

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TOWN OF BRONSON
BRONSON, FLORIDA**

SEPTEMBER 30, 2010

**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
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**TOWN OF BRONSON
BRONSON, FLORIDA**

SEPTEMBER 30, 2010

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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, 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2010, and the respective changes in financial position and cash flows, where appropriate, and the respective budgetary comparison of the general fund, 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 May 3, 2011, 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, 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.

Purvis, Gray and Company, LLP

May 3, 2011
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's financial activities for the fiscal year ended September 30, 2010. 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 \$4,478,255 (net assets). Of this amount \$535,798 (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 \$(131,470), Governmental activities generated an increase of \$19,688, and business-type activities generated a decrease of \$(151,158).

As of the close of the fiscal year, the Town's general fund reported an ending fund balance of \$587,611.

Overview of the Financial Statements

The Town has implemented Governmental Accounting Standards Board (GASB) Statement No. 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 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 also 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 \$4,478,255 at the close of the most recent fiscal year.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>
Assets						
Current Assets	\$ 626,179	\$ 632,137	\$ (34,931)	\$ (12,616)	\$ 591,248	\$ 619,521
Restricted Assets	0	0	25,987	25,502	25,987	25,502
Capital Assets	1,457,487	1,524,796	2,511,591	2,641,596	3,969,078	4,166,392
	<u>2,083,666</u>	<u>2,156,933</u>	<u>2,502,647</u>	<u>2,654,482</u>	<u>4,586,313</u>	<u>4,811,415</u>
Total Assets						
Liabilities						
Current Liabilities	45,441	147,152	15,773	16,752	61,214	163,904
Non-current liabilities	21,040	12,284	25,804	25,502	46,844	37,786
	<u>66,481</u>	<u>159,436</u>	<u>41,577</u>	<u>42,254</u>	<u>108,058</u>	<u>201,690</u>
Total Liabilities						
Net Assets						
Invested in Capital Assets	1,430,866	1,473,786	2,511,591	2,641,596	3,942,457	4,115,382
Unrestricted	586,319	523,711	(50,521)	(29,368)	535,798	494,343
	<u>1,430,866</u>	<u>1,473,786</u>	<u>2,511,591</u>	<u>2,641,596</u>	<u>3,942,457</u>	<u>4,115,382</u>
	<u>586,319</u>	<u>523,711</u>	<u>(50,521)</u>	<u>(29,368)</u>	<u>535,798</u>	<u>494,343</u>
Total Net Assets	<u>\$ 2,017,185</u>	<u>\$ 1,997,497</u>	<u>\$ 2,461,070</u>	<u>\$ 2,612,228</u>	<u>\$ 4,478,255</u>	<u>\$ 4,609,725</u>

Town of Bronson's Net Assets

The largest portion of the Town's net assets or \$3,942,457 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 \$535,798 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

	Governmental Activities		Business-Type Activities		Total Government	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Revenues						
Program Revenues						
Charges for Services	\$ 239,328	\$ 243,493	\$ 224,305	\$ 219,630	\$ 463,633	\$ 463,123
Operating Grants and Contributions	42,230	15,451	0	0	42,230	15,451
General Revenues						
Property Taxes	124,019	121,489	0	0	124,019	121,489
Franchise and Utility Taxes	118,820	110,722	0	0	118,820	110,722
Discretionary and Half Cent Sales Tax	109,339	113,200	0	0	109,339	113,200
Other State Revenues	67,645	70,324	0	0	67,645	70,324
Investment Earnings	2,011	5,180	0	0	2,011	5,180
Miscellaneous	6,992	10,439	0	0	6,992	10,439
Transfers	0	0	0	0	0	0
Total Revenues	710,384	690,298	224,305	219,630	934,689	909,928
Expenses						
General Government	362,784	288,755	0	0	362,784	288,755
Public Safety	101,031	102,619	0	0	101,031	102,619
Physical Environment	139,959	132,295	0	0	139,959	132,295
Transportation	36,374	31,199	0	0	36,374	31,199
Human Services	3,460	3,845	0	0	3,460	3,845
Culture and Recreation	46,344	37,980	0	0	46,344	37,980
Capital Outlay	0	0	0	0	0	0
Interest on Debt	744	1,381	0	0	744	1,381
Water and Sewer Utility	0	0	375,463	384,653	375,463	384,653
Total Expenses	690,696	598,074	375,463	384,653	1,066,159	982,727
Change in Net Assets	19,688	92,224	(151,158)	(165,023)	(131,470)	(72,799)
Net Assets, Beginning of Year (unadjusted)	1,997,497	3,272,395	2,612,228	2,777,251	4,609,725	6,049,646
Prior Period Adjustment	0	(1,367,122)	0	0	0	(1,367,122)
Net Assets, Beginning of Year (restated)	1,997,497	1,905,273	2,612,228	2,777,251	4,609,725	4,682,524
Net Assets, End of Year	\$ 2,017,185	\$ 1,997,497	\$ 2,461,070	\$ 2,612,228	\$ 4,478,255	\$ 4,609,725

