

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TOWN OF BRONSON
BRONSON, FLORIDA**

SEPTEMBER 30, 2004

**TOWN OF BRONSON
BRONSON, FLORIDA**

TOWN COUNCIL

**Beatrice Mongo
Mayor**

**Aaron Edmondson
Vice-Mayor**

**Franklin Schuler
Council Member**

**Edith Brown
Council Member**

**Melody LaFlam
Council Member**

TOWN CLERK

Donna Conquest

**FINANCIAL STATEMENTS
AND
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**TOWN OF BRONSON
BRONSON, FLORIDA**

SEPTEMBER 30, 2004

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INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statements of the Town of Bronson, Florida (the Town) as of and for the year ended September 30, 2004, as listed in the table of contents. These 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, 2004.

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.

As described in note 1, the Town has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of October 1, 2003. The Town has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a disclaimer of opinion report dated June 19, 2008, 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.

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

We were engaged to audit the accompanying financial statements of the Town. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Purvis, Gray and Company, LLP

June 19, 2008
Gainesville, Florida

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current Assets			
Cash	\$ 92,498	\$ 102,399	\$ 194,897
Accounts Receivable	10,338	14,151	24,489
Due from Other Governments	27,207	0	27,207
Internal Balances	49,586	(49,586)	0
Inventory	0	27,416	27,416
Total Current Assets	179,629	94,380	274,009
Restricted Assets			
Cash	0	9,236	9,236
Capital Assets			
Land	249,290	0	249,290
Buildings	391,914	0	391,914
Streets and Roads	296,393	0	296,393
Vehicles	410,212	0	410,212
Furniture and Equipment	316,001	0	316,001
Recreation Park	440,460	0	440,460
Water Plant, Net	0	1,363,530	1,363,530
Sewer Plant, Net	0	1,794,254	1,794,254
Total Capital Assets	2,104,270	3,157,784	5,262,054
Total Assets	2,283,899	3,261,400	5,545,299
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Expenses	12,143	3,106	15,249
Accrued Compensated Absences	0	4,366	4,366
Notes Payable	20,867	0	20,867
Total Current Liabilities	33,010	7,472	40,482
Payable from Restricted Assets			
Customer Deposits	0	9,236	9,236
Noncurrent Liabilities			
Accrued Compensated Absences	2,445	0	2,445
Notes Payable, Long-term	47,736	0	47,736
Total Noncurrent Liabilities	50,181	0	50,181
Total Liabilities	83,191	16,708	99,899
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,035,667	3,157,784	5,193,451
Unrestricted	165,041	86,908	251,949
Total Net Assets	\$ 2,200,708	\$ 3,244,692	\$ 5,445,400

See accompanying notes.

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 109,718	\$ 13,797	\$ 0	\$ 0	\$ (95,921)	\$ 0	\$ (95,921)
Public Safety	25,558	0	32,735	85,000	92,177	0	92,177
Transportation	59,367	10,348	18,590	0	(30,429)	0	(30,429)
Human Services	182	0	0	0	(182)	0	(182)
Physical Environment	100,636	149,860	0	0	49,224	0	49,224
Culture and Recreation	19,470	0	0	0	(19,470)	0	(19,470)
Interest on Long-term Debt	4,535	0	0	0	(4,535)	0	(4,535)
Unclassified	699	0	0	0	(699)	0	(699)
Total Governmental Activities	320,165	174,005	51,325	85,000	(9,835)	0	(9,835)
Business-type Activities							
Water and Sewer Utility	268,208	293,373	0	1,156,316	0	1,181,481	1,181,481
Total Primary Government	\$ 588,373	\$ 467,378	\$ 51,325	\$ 1,241,316	(9,835)	1,181,481	1,171,646
General Revenues							
Taxes:							
Property Taxes					61,208	0	61,208
Franchise and Utility Taxes					67,757	0	67,757
Discretionary and Half-cent Sales Tax					118,917	0	118,917
Other State Revenues					41,871	0	41,871
Investment Earnings					92	188	280
Miscellaneous					32,313	0	32,313
Transfers					(116,371)	116,371	0
Total General Revenues and Transfers					205,787	116,559	322,346
Change in Net Assets					195,952	1,298,040	1,493,992
Net Assets, Beginning of Year					2,004,756	1,946,652	3,951,408
Net Assets, End of Year					\$ 2,200,708	\$ 3,244,692	\$ 5,445,400

See accompanying notes.

**BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA**

Assets

Cash	\$	92,498
Accounts Receivable		10,338
Due from Other Governments		27,207
Due from Other Funds		87,801
		87,801

Total Assets 217,844

Liabilities and Fund Balance

Liabilities

Accounts Payable and Accrued Expenses		12,143
Due to Other Funds		38,215
		38,215

Total Liabilities 50,358

Fund Balance

Unreserved		167,486
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Total Fund Balance 167,486

Total Liabilities and Fund Balance \$ 217,844

Fund Balance - General Fund \$ 167,486

**Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the general fund. 2,104,270

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the general fund. (71,048)

Net Assets of Governmental Activities \$ 2,200,708

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA**

Revenues	
Taxes	\$ 244,463
Licenses and Permits	7,103
Intergovernmental Revenue	159,227
Charges for Services	184,195
Fines and Forfeitures	5,095
Miscellaneous Revenues	32,405
Total Revenues	<u>632,488</u>
Expenditures	
Current:	
General Government	110,497
Public Safety	161,248
Physical Environment	100,636
Transportation	59,367
Human Services	182
Culture and Recreation	40,742
Debt Service:	
Principal	33,577
Interest	4,535
Unclassified Expenditures	699
(Total Expenditures)	<u>(511,483)</u>
Excess of Revenues Over Expenditures	<u>121,005</u>
Other Financing Sources (Uses)	
Loan Proceeds	47,603
Operating Transfers (out)	(116,371)
Total Other Financing Sources (Uses)	<u>(68,768)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	52,237
Fund Balance, Beginning of Year	115,249
Fund Balance, End of Year	<u>\$ 167,486</u>
Net Change in Fund Balance - General Fund	<u>\$ 52,237</u>
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
The general fund reports capital outlays as expenditures. However, in the statement of activities, capital outlays are recorded as assets. This is the amount of capital outlay purchases in the current period.	157,741
Proceeds from long-term debt in the form of notes provides current financial resources to the general fund, while the repayment of the principal of long-term debt consumes the current financial resources of the general fund:	
Proceeds of Long-term Debt	(47,603)
Repayment of Principal of Long-term Debt	33,577
Change in Net Assets of Governmental Activities	<u>\$ 195,952</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes	\$ 232,500	\$ 232,500	\$ 244,463	\$ 11,963
Licenses and Permits	4,600	4,600	7,103	2,503
Intergovernmental Revenue	77,600	77,600	159,227	81,627
Charges for Services	135,235	135,235	184,195	48,960
Fines and Forfeitures	5,000	5,000	5,095	95
Miscellaneous Revenues	635	635	32,405	31,770
Total Revenues	<u>455,570</u>	<u>455,570</u>	<u>632,488</u>	<u>176,918</u>
Expenditures				
General Government	158,378	158,378	110,497	47,881
Public Safety	69,310	69,310	161,248	(91,938)
Physical Environment	90,000	90,000	100,636	(10,636)
Transportation	103,082	103,082	59,367	43,715
Human Services	1,800	1,800	182	1,618
Culture and Recreation	30,500	30,500	40,742	(10,242)
Debt Service:				
Principal	34,030	34,030	33,577	453
Interest	6,970	6,970	4,535	2,435
Unclassified Expenditures	0	0	699	(699)
(Total Expenditures)	<u>(494,070)</u>	<u>(494,070)</u>	<u>(511,483)</u>	<u>(17,413)</u>
Excess of Revenues Over Expenditures	<u>(38,500)</u>	<u>(38,500)</u>	<u>121,005</u>	<u>159,505</u>
Other Financing Sources (Uses)				
Loan Proceeds	0	0	47,603	47,603
Operating Transfers (out)	0	0	(116,371)	(116,371)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(68,768)</u>	<u>(68,768)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(38,500)</u>	<u>(38,500)</u>	<u>52,237</u>	<u>90,737</u>
Fund Balance, Beginning of Year	<u>38,500</u>	<u>38,500</u>	<u>115,249</u>	<u>76,749</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 167,486</u>	<u>\$ 167,486</u>

See accompanying notes.

