

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TOWN OF BRONSON
BRONSON, FLORIDA**

SEPTEMBER 30, 2009

**TOWN OF BRONSON
BRONSON, FLORIDA**

TOWN COUNCIL

**Franklin Schuler
Mayor**

**Beatrice Mongo
Vice-Mayor**

**Aaron Edmondson
Council Member**

**Berlon Weeks
Council Member**

**Jason Kennedy
Council Member**

TOWN CLERK

Kelli Brettel

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TOWN OF BRONSON
BRONSON, FLORIDA**

SEPTEMBER 30, 2009

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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, 2009, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of September 30, 2009, the respective changes in financial position and cash flows and the respective budgetary comparison of the general fund, where appropriate, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 6, 2010, 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.

Certified Public Accountants

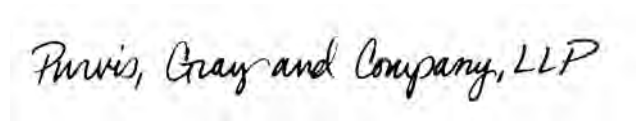
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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Purvis, Gray and Company, LLP". The signature is written in a cursive, flowing style.

July 6, 2010
Gainesville, Florida

Town of Bronson, Florida Management's Discussion and Analysis

As management of the Town of Bronson, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the Town of Bronson's financial activities for the fiscal year ended September 30, 2009. Management's discussion and analysis should be read in conjunction with the financial statements that follow.

Financial Highlights

Total assets of the Town exceeded total liabilities at the close of the most recent fiscal year by \$4,609,725 (net assets). Of this amount \$494,343 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's total net assets decreased by \$(72,799). Governmental activities generated an increase of \$92,224 and business-type activities generated a decrease of \$(165,023).

As of the close of the fiscal year, the Town's general fund reported an ending fund balance of \$524,987.

Overview of the Financial Statements

The Town has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements and Management's Discussion and Analysis (MD&A) for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis which should provide a clear and concise description of the reporting entity and its mission, activities, program and financial performance, systems, controls, legal compliance, financial position, and financial condition. MD&A should provide a balanced presentation that includes both positive and negative information about these topics. This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to financial statements.

Government-wide Financial Statements

Government-wide financial statements are comprised of two separate financial statements that present an overall picture of the Town's financial position and results of operations: a statement of net assets, and a statement of activities.

- The Statement of Net Assets focuses on resources available for future operations. The Town reports two types of activities, governmental and business type. This statement shows the assets the Town owns, the liabilities it owes, and the net difference shown as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The Statement of Activities focuses on gross and net costs of the Town's programs and the extent to which such programs rely upon program revenues and general revenues. It shows the extent to which programs are self-supporting and/or subsidized by general revenues.

Town of Bronson, Florida
Management's Discussion and Analysis
(Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the Town include general government services, public safety, streets and roads, recreation, and health and welfare. Property taxes, utility service taxes, gas taxes, and sales taxes, along with the Town's charges for services and inter-fund charges, finance the majority of these services. Business type activities are funded by the fees the Town charges for services rendered. The Town's water and sewer systems are reported as business-type activities.

Fund Financial Statements

Fund financial statements present financial information for the Town's two major funds the general fund and proprietary fund. These individual funds have been established by the Town for the purpose of grouping related accounts to maintain control over resources that have been segregated for specific purposes or objectives to account for revenues that are restricted to certain uses, or to comply with legal requirements. These fund statements follow the more traditional presentation of financial statements.

- The General Fund presents the Town's basic services which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. This fund is reported using the modified accrual accounting method. General Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.
- The Proprietary Fund is used to account for activities and services which the Town provides. The Town's one proprietary fund accounts for the water and wastewater operations. It is reported using the accrual accounting method.

The Town adopts an annual budget for both its General Fund and its Proprietary Fund.

Notes to Financial Statements

Notes to financial statements provide additional information concerning the Town's finances that are not otherwise disclosed in the government-wide statements or fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$4,609,725 at the close of the most recent fiscal year.