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

Governmental Activities:

Governmental activities increased the Town's net assets by \$19,688 during the current fiscal year compared to a \$92,224 increase during fiscal year 2009. Revenues for the Town's governmental activities had an increase of \$20,086 during fiscal year 2010 while total expenses increased \$92,622 for the fiscal year 2010. Elements of the changes in revenues and expenses include:

Revenue:

- Charges for services decreased \$4,165
- Property Taxes increased \$2,530
- Franchise and utility taxes increased \$8,098
- Other revenues decreased \$13,156

Expenses:

- General Government increased \$74,029
- Public Safety decreased \$1,588
- Human Services decreased \$385
- Culture and Recreation increased \$8,364

Business Type Activities:

Business type activities decreased the Town's net assets by \$ 151,158 for fiscal year 2010 compared to a decrease of \$165,023 for fiscal year 2009. Revenues for the Town's business-type activities increased \$4,675 while total expenses decreased by \$9,190 for the fiscal year 2010. Elements of the changes in revenues and expenses include:

Revenue:

- Charges for services increased \$4,675

Expenses:

- Water and sewer decreased \$9,190

Capital Assets and Debt Administration

Capital Assets

At September 30, 2010, the Town had \$3,969,078 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	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Assets						
Land	\$ 282,891	\$ 270,128	\$ 1,000	\$ 1,000	\$ 283,891	\$ 271,128
Buildings and Building Improvements	602,187	629,597		0	602,187	629,597
Recreation Park Property	281,686	300,217		0	281,686	300,217
Vehicles	157,069	188,696	11,964	14,357	169,033	203,053
Furniture and Equipment	46,170	46,782	23,289	7,661	69,459	54,443
Streets and Roads	87,484	89,376		0	87,484	89,376
Water System	0	0	902,293	978,099	902,293	978,099
Sewer System	0	0	1,573,045	1,640,479	1,573,045	1,640,479
Totals	\$ 1,457,487	\$ 1,524,796	\$ 2,511,591	\$ 2,641,596	\$ 3,969,078	\$ 4,166,392

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 \$27,913 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 Levy County was 12.2% compared to the State unemployment rate of 11.8% at September 2010.
- The estimated population for the Town in 2000 was 964 and as of the 2010 census count the population was 1,113 which is an increase of 15.5%.
- The Town's ad valorem tax rate for 2009 was 3.44 mills which was 2.5% more than the rolled back rate.
- Property tax assessed values for 2009 decreased by 1,486,327 to a total assessed value of 36,469,680.