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 SEPTEMBER 30, 2004
 TOWN OF BRONSON, FLORIDA**

Assets

Current Assets

Cash	\$ 102,399
Accounts Receivable	14,151
Due from Other Funds	38,215
Inventory	27,416
Total Current Assets	182,181

Restricted Assets

Cash	9,236
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Capital Assets

Water Plant, Net	1,363,530
Sewer Plant, Net	1,794,254
Total Capital Assets	3,157,784

Total Assets	3,349,201
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Liabilities

Current Liabilities

Accounts Payable	3,106
Accrued Compensated Absences	4,366
Due to Other Funds	87,801
Total Current Liabilities	95,273

Payable from Restricted Assets

Customer Deposits	9,236
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Total Liabilities	104,509
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Net Assets

Invested in Capital Assets, Net of Related Debt	3,157,784
Unrestricted	86,908
Total Net Assets	\$ 3,244,692

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 FUND NET ASSETS - PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2004
 TOWN OF BRONSON, FLORIDA**

Operating Revenues	
Charges for Services	\$ 293,373
Miscellaneous	0
Total Operating Revenues	<u>293,373</u>
Operating Expenses	
Personal Services	125,170
Materials, Supplies and Other Expenses	47,243
Depreciation and Amortization	95,795
(Total Operating Expenses)	<u>(268,208)</u>
Operating Income	<u>25,165</u>
Nonoperating Revenues	
Interest Income	<u>188</u>
Income Before Capital Grants and Operating Transfers	25,353
Capital Contributions	1,156,316
Transfers In	<u>116,371</u>
Change in Net Assets	1,298,040
Net Assets, Beginning of Year	<u>1,946,652</u>
Net Assets, End of Year	<u><u>\$ 3,244,692</u></u>

See accompanying notes.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA**

Cash Flows from Operating Activities	
Cash Received for Services	\$ 389,267
Cash Paid to Employees	(125,170)
Cash Paid to Suppliers	(19,720)
Net Cash Provided by (Used in) Operating Activities	<u>244,377</u>
Cash Flows from Noncapital Financing Activities	
Transfer from Other Fund	<u>116,371</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(979,964)
Capital Grants	634,712
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(345,252)</u>
Cash Flows from Investing Activities	
Interest Received	<u>188</u>
Net, Increase in Cash	15,684
Cash, Beginning of Year	<u>95,951</u>
Cash, End of Year	<u>\$ 111,635</u>
<u>Reported as:</u>	
Cash	\$ 102,399
Restricted Assets - Cash	9,236
Total	<u>\$ 111,635</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Income	\$ 25,165
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	95,795
Accounts Receivable	(3,407)
Due From Other Funds	99,301
Due to Other Funds	27,523
Net Cash Provided by Operating Activities	<u>\$ 244,377</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.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Town's activities
- A change in the fund financial statements to focus on major funds

These changes are reflected in the accompanying financial statements (including notes to financial statements). The Town has elected to implement the general provisions of the statement in the current year.

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.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Reporting Entity (Concluded)

Separate financial statements are provided for governmental funds and proprietary funds. The Town reports one governmental fund, the general fund as a major fund. The general fund is the Town's primary operating fund. It accounts for all resources traditionally associated with governments, except those required to be accounted for in another fund.

The Town reports one proprietary fund, the water and sewer fund as a major fund. This fund accounts for the activities of the Town's water and sewer utilities.

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, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this period, the Town considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the Town's proprietary fund are charges to customers for services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary Activities

For proprietary activities, the Town applies all applicable GASB pronouncements. Additionally, the Town applies pronouncements issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB) and its predecessor bodies, unless those pronouncements conflict with or contradict GASB pronouncements. Pursuant to GASB Statement No. 20, the Town has elected not to apply all FASB statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents

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

Receivables

Customer accounts receivable are recorded at their net realizable value.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2004. The amount shown as inventory on September 30, 2004, represents the actual balance as of September 30, 2002.

Encumbrances

The Town does not utilize encumbrance accounting.

Capital Assets

Proprietary fund capital expenditures made for revenue-producing assets, which are employed in operations that are accounted for in the proprietary fund, 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
Sewer Plant	30 Years

Contributed assets are recorded at fair market value at the date of contribution.

Capital assets used in governmental fund-type operations are reported in the statement of net assets rather than in the general fund balance sheet. 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 governmental fund capital assets.

Capitalized Interest During Construction

No interest was capitalized during 2004.

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. A liability for accrued compensated absences of employees of the water and sewer fund has been accrued in the proprietary 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 statement of net assets, 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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 state-wide. 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, 2004, was 3.20 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.