Town of Bronson, Florida
Management's Discussion and Analysis
(Continued)

Town of Bronson's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>
Assets						
Current Assets	\$ 632,137	\$ 541,355	\$ (12,616)	\$ 15,075	\$ 619,521	\$ 556,430
Restricted Assets	0	0	25,502	23,434	25,502	23,434
Capital Assets	1,524,796	2,889,685	2,641,596	2,765,563	4,166,392	5,655,248
Total Assets	<u>2,156,933</u>	<u>3,431,040</u>	<u>2,654,482</u>	<u>2,804,072</u>	<u>4,811,415</u>	<u>6,235,112</u>
Liabilities						
Current Liabilities	147,152	131,964	16,752	3,387	163,904	135,351
Non-current liabilities	12,284	26,681	25,502	23,434	37,786	50,115
Total Liabilities	<u>159,436</u>	<u>158,645</u>	<u>42,254</u>	<u>26,821</u>	<u>201,690</u>	<u>185,466</u>
Net Assets						
Invested in Capital Assets	1,473,786	2,824,942	2,641,596	2,765,563	4,115,382	5,590,505
Unrestricted	523,711	447,453	(29,368)	11,688	494,343	459,141
Total Net Assets	<u>\$ 1,997,497</u>	<u>\$ 3,272,395</u>	<u>\$ 2,612,228</u>	<u>\$ 2,777,251</u>	<u>\$ 4,609,725</u>	<u>\$ 6,049,646</u>

The largest portion of the Town's net assets or \$4,115,382 reflects its investment in capital assets which is comprised of land, buildings, infrastructure, and equipment. The Town uses these capital assets to provide services to citizens and consequently is not available for future spending.

The unrestricted net asset balance of \$494,343 is intended to be a corporate style measurement of the Town's current financial standing and may be used to meet the government's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net assets. The decrease in Business-type net assets is due primarily to the inability of these operations to fully fund depreciation.

Town of Bronson, Florida
Management's Discussion and Analysis
(Continued)

Town of Bronson's Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>
Revenues						
Program Revenues:						
Charges For Services	\$ 243,493	\$ 240,687	\$ 219,630	\$ 252,426	\$ 463,123	\$ 493,113
Operating Grants and Contributions	15,451	17,015	0	0	15,451	17,015
General Revenues:					0	0
Property Taxes	121,489	117,495	0	0	121,489	117,495
Franchise and Utility Taxes	110,722	102,289	0	0	110,722	102,289
Discretionary and Half-Cent Sales Tax	113,200	130,163	0	0	113,200	130,163
Other State Revenues	70,324	61,964	0	0	70,324	61,964
Investment Earnings	5,180	6,661	0	0	5,180	6,661
Miscellaneous	10,439	29,473	0	0	10,439	29,473
Transfers	0	(50,000)	0	50,000	0	0
Total Revenues	<u>690,298</u>	<u>655,747</u>	<u>219,630</u>	<u>302,426</u>	<u>909,928</u>	<u>958,173</u>
Expenses						
General Government	288,755	176,411	0	0	288,755	176,411
Public Safety	102,619	56,939	0	0	102,619	56,939
Physical Environment	132,295	134,084	0	0	132,295	134,084
Transportation	31,199	29,042	0	0	31,199	29,042
Human Services	3,845	348	0	0	3,845	348
Culture and Recreation	37,980	15,203	0	0	37,980	15,203
Interest on Debt	1,381	480	0	0	1,381	480
Water and Sewer Utility	0	0	384,653	380,109	384,653	380,109
Total Expenses	<u>598,074</u>	<u>412,507</u>	<u>384,653</u>	<u>380,109</u>	<u>982,727</u>	<u>792,616</u>
Change in Net Assets	92,224	243,240	(165,023)	(77,683)	(72,799)	165,557
Net Assets, Beginning of Year (unadjusted)	3,272,395	3,029,155	2,777,251	2,854,934	6,049,646	5,884,089
Prior Period Adjustment	(1,367,122)	0	0	0	(1,367,122)	0
Net Assets, Beginning of Year (restated)	<u>1,905,273</u>	<u>3,029,155</u>	<u>2,777,251</u>	<u>2,854,934</u>	<u>4,682,524</u>	<u>5,884,089</u>
Net Assets, End of Year	<u>\$ 1,997,497</u>	<u>\$ 3,272,395</u>	<u>\$ 2,612,228</u>	<u>\$ 2,777,251</u>	<u>\$ 4,609,725</u>	<u>\$ 6,049,646</u>

Town of Bronson, Florida
Management's Discussion and Analysis
(Continued)

Governmental Activities:

Governmental activities increased the Town's net assets by \$92,224 during the current fiscal year compared to a \$243,240 increase during fiscal year 2008. Revenues for the Town's governmental activities had an increase of \$34,551 during fiscal year 2009 while total expenses increased \$185,567 for the fiscal year 2009. Elements of the changes in revenues and expenses include:

Revenue:

- Charges for services increased \$2,806
- Property Taxes increased \$3,994
- Franchise and utility taxes increased \$8,433
- Other revenues decreased \$29,118

Expenses:

