

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

**TOWN OF BRONSON
BRONSON, FLORIDA**

SEPTEMBER 30, 2003

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AND
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**TOWN OF BRONSON
BRONSON, FLORIDA**

TOWN COUNCIL

**Jamie Griffin
Mayor**

**Edith Brown
Vice-Mayor**

**Franklin Schuler
Council Member**

**Aaron Edmondson
Council Member**

**Beatrice Mango
Council Member**

TOWN CLERK

June Greenlee

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of
the Town Council
Town of Bronson
Bronson, Florida

We were engaged to audit the accompanying general purpose financial statements of the Town of Bronson, Florida (the Town) as of and for the year ended September 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management.

Because of the inadequacy of accounting records and because adequate supporting documentation was not available for our audit, we were unable to form an opinion regarding the amounts reported in the accompanying financial statements for the year ended September 30, 2003.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued a disclaimer of opinion report dated July 25, 2007, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an engagement to perform an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement to perform an audit.

July 25, 2007
Gainesville, Florida

Purvis, Gray and Company, LLP

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

FINANCIAL STATEMENTS

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2003
TOWN OF BRONSON, FLORIDA**

	Governmental	Proprietary	Account Groups		Total (Memorandum Only)
	Fund Type	Fund Type	General Fixed Assets	General Long-term Debt	
	General	Enterprise			
Assets					
Cash	\$ 160,682	\$ 114,238	\$ 0	\$ 0	\$ 274,920
Accounts Receivable	9,652	10,744	0		20,396
Due from Other Governments	36,275	0	0	0	36,275
Due from Other Funds	60,278	137,516	0	0	197,794
Inventory	0	27,416	0	0	27,416
Restricted Assets:					
Cash	0	9,236	0	0	9,236
Property, Plant and Equipment:					
Cost Less Depreciation for Proprietary Fund Type	0	1,457,414	0	0	1,457,414
Cost for General Fixed Asset Group	0	0	1,946,529	0	1,946,529
Construction in Process	0	294,597	0	0	294,597
Amount to be Provided for Retirement of General Long-term Debt	0	0	0	57,022	57,022
Total Assets	\$ 266,887	\$ 2,051,161	\$ 1,946,529	\$ 57,022	\$ 4,321,599

See accompanying notes.

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2003
TOWN OF BRONSON, FLORIDA
(Concluded)

	Governmental	Proprietary	Account Groups		Total (Memorandum Only)
	Fund Type <u>General</u>	Fund Type <u>Enterprise</u>	General Fixed Assets	General Long-term Debt	
Liabilities and Fund Equity					
Liabilities					
Cash Overdraft	\$ 0	\$ 27,523	\$ 0	\$ 0	\$ 27,523
Accounts Payable and Accrued Expenses	14,122	3,106	0	0	17,228
Accrued Compensated Absences	0	4,366	0	2,445	6,811
Due to Other Funds	137,516	60,278	0	0	197,794
Payable from Restricted Assets:					
Customer Deposits	0	9,236	0	0	9,236
Notes Payable, Long-term	0	0	0	54,577	54,577
Total Liabilities	<u>151,638</u>	<u>104,509</u>	<u>0</u>	<u>57,022</u>	<u>313,169</u>
Fund Equity					
Investment in General Fixed Assets	0	0	1,946,529	0	1,946,529
Contributed Capital	0	1,317,419	0	0	1,317,419
Retained Earnings:					
Unreserved	0	629,233	0	0	629,233
Fund Balance - Unreserved:					
Designated	27,833	0	0	0	27,833
Undesignated	87,302	0	0	0	87,302
Fund Balance - Reserved	114	0	0	0	114
Total Fund Equity	<u>115,249</u>	<u>1,946,652</u>	<u>1,946,529</u>	<u>0</u>	<u>4,008,430</u>
Total Liabilities and Fund Equity	<u>\$ 266,887</u>	<u>\$ 2,051,161</u>	<u>\$ 1,946,529</u>	<u>\$ 57,022</u>	<u>\$ 4,321,599</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003
TOWN OF BRONSON, FLORIDA**