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.

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

Note 1 - Summary of Significant Accounting Policies (Concluded)

Property Taxes (Concluded)

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.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column of the statement of net assets.

In the general fund financial statement, debt proceeds are recognized as other financing sources.

Use of Restricted Assets

It is generally the policy of the Town to utilize restricted net assets before unrestricted net assets when possible.

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
- The Local Government Surplus Funds Trust Fund

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

Note 2 - Cash and Time Deposits (Concluded)

Presently, all investments are limited to time deposits.

At year-end, the carrying amount of the Town's deposits was \$204,133 and the bank balances totaled \$272,985. 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 - Capital Assets

Governmental Activities

A summary of changes in capital assets is presented below:

	<u>October 1,</u> <u>2003</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>September 30,</u> <u>2004</u>
Land	\$ 249,290	\$ 0	\$ 0	\$ 249,290
Buildings	391,135	779	0	391,914
Streets and Roads	296,393	0	0	296,393
Vehicles	410,212	0	0	410,212
Furniture and Equipment	180,311	135,690	0	316,001
Recreation Park	419,188	21,272	0	440,460
Total	<u>\$ 1,946,529</u>	<u>\$ 157,741</u>	<u>\$ 0</u>	<u>\$ 2,104,270</u>

No depreciation expense or accumulated depreciation has been recorded for governmental activities - capital assets for the fiscal year ended September 30, 2004, because adequate supporting documentation and records were not available.

Business -Type Activities

A summary of capital assets in the proprietary fund at September 30, 2004, is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Ending</u> <u>Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Capital Assets Being Depreciated:				
Water System	2,234,074	0	(13,876)	2,220,198
Equipment	60,593	0	0	60,593
Sewer System	0	1,809,332	0	1,809,332
Total Capital Assets Being Depreciated	<u>2,294,667</u>	<u>1,809,332</u>	<u>(13,876)</u>	<u>4,090,123</u>
Less Accumulated Depreciation for:				
Water System	(76,379)	(76,379)	709	(874,134)
Equipment	(39,789)	(4,338)	0	(44,127)
Sewer System	0	(15,078)	0	(15,078)
Total Accumulated Depreciation	<u>(838,253)</u>	<u>(95,795)</u>	<u>709</u>	<u>(933,339)</u>
Total Being Depreciated, Net	<u>1,456,414</u>	<u>1,713,537</u>	<u>(13,167)</u>	<u>3,156,784</u>
Business-type Activities Capital				
Assets, Net	<u>\$ 1,457,414</u>	<u>\$ 1,713,537</u>	<u>\$ (13,167)</u>	<u>\$ 3,157,784</u>

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

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 - Long-term Debt

A summary of changes in long-term debt follows:

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance September 30, 2004</u>
Governmental Activities				
Note Payable to Perkins State Bank; Due in Full Including Accrued Interest on July 15, 2004, at an Annual Interest Rate of 5.75%; Secured by Fire Truck	\$ 16,020	\$ 0	\$ (16,020)	\$ 0
Note Payable to Capital City Bank; Due in Monthly Payments of \$1,308, Final Payment Due October 2006, at an Annual Interest Rate of 2.75%; Secured by Fire Truck	0	47,603	(12,964)	34,639
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	38,557	0	(4,593)	33,964
Accrued Compensated Absences	<u>2,445</u>	<u>0</u>	<u>0</u>	<u>2,445</u>
Total Governmental Activities	<u>\$ 57,022</u>	<u>\$ 47,603</u>	<u>\$ (33,577)</u>	<u>\$ 71,048</u>

Interest expense during 2004 on long-term liabilities totaled \$4,535, none of which was capitalized.