- General Government increased \$112,344
- Public Safety increased \$45,680
- Human Services increased \$3,497
- Culture and Recreation increased \$22,777

Business-Type Activities:

Business-type activities decreased the Town's net assets by \$165,023 for fiscal year 2009 compared to a decrease of \$77,683 for fiscal year 2008. Revenues for the Town's business-type activities decreased \$32,796 while total expenses increased \$4,544 for the fiscal year 2009. Elements of the changes in revenues and expenses include:

Revenue:

- Charges for services decreased \$34,624
- Other revenues increased \$1,828

Expenses:

- Water and sewer increased \$4,544

Capital Assets and Debt Administration

Capital Assets

At September 30, 2009, the Town had \$4,166,392 invested in capital assets, including fire equipment, park and recreation facilities, buildings, roads, and water and sewer facilities.

Town of Bronson, Florida
Management's Discussion and Analysis
(Concluded)

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Government	
	FY 2009	Restated	FY 2009	FY 2008	FY 2009	Restated
		FY 2008				FY 2008
Assets						
Land	\$ 270,128	\$ 270,128	\$ 1,000	\$ 1,000	\$ 271,128	\$ 271,128
Buildings and Building Improvements	629,597	648,610	0	0	629,597	648,610
Recreation Park Property	300,217	316,795	0	0	300,217	316,795
Vehicles	188,696	220,323	14,357	0	203,053	220,323
Furniture and Equipment	46,782	51,006	7,661	2,519	54,443	53,525
Streets and Roads	89,376	15,701	0	0	89,376	15,701
Water System	0	0	978,099	1,054,131	978,099	1,054,131
Sewer System	0	0	1,640,479	1,707,913	1,640,479	1,707,913
Totals	\$ 1,524,796	\$ 1,522,563	\$ 2,641,596	\$ 2,765,563	\$ 4,166,392	\$ 4,288,126

Additional information on the Town's capital assets can be found in Note 3 of the notes to the financial statements.

Debt Outstanding

At year-end the Town had \$52,286 in debt outstanding. Additional information on the Town's long-term debt can be found in Note 5 of the notes to the financial statements.

Economic Factors and Rates

- The current unemployment rate for the Town was 8.7% which is 3.0% lower than that of Levy County's 11.7% for 2009.
- The estimated population for the Town in 2000 was 964 and is estimated to be approximately 1059 in 2009.
- The Town's ad valorem tax rate for 2008 was 3.20 mills which was 5.98% less than the rolled back rate.
- Property tax assessed values for 2008 decreased by \$696,768 to a total assessed value of \$37,956,007.

Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town Clerk at P.O. Box 266, Bronson, FL 32621.

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009
TOWN OF BRONSON, FLORIDA

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current Assets			
Cash	\$ 419,866	\$ 87,851	\$ 507,717
Accounts Receivable	8,963	26,469	35,432
Due from Other Governments	66,248	0	66,248
Internal Balances	137,060	(137,060)	0
Inventory	0	10,124	10,124
Total Current Assets	632,137	(12,616)	619,521
Restricted Assets			
Cash	0	25,502	25,502
Capital Assets			
Land	270,128	0	270,128
Buildings and Building Improvements	843,102	0	843,102
Recreation Park Property	450,102	0	450,102
Vehicles	674,210	0	674,210
Furniture and Equipment	248,267	0	248,267
Streets and Roads	390,873	0	390,873
(Accumulated Depreciation)	(1,351,886)	0	(1,351,886)
Water Plant, Net	0	986,760	986,760
Sewer Plant, Net	0	1,640,479	1,640,479
Vehicles, Net	0	14,357	14,357
Total Capital Assets	1,524,796	2,641,596	4,166,392
Total Assets	2,156,933	2,654,482	4,811,415
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Expenses	107,150	11,457	118,607
Accrued Compensated Absences	0	5,295	5,295
Notes Payable	40,002	0	40,002
Total Current Liabilities	147,152	16,752	163,904
Payable from Restricted Assets			
Customer Deposits	0	25,502	25,502
Noncurrent Liabilities			
Notes Payable, Long-term	11,008	0	11,008
Accrued Compensated Absences	1,276	0	1,276
Total Noncurrent Liabilities	12,284	0	12,284
Total Liabilities	159,436	42,254	201,690
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,473,786	2,641,596	4,115,382
Unrestricted (Deficit)	523,711	(29,368)	494,343
Total Net Assets	\$ 1,997,497	\$ 2,612,228	\$ 4,609,725

See accompanying notes.

