

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TOWN OF BRONSON
BRONSON, FLORIDA**

SEPTEMBER 30, 2007

**TOWN OF BRONSON
BRONSON, FLORIDA**

TOWN COUNCIL

**Franklin Schuler
Mayor**

**Beatrice Mongo
Vice-Mayor**

**Aaron Edmondson
Council Member**

**Edith Brown
Council Member**

**Melody LaFlam
Council Member**

TOWN CLERK

Donna Conquest

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TOWN OF BRONSON
BRONSON, FLORIDA**

SEPTEMBER 30, 2007

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet - General Fund	5
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	7
Statement of Net Assets - Proprietary Fund	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund.....	9
Statement of Cash Flows - Proprietary Fund	10
Notes to Financial Statements.....	11-18
Additional Elements of Report Prepared in Accordance with <i>Government Auditing Standards</i>, Issued by the Comptroller General of the United States; and the <i>Rules of the Auditor General of the State of Florida</i>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-21
Summary Schedule of Prior Audit Findings	22
Management Letter.....	23-26
Corrective Action Plan and Management Response	27-31

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Bronson, Florida (the Town), as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 3 to the financial statements, management has not recorded depreciation expense and accumulated depreciation on certain capital assets of governmental activities because adequate supporting records were not available. Accounting principles generally accepted in the United States of America require that those capital assets be depreciated, which would decrease the assets and net assets and increase the expenses of governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of governmental activities is not reasonably determinable.

We did not observe the taking of the physical inventories of business-type activities and the proprietary fund at September 30, 2006 and 2007, since those dates were prior to the time we were engaged as auditors for the Town. We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

In our opinion, because of the effects of the matter discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town as of September 30, 2007, or the changes in financial position thereof for the year then ended.

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventories taken as of September 30, 2006 and 2007, for business-type activities and the proprietary fund, as described in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the proprietary fund of the Town as of September 30, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Town as of September 30, 2007, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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 report dated October 28, 2009, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Purvis, Gray and Company, LLP

October 28, 2009
Gainesville, Florida

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007
TOWN OF BRONSON, FLORIDA

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current Assets			
Cash	\$ 348,428	\$ 25,112	\$ 373,540
Accounts Receivable	7,035	34,175	41,210
Due from Other Governments	43,630	0	43,630
Internal Balances	117,699	(117,699)	0
Inventory	0	27,416	27,416
Total Current Assets	516,792	(30,996)	485,796
Restricted Assets			
Cash	0	21,301	21,301
Capital Assets			
Land	270,128	0	270,128
Buildings	699,977	0	699,977
Improvements Other Than Buildings	32,202	0	32,202
Streets and Roads	309,602	0	309,602
Vehicles	533,507	0	533,507
Furniture and Equipment	338,015	0	338,015
Recreation Park	441,960	0	441,960
Water Plant, Net	0	1,135,742	1,135,742
Sewer Plant, Net	0	1,768,275	1,768,275
Total Capital Assets	2,625,391	2,904,017	5,529,408
Total Assets	3,142,183	2,894,322	6,036,505
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Expenses	85,552	14,438	99,990
Accrued Compensated Absences	0	3,649	3,649
Notes Payable	16,645	0	16,645
Total Current Liabilities	102,197	18,087	120,284
Payable from Restricted Assets			
Customer Deposits	0	21,301	21,301
Noncurrent Liabilities			
Accrued Compensated Absences	1,789	0	1,789
Notes Payable, Long-term	9,043	0	9,043
Total Noncurrent Liabilities	10,832	0	10,832
Total Liabilities	113,029	39,388	152,417
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,599,703	2,904,017	5,503,720
Unrestricted	429,452	(49,083)	380,369
Total Net Assets	\$ 3,029,155	\$ 2,854,934	\$ 5,884,089

See accompanying notes.