Maturities of Long-term Debt

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

<u>Year</u>	<u>Amount</u>
2005	\$ 20,867
2006	21,852
2007	8,793
2008	6,841
2009	7,557
Thereafter (Including Compensated Absences)	<u>5,138</u>
Total	<u>\$ 71,048</u>

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

Note 5 - Long-term Debt (Concluded)

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 - 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:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Accidental Death and Dismemberment

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 7 - Other Disclosures

The general fund reported total expenditures in excess of total appropriations of \$17,413. This resulted from loan proceeds, which were received and expended, but were not amended into the approved 2003-2004 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 financial statements. The amounts received for restitution were not considered available and, accordingly, did not meet the criteria for accrual at September 30, 2004. As a result, most of the records that the Town normally maintains to support its receipts and disbursements for the year ended September 30, 2004, were lost, missing, or in the possession of other agencies.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES;
THE PROVISIONS OF OFFICE OF MANAGEMENT AND BUDGET (OMB)
CIRCULAR A-133; AND THE *RULES OF THE AUDITOR GENERAL* OF
THE STATE OF FLORIDA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
U. S. Department of Housing and Urban Development				
Passed through Florida Department of Community Affairs				
	02-DB-89-05-48-02-E58	14.228	\$ 500,000	\$ 399,777
	02-DB-89-05-48-02-N03	14.228	<u>500,000</u>	<u>330,650</u>
Total Expenditures of Federal Awards			<u>\$ 1,000,000</u>	<u>\$ 730,427</u>

Note to the Schedule of Expenditures of Federal Awards

Basis of Presentation:

The above amounts were obtained from the available records of the Town of Bronson and are presented on the accrual basis of accounting. The information included in this schedule has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

**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***

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 year ended September 30, 2004, as listed in the table of contents, and have issued our disclaimer of opinion on the financial statements dated June 19, 2008.

We were also engaged to audit the 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 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 in the accompanying schedule of findings and questioned costs as item 2004-1.

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 financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over

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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 FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Concluded)**

Internal Control Over Financial Reporting (Concluded)

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 reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-2 and 2004-3.

A material weakness is a reportable 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 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 conditions described above are material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to the Town Council in a separate letter dated June 19, 2008.

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.

Purvis, Gray and Company, LLP

June 19, 2008
Gainesville, Florida

**DISCLAIMER OF OPINION REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR FEDERAL AWARD PROGRAM**

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 year ended September 30, 2004, as listed in the table of contents, and have issued our disclaimer of opinion on the financial statements dated June 19, 2008.

Compliance

We were engaged to audit the compliance of the Town with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended September 30, 2004. The Town's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

We were unable to obtain sufficient documentation supporting the compliance of the Town with the Community Development Block Grant program regarding the compliance requirements described in OMB Circular A-133, *Compliance Supplement*, nor were we able to satisfy ourselves as to the Town's compliance with those requirements by other auditing procedures.

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 the compliance requirements of OMB Circular A-133, we express no opinion on compliance with those requirements.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our disclaimer of opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

**DISCLAIMER OF OPINION REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR FEDERAL AWARD PROGRAM
(Concluded)**

Internal Control Over Compliance (Concluded)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Town's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-2 and 2004-3.

A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance 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 conditions described above are material weaknesses.

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

Purvis, Gray and Company, LLP

June 19, 2008
Gainesville, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA**

1. Summary of Audit Results

A. Type of Audit Report Issued on Financial Statements

Disclaimer of Opinion

B. Reportable Conditions and/or Material Weaknesses in Internal Control

Audit disclosed two reportable conditions in internal control which are material weaknesses.

C. Noncompliance Material to Auditee Financial Statements

Audit disclosed one material instance of noncompliance

D. Reportable Conditions and/or Material Weaknesses in Internal Control Over Major Programs

Audit disclosed two reportable conditions in internal control over the major federal program which are material weaknesses in internal control.

E. Type of Audit Report Issued on Compliance with Requirements Applicable to the Major Programs

Disclaimer of Opinion

F. Audit Findings Relative to Major Federal Award Programs

A disclaimer of opinion report was issued on compliance over a major federal program because we were unable to obtain sufficient documentation supporting the compliance requirements of the Community Development Block Grant program described in OMB Circular A-133, *Compliance Supplement*, nor were we able to satisfy ourselves as to the Town's compliance with those requirements by other auditing procedures.

G. Programs Tested as Major Programs

■ **Federal Program**

- U. S. Department of Housing and Urban Development:
 - ▶ Community Development Block Grant - CFDA No. 14.228

H. Dollar Threshold Used to Distinguish Between Type A and Type B Programs

\$300,000

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA
(Continued)**

1. Summary of Audit Results (Concluded)

I. Auditee Qualification as Low-risk Auditee

The Town did not qualify as a low-risk auditee

2. Findings Related to the Basic Financial Statements

Finding Number: 2004-1

Finding: Budget

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 2003-2004 fiscal year, the Town had expended funds in excess of budgeted appropriations in the general fund. The budget was not amended to include certain loan proceeds received and expended during fiscal year 2003-2004.