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2009
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	\$ 288,755	\$ 17,770	\$ 0	\$ 0	\$ (270,985)	\$ 0	\$ (270,985)
Public Safety	102,619	92,851	0	0	(9,768)	0	(9,768)
Physical Environment	132,295	132,272	0	0	(23)	0	(23)
Transportation	31,199	0	15,451	0	(15,748)	0	(15,748)
Human Services	3,845	0	0	0	(3,845)	0	(3,845)
Culture and Recreation	37,980	600	0	0	(37,380)	0	(37,380)
Interest on Long-term Debt	1,381	0	0	0	(1,381)	0	(1,381)
Total Governmental Activities	<u>598,074</u>	<u>243,493</u>	<u>15,451</u>	<u>0</u>	<u>(339,130)</u>	<u>0</u>	<u>(339,130)</u>
Business-type Activities							
Water and Sewer Utility	384,653	219,630	0	0	0	(165,023)	(165,023)
Total Primary Government	<u>\$ 982,727</u>	<u>\$ 463,123</u>	<u>\$ 15,451</u>	<u>\$ 0</u>	<u>(339,130)</u>	<u>(165,023)</u>	<u>(504,153)</u>
General Revenues							
Taxes:							
Property Taxes					121,489	0	121,489
Franchise and Utility Taxes					110,722	0	110,722
Discretionary and Half-cent Sales Tax					113,200	0	113,200
Other State Revenues					70,324	0	70,324
Investment Earnings					5,180	0	5,180
Miscellaneous					10,439	0	10,439
Total General Revenues					<u>431,354</u>	<u>0</u>	<u>431,354</u>
Change in Net Assets					<u>92,224</u>	<u>(165,023)</u>	<u>(72,799)</u>
Net Assets , Beginning of Year (Unadjusted)					<u>3,272,395</u>	<u>2,777,251</u>	<u>6,049,646</u>
Prior Period Adjustment					<u>(1,367,122)</u>	<u>0</u>	<u>(1,367,122)</u>
Net Assets , Beginning of Year (Restated)					<u>1,905,273</u>	<u>2,777,251</u>	<u>4,682,524</u>
Net Assets, End of Year					<u>\$ 1,997,497</u>	<u>\$ 2,612,228</u>	<u>\$ 4,609,725</u>

See accompanying notes.

**BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2009
TOWN OF BRONSON, FLORIDA**

Assets

Cash	\$ 419,866
Accounts Receivable	8,963
Due from Other Governments	66,248
Due from Other Funds	137,060
Inventory	<u>137,060</u>

Total Assets 632,137

Liabilities and Fund Balance

Liabilities

Accounts Payable and Accrued Expenses	0
	<u>107,150</u>

Fund Balance

Reserved	0
Unreserved	<u>524,987</u>

Total Fund Balance 524,987

Total Liabilities and Fund Balance \$ 632,137

Fund Balance - General Fund \$ 524,987

**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. 1,524,796

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the general fund. (52,286)

Net Assets of Governmental Activities \$ 1,997,497

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009
TOWN OF BRONSON, FLORIDA**

Revenues		
Taxes	\$ 267,970	
Licenses and Permits	89,795	
Intergovernmental Revenue	90,011	
Charges for Services	226,012	
Fines and Forfeitures	3,705	
Miscellaneous Revenues	12,805	
Total Revenues	<u>690,298</u>	
Expenditures		
Current:		
General Government	255,563	
Public Safety	63,392	
Physical Environment	132,295	
Transportation	29,308	
Human Services	3,845	
Culture and Recreation	19,449	
Capital Outlay	93,798	
Debt Service:		
Principal	13,733	
Interest	1,381	
(Total Expenditures)	<u>(612,764)</u>	
Excess of Revenues Over Expenditures	77,534	
Fund Balance, Beginning of Year	<u>447,453</u>	
Fund Balance, End of Year	<u>\$ 524,987</u>	
 Net Change in Fund Balance - General Fund	 \$ 77,534	
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.		93,798
The general fund does not report depreciation expenses on capital assets. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as "depreciation expense". This is the amount of depreciation expense in the current period.		(91,565)
Increases in compensated absences reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the general fund: Increase in Compensated Absences		(1,276)
Repayment of principal on debt is an expenditure in the general fund, but the repayment reduces long-term liabilities in the statement of net assets: Repayment of Principal on Long-term Debt		<u>13,733</u>
Change in Net Assets of Governmental Activities		<u>\$ 92,224</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009
TOWN OF BRONSON, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 256,437	\$ 256,437	\$ 267,970	\$ 11,533
Licenses and Permits	77,700	77,700	89,795	12,095
Intergovernmental Revenue	91,675	91,675	90,011	(1,664)
Charges for Services	244,000	244,000	226,012	(17,988)
Fines and Forfeitures	8,500	8,500	3,705	(4,795)
Miscellaneous Revenues	275	275	12,805	12,530
Total Revenues	<u>678,587</u>	<u>678,587</u>	<u>690,298</u>	<u>11,711</u>
Expenditures				
General Government	460,017	419,810	265,417	154,393
Public Safety	100,008	104,558	69,512	35,046
Physical Environment	159,000	159,000	132,295	26,705
Transportation	176,612	193,917	105,178	88,739
Human Services	6,000	7,750	3,845	3,905
Culture and Recreation	103,450	120,052	21,403	98,649
Debt Service:				
Principal	14,000	14,000	13,733	267
Interest	3,000	3,000	1,381	1,619
(Total Expenditures)	<u>(1,022,087)</u>	<u>(1,022,087)</u>	<u>(612,764)</u>	<u>409,323</u>
Excess(Deficiency) of Revenues Over (Under) Expenditures	(343,500)	(343,500)	77,534	421,034
Fund Balance, Beginning of Year	<u>343,500</u>	<u>343,500</u>	<u>447,453</u>	<u>103,953</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 524,987</u>	<u>\$ 524,987</u>