Revenues	
Taxes	\$ 225,042
Licenses and Permits	6,888
Intergovernmental Revenue	286,580
Charges for Services	142,432
Fines and Forfeitures	4,457
Miscellaneous Revenues	2,745
Total Revenues	<u>668,144</u>
Expenditures	
Current:	
General Government	186,697
Public Safety	26,689
Physical Environment	77,059
Transportation	58,662
Human Services	1,062
Culture and Recreation	282,279
Debt Service:	
Principal	4,157
Interest	5,033
Unclassified Expenditures	64,087
(Total Expenditures)	<u>(705,725)</u>
(Deficiency) of Revenues (Under)	
Expenditures	<u>(37,581)</u>
Fund Balance, Beginning of Year	<u>152,830</u>
Fund Balance, End of Year	<u>\$ 115,249</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003
TOWN OF BRONSON, FLORIDA**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 226,000	\$ 225,042	\$ (958)
Licenses and Permits	2,700	6,888	4,188
Intergovernmental Revenue	57,100	286,580	229,480
Charges for Services	136,035	142,432	6,397
Fines and Forfeitures	5,000	4,457	(543)
Miscellaneous Revenues	21,535	2,745	(18,790)
Total Revenues	<u>448,370</u>	<u>668,144</u>	<u>219,774</u>
Expenditures			
General Government	232,082	186,697	45,385
Public Safety	47,535	26,689	20,846
Physical Environment	90,000	77,059	12,941
Transportation	113,865	58,662	55,203
Human Services	1,800	1,062	738
Culture and Recreation	50,500	282,279	(231,779)
Debt Service:			
Principal	20,177	4,157	16,020
Interest	8,073	5,033	3,040
Unclassified Expenditures	0	64,087	(64,087)
(Total Expenditures)	<u>(564,032)</u>	<u>(705,725)</u>	<u>(141,693)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(115,662)</u>	<u>(37,581)</u>	<u>78,081</u>
Other Financing Sources (Uses)			
Operating Transfers (out)	(20,000)	0	20,000
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>0</u>	<u>20,000</u>
(Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(135,662)</u>	<u>(37,581)</u>	<u>98,081</u>
Fund Balance, Beginning of Year	<u>135,662</u>	<u>152,830</u>	<u>17,168</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 115,249</u>	<u>\$ 115,249</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
(ENTERPRISE FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2003
TOWN OF BRONSON, FLORIDA**

Operating Revenues	
Charges for Services	\$ 126,472
Sewer Connection Fee	50,000
Miscellaneous	4,294
Total Operating Revenues	<u>180,766</u>
Operating Expenses	
Personal Services	109,173
Materials, Supplies and Other Expenses	54,907
Depreciation and Amortization	81,834
(Total Operating Expenses)	<u>(245,914)</u>
Operating (Loss)	<u>(65,148)</u>
Nonoperating Revenues (Expenses)	
Interest Income	1,801
Capital Grants	296,285
Total Nonoperating Revenues (Expenses)	<u>298,086</u>
Net Income	232,938
Depreciation on Contributed Assets	<u>66,036</u>
Increase in Retained Earnings	298,974
Retained Earnings, Beginning of Year	<u>330,259</u>
Retained Earnings, End of Year	<u><u>\$ 629,233</u></u>

See accompanying notes.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
(ENTERPRISE FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2003
TOWN OF BRONSON, FLORIDA**