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, 2010
TOWN OF BRONSON, FLORIDA

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current Assets			
Cash	\$ 405,046	\$ 74,345	\$ 479,391
Accounts Receivable	7,915	26,469	34,384
Due from Other Governments	68,320	0	68,320
Internal Balances	144,898	(144,898)	0
Inventory	0	9,153	9,153
Total Current Assets	626,179	(34,931)	591,248
Restricted Assets			
Cash	0	25,987	25,987
Capital Assets			
Land	282,891	0	282,891
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	262,937	0	262,937
Streets and Roads	390,873	0	390,873
(Accumulated Depreciation)	(1,446,628)	0	(1,446,628)
Water Plant, Net	0	926,582	926,582
Sewer Plant, Net	0	1,573,045	1,573,045
Vehicles, Net	0	11,964	11,964
Total Capital Assets	1,457,487	2,511,591	3,969,078
Total Assets	2,083,666	2,502,647	4,586,313
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Expenses	38,568	8,907	47,475
Accrued Compensated Absences	0	6,866	6,866
Notes Payable	6,873	0	6,873
Total Current Liabilities	45,441	15,773	61,214
Payable from Restricted Assets			
Customer Deposits	0	25,804	25,804
Noncurrent Liabilities			
Notes Payable, Long-term	19,748	0	19,748
Accrued Compensated Absences	1,292	0	1,292
Total Noncurrent Liabilities	21,040	0	21,040
Total Liabilities	66,481	41,577	108,058
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,430,866	2,511,591	3,942,457
Unrestricted (Deficit)	586,319	(50,521)	535,798
Total Net Assets	\$ 2,017,185	\$ 2,461,070	\$ 4,478,255

See accompanying notes.

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2010
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	\$ 362,784	\$ 11,463	\$ 25,000	\$ 0	\$ (326,321)	\$ 0	\$ (326,321)
Public Safety	101,031	95,481	0	0	(5,550)	0	(5,550)
Physical Environment	139,959	131,684	0	0	(8,275)	0	(8,275)
Transportation	36,374	0	17,230	0	(19,144)	0	(19,144)
Human Services	3,460	0	0	0	(3,460)	0	(3,460)
Culture and Recreation	46,344	700	0	0	(45,644)	0	(45,644)
Interest on Long-term Debt	744	0	0	0	(744)	0	(744)
Total Governmental Activities	<u>690,696</u>	<u>239,328</u>	<u>42,230</u>	<u>0</u>	<u>(409,138)</u>	<u>0</u>	<u>(409,138)</u>
Business-type Activities							
Water and Sewer Utility	375,463	224,305	0	0	0	(151,158)	(151,158)
Total Primary Government	<u>\$ 1,066,159</u>	<u>\$ 463,633</u>	<u>\$ 42,230</u>	<u>\$ 0</u>	<u>(409,138)</u>	<u>(151,158)</u>	<u>(560,296)</u>
General Revenues							
Taxes:							
Property Taxes					124,019	0	124,019
Franchise and Utility Taxes					118,820	0	118,820
Discretionary and Half-cent Sales Tax					109,339	0	109,339
Other State Revenues					67,645	0	67,645
Investment Earnings					2,011	0	2,011
Miscellaneous					6,992	0	6,992
Total General Revenues					<u>428,826</u>	<u>0</u>	<u>428,826</u>
Change in Net Assets					<u>19,688</u>	<u>(151,158)</u>	<u>(131,470)</u>
Net Assets, Beginning of Year					<u>1,997,497</u>	<u>2,612,228</u>	<u>4,609,725</u>
Net Assets, End of Year					<u>\$ 2,017,185</u>	<u>\$ 2,461,070</u>	<u>\$ 4,478,255</u>

See accompanying notes.

**BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2010
TOWN OF BRONSON, FLORIDA**

Assets

Cash	\$ 405,046
Accounts Receivable	7,915
Due from Other Governments	68,320
Due from Other Fund	11,023
Advances to Other Fund	<u>133,875</u>

Total Assets 626,179

Liabilities and Fund Balance

Liabilities

Accounts Payable and Accrued Expenses	<u>38,568</u>
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Fund Balance

Reserved For Advances To Other Fund	133,875
Unreserved	<u>453,736</u>

Total Fund Balance 587,611

Total Liabilities and Fund Balance \$ 626,179

Fund Balance - General Fund \$ 587,611

**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.	1,457,487
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the general fund.	<u>(27,913)</u>
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Net Assets of Governmental Activities \$ 2,017,185