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2007
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	\$ 209,731	\$ 20,699	\$ 0	\$ 0	\$ (189,032)	\$ 0	\$ (189,032)
Public Safety	60,343	90,000	0	0	29,657	0	29,657
Physical Environment	120,055	119,494	0	0	(561)	0	(561)
Transportation	26,980	0	16,778	0	(10,202)	0	(10,202)
Human Services	528	0	0	0	(528)	0	(528)
Culture and Recreation	19,259	2,100	0	0	(17,159)	0	(17,159)
Interest on Long-term Debt	72	0	0	0	(72)	0	(72)
Total Governmental Activities	<u>436,968</u>	<u>232,293</u>	<u>16,778</u>	<u>0</u>	<u>(187,897)</u>	<u>0</u>	<u>(187,897)</u>
Business-type Activities							
Water and Sewer Utility	396,804	278,143	0	0	0	(118,661)	(118,661)
Total Primary Government	<u>\$ 833,772</u>	<u>\$ 510,436</u>	<u>\$ 16,778</u>	<u>\$ 0</u>	<u>(187,897)</u>	<u>(118,661)</u>	<u>(306,558)</u>
General Revenues							
Taxes:							
Property Taxes					110,050	0	110,050
Franchise and Utility Taxes					101,878	0	101,878
Discretionary and Half-cent Sales Tax					129,932	0	129,932
Other State Revenues					62,115	0	62,115
Investment Earnings					1,326	0	1,326
Miscellaneous					13,931	0	13,931
Total General Revenues and Transfers					<u>419,232</u>	<u>0</u>	<u>419,232</u>
Change in Net Assets					231,335	(118,661)	112,674
Net Assets (As Restated), Beginning of Year					<u>2,797,820</u>	<u>2,973,595</u>	<u>5,771,415</u>
Net Assets, End of Year					<u>\$ 3,029,155</u>	<u>\$ 2,854,934</u>	<u>\$ 5,884,089</u>

See accompanying notes.

**BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2007
TOWN OF BRONSON, FLORIDA**

Assets

Cash	\$ 348,428
Accounts Receivable	7,036
Due from Other Governments	43,630
Due from Other Funds	117,699
	117,699

Total Assets	516,793
---------------------	----------------

Liabilities and Fund Balance

Liabilities

Accounts Payable and Accrued Expenses	85,552
---------------------------------------	--------

Fund Balance

Unreserved	431,241
------------	---------

Total Fund Balance	431,241
---------------------------	----------------

Total Liabilities and Fund Balance	\$ 516,793
---	-------------------

Fund Balance - General Fund	\$ 431,241
------------------------------------	-------------------

**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.	2,625,391
--	-----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the general fund.	(27,477)
---	----------

Net Assets of Governmental Activities	\$ 3,029,155
--	---------------------

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
TOWN OF BRONSON, FLORIDA**

Revenues		
Taxes	\$	331,550
Licenses and Permits		13,575
Intergovernmental Revenue		89,203
Charges for Services		223,056
Fines and Forfeitures		7,124
Miscellaneous Revenues		3,795
Total Revenues		<u>668,303</u>
Expenditures		
Current:		
General Government		522,749
Public Safety		97,897
Physical Environment		120,055
Transportation		52,437
Human Services		528
Culture and Recreation		20,759
Debt Service:		
Principal		1,235
Interest		72
(Total Expenditures)		<u>(815,732)</u>
(Deficiency) of Revenues Over Expenditures		(147,429)
Fund Balance, (As Restated) Beginning of Year		<u>578,670</u>
Fund Balance, End of Year	\$	<u>431,241</u>
Net Change in Fund Balance - General Fund	\$	(147,429)
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.		378,025
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:		
Increase in Compensated Absences		(496)
Repayment of Principal of Long-term Debt		1,235
Change in Net Assets of Governmental Activities	\$	<u>231,335</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
TOWN OF BRONSON, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 221,954	\$ 245,722	\$ 331,550	\$ 85,828
Licenses and Permits	11,575	11,575	13,575	2,000
Intergovernmental Revenue	148,550	148,550	89,203	(59,347)
Charges for Services	116,500	116,500	223,056	106,556
Fines and Forfeitures	4,000	4,000	7,124	3,124
Miscellaneous Revenues	13,200	13,200	3,795	(9,405)
Total Revenues	<u>515,779</u>	<u>539,547</u>	<u>668,303</u>	<u>128,756</u>
Expenditures				
General Government	540,600	564,368	522,749	41,619
Public Safety	89,168	89,168	97,897	(8,729)
Physical Environment	135,000	135,000	120,055	14,945
Transportation	136,582	136,582	52,437	84,145
Human Services	5,000	5,000	528	4,472
Culture and Recreation	60,950	60,950	20,759	40,191
Debt Service:				
Principal	40,000	40,000	1,235	38,765
Interest	9,489	9,489	72	9,417
(Total Expenditures)	<u>(1,016,789)</u>	<u>(1,040,557)</u>	<u>(815,732)</u>	<u>224,825</u>
(Deficiency) of Revenues Over Expenditures	<u>(501,010)</u>	<u>(501,010)</u>	<u>(147,429)</u>	<u>353,581</u>
Fund Balance, (As Restated)				
Beginning of Year	<u>501,010</u>	<u>501,010</u>	<u>578,670</u>	<u>77,660</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 431,241</u>	<u>\$ 431,241</u>