Cash Flows from Operating Activities	
Operating Income (Loss)	\$ (65,148)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	81,834
Changes in Assets and Liabilities:	
Accounts Receivable	981
Due from Other Funds	(100,000)
Accounts Payable and Accrued Expenses	(37,605)
Deposits	807
Due to Other Funds	31,045
Net Cash Provided by (Used in) Operating Activities	<u>(88,086)</u>
 Net Cash Provided by (Used in) Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(249,810)
Capital Grants	296,285
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>46,475</u>
 Cash Flows from Investing Activities	
Interest Received	1,801
Net Proceeds from Redemption of Investments	82,728
Net Cash Provided by (Used in) Investing Activities	<u>84,529</u>
 Net, Increase (Decrease) in Cash	 42,918
Cash, Beginning of Year	<u>53,033</u>
Cash, End of Year	<u><u>\$ 95,951</u></u>
 <u>Reconciliation of Cash to Combined Balance Sheet</u>	
<u>Captions on Combined Balance Sheet</u>	
Cash	114,238
Restricted Assets - Cash	9,236
Cash Overdraft	(27,523)
Total	<u><u>\$ 95,951</u></u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
TOWN OF BRONSON, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Bronson, Florida (the Town) conform to generally accepted accounting principles for governmental entities. The following is a summary of significant accounting policies.

Reporting Entity

The Town is a Florida municipality governed by an elected five-member Town Council. The Town provides services to its citizens including water service, refuse collection, parks and recreation, streets, public safety and other general governmental activities.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable fund types and account groups governed by the Town Council. The reporting entity for the Town (the primary government) contained no separate legal entities (component units) for which the Town Council has financial accountability. Financial accountability is present if the Town Council appoints a voting majority of a component unit's governing body and has the ability to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town.

Fund Accounting

The Town's accounting records are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity, with a self-balancing set of accounts recording all financial resources with all related liabilities, reserves and residual equities, or balances or changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Amounts receivable from or payable to other funds are shown in the accounts of an individual fund and separately presented in the accompanying general purpose financial statements until liquidated by payment or an interfund transfer.

The following fund types and account groups are used in accounting for the financial operations of the Town.

■ **Governmental Fund Type**

- **General Fund**—to account for all financial resources not properly accounted for in another fund.

■ **Proprietary Fund Type**

- **Enterprise Fund**—to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is to finance or recover costs of providing goods or services to the general public on a continuing basis primarily through user charges. The Town has one enterprise fund used to account for the operation of the Town's water utility and, beginning in 2001, for the construction of and, upon completion, the operation of the Town's sewer system. The sewer system is currently under construction, and therefore there is only nonoperating grant revenue reported.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BRONSON, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

■ **Account Groups**

- The **Account Groups**—are used to establish accounting control and accountability for the Town's general fixed assets and general long-term debt. These account groups are not considered funds since they do not reflect available financial resources and related liabilities.

Basis of Accounting and Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets.

The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means that the amount of the transaction can be determined; "available" means the revenue must be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on general long-term debt which is recorded when due, are recognized in the accounting period when incurred.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. The proprietary fund types use the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Proprietary fund types follow all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board (APB) Opinions; and
- Accounting Research Bulletins.

Pursuant to GASB Statement No. 20, the Town has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989, to its proprietary fund type activities.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BRONSON, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include cash held in checking accounts and time deposits.

Receivables

Customer accounts receivable are recorded at their net realizable value which includes an allowance for uncollectible accounts of \$800.

Inventory

Inventories are stated at cost using the first-in, first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when purchased rather than when consumed. A physical inventory was not taken at September 30, 2003. The amount shown as inventory on September 30, 2003, represents the actual balance as of September 30, 2002.

Encumbrances

The Town does not utilize encumbrance accounting.

Property, Plant and Equipment and Depreciation

Proprietary fund capital expenditures made for revenue-producing assets, which are employed in operations that are accounted for in the proprietary funds, are capitalized at historical costs and depreciated using the straight-line method over their estimated useful lives as follows:

Water Plant	25-30 Years
Equipment	10-18 Years

Contributed assets are recorded at fair market value at the date of contribution. Depreciation recognized on assets acquired or constructed through resources externally restricted for capital acquisitions is closed to the appropriate contributed capital (fund equity) account.

General fixed assets are fixed assets used in governmental fund type operations and are accounted for in the general fixed assets account group rather than in governmental funds. All purchased fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. No depreciation has been provided on general fixed assets. Public domain ("infrastructure") general fixed assets such as streets and sidewalks that are generally immovable and of value only to the Town have not been capitalized.