See accompanying notes.

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 SEPTEMBER 30, 2009
 TOWN OF BRONSON, FLORIDA**

Assets

Current Assets

Cash	\$ 87,851
Accounts Receivable	26,469
Inventory	10,124
Total Current Assets	<u>124,444</u>

Restricted Assets

Cash	<u>25,502</u>
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Capital Assets

Water Plant, Net	986,760
Sewer Plant, Net	1,640,479
Vehicles, Net	14,357
Total Capital Assets	<u>2,641,596</u>

Total Assets	<u>2,791,542</u>
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Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	11,457
Accrued Compensated Absences	5,295
Due to Other Funds	137,060
Total Current Liabilities	<u>153,812</u>

Payable from Restricted Assets

Customer Deposits	<u>25,502</u>
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Total Liabilities	<u>179,314</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	2,641,596
Unrestricted (Deficit)	(29,368)
Total Net Assets	<u>\$ 2,612,228</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009
TOWN OF BRONSON, FLORIDA**

Operating Revenues	
Charges for Services	\$ 217,627
Other Revenues	2,003
Total Operating Revenues	<u>219,630</u>
Operating Expenses	
Personal Services	132,628
Materials, Supplies and Other Expenses	104,048
Depreciation and Amortization	147,977
(Total Operating Expenses)	<u>(384,653)</u>
Operating (Loss)	<u>(165,023)</u>
Change in Net Assets	(165,023)
Net Assets, Beginning of Year	<u>2,777,251</u>
Net Assets, End of Year	<u><u>\$ 2,612,228</u></u>

See accompanying notes.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009
TOWN OF BRONSON, FLORIDA**

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 225,083
Cash Paid to Employees	(130,150)
Cash Paid to Suppliers	(64,131)
Other Receipts	2,003
Net Cash Provided by Operating Activities	32,805
Net Cash (Used in) Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(24,010)
Net Increase in Cash	8,795
Cash, Beginning of Year	104,558
Cash, End of Year	\$ 113,353
<u>Reported as:</u>	
Cash	\$ 87,851
Restricted Assets - Cash	25,502
Total	\$ 113,353
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>	
Operating (Loss)	\$ (165,023)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	147,977
Decrease in Accounts Receivable	5,388
Decrease in Inventory	17,292
Increase in Accounts Payable	10,887
Increase in Compensated Absences	2,478
Increase in Due (to) Other Funds	11,738
Increase in Customer Deposits	2,068
Net Cash Provided by Operating Activities	\$ 32,805

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, Governmental Accounting Standards Board (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 \$4,949.

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.

Encumbrances

The Town does not utilize encumbrance accounting.

Capital Assets

Governmental fund capital assets include land, buildings and improvements, vehicles, furniture and equipment, and infrastructure assets (e.g., streets and roads). 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 capital assets are valued at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. These capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	10-30
Vehicles	7-10
Furniture and Equipment	3-10
Streets and Roads	10

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

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

Capitalized Interest During Construction

No interest was capitalized during 2009.

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

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

Budgeting

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

- The Town Clerk is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of an ordinance.
- Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year. 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, 2009, 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.

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

Note 1 - Summary of Significant Accounting Policies (Concluded)

Property Taxes (Concluded)

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

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

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

Franchise Fees

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

Interfund Transactions

During the course of normal operations, the Town has various transactions between funds to comply with local ordinances and other legal restrictions.