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.

Finding Number: 2004-2

Finding: 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.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
TOWN OF BRONSON, FLORIDA
(Concluded)**

2. Findings Related to the Basic Financial Statements (Concluded)

Finding Number: 2004-3

Finding: Lack of Accounting Records and Supporting Documentation

Condition: During our audit we noted the following:

- A. None of the bank accounts had been reconciled to the general ledger.
- B. Accounts receivable, accounts payable, payroll, inventory and fixed assets had not been properly recorded and reconciled to the general ledger.
- C. There were no invoices or contracts available for inspection.
- D. The minutes had not been signed by a member of the Town Council.

Criteria: Adequate documentation must be maintained to support the Town's accounting records.

Effect: Lack of proper documentation and accounting records could lead to errors, irregularities and fraud that goes undetected. In addition, the Town Council does not have adequate financial information for decision making purposes.

Recommendation: The Town should develop a system of internal control that would require duplicate or back-up information that is stored off site. In addition, all of the accounts included in items A and B above need to be properly recorded and reconciled on a timely basis.

3. Findings and Questioned Costs for Major Federal Awards

	Questioned Costs						
<ul style="list-style-type: none"> ■ Department of Housing and Urban Development: <ul style="list-style-type: none"> ● Community Development Block Grant - CFDA No. 14.228: <ul style="list-style-type: none"> Grant Number 02-DB-89-05-48-02-E58 Grant Number 02-DB-89-05-48-02-N03 	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="padding-right: 10px;">\$</td> <td style="text-align: right;">399,777</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">330,650</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">730,427</td> </tr> </table>	\$	399,777		330,650	\$	730,427
\$	399,777						
	330,650						
\$	730,427						

Because of the inadequacy of the accounting records and because adequate supporting documentation was not available for our audit we have reported the above grant amounts as questioned costs.

See finding 2004-2 and finding 2004-3 shown in Section 2 above. These findings also apply to the Community Development Block Grant program.

**Corrective Action Plan
Town of Bronson
In Accordance with OMB Circular A-133
November 2008**

In regards to the findings referenced in our 9/30/2004 audit conducted by the firm of Purvis, Gray and Company, LLP the Town of Bronson proposes the following changes to be implemented at the start of our new fiscal year 2008/2009. The reason for the delay in the completion of the annual audits, and the policy changes is due to the major fraud that was committed in the year 2003/2004. Records were being held by the FBI until the investigation was completed, and files were returned just within the last couple months. We have also had our Town Clerk resign in that time period. We have since hired her replacement and now can begin addressing these changes accordingly.

In response to the finding 2004-1 Budget:

The town prepares a new fiscal budget annually that is brought to Council for approval. After said approval, the budget will be entered into our accounting system so expenditures can be viewed and compared on a monthly basis. We will be able to monitor accounts for any overspending, and or discrepancies. We will also amend our budget accordingly when actual expenditures exceed budgeted amounts as voted by council. Computer accounting software will be updated as soon as possible, but no later than the next monthly council meeting, so an accurate financial picture will be available.

In response to the finding 2004-2 Segregation of Duties:

The town has designated that the daily deposits be calculated and remitted by either the Public Works director or the Assistant Town Clerk. The daily cash drawer is reconciled every night and balanced to the cash register tape. The Town Clerk then receives deposits and related documents to review and verify. Mail is opened by Asst. Town Clerk or Public Works Director and dated and distributed. Email is monitored by both the Public Works Director and the Town Clerk. All expenditures of \$100.00 or more are approved by the Mayor and or Council. Once product is received invoice is signed off by Dept. heads i.e.; Fire Chief, Public works director, Town Clerk. Upon payment checks are cut and signed by the Town Clerk and Mayor with detailed invoiced attached for last and final review. There are no large amounts of cash kept onsite, and Petty Cash is kept at a minimum \$50.00 and the cash drawer is kept at \$50.00 also.

Due to the small number of staff it is very difficult to separate all accounting and administrative duties completely, but feel these changes address the major issues in daily activity that we can efficiently address, to insure mistakes are caught and dealt with in a timely manner. All employees and elected officials have been instructed to pay close attention and not compromise the internal control structure.