Capitalized Interest During Construction

No interest was capitalized during 2003.

Compensated Absences

The Town's leave policy allows for accumulation of up to 240 hours of unused vacation leave and an unlimited amount of unused sick leave. All vacation leave accumulated and 25% of any sick leave accumulated by employees with three or more years of service is payable upon termination of employment.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BRONSON, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Concluded)

A liability for accrued compensated absences of employees of the water enterprise fund has been accrued in the enterprise fund.

A liability for accrued compensated absences of employees of the general fund has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has been reported in the general long-term debt account group, rather than the general fund.

Revenue Recognition

Utility revenues are recorded when received and adjusted to the accrual basis for financial reporting. Restricted grant revenues, which are received but not expended are recorded as deferred revenues. Grant revenues receivable are recorded when reimbursable expenditures on those grants have been incurred but not reimbursed.

Budgeting

The Town's procedures in preparing and adopting the annual budget are as follows:

- The Town Clerk is responsible for preparing a proposed operating budget for the upcoming year prior to September 30, that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of an ordinance.
- Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year. Encumbrances are not recorded. The general fund budget presented was based upon the original budget adopted.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit cities to levy property taxes at a rate of up to 10 mills for general operations. The tax levy rate for the tax year ended September 30, 2003, was 3.00 mills.

The tax levy of the Town is established by the Town Council prior to October 1 of each year, and the County Property Appraiser incorporates the Town millages into the total tax levy which includes the County, various other municipalities and County School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BRONSON, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Property Taxes (Concluded)

All taxes are levied on November 1 of each year, or as soon thereafter, as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, tax certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold tax certificates are estimated to be immaterial.

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

The Town does not accrue its portion of the County held tax sale certificates or personal property tax warrants because such amounts are estimated to be immaterial.

Franchise Fees

Continuing franchise fees are reported as revenues as the fees are earned and become receivable from the franchisee.

Interfund Transactions

During the course of normal operations, the Town has various transactions between funds to comply with local ordinances and other legal restrictions. These transactions are reflected as operating transfers. Nonrecurring and nonroutine transfers of equity are reported as residual equity transfers.

Contributed Capital

Contributed capital in the proprietary fund types represents contributions from other funds, developers, and federal, state and local grant programs. Contributions are used primarily for capital outlay projects and are recognized as increases in equity in the period they are earned or received and amortized based upon the estimated useful lives of the assets constructed. Beginning fiscal year 2002, contributions are recognized as nonoperating grant revenue pursuant to GASB Statement No. 33.

Totals (Memorandum Only) Columns

Total columns on the statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. The data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO FINANCIAL STATEMENTS
TOWN OF BRONSON, FLORIDA
(Continued)

Note 2 - Cash and Time Deposits

Chapter 280 of the Florida Statutes requires, in general, that all public deposits (including those of the Town) be made in qualified public depositories within the state of Florida. The Town's deposits are considered 100% insured for risk disclosure purposes.

Florida Statutes authorize the Town to invest in the following:

- Direct obligations of, or obligations guaranteed by, the U.S. Government;
- Interest-bearing time deposits or savings accounts in qualified institutions;
- Obligations of the Federal Farm Credit Banks;
- Obligations of the Federal National Mortgage Association; and
- the Local Government Surplus Funds Trust Fund.

Presently, all investments are limited to time deposits.

At year end, the carrying amount of the Town's deposits was \$256,633 and the bank balances totaled \$401,412. These deposits were held at two banks and included checking and money market accounts. The investments in money market accounts are legally authorized under Section 166.261 of the Florida Statutes. All cash and time deposits are fully insured.