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

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 \$533,219 and the bank balances totaled \$556,644. 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.

Note 3 - Capital Assets

Governmental Activities

A summary of capital assets in the governmental fund at September 30, 2009 is as follows:

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 270,128	\$ 0	\$ 0	\$ 270,128
Capital Assets Being Depreciated:				
Buildings and Building Improvements	834,702	8,400	0	843,102
Recreation Park Property	448,149	1,953	0	450,102
Vehicles	674,210	0	0	674,210
Furniture and Equipment	240,388	7,879	0	248,267
Streets and Roads	<u>315,307</u>	<u>75,566</u>	<u>0</u>	<u>390,873</u>
Total Capital Assets Being Depreciated	<u>2,512,756</u>	<u>93,798</u>	<u>0</u>	<u>2,606,554</u>
Less Accumulated Depreciated for:				
Buildings and Building Improvements	(186,092)	(27,413)	0	(213,505)
Recreation Park Property	(131,354)	(18,531)	0	(149,885)
Vehicles	(453,887)	(31,627)	0	(485,514)
Furniture and Equipment	(189,382)	(12,103)	0	(201,485)
Streets and Roads	<u>(299,606)</u>	<u>(1,891)</u>	<u>0</u>	<u>(301,497)</u>
Total Accumulated Depreciation	<u>(1,260,321)</u>	<u>(91,565)</u>	<u>0</u>	<u>(1,351,886)</u>
Total Being Depreciated, Net	<u>1,252,435</u>	<u>2,233</u>	<u>0</u>	<u>1,254,668</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,522,563</u>	<u>\$ 2,233</u>	<u>\$ 0</u>	<u>\$ 1,524,796</u>

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

Note 3 - Capital Assets (Concluded)

Governmental Activities (Concluded)

Depreciation expense on governmental fund capital assets charged to functions/programs were as follows:

General Government	\$ 31,916
Public Safety	39,227
Transportation	1,891
Culture and Recreation	<u>18,531</u>
Total Depreciation Expense	<u>\$ 91,565</u>

Business -type Activities

A summary of capital assets in the proprietary fund at September 30, 2009, 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	7,260	0	67,853
Sewer System	1,980,229	0	0	1,980,229
Vehicles	<u>0</u>	<u>16,750</u>	<u>0</u>	<u>16,750</u>
Total Capital Assets Being Depreciated	<u>4,275,226</u>	<u>24,010</u>	<u>0</u>	<u>4,299,236</u>
Less Accumulated Depreciated for:				
Water System	(1,180,273)	(76,032)	0	(1,256,305)
Equipment	(58,074)	(2,118)	0	(60,192)
Sewer System	(272,316)	(67,434)	0	(339,750)
Vehicles	<u>0</u>	<u>(2,393)</u>	<u>0</u>	<u>(2,393)</u>
Total Accumulated Depreciation	<u>(1,510,663)</u>	<u>(147,977)</u>	<u>0</u>	<u>(1,658,640)</u>
Total Being Depreciated, Net	<u>2,764,563</u>	<u>(123,967)</u>	<u>0</u>	<u>2,640,596</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,765,563</u>	<u>\$ (123,967)</u>	<u>\$ 0</u>	<u>\$ 2,641,596</u>

Note 4 - Deferred Compensation Plan

Effective October 1, 1998, the Town discontinued its defined benefit pension plan and adopted a deferred compensation plan in accordance with Internal Revenue Code, Section 457. The employee balances in the former plan were transferred into annuity accounts for the individual members under the Section 457 plan. Contributions to the plan by the Town for the benefit of the participants is discretionary and decided on a year-by-year basis. The Town did not make a contribution to the plan during fiscal year 2009.

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

Note 5 - Long-term Debt

A summary of changes in long-term debt follows:

	Balance October 1, 2008	Additions	(Deletions)	Balance September 30, 2009
Governmental Activities				
Note Payable to Perkins State Bank; Due in Monthly Payments of \$1,259.50, Final Payment Due June 2011, at an Annual Interest Rate of 4.25%; Secured by Fire Truck	\$ 39,055	\$ 0	\$ (13,733)	\$ 25,322
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	0	1,276	0	1,276
Total Governmental Activities	\$ 64,743	\$ 1,276	\$ (13,733)	\$ 52,286

Interest expense during 2009 on long-term liabilities totaled \$1,381, 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
2010	\$ 40,002
2011	11,008
Compensated Absences	1,276
Total	\$ 52,286

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:

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

Note 6 - Risk Management (Concluded)

- 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

Interfund Receivables and Payable Balances are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 137,060	\$ 0
Water and Sewer Fund	0	137,060
Total	\$ 137,060	\$ 137,060

Note 8 - Prior Period Adjustment

The Town identified and reconciled individual capital assets to the general ledger amounts as of October 1, 2008, which resulted in a reduction of \$106,801 in the recorded cost of capital assets as of October 1, 2008. This reduction in the cost of capital assets is recorded as a prior period adjustment.