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
TOWN OF BRONSON, FLORIDA**

Revenues		
Taxes	\$	271,616
Licenses and Permits		91,050
Intergovernmental Revenue		110,417
Charges for Services		228,015
Fines and Forfeitures		1,896
Miscellaneous Revenues		8,324
Total Revenues		<u>711,318</u>
Expenditures		
Current:		
General Government		331,141
Public Safety		58,338
Physical Environment		139,959
Transportation		34,483
Human Services		3,460
Culture and Recreation		27,813
Capital Outlay		27,433
Debt Service:		
Principal		25,323
Interest		744
(Total Expenditures)		<u>(648,694)</u>
Excess of Revenues Over Expenditures		62,624
Fund Balance, Beginning of Year		<u>524,987</u>
Fund Balance, End of Year		<u>\$ 587,611</u>
 Net Change in Fund Balance - General Fund	 \$	 62,624
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.		
		27,433
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.		
		(94,742)
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		(16)
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		24,389
Change in Net Assets of Governmental Activities		<u>\$ 19,688</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
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	\$ 248,533	\$ 248,533	\$ 271,616	\$ 23,083
Licenses and Permits	60,240	60,240	91,050	30,810
Intergovernmental Revenue	86,000	86,000	110,417	24,417
Charges for Services	240,164	240,164	228,015	(12,149)
Fines and Forfeitures	4,400	4,400	1,896	(2,504)
Miscellaneous Revenues	240	240	8,324	8,084
Total Revenues	<u>639,577</u>	<u>639,577</u>	<u>711,318</u>	<u>71,741</u>
Expenditures				
General Government	318,356	364,611	353,713	10,898
Public Safety	133,096	115,621	59,825	55,796
Physical Environment	154,600	144,600	139,959	4,641
Transportation	210,750	190,120	34,483	155,637
Human Services	4,200	4,200	3,460	740
Culture and Recreation	48,660	38,810	31,187	7,623
Debt Service:				
Principal	15,000	26,700	25,323	1,377
Interest	0	0	744	(744)
(Total Expenditures)	<u>(884,662)</u>	<u>(884,662)</u>	<u>(648,694)</u>	<u>235,968</u>
Excess of Revenues Over Expenditures	(245,085)	(245,085)	62,624	307,709
Fund Balance, Beginning of Year	<u>245,085</u>	<u>245,085</u>	<u>524,987</u>	<u>279,902</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 587,611</u>	<u>\$ 587,611</u>

See accompanying notes.

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 SEPTEMBER 30, 2010
 TOWN OF BRONSON, FLORIDA**

Assets

Current Assets

Cash	\$ 74,345
Accounts Receivable	26,469
Inventory	9,153
Total Current Assets	109,967

Restricted Assets

Cash	25,987
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Capital Assets

Water Plant, Net	926,582
Sewer Plant, Net	1,573,045
Vehicles, Net	11,964
Total Capital Assets	2,511,591

Total Assets

2,647,545

Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	8,907
Accrued Compensated Absences	6,866
Due to Other Fund	11,023
Total Current Liabilities	26,796

Payable from Restricted Assets

Customer Deposits	25,804
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Noncurrent Liabilities

Advances from Other Fund	133,875
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Total Liabilities

186,475

Net Assets

Invested in Capital Assets, Net of Related Debt	2,511,591
Unrestricted (Deficit)	(50,521)
Total Net Assets	\$ 2,461,070

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 FUND NET ASSETS - PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010
 TOWN OF BRONSON, FLORIDA**

Operating Revenues	
Charges for Services	\$ 221,771
Other Revenues	2,534
Total Operating Revenues	<u>224,305</u>
Operating Expenses	
Personal Services	133,779
Materials, Supplies and Other Expenses	91,633
Depreciation and Amortization	150,051
(Total Operating Expenses)	<u>(375,463)</u>
Operating (Loss)	<u>(151,158)</u>
Change in Net Assets	(151,158)
Net Assets, Beginning of Year	<u>2,612,228</u>
Net Assets, End of Year	<u>\$ 2,461,070</u>