See accompanying notes.

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 SEPTEMBER 30, 2007
 TOWN OF BRONSON, FLORIDA**

Assets

Current Assets

Cash	\$ 25,112
Accounts Receivable	34,175
Inventory	27,416
Total Current Assets	86,703

Restricted Assets

Cash	21,301
------	--------

Capital Assets

Water Plant, Net	1,135,742
Sewer Plant, Net	1,768,275
Total Capital Assets	2,904,017

Total Assets	3,012,021
---------------------	------------------

Liabilities

Current Liabilities

Accounts Payable	14,438
Accrued Compensated Absences	3,649
Due to Other Funds	117,699
Total Current Liabilities	135,786

Payable from Restricted Assets

Customer Deposits	21,301
-------------------	--------

Total Liabilities	157,087
--------------------------	----------------

Net Assets

Invested in Capital Assets, Net of Related Debt	2,904,017
Unrestricted	(49,083)
Total Net Assets	\$ 2,854,934

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 FUND NET ASSETS - PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007
 TOWN OF BRONSON, FLORIDA**

Operating Revenues	
Charges for Services	\$ 277,418
Other Revenues	725
Total Operating Revenues	<u>278,143</u>
Operating Expenses	
Personal Services	102,461
Materials, Supplies and Other Expenses	149,320
Depreciation and Amortization	145,023
(Total Operating Expenses)	<u>(396,804)</u>
Operating (Loss)	<u>(118,661)</u>
Change in Net Assets	(118,661)
Net Assets, Beginning of Year	<u>2,973,595</u>
Net Assets, End of Year	<u><u>\$ 2,854,934</u></u>

See accompanying notes.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
TOWN OF BRONSON, FLORIDA**

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 274,665
Cash Paid to Employees	(104,288)
Cash Paid to Suppliers	(98,381)
Other Receipts	725
Net Cash Provided by (Used in) Operating Activities	<u>72,721</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	<u>(82,327)</u>
Net (Decrease) in Cash	(9,606)
Cash, Beginning of Year	56,019
Cash, End of Year	<u>\$ 46,413</u>
<u>Reported as:</u>	
Cash	\$ 25,112
Restricted Assets - Cash	21,301
Total	<u>\$ 46,413</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>	
Operating (Loss)	\$ (118,661)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	145,023
(Increase) in Accounts Receivable	(4,328)
Increase in Accounts Payable	14,438
(Decrease) in Compensated Absences	(1,826)
Increase in Due from (to) Other Funds	36,500
Increase in Customer Deposits	1,575
Net Cash Provided by Operating Activities	<u>\$ 72,721</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 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 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.

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 and reduced by an allowance for uncollectible accounts of \$179.

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, 2007. The amount shown as inventory on September 30, 2007, represents the actual balance as of September 30, 2002. No subsidiary records of inventory items on hand at September 30, 2007, were maintained.

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 2007.

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 final amended budget.

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, 2007, 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.

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

Presently, all investments are limited to time deposits.

At year-end, the carrying amount of the Town's deposits was \$394,841 and the bank balances totaled \$450,621. These deposits were held at two banks and included checking, money market accounts, and certificates of deposit. 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.