Note 3 - Detail of Property, Plant and Equipment

General Fixed Assets

A summary of changes in general fixed assets is presented below:

	<u>Balance</u> <u>10/01/02</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>9/30/03</u>
Land	\$ 249,290	\$ 0	\$ 0	\$ 249,290
Buildings	391,135	0	0	391,135
Streets and Roads	293,735	2,658	0	296,393
Vehicles	410,212	0	0	410,212
Furniture and Equipment	176,275	4,036	0	180,311
Recreational Park	395,431	23,757	0	419,188
Total	<u>\$ 1,916,078</u>	<u>\$ 30,451</u>	<u>\$ 0</u>	<u>\$ 1,946,529</u>

Proprietary Fund Type

A summary of property, plant and equipment in the enterprise fund at September 30, 2003, is as follows:

NOTES TO FINANCIAL STATEMENTS
TOWN OF BRONSON, FLORIDA
(Continued)

Note 3 - Detail of Property, Plant and Equipment (Concluded)

Proprietary Fund Type (Concluded)

	<u>Cost</u>	<u>(Accumulated Depreciation)</u>	<u>Net</u>
Water Plant	\$ 2,234,074	\$ (798,464)	\$ 1,435,610
Equipment	60,593	(39,789)	20,804
Land	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Totals	<u>\$ 2,295,667</u>	<u>\$ (838,253)</u>	<u>\$ 1,457,414</u>

Note 4 - Deferred Compensation Plan

Effective October 1, 1998, the Town discontinued its defined benefit pension plan and adopted a deferred compensation plan in accordance with Internal Revenue Code, Section 457. The employee balances in the former plan were transferred into annuity accounts for the individual members under the Section 457 plan. Contributions to the plan by the Town for the benefit of the participants is discretionary and decided on a year-by-year basis. The Town did not make a contribution to the plan during the current year.

Note 5 - General Long-term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 10/1/02</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 9/30/03</u>
Note Payable to Perkins State Bank, Due in Full Including Accrued Interest on July 15, 2003, at an Annual Interest Rate of 5.75%, Secured by Fire Truck	\$ 16,020	\$ 0	\$ 0	\$ 16,020
Note Payable to Jack Hancock, Due in Monthly Payments of \$687, Commencing February 2000, Including Interest at a Rate of 10.00%, Secured by Land	42,714	0	(4,157)	38,557
Accrued Compensated Absences	<u>2,445</u>	<u>0</u>	<u>0</u>	<u>2,445</u>
Total	<u>\$ 61,179</u>	<u>\$ 0</u>	<u>\$ (4,157)</u>	<u>\$ 57,022</u>

Interest expense during 2003 on long-term liabilities totaled \$5,033, none of which was capitalized.

**NOTES TO FINANCIAL STATEMENTS
TOWN OF BRONSON, FLORIDA
(Continued)**

Note 5 - General Long-term Debt (Concluded)

Maturities of General Long-term Debt

Maturities of general long-term debt for years ending September 30, are as follows:

Year	Amount
2004	\$ 20,613
2005	5,074
2006	5,606
2007	6,193
2008	6,841
Thereafter (Including Compensated Absences)	12,695
Total	\$ 57,022

Inasmuch as records kept for compensated absences relate only to hours earned, used, and available, the effect of changes in individual employee compensation rates and gross additions and deletions to the reported values of the liability for compensated absences cannot be reasonably determined. Accordingly, only the net change in the accumulated value of compensated absences is shown for the current fiscal year.

Note 6 - General Fund Designated Fund Balance

General fund designations at September 30, 2003, are comprised of the following:

Designated for Fire Protection	<u>\$ 27,833</u>
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Note 7 - General Fund Reserved Fund Balance

General fund reserved at September 30, 2003, are comprised of the following:

Reserved for Park Grant	<u>\$ 114</u>
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Note 8 - Changes in Contributed Capital

Changes in contributed capital of the enterprise funds are hereafter summarized:

Contributed Capital, September 30, 2002	\$ 1,383,455
(Amortization of Contributed Capital)	<u>(66,036)</u>
Contributed Capital, September 30, 2003	<u>\$ 1,317,419</u>