See accompanying notes.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
TOWN OF BRONSON, FLORIDA**

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 222,073
Cash Paid to Employees	(132,208)
Cash Paid to Suppliers	(85,375)
Other Receipts	2,534
Net Cash Provided by Operating Activities	<u>7,024</u>
Net Cash (Used in) Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	<u>(20,045)</u>
Net Increase in Cash	(13,021)
Cash, Beginning of Year	<u>113,353</u>
Cash, End of Year	<u>\$ 100,332</u>
<u>Reported as</u>	
Cash	\$ 74,345
Restricted Assets - Cash	25,987
Total	<u>\$ 100,332</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>	
Operating (Loss)	\$ (151,158)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	150,051
Decrease in Inventory	971
Decrease in Accounts Payable	(2,550)
Increase in Compensated Absences	1,570
Decrease in Due to Other Fund	(126,037)
Increase in Advances (from) Other Fund	133,875
Increase in Customer Deposits	302
Net Cash Provided by Operating Activities	<u>\$ 7,024</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, 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 \$1,663.

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 2010.

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, 2010, was 3.44 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 \$505,378 and the bank balances totaled \$516,626. 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, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 270,128	\$ 12,763	\$ 0	\$ 282,891
Capital Assets Being Depreciated:				
Buildings and Building Improvements	843,102	0	0	843,102
Recreation Park Property	450,102	0	0	450,102
Vehicles	674,210	0	0	674,210
Furniture and Equipment	248,267	14,670	0	262,937
Streets and Roads	<u>390,873</u>	<u>0</u>	<u>0</u>	<u>390,873</u>
Total Capital Assets Being Depreciated	<u>2,606,554</u>	<u>14,670</u>	<u>0</u>	<u>2,621,224</u>
Less Accumulated Depreciated for:				
Buildings and Building Improvements	(213,505)	(27,410)	0	(240,915)
Recreation Park Property	(149,885)	(18,531)	0	(168,416)
Vehicles	(485,514)	(31,627)	0	(517,141)
Furniture and Equipment	(201,485)	(15,282)	0	(216,767)
Streets and Roads	<u>(301,497)</u>	<u>(1,892)</u>	<u>0</u>	<u>(303,389)</u>
Total Accumulated Depreciation	<u>(1,351,886)</u>	<u>(94,742)</u>	<u>0</u>	<u>(1,446,628)</u>
Total Being Depreciated, Net	<u>1,254,668</u>	<u>(80,072)</u>	<u>0</u>	<u>1,174,596</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,524,796</u>	<u>\$ (67,309)</u>	<u>\$ 0</u>	<u>\$ 1,457,487</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	\$ 31,627
Public Safety	42,693
Transportation	1,891
Culture and Recreation	<u>18,531</u>
Total Depreciation Expense	<u>\$ 94,742</u>

Business -type Activities

A summary of capital assets in the proprietary fund at September 30, 2010, 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	67,853	20,045	0	87,898
Sewer System	1,980,229	0	0	1,980,229
Vehicles	<u>16,750</u>	<u>0</u>	<u>0</u>	<u>16,750</u>
Total Capital Assets Being Depreciated	<u>4,299,236</u>	<u>20,045</u>	<u>0</u>	<u>4,319,281</u>
Less Accumulated Depreciated for:				
Water System	(1,256,305)	(75,806)	0	(1,332,111)
Equipment	(60,192)	(4,417)	0	(64,609)
Sewer System	(339,750)	(67,434)	0	(407,184)
Vehicles	<u>(2,393)</u>	<u>(2,393)</u>	<u>0</u>	<u>(4,786)</u>
Total Accumulated Depreciation	<u>(1,658,640)</u>	<u>(150,050)</u>	<u>0</u>	<u>(1,808,690)</u>
Total Being Depreciated, Net	<u>2,640,596</u>	<u>(130,005)</u>	<u>0</u>	<u>2,510,591</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,641,596</u>	<u>\$ (130,005)</u>	<u>\$ 0</u>	<u>\$ 2,511,591</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 2010.