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

Note 3 - Capital Assets

Governmental Activities

A summary of changes in capital assets is presented below:

	<u>October 1, 2006</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>September 30, 2007</u>
Land	\$ 270,128	\$ 0	\$ 0	\$ 270,128
Buildings	391,914	308,063	0	699,977
Improvements Other than				
Buildings	6,745	25,457	0	32,202
Streets and Roads	309,602	0	0	309,602
Vehicles	512,517	20,990	0	533,507
Furniture and Equipment	316,001	22,014	0	338,015
Recreation Park	<u>440,460</u>	<u>1,500</u>	<u>0</u>	<u>441,960</u>
Total	<u>\$ 2,247,367</u>	<u>\$ 378,024</u>	<u>\$ 0</u>	<u>\$ 2,625,391</u>

No depreciation expense or accumulated depreciation has been recorded for governmental activities—capital assets for the fiscal year ended September 30, 2007, because adequate supporting documentation and records were not available.

Business -type Activities

A summary of capital assets in the proprietary fund at September 30, 2007, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Capital Assets Being Depreciated:				
Water System	2,234,404	0	0	2,234,404
Equipment	60,593	0	0	60,593
Sewer System	<u>1,890,945</u>	<u>82,327</u>	<u>0</u>	<u>1,973,272</u>
Total Capital Assets Being Depreciated	<u>4,185,942</u>	<u>82,327</u>	<u>0</u>	<u>4,268,269</u>
Less Accumulated Depreciated for:				
Water System	(1,027,600)	(76,366)	0	(1,103,966)
Equipment	(52,313)	(3,976)	0	(56,289)
Sewer System	<u>(140,316)</u>	<u>(64,681)</u>	<u>0</u>	<u>(204,997)</u>
Total Accumulated Depreciation	<u>(1,220,229)</u>	<u>(145,023)</u>	<u>0</u>	<u>(1,365,252)</u>
Total Being Depreciated, Net	<u>2,965,713</u>	<u>(62,696)</u>	<u>0</u>	<u>2,903,017</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,966,713</u>	<u>\$ (62,696)</u>	<u>\$ 0</u>	<u>\$ 2,904,017</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 fiscal year 2007.

Note 5 - Long-term Debt

A summary of changes in long-term debt follows:

	Balance October 1, 2006	Additions	(Deletions)	Balance September 30, 2007
Governmental Activities				
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	\$ 1,236	\$ 0	\$ (1,236)	\$ 0
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	25,688	0	0	25,688
Accrued Compensated Absences	1,293	496	0	1,789
Total Governmental Activities	\$ 28,217	\$ 496	\$ (1,236)	\$ 27,477

Interest expense during 2007 on long-term liabilities totaled \$72, none of which was capitalized.

Maturities of Long-term Debt

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

Year	Amount
2008	\$ 16,645
2009	7,684
2010	1,359
Compensated Absences	1,789
Total	\$ 27,477

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.

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

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. There have been no significant reductions in insurance coverage and settlements have not exceeded insurance coverage during the last three years.

Note 7 - Other Disclosures

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. An amount of \$100,000 in cash restitution was received from the former Mayor and an amount of \$5,000 in cash restitution was received from the former Town Clerk, these amounts were recorded in the prior year. In addition, the former Mayor deeded over certain real property to the Town as part of his restitution.

Interfund Receivables and Payable Balances are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 117,699	\$ 0
Water and Sewer Fund	<u>0</u>	<u>117,699</u>
Total	<u>\$ 117,699</u>	<u>\$ 117,699</u>

**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***

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Bronson, Florida (the Town), as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 28, 2009. The report on governmental activities was adverse because depreciation expense and accumulated depreciation were not recorded for certain capital assets. Also, the report on business-type activities and the proprietary fund was qualified because we did not observe the taking of physical inventories and were unable to satisfy ourselves about inventory quantities by other means. We conducted our audit in accordance with 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.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

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

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

Internal Control Over Financial Reporting (Continued)

■ **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.

■ **Lack of Accounting Records and Supporting Documentation**

Condition—The following items were noted:

- a. Accounts receivable, inventory, and accounts payable had not been properly recorded and reconciled. No documentation for approval of bonuses was available.
- b. Property records and capital assets records had not been updated and had not been reconciled to supporting subsidiary records.