Note 9 - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Insurance against losses are provided through the Florida League of Cities, Inc. for the following types of risk:

- | | |
|---|---|
| <ul style="list-style-type: none"> ■ Workers' Compensation and Employer's Liability ■ General and Automobile Liability ■ Real and Personal Property Damage | <ul style="list-style-type: none"> ■ Public Officials' Liability ■ Accidental Death and Dismemberment |
|---|---|

NOTES TO FINANCIAL STATEMENTS
TOWN OF BRONSON, FLORIDA
(Concluded)

Note 9 - Risk Management (Concluded)

The Town's coverage for workers' compensation is under a retroactively rated policy. Premiums are accrued based on the ultimate cost to-date of the Town's experience for this type of risk.

Note 10 - Other Disclosures and Subsequent Events

The general fund reported expenditures in excess of appropriations totaling \$145,556. This resulted from certain grant funds which were received and expended but were not amended into the approved 2002-2003 budget.

The former Mayor and former Town Clerk were charged with grand theft. The former Mayor was convicted and agreed to make restitution to the Town in the amount of \$200,000. The former Town Clerk agreed to make restitution in the amount of \$5,000. No amounts concerning the theft of funds or the subsequent restitution are recorded in the accompanying general purpose financial statements. The amounts received for restitution were not considered available, and accordingly did not meet the criteria for accrual at September 30, 2003. As a result, most of the records that the Town normally maintains to support its receipts and disbursements for the year ended September 30, 2003, are lost, missing or in the possession of other agencies.

Note 11 - Federal and State Grants

A summary of federal and state grants received by the Town of Bronson during the 2002-2003 fiscal year is as follows:

<u>State Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Pass-through Grantor Number</u>	<u>Expenditures</u>
Federal Awards			
Department of Housing and Urban Development Passed-through State of Florida Department of Community Affairs:			
Community Development Block Grant	14.228	02-DB-89-05-48-02-N03	\$ 169,350
Community Development Block Grant	14.228	02-DB-89-05-48-02-E58	<u>66,584</u>
Total Federal Awards			<u>\$ 235,934</u>
State Financial Assistance			
State of Florida Department of Environmental Protection:			
Florida Recreation Development Assistance Program	37.017	F3603	\$ 134,886
State of Florida Department of State Historic Preservation Grant	45.032	SC231	<u>78,250</u>
Total State Financial Assistance			<u>\$ 213,136</u>

No federal or state Single Audit required based upon grant expenditures reported.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES; AND THE *RULES OF THE AUDITOR GENERAL*
OF THE STATE OF FLORIDA**

**DISCLAIMER OF OPINION REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
ENGAGEMENT TO AUDIT GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Members of
the Town Council
Town of Bronson
Bronson, Florida

We were engaged to audit the general purpose financial statements of the Town of Bronson, Florida (the Town) as of and for the year ended September 30, 2003, as listed in the table of contents, and have issued our disclaimer of opinion on the general purpose financial statements dated July 25, 2007.

We were also engaged to audit the general purpose financial statements of the Town in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Because of the inadequacy of accounting records and because adequate supporting documentation was not available for our audit, and because we were unable to satisfy ourselves as to the Town's compliance with laws, regulations, contracts and grants by other auditing procedures we express no opinion on compliance.

The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described below:

Requirement: The Town is required to adopt a budget each fiscal year pursuant to Section 166.241, Florida Statutes. The budget should be amended when the Town believes actual expenditures will exceed budgeted appropriations.

Condition: During the 2002-2003 fiscal year, the Town had expended funds in excess of budgeted appropriations in the general fund. The budget was not amended to include certain grant monies received and expended during fiscal year 2002-2003.

Effect: Lack of budgetary control could result in overspending of funds and departures from generally accepted accounting principles.