In response to finding 2004-3 Lack of Accounting records and supporting documentation:

Records in the Town Clerks office are being completely re-organized and updated so information can be accessed in a timely manner. A filing system is being created in the Clerks office, were in the past there seemed to be little to no structure.

Monthly minutes are now being taken by a court stenographer that we have contracted with, and original minutes are accepted by Council, signed by the Mayor and filed in chronological order by date. We will continue to operate like this until we can find and purchase a Talk to text recorder that fits our monthly meeting requirements, and at that point the Town Clerk will be responsible for producing the monthly minutes. This action will in time take place, but we will not be implementing this until all audits are completed.

Corrective Action Plan
Town of Bronson
In Accordance with OMB Circular A-133
November 2008
(Concluded)

Contracts will be accounted for properly and available upon request, and all expenditures related to those contracts will be available for review both in computer summary or hard copies.

A chart of accounts will be adopted immediately that is inline with the most current State Uniform Accounting System.

All balance sheet accounts, Bank Accounts, Accounts Receivable, Accounts Payable, Payroll, Inventory, and Fixed Assets will be properly recorded and reconciled to the General Ledger on a monthly basis with supporting documentation attached to the final monthly financial statements that are submitted to Council. Financial statements will be submitted to Council no later than 30 days following month end. This will give ample amount of time for bank statements to be received and any adjusting journal entries finalized. This procedure alone will help Council make a more informative decision.

The Town in time, will research various accounting software packages on the market to see if there is one that is more suitable, and user friendly, so reports and financials can be produced in a timely and efficient manner.

The Town also will implement a internal back-up procedure of all electronic data, either via through the use of CD's and/or external hard drive that will be kept offsite in a secure location such as a bank lock box.

In conclusion as we look forward to addressing all these issues, it is important that the Auditors office understand that the current employees are fairly new to the Town and were hired within the past two years, and were not employed at the time the fraudulent activities were taking place. Collectively we can only hope that we can implement these changes in a timely manner, get the subsequent audits completed and submitted to the state, and start a rebuilding process that is positive.

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, 2004, and have issued our disclaimer of opinion report thereon dated June 19, 2008.

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 August 13, 2008. We also issued our disclaimer of opinion report on compliance with requirements applicable to each major federal award program and internal control over compliance in accordance with OMB Circular A-133 and the schedule of findings and questioned costs both dated June 19, 2008. Disclosures in those reports and schedule, 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)(h)1.], requires that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit. One finding from the preceding audit report is repeated as follows:

■ **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 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.

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

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

MANAGEMENT LETTER
(Concluded)

The *Rules of the Auditor General* [Section 10.554(1)(h)2.], requires 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.

The *Rules of the Auditor General* [Sections 10.554(1)(h)3. and 4.(a), (b), and (c)], require disclosure in the management letter of the following matters that are not clearly inconsequential: (1) recommendations to improve financial management, accounting procedures and internal controls; violations of laws, rules, regulations and contractual provisions or abuse have occurred, or were likely to have occurred, and were discovered within the scope of the audit; (2) illegal or improper expenditures discovered within the scope of the audit that may not materially affect the financial statements; (3) deficiencies in internal control, including but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters required to be disclosed by *Rules of the Auditor General* [Sections 10.554(1)(h)3. and 4.(a), (b), and (c)].

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

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

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(b)], we determined that the financial report for the Town of Bronson, Florida, for the fiscal year ended September 30, 2004, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2004.

The *Rules of the Auditor General* [Section 10.554(1)(h)6.(c)], requires that we disclose that we have applied financial condition assessment procedures pursuant to Rule 10.556(8). We applied financial condition assessment procedures.

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.

Purvis, Gray and Company, LLP

June 19, 2008
Gainesville, Florida

Town of Bronson

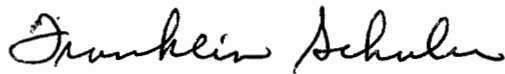
P.O. BOX 266
660 EAST HATHAWAY AVENUE
BRONSON, FLORIDA 32621
TELEPHONE: 352-486-2354

October 2, 2008

Purvis, Gray and Company
PO Box 23999
Gainesville, FL 32602

Re: Audit Report for Fiscal Year 2003-2004

We have received the preliminary audit report for fiscal year 2003-2004, prepared by Purvis, Gray and Company. We have reviewed the reports and accept the findings as presented.



Franklin Schuler, Mayor
Town of Bronson