International Small-Mid Company	1,803	N/A	N/A
Other Growth			
Vanguard REIT Index	3,200	N/A	N/A
Fixed Income			
Metropolitan West Total Return	7,696	6.37	AA
Baird Core Plus	10,149	7.18	A
Vanguard Intermediate-Term Investment Grade	10,150	6.40	A
Vanguard High Yield Corporate	2,770	5.80	BB
Cash Equivalent			
First American Government Obligation	433	25 Days	AAAm
Total Fair Value	\$ <u>80,211</u>		

The District's LTIP allocations seek to have up to 60% in equities with the remainder in fixed income and/or cash and cash equivalents. The District contracts with qualified investment managers to whom authority is delegated to invest and reinvest assets in accordance with the LTIP. The District's LTIP does not place specific limits on maturities. During the current Fiscal Year, the Long-Term Investment Portfolio had an unrealized gain of \$7,100. The realization of the gain will only occur from the future sale of underlying shares in the portfolio.

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The District's LTIP addresses managing its exposure for changes in interest rate through maintaining diversification of its investments to minimize the impact of downturns in the market.

Credit Risk. GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, fixed income mutual funds, money market funds, and other pooled investments of fixed income securities. The District's LTIP stipulates that the average credit rating of the overall fixed income portfolio should be investment grade, based on

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(2) **Deposits and Investments (continued)**

Long-Term Portfolio (continued)

Credit Risk (continued)

the rating of one Nationally Recognized Statistical Rating Organization (NRSRO), such as Fitch, Moody's, Standard and Poor's (S&P), etc.

Concentration of Credit Risk. The District's LTIP requires the diversification of its portfolio. The LTIP contains an Asset Allocation Target with the objective of achieving an average total rate of return that is equal to or greater than the portfolio's target rate of return over the long-term. The Asset Allocation Targets are as follows:

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Growth Assets		
Domestic Equity	20% - 60%	40%
International Equity	0% - 40%	20%
Other	0% - 20%	0%
Income Assets		
Fixed Income	20% - 60%	40%
Other	0% - 20%	0%
Real Return Assets	0% - 20%	0%
Cash Equivalents	0% - 20%	0%

Custodial Credit Risk - Investments. For an investment this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All investments are held in the name of the District by a custodian or a trustee for the District.

Long-Term Investment Policy. The District is authorized to invest in those financial instruments as established by the LTIP of the District. The LTIP was developed in accordance with Section 218.415, Florida Statutes, and prohibits direct investment in derivative-type investments. The authorized investments consist of:

- Domestic and International Equities
- Fixed Income Securities
- Other Assets (Alternatives)
 - Real Estate Investment Trust (REIT)
 - Treasury Inflation Protected Securities (TIPS)
 - Cash Equivalents

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

September 30, 2016

(2) Deposits and Investments (continued)

Long-Term Portfolio (continued)

Long-Term Investment Policy (continued)

The objectives of the LTIP are to diversify investments in order to minimize the impact of large losses from individual investments; provide funding for anticipated withdrawals; enhance the value of the portfolio in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile; minimize principal fluctuations over the time horizon (five years or longer); and to achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the performance expectation (an average total annual rate of return that is equal to or greater than the portfolio's hurdle rate of 5%).

The time horizon for the LTIP is five years or longer.

Foreign Currency Risk. The District's LTIP does not allow for direct investments in foreign currency.

Fair Value Measurement. The District holds assets that are defined as long-term investments. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79. All of the long-term investments are recorded at fair value.

Under the fair value hierarchy, all of these investments are considered to be Level 2.

(3) Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities				
Assets not being depreciated:				
Land	\$ 947,233	-	-	947,233
Works of art	831,002	-	-	831,002
Total assets not being depreciated	<u>1,778,235</u>	<u>-</u>	<u>-</u>	<u>1,778,235</u>
Assets being depreciated:				
Buildings and structures	1,554,046	-	-	1,554,046
Furniture & equipment	137,828	-	-	137,828
Infrastructure	12,458,408	-	-	12,458,408
Total assets being depreciated	<u>14,150,282</u>	<u>-</u>	<u>-</u>	<u>14,150,282</u>
Less accumulated depreciation for:				
Buildings and structures	(119,791)	(38,851)	-	(158,642)
Furniture & equipment	(70,828)	(22,972)	-	(93,800)
Infrastructure	(879,815)	(365,786)	-	(1,245,601)
Total accumulated depreciation	<u>(1,070,434)</u>	<u>(427,609)</u>	<u>-</u>	<u>(1,498,043)</u>
Governmental activities, capital assets, net	\$ <u>14,858,083</u>	<u>(427,609)</u>	<u>-</u>	<u>14,430,474</u>

BROWNWOOD COMMUNITY DEVELOPMENT DISTRICT
Notes to Basic Financial Statements
September 30, 2016

(3) Capital Assets (continued)

Depreciation expense for the Fiscal Year 2015-2016 was \$427,609.

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, 2016.

(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 (VCCDD). Under the agreement, fees accrued to VCCDD by the District for such services totaled \$281,539 for the year ended September 30, 2016. Brownwood paid to the Project Wide Fund of Sumter Landing Community Development District (SLCDD) for maintenance of common use right-of-way the amount of \$192,518. 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.

(6) Risk Management

The District is exposed to various risk 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2017.

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 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.

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

**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.

Durvis, Gray and Company, LLP

January 31, 2017
Ocala, Florida

MANAGEMENT LETTER

Board of Supervisors
Brownwood Community Development District
The Villages, Florida

Report on the Financial Statements

We have audited the financial statements of Brownwood Community Development District (the District) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated January 31, 2017.

Auditors' Responsibility

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*.

Other Reports

We have issued our Independent Auditors' 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* and Independent Accountants' Report on an examination conducted in accordance with American Institute of Certified Public Accountants Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated January 31, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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.

Official Title and Legal Authority

Section 10.554(1)(i)4., *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 District's the September 30, 2016 basic financial statements, for this information).

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556 (7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the District 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.

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

MANAGEMENT LETTER
(Concluded)

Financial Condition (Concluded)

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *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.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports agree.

Other Matters

Section 10.554(1)(i)2., *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)3., *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.

Purpose of this Letter

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, Board of Supervisors 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.



January 31, 2017
Ocala, Florida

INDEPENDENT ACCOUNTANTS' REPORT

Board of Supervisors
Brownwood Community Development District
The Villages, Florida

We have examined Brownwood Community Development District (the District)'s compliance with the requirements of Section 218.415, Florida Statutes, with regards to the District's investments during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Purvis, Gray and Company, LLP

January 31, 2017
Ocala, Florida

Certified Public Accountants

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January 31, 2017

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

RE: Management Response Letter

Dear Supervisors:

Attached is the completed audit for Fiscal Year 2015 – 2016 for the 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 in the current audit report.

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,

Sarah C. Koser, CPA, CGFO, CPFO
Interim Finance Director

Janet Y. Tutt
District Manager

Brownwood Community Development District
984 Old Mill Run, The Villages, Florida 32162
Business Telephone (352) 753-0421 Business Fax (352) 751-3901