In addition, management identified capital assets that were placed in service in prior years, for which depreciation was not previously recorded. The effect of the unrecorded depreciation of \$1,260,321 is recorded as a prior period adjustment.

**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, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 6, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

■ **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.

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

**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 (Concluded)

■ **Segregation of Duties (Concluded)**

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.

■ **Written Approval for Paid Invoices and Payroll**

Condition—During our review of paid invoices and payrolls, written approvals authorizing payments were not found during the period October 2008, through July 2009. This appears to have been corrected beginning August 2009.

Criteria—Adequate written documentation of the approval and review process should be available to support all transactions.

Effect—Lack of proper written approval and review of transactions could lead to errors, or irregularities that go undetected.

Recommendation—We recommend that written approvals be recorded on all invoices and payrolls submitted for payment.

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 July 6, 2010.

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

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*)**

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.

A handwritten signature in black ink that reads "Purvis, Gray and Company, LLP". The signature is written in a cursive, flowing style.

July 6, 2010
Gainesville, Florida

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, 2009, and have issued our report thereon dated July 6, 2010.

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, which is dated July 6, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

Prior Year Findings and Recommendations

■ **Fixed Asset Inventory**

The Town did not perform an annual physical inventory of its tangible property during the fiscal year ended September 30, 2009.

We recommend that complete physical inventory of all tangible property be conducted each year.

■ **Water Deposits**

The Town has begun the process of reconciling the subsidiary customer deposit balances to supporting documentation.

We recommend that this reconciliation process be completed as soon as possible and that the general ledger account be adjusted once the reconciliation is completed.

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
(Continued)

Prior Year Findings and Recommendations *(Concluded)*

■ **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 a list of all uncollected amounts should be submitted to the Town Council for their review on a regular basis. All approvals for account adjustments should be documented on a billing adjustment form signed by the Public Works Director, approved by the Town Clerk and kept with the monthly billing records.

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.

■ **Leave Policies**

The Town had written policies covering annual and sick leave. Certain policies covering the carry forward of annual leave from one year to the next and the payment of annual leave in lieu of taking the time off need to be clarified.

We recommend that the Town Council review the leave policies to determine if any changes or clarifications to the policy should be made.

■ **Note Payable**

The Town has a liability recorded in the financial statements of \$25,688 as of September 30, 2009, related to a note payable for the purchase of land. Monthly payments of \$687 were made from February 2000 through April 2006 when they were discontinued. No documentation was available to explain why the monthly payments were discontinued.

We recommend management research this issue and determine if the note payable should be eliminated from the financial statements or should be paid.

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. In connection with our audit, we noted the following recommendations:

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

MANAGEMENT LETTER
(Continued)

■ **Written Policies**

The Town does not currently have detailed written policies and procedures covering areas such as: purchasing, utility billing and collection, travel, capital assets, inventory control and vehicles assigned to employees.

We recommend the Town develop written policies and procedures, which document the above significant activities. Written policies and procedures provide the Town with additional assurance that transactions are properly executed and recorded in compliance with applicable laws and regulations.

■ **Prenumbered Checks**

Prenumbered checks were not stored in a locked cabinet or safe.

We recommend that prenumbered checks be stored in a locked cabinet or safe.

■ **Water and Sewer Fund**

The Town's water and sewer fund has not been able to operate self-sufficiently under the current rate structure. The water and sewer fund has recorded operating losses for the last several years. This fund has an unrestricted deficit of \$(29,368) at September 30, 2009.

We recommend the Town review the current water and sewer rates to determine if these rates should be increased to eliminate future operating losses.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or 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*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. 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 primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Town was established in 1850, under a Charter in accordance with Laws of Florida 6732. There were no component units related to the Town.

Section 10.554(1)(i)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 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, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this 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.

A handwritten signature in black ink that reads "Purvis, Gray and Company, LLP". The signature is written in a cursive, flowing style.

July 6, 2010
Gainesville, Florida

Town of Bronson
P.O. Box 266
Bronson, FL 32621
352-486-2354

Corrective Action Plan & Management Response
Town of Bronson

In regards to the findings referenced in our 9/30/2009 audit conducted by the firm of Purvis, Gray & Company the Town of Bronson will begin to address and where possible implement the following changes at the start of our new fiscal year 2010/2011.