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.

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

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

Internal Control Over Financial Reporting (*Concluded*)

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Town in a separate letter dated October 28, 2009.

The Town's response to the findings identified in our audit is described in the accompanying management response. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

Purvis, Gray and Company, LLP

October 28, 2009
Gainesville, Florida

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
TOWN OF BRONSON, FLORIDA**

Grant Program

	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="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10px;">\$</td> <td style="width: 10px;"></td> <td style="text-align: right;">0</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">0</td> </tr> <tr> <td>\$</td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">0</td> </tr> </table>	\$		0			0	\$		0
\$		0								
		0								
\$		0								

Because of the inadequacy of the accounting records and because adequate supporting documentation was not available during the fiscal year ended September 30, 2004, we have reported the above grant amounts as questioned costs.

Finding Number: 2004-2

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.

Current Status—During the fiscal year ended September 30, 2007, this condition continued to exist.

Finding Number: 2004-3

Condition—Lack of supporting documentation and records for fiscal year 2004. Bank accounts were not reconciled, certain invoices and other documentation not available for inspection, accounts receivable accounts payable, payroll, inventory, and fixed assets had not been recorded.

Current Status—Supporting invoices and documentation was provided for fiscal year September 30, 2007 transactions, except that accounts receivable, accounts payable, and cemetery receipts had not been recorded. In addition, inventory and capital asset records had not been updated and reconciled to supporting subsidiary records.

MANAGEMENT LETTER

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

We have audited the financial statements of the Town of Bronson, Florida (the Town), as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated October 28, 2009. The report on governmental activities was adverse because depreciation expense and accumulated depreciation were not recorded for certain capital assets. Also, the report on business-type activities and the proprietary fund was qualified because we did not observe the taking of physical inventories and were unable to satisfy ourselves about inventory quantities by other means.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and on compliance and other matters. Disclosures in that report dated October 28, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted 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, unless otherwise required to be reported in the report on internal controls and compliance, this letter is required to include the following information:

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The following items from the preceding audit report are repeated as follows:

■ **Fraud Involving Town Funds**

The former Mayor and former Town Clerk were charged with converting the Town funds to their personal use. These former Town officials made restitution to the Town during fiscal year September 30, 2005. In addition, subsequent to September 30, 2003, an additional investigation into this matter was conducted by the Federal Bureau of Investigation and other agencies.

The Town has strengthened internal controls and has apparently separated incompatible duties to the extent possible with existing employees. However, we want to remind you that the risk of fraud occurring will always exist. Accordingly, financial operations should always be closely monitored.

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

MANAGEMENT LETTER
(Continued)

■ **Fixed Asset Inventory**

The Town did not maintain complete detailed fixed asset records for assets it owns such as land, buildings, and tangible personal property. In addition, the Town did not perform an annual physical inventory of its tangible property during the fiscal year ended September 30, 2007.

We recommend that complete detailed fixed asset records be established for all fixed assets and that a physical inventory of all tangible property be conducted each year.

■ **Water Deposits**

A detailed subsidiary ledger or listing for customer deposits was not maintained. Therefore, the amount recorded in the general ledger was not supported by a detailed listing of deposits.

We recommend that a subsidiary ledger for water deposits be maintained and that deposits be reconciled to the general ledger account on a regular basis.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the Town's financial management, accounting procedures, and internal controls. In connection with our audit, we noted the following recommendations:

■ **Utility Billing Adjustment Policy and Customer Rates**

The Town does not have a formal approval process for correcting or adjusting customer utility bills. In addition, during our review of utility billings a few customers appeared to be charged the incorrect rate for water service.

We recommend that a formal policy be established. An appropriate policy may include a predetermined dollar amount that could be approved by the City Clerk with amounts above the predetermined amount to be approved by the Mayor or Town Council. In addition, once an account has had its customer deposit applied and the customer is no longer expected to remain a customer, then all bad debts should be approved by the Town Council at least once each year. All approvals for account adjustments and bad debts should be documented in a centralized file.