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, 2009	Additions	(Deletions)	Balance September 30, 2010
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	\$ 25,322	\$ 0	\$ (25,322)	\$ 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	933	0	26,621
Accrued Compensated Absences	1,276	16	0	1,292
Total Governmental Activities	\$ 52,286	\$ 949	\$ (25,322)	\$ 27,913

Interest expense during 2010 on long-term liabilities totaled \$744, 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
2011	\$ 5,772
2012	6,606
2013	6,944
2014	7,299
Compensated Absences	1,292
Total	\$ 27,913

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 Receivable and Payable Balances are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 11,023	\$ 0
General Fund	133,875	0
Water Fund	0	11,023
Water Fund	0	133,875
Total	<u>\$ 144,898</u>	<u>\$ 144,898</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, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 3, 2011. 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 Overtime Paid**

Condition—During our review of payrolls, we noted that prior written approval authorizing overtime payments were not on file.

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

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

Recommendation—We recommend that prior written approval be obtained for all overtime paid.

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 May 3, 2011.

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.

Purris, Gray and Company, LLP

May 3, 2011
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, 2010, and have issued our report thereon dated May 3, 2011.

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 May 3, 2011, 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, 2010.

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)*

■ **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.

■ **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.

■ **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 \$50,521 at September 30, 2010.

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)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 did not have any such recommendations.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

MANAGEMENT LETTER
(Concluded)

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based upon professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, 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.

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, 2010, 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, 2010. 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.


May 3, 2011
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 9/30/2010 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 operations and cash receipts and expenditures have not changed from how they were stated in previous audits. 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 Overtime Paid:

In regards to payroll the Town Clerk calculates the time cards and processes 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. During the field work stage of this audit it was recommended that the Mayor be presented with a payroll summary for review and signature, and also that potential overtime be approved by the Mayor prior to working with backup supporting documentation. We have reviewed and discussed both these suggestions and have implemented both. In regards to the latter of the two, overtime mainly pertains to the two key department heads the Town Clerk and Public Works Director. Both the Town Clerk and Public Works Director fill out a form for the coming work week estimating the overtime to be worked and what projects or reasons for the overtime. It is then presented to the Mayor for approval and signature.

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, 2010. The Town did create an extensive depreciation schedule as required. However with the Town becoming grant eligible our primary focus was on seeking and applying for grant funding for various needs in the Town. We also focused on satisfying pressing state mandated requirements that have not been addressed in a very long time. Once again with limited staff resources this task has not been accomplished, but will be addressed for fiscal year end 9-30-2011 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.

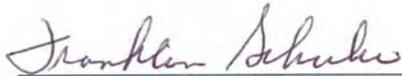
In response to Leave Policies & Written Policies:

The Town is well aware of the lack of formal written documentation in regards to all policies and procedures. This was another item that we were in hopes to get accomplished in FY 2010, but fell short. We were looking to possibly outsource this task but with budget cuts as they were and how they are projected to be in the future we will keep this project in house. It is our hopes that this will at least get started in FY 2011 and finished no later than FY2012.

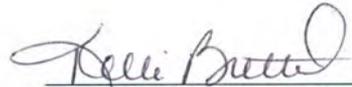
Water and Sewer Fund:

Under the current rate structure the proprietary fund has been operating at a loss for several years. The Town Council has aggressively pursued federal appropriation monies and state grant monies for sewer expansion. Currently we are in the final application stages with USDA/Rural Development to start the first phase of our sewer expansion which will be through our commercial business district. During the course of this application 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 all state agencies especially the Auditor General's 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. Due to our efforts we have begun to see several positive things start to happen for the Town and will continue to work as efficiently as possible to keep that positive



Franklin Schuler, Mayor
Town of Bronson



Kelli Brettel, Town Clerk
Town of Bronson