In response to the finding Segregation of Duties:

Separation of certain accounting and administrative duties among employees although recommended and desirable still remains a deficiency due to the limited number of employees, but as discussed below we have tried to have receipts and expenditures flow through department heads, council and administration, for approval to the full extent possible.

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 \$500.00 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.

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.

Written Approval for Paid Invoices and Payroll:

Invoices are approved by signature of department heads before being forwarded to Accounts Payable. Large invoices are also notated with the date that the Town Council approved the expenditure. The Town Charter gives the Town Clerk discretionary approval of expenditures deemed an emergency, but then Town Council is notified as soon as possible.

In regards to payroll the Town Clerk calculates the time cards and process payroll. The paychecks and time cards are then presented to the Mayor for review and signature. The Town is on a bi-weekly pay period and does not hold back a week.

Prior Year Findings and Recommendations:

In response to Fixed Asset Inventory:

The Town did not perform an annual physical inventory of tangible property during the fiscal year ended September 30, 2009 due to the fact that more emphasis was put on taking an inventory of the proprietary fund, and the creation of a depreciation schedule. We are in hopes to accomplish this task for fiscal year end 9-30-2010 as recommended.

In response to Water Deposits:

The Town has started on the process of reconciling the customer deposit balances to supporting documentation. This account has never been reconciled and it has become a very extensive tedious process. We will continue to work on this project as time permits. We are in hope that during the course of a new rate study analysis which will be conducted in the near future it will allow us to incorporate this project and hopefully come to a final supported balance.

In response to Utility Billing Adjustment Policy and Customer Rates:

The Town will establish a formal written policy for account adjustments that will establish predetermined dollar amounts that the Public Works Director or Town Clerk can authorize. Anything over that predetermined amount would need approval by the Mayor or Town Council. The policy will also have a provision for uncollected amounts that will be presented to council on a quarterly basis. The Public Works Director has already implemented a way of documenting all utility billing adjustments, and on large adjustments has sought the Mayors approval.

The utility billing system has gone through extensive maintenance and housekeeping in the past year, and we will continue to scrutinize all rates and charges.

In response to Leave Policies:

It is the Town's understanding that several policies and procedures are insufficient not just the Leave Policy. We expect to have the bulk of these written and approved through Council prior to the start of the 2010/2011 fiscal operating year.

In response to Note Payable:

The liability of \$25,688 as of September 30, 2009 relates to the purchase of land in which monthly payments were made and then discontinued around April 2006. From the records we have at Town Hall it is clear from the terms of the note that it would not have been paid in full until 2010. The Town has recently communicated again with property owner to see if copies of both the mortgage and note could be made available so that they might be compared to the Towns' records to see if there are any discrepancies or inconsistencies. With no documentation as to why payments were discontinued there is a good possibility the funds are still owed. From what we understand from our legal counsel there are a couple of ways to address getting a satisfaction of mortgage on the property in question. The Council has opted to try to communicate once more with property owner and if that is not successful then they will consider other options.

In response to Written Policies:

As stated previously the Town is well aware of the lack of formal written documentation in regards to policies and procedures. We hope to have the bulk of these policies written and approved for the start of FY 2010/2011.

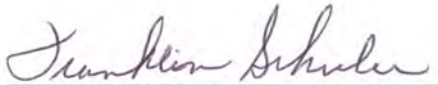
Prenumbered Checks:

Checks are currently being kept in a locked file drawer in the Deputy Clerks Office who is responsible for all town disbursements. It is clear the Town should invest in a more appropriate means of safe keeping like a free standing fire proof safe that will be addressed in the 2010/2011 budget year.

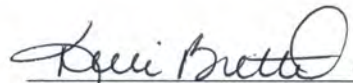
Water and Sewer Fund:

Under the current rate structure the proprietary fund has been operating at a loss for several years. It is the desire of the Town Council to actively pursue federal appropriation monies and state grant monies to help sewer the entire town. During the course of these applications a review of our rate structure is inevitable. Rates will have to be increased incrementally over the next several years and expenditures kept low, for any type of desired growth to be sustained and eliminate future losses.

In conclusion it is this offices goal to be completely in compliance with the Auditor General office. We have attempted to address all findings with a clear explanation or solution. Collectively we can only hope that we can implement these changes in a timely manner and start again in a positive manner.



Franklin Schuler, Mayor
Town of Bronson



Kelli Brettel, Town Clerk
Town of Bronson