Recommendation: We recommend that the Town amend its budget, as deemed necessary, when it determines actual expenditures will be in excess of budgeted amounts of any individual fund.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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

Honorable Mayor and Members of
the Town Council
Town of Bronson
Bronson, Florida

**DISCLAIMER OF OPINION REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
ENGAGEMENT TO AUDIT GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our disclaimer of opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The following reportable condition was noted:

Segregation of Duties

Condition: Separation of certain accounting and administrative duties among employees, which was recommended as an effective internal control procedure was not considered possible because of the limited number of employees. We point this out to make the Town aware that separation of duties is desirable.

Criteria: Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time.

Effect: Lack of proper separation of incompatible duties could result in errors and irregularities that go undetected for extended periods of time.

Recommendation: We recommend that incompatible duties be separated among employees where it is feasible to do so.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to be Town Council in a separate letter dated July 25, 2007.

This report is intended solely for the information and use of the Town Council, management, and the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

July 25, 2007
Gainesville, Florida

Russell, Gray and Company, LLP

MANAGEMENT LETTER

Honorable Mayor and Members of
the Town Council
Town of Bronson
Bronson, Florida

We were engaged to audit the financial statements of the Town of Bronson, Florida (the Town) as of and for the fiscal year ended September 30, 2003, and have issued our disclaimer of opinion report thereon dated July 25, 2007.

We have issued our disclaimer of opinion report on compliance and on internal control over financial reporting based on an engagement to audit financial statements performed in accordance with *Government Auditing Standards* dated July 25, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We were engaged to audit the financial statements 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. Additionally, we were engaged to audit the financial statements in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.554(1)(g)1.(a)] require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud, and violations of laws, rules and regulations reported in the preceding annual financial audit report have been corrected. There were no such matters disclosed in the preceding audit report.

The *Rules of the Auditor General* [Section 10.554(1)(g)1.(b)] require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendation made in the preceding audit report has not been corrected and is reported in a separate disclaimer of opinion report on compliance and internal control dated July 25, 2007.

The *Rules of the Auditor General* [Section 10.554(1)(g)2.], require that we determine whether the Town complied with Section 218.415, Florida Statutes, regarding investment of public funds. Our audit disclosed no matters requiring comment as outlined in Section 218.415, Florida Statutes.

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Honorable Mayor and Members of
the Town Council
Town of Bronson
Bronson, Florida

MANAGEMENT LETTER
(Continued)

The *Rules of the Auditor General* [Sections 10.554(1)(g)3. and 4.(a), (b), and (c)] require disclosure in the management letter of the following matters if not already addressed in the disclaimer of opinion report on compliance and internal control: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, and regulations which may or may not materially affect the financial statements; illegal or improper expenditures that may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed the following matters required to be disclosed by *Rules of the Auditor General* [Sections 10.554(1)(g)3. and 4.(a),(b), and (c)].

Fraud Involving Town Funds

The former Mayor and former Town Clerk were charged with converting Town funds to their personal use. These former Town officials made restitution to the Town subsequent to September 30, 2003. In addition, subsequent to September 30, 2003, an additional investigation into this matter is currently being conducted by the Federal Bureau of Investigation (FBI) and other agencies.

We recommend that procedures be put in place to strengthen internal controls and separate incompatible duties to the extent possible with existing employees.

Unclassified Expenditures

An amount of \$64,087 is reported as unclassified expenditures in the general fund statement of revenues and expenditures. The majority of this amount \$50,028 represents amounts withdrawn from two savings accounts for which there was no documentation available to identify the purpose of the withdrawal. Also, an amount of \$2,321 appears to be for an improper personal expenditure by a former Town official. The remaining amount of \$11,738 represents a difference needed to reconcile the accounting records that was not identified.

We recommend that supporting documentation be obtained to identify all expenditures (disbursements) and that any improper expenditures identified be reported to the appropriate governmental agencies.