We recommend that all utility and garbage accounts be reviewed to ensure the correct rates are being charged and the authorized rates are properly documented.

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

MANAGEMENT LETTER
(Continued)

■ **Renovation of Jackson House**

During our review of invoices paid to the contractor to renovate the Jackson House in fiscal year 2007, the following issues were noted:

- There was no evidence provided that a written contract had been entered into between the Town and the contractor.
- Invoices submitted to support the amounts paid to the contractor did not contain evidence of review and approval by authorized individuals of the Town.
- Invoices submitted by the contractor did not contain sufficient detailed information of the individuals working on the project or the dates and hours worked by these individuals.

In the future, we recommend that a written contract or agreement be entered into to support the scope of services provided by a contractor and the total cost of these services be included in the original contract. We also recommend that all invoices contain evidence of review and approval by authorized individuals of the Town and that the Town require that detailed invoices be submitted to support all services provided.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, states the following matters that are inconsequential to the financial statements, may be reported, considering both quantitative and qualitative factors: (a) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (b) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (c) control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions; and (3) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, 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 was established in 1850, under a Charter in accordance with Laws of Florida 6732. There were no component units related to the Town.

Section 10.554(1)(h)7.(a), *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described by Section 218.503(1), Florida Statutes.

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

MANAGEMENT LETTER
(Concluded)

Section 10.554(1)(i)7.(b), *Rules of the Auditor General*, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Purvis, Gray and Company, LLP

October 28, 2009
Gainesville, Florida

Town of Bronson

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

Corrective Action Plan & Management Response
Town of Bronson
In Accordance with OMB Circular A-133
November 2009

In regards to the findings referenced in our 9/30/2007 audit conducted by the firm of Purvis, Gray & Company the Town of Bronson has implemented the following changes 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 by our previous Mayor and Town Clerk. Records were being held by the FBI until the investigation was completed, and files were returned in the latter months of 2008. During that same time period the prior Town Clerk resigned, but after hiring her replacement we have made it a priority to get the past audits completed and the Town compliant.

In response to the finding Segregation of Duties:

Daily deposits are calculated and reconciled and remitted to the bank by either the Public Works director or the Deputy Town Clerk. Mail is opened by Deputy Clerk or Public Works Director and date stamped and distributed. Email is monitored by both the Public Works Director and the Town Clerk. Expenditures of more than \$300.00 for general and water fund and \$500.00 for fire department are brought before the Mayor and or Council for approval. All invoices are reviewed and signed by Dept. heads before going to Accts. Payable. Expenditures are processed by the Deputy Clerk and then forwarded on to the Town Clerk and Mayor for final approval and signature. The Town Clerk reconciles all bank accounts and General Journals for all funds. There are no large amounts of cash kept onsite, and Petty Cash is kept at a minimum \$100.00 and the cash drawer is kept at \$50.00.

Corrective Action Plan & Management Response
Town of Bronson
In Accordance with OMB Circular A-133
November 2009

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 concerns of the auditors so that 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.

Lack of Accounting Records and Supporting Documentation:

We continue to re-post all prior year transactions in our new accounting software so we will have a very good consistent audit trail and history of all transactions. Due to the nature of the audits being behind and personnel changes it is very difficult to re-create supporting documentation, but the town is learning through each audit process and will have all necessary property and capital asset records and supporting documents for the fiscal year end September 30, 2009. Schedules will be reconciled on a monthly basis to keep errors and irregularities at a minimum. In regards to yearly bonuses I believe the former Mayor and current Mayor felt that it fell within their administrative capacity.

This office has implemented several internal controls regarding back-up procedures, with the purchase of external hard drives on both main computers and back-ups scheduled to be run on a daily basis on all computers. Flash drives are also utilized for contact information and e-mails.

In response to finding 2004-2

As stated previously the separation of accounting and administrative duties among employees are difficult due to small staffing, as we prepare information for the auditors it is apparent that this office did not communicate well with the entire council on various levels, and several duties were solely handled by the previous Town Clerk. I can only assure the Auditors and the Auditors General Office that staff members are cross trained. The current procedural protocol is day to day postings and reporting's are a function of the Deputy Clerk and reconciliation and monthly schedules are preformed by the Town Clerk. With each audit that goes by we continue to learn how we can fine tune our procedures.

Corrective Action Plan & Management Response
Town of Bronson
In Accordance with OMB Circular A-133
November 2009

In response to finding 2004-3

Records in the Town Clerks office have been completely re-organized and updated so information can be accessed in a timely manner where there seem to be little to no structure in the past.

As previously stated it is very hard to go back and re-create supporting documentation. It is this office's goal that all 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 as of FYE September 30, 2009. 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 current Mayor has placed the administration and financial duties of the town owned cemetery back with the Clerk's office instead of a private citizen or committee as it was in the past. He has re-established a cemetery committee only to make recommendations, but not have any monetary control.

In response to Fraud Involving Town Funds:

The activities of the former Mayor and Town Clerk were very unfortunate. It has been several years and the consensus of the Town is to move forward. Our office is making every effort to heed the auditors' findings and restructure accordingly so it never happens again to the best of our ability. The flow of information between Council and the Clerks office has significantly improved and will continue to do so. It is through correct financial reporting and annual audits that will allow us to monitor these offices activities more consistently.

Corrective Action Plan & Management Response
Town of Bronson
In Accordance with OMB Circular A-133
November 2009

In response to Fixed Asset Inventory:

All though fixed assets were not scheduled nor inventory of tangible property taken at the end of FYE 9/30/06 we will have a schedule of Fixed Assets for FYE 9/30/09, and will continue to refine and update on a monthly and yearly basis.

The Town has recently converted to a more desirable accounting software one that the Deputy Clerk and Town Clerk are very familiar with that will help in the separation of duties expressed by the Auditors.

In response to Water Deposits:

Although our water billing system has the ability to keep track of customer deposits, it has not been kept up to date. With that being said as of September 30, 2009 we will have a schedule of all deposits on file to date, and reconcile on a monthly basis.

In response to Utility Billing Adjustment Policy and Customer Rates:

The town will adopt a formal written policy for adjusting customer utility bills. We are in the process of going through our utility billing program and doing much needed house cleaning, identifying accounts that are bad debts, but also handling ones that were left to accrue exuberant late charges due to lack of general account maintenance. During this maintenance of accounts we will also review and make sure all customers are being charged properly.

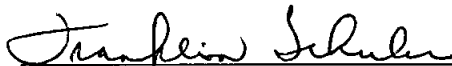
In response to the Renovation of Jackson House:

Although I was not on staff during the renovation of the Jackson House, I understand it is a very sore subject with the citizens of the Town on how the renovation was handled. Presently we have not found any written contract with the General Contractor nor any funds paid directly to the General Contractor. It appears the job was subcontracted out to one man who worked for the GC and funds were paid directly to him. There was also no schedule of beginning cost such as foundation work, drywall, brick, or roof truss cost, all I believe should have and could have been included in a starting cost estimate.

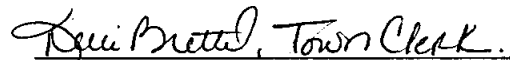
I believe given the magnitude of this project Town Council should have been updated on a monthly basis, but the minutes hardly reflect any mention of the renovation at all. Invoices for the project should have been approved through Council separately not lumped into regular monthly bills, giving the Town Council a better handle on actual costs, and reflecting those approvals in the official minutes.

Presently all projects will have a clear defined written scope of work. Projects will be advertised and bids awarded according to the requirements of the Town Charter. Detailed schedule of initial costs will be defined and adhered to. In the event of a change in the project, an estimate of work and potential cost will be submitted to the overseeing Council member and Mayor for approval unless change is so great full council approval is required. Then Council fully updated at next regular scheduled meeting. Final payments will not be paid until final release of liens or as built drawings have been received when necessary.

In conclusion it is this offices goal to be completely in compliance with the Auditor General office. We will make every effort to address all findings. Collectively we can only hope that we can implement these changes in a timely manner, get the two (2) remaining audits completed and submitted to the state, and start a rebuilding process that is positive.



Franklin Schuler, Mayor
Town of Bronson



Kelli Brettel, Town Clerk
Town of Bronson