Lack of Accounting Records and Supporting Documentation

There were no 941 payroll tax reports available for review for the quarters ended June 30, 2003, and September 30, 2003. There were no inventory records available to support the inventory amount reported at September 30, 2003. Complete supporting documentation such as bank deposit slips, cancelled checks, and paid invoices were not available for our review and inspection. A year end working trial balance as of September 30, 2003, for all accounts of the general fund and the water fund had not been prepared by the Town. In addition, adequate supporting documentation for federal and state grant funds received and expended during the 2002-2003 fiscal year was not available for our review. Because of incomplete and inadequate records and supporting documentation we have issued a disclaimer of opinion on the Town's general purpose financial statements for the year ended September 30, 2003.

Honorable Mayor and Members of
the Town Council
Town of Bronson
Bronson, Florida

MANAGEMENT LETTER
(Concluded)

Lack of Accounting Records and Supporting Documentation (Concluded)

We recommend that the Town request the return of all supporting documentation and records from the agencies that have possession of them after their investigation is completed.

The *Rules of the Auditor General* [Section 10.554(1)(g)5.] also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Town was established in 1850, under a Charter in accordance with Laws of Florida 6732. There were no component units related to the Town.

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6(a)], the scope of our engagement to audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our engagement to audit, we determined that the Town is not in a state of financial emergency as a consequence of the conditions described by Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6.(b)], we determined that the annual financial report for the Town for the fiscal year ended September 30, 2003, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2003.

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)6.(c)], we applied financial condition assessment procedures to the Town as of September 30, 2003, in accordance with *Rules of the Auditor General* 10.556.(8).

This management letter is intended solely for the information and use of the Town Council, management and the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

July 25, 2007
Gainesville, Florida

Turtie, Gray and Company, LLP

Town of Bronson

P.O. BOX 266
660 EAST HATHAWAY AVENUE
BRONSON, FLORIDA 32621
TELEPHONE: 352-486-2354

October 17, 2007

State of Florida
Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Gentlemen:

The Town of Bronson has contracted with Purvis Gray & Company to perform the audit for the Fiscal Year 2002/2003. The Town is still behind in required audits from that period forward but is working diligently to have that situation corrected as soon as possible. In December of 2003 the town's former mayor was arrested and charged with scheme to defraud/organized fraud and Grand theft I and in May of 2004 the former town clerk was arrested and charged with grand theft III. During this period all of the town's financial records were with the FDLE and local sheriff's office so no audit could be done. The town received the records back from these agencies around April 2005 and began the process of sorting them out and preparing to catch up on setting up financial records, since all computer records had also been destroyed.

Unfortunately before all of this could be completed, in September of 2005 the town was issued a subpoena by the Federal Bureau of Investigation to turn over the same documents to them for an investigation and this investigation is ongoing as of the above date. The town was allowed time to copy most of the records so that financial books could be established before relinquishing them to the FBI.

The town does respectfully concur with their audit opinion and offers the following answers to items listed in their management letter to the town.

Requirement: The town is required to adopt a budget each fiscal year pursuant to Section 166.241 Florida Statutes. The budget should be amended when the Town believes actual expenditures will exceed budgeted appropriations.

- The Town will, in the future, amend its budget as deemed necessary when it determines actual expenditures will be in excess of budgeted amounts of any individual fund.

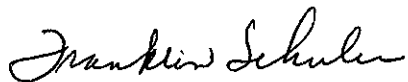
Requirement: Separation of certain accounting and administrative duties among employees, which was recommended as an effective internal control procedure was not considered possible because of the limited number of employees. We point this out to make the Town aware that separation of duties is desirable.

- The Town still faces the problem of segregation of duties due to the limited number of employees, but has put additional requirements in place that allow and require random checks of the cash drawer, daily deposits, billing receipts and write-offs, and any on hand petty cash funds from the mayor or his/her designee.

The Town is fully aware of the issues with fraud involving town funds, unclassified expenditures and the lack of accounting records and supporting documentation. The unclassified expenditures are in conjunction with the lack of accounting records and supporting documentation. The Town does not know whether the records and documentation were destroyed to cover up the fraud and theft issues or if they were given to the investigating offices and not returned, either way they appear not to exist at this time.

Should you require any further information, I am always available for comment.

Sincerely,



Franklin Schuler
Mayor