

Argyle Fire District
Report on Audit of Financial Statements
For The Year Ended September 30, 2008

**Argyle Fire District
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September 30, 2008**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Honorable Board of Fire Commissioners
Argyle Fire District
Argyle, Florida

We have audited the accompanying financial statements of the governmental activities and the general fund of the Argyle Fire District (the "District"), as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 the 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of September 30, 2008, and the respective changes in financial position and the budgetary comparison for the General Fund, 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 our report dated July 9, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but are 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

July 9, 2009

Management's Discussion and Analysis

The Argyle Fire District's (the "District") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget) and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's financial statement.

District Highlights

There was no major change in the District's financial position this budget year. There was a slight increase in county funds received, which varies from year to year. There was also a slight decrease in assessment monies received which varies from year to year. The District is in the process of applying for grants to help pay for the construction of a new fire house to be located at Station 1 site in Argyle. No other major funding changes are being sought at this time.

Using This Annual Report

The financial statement's focus is on both the District as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the District's accountability.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to private-sector business. The focus is on major funds rather than fund types. The statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations.

The statements include a Statement of Net Assets and a Statement of Activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases or decreases to net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the 2008 fiscal year. The focus is on both the gross and net costs of various activities that are supported by the District's general tax and other revenues. Thus, revenues and expenses are

Government-Wide Financial Statements (Continued)

reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes earned). This statement is intended to summarize and simplify the user’s analysis of cost of various governmental services. An increase or decrease in net assets is an indication of whether the District’s financial health is improving or deteriorating.

Both of the financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues (governmental revenues). The governmental activities of the District are for public safety.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, readers may better understand the long-term impact of the District’s near-term financing decisions.

The District maintains one governmental fund (general fund) and information on this fund is presented in the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

The District adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Activity Highlights

The significant changes in assets were due to the district adding equipment to a donated truck.

The increase in accounts payable relates to the increase in public safety expenses which were due to an increase in needed repairs to vehicles and equipment.

The following schedule reflects the condensed Statement of Net Assets and Statement of Activities:

<i>As of and for the year ended September 30,</i>	2008	2007
Statement of Net Assets		
Assets		
Cash and cash equivalents	\$ 49,484	\$ 97,845
Prepaid insurance	6,655	3,758
Accounts receivable	10,800	-
Deposits	14,050	-
Capital assets	187,780	147,053
Total assets	268,769	248,656
Liabilities		
Accounts payable	9,588	3,576
Short-term notes	9,540	-
Total liabilities	19,128	3,576
Net assets	\$ 249,641	\$ 245,080

Statement of Activities

Expenses		
Public safety	\$ 110,636	\$ 109,336
General Revenues		
Taxes	37,174	38,980
Intergovernmental	72,087	72,007
Interest income	367	637
Other income	5,569	33,364
Total general revenues	115,197	144,988
Change in net assets	4,561	35,652
Net assets - beginning	245,080	209,428
Total net assets - ending	\$ 249,641	\$ 245,080

Request for Information

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate accountability. Additional financial information is available from the District's Chairman at P.O. Box 61, Argyle, FL 32422.

Argyle Fire District

Statement of Net Assets

<i>September 30,</i>	2008
Assets	
Cash and cash equivalents	\$ 49,484
Prepaid insurance	6,655
Accounts receivable	10,800
Deposits	14,050
Capital assets not being depreciated	8,500
Capital assets, net of depreciation	179,280
<hr/>	
Total assets	268,769
Liabilities	
Accounts payable	9,588
Short-term notes	9,540
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Total liabilities	19,128
Net Assets	
Invested in capital assets, net of related debt	178,240
Unrestricted	71,401
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Total net assets	\$ 249,641

See accompanying notes to financial statements.

Argyle Fire District

Statement of Activities

<i>For the year ended September 30,</i>	2008
<hr/>	
Expenses	
Public safety	\$ 110,636
<hr/>	
General Revenues	
Taxes	37,174
Intergovernmental	72,087
Interest income	367
Other income	5,569
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Total general revenues	115,197
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Change in net assets	4,561
Net Assets - beginning	245,080
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Net Assets - ending	\$ 249,641
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See accompanying notes to financial statements.

Argyle Fire District

Balance Sheet - Governmental Funds

	General Fund
<i>September 30,</i>	2008
Assets	
Cash and cash equivalents	\$ 49,484
Accounts receivable	10,800
Deposits	14,050
Total assets	\$ 74,334
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 9,588
Fund balance - unreserved, undesignated	64,746
Total liabilities and fund balance	\$ 74,334
Differences in amounts reported for governmental activities in the Statement of Net Assets:	
Fund balance - governmental funds	\$ 64,746
Prepaid expenses are recorded as expenditures in governmental funds when paid rather than assets as reported in the Statement of Net Assets	6,655
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	187,780
Short-term notes are not payable in the current period and are not reported in the governmental funds	(9,540)
Net Assets of Governmental Activities	\$ 249,641

See accompanying notes to financial statements.

Argyle Fire District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Governmental Funds

	General Fund
<i>For the year ended September 30,</i>	2008
Revenues	
Taxes	\$ 37,174
Intergovernmental	72,087
Interest income	367
Other income	1,703
Total revenues	111,331
Expenditures	
Public safety	86,329
Capital outlay	64,065
Debt service	1,000
Total expenditures	151,394
Excess Revenues Over (Under) Expenditures	(40,063)
Other Financing Sources (Uses)	
Loan proceeds	10,540
Net change in fund balance	(29,523)
Fund Balance - beginning	94,269
Fund Balance - ending	\$ 64,746

See accompanying notes to financial statements.

Argyle Fire District

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement
of Activities**

For the Year Ended September 30, 2008

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds: \$ (29,523)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. 64,065

Proceeds from short-term notes payable not reported on the Statement of Activities, but reported as other financing sources in the governmental funds (10,540)

Repayment of short-term debt is reported as an expenditure in governmental funds but as a reduction of short-term liabilities in the Statement of Net Assets 1,000

Prepaid items reported as expenditures in governmental funds are allocable to future accounting periods and therefore are not reported as expenses in the Statement of Activities. 2,897

Loss on the disposal of fixed assets reported on the Statement of Activities (334)

Depreciation expenses on governmental capital assets included in the governmental activities in the Statement of Activities (23,004)

Change in Net Assets of Governmental Activities \$ 4,561

See accompanying notes.

Argyle Fire District

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual	Variance with Budget Positive (Negative)
Revenues				
Taxes	\$ 40,000	\$ 40,000	\$ 37,174	\$ (2,826)
Intergovernmental	71,500	71,500	72,087	587
Interest income	-	-	367	367
Other income	-	-	1,703	1,703
Total revenues	111,500	111,500	111,331	(169)
Expenditures				
Public safety	108,348	108,348	86,329	22,019
Capital outlay	45,000	45,000	64,065	(19,065)
Debt service	-	-	1,000	(1,000)
Total expenditures	153,348	153,348	151,394	1,954
Excess Revenues Over (Under) Expenditures	(41,848)	(41,848)	(40,063)	1,785
Other Financing Sources (Uses)				
Loan proceeds	-	-	10,540	(10,540)
Net change in fund balance	(41,848)	(41,848)	(29,523)	(8,755)
Fund Balance- beginning	72,163	72,163	94,269	22,106
Fund Balance- ending	\$ 30,315	\$ 30,315	\$ 64,746	\$ 34,431

See accompanying notes to financial statements.

Notes To Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Argyle Fire District (the "District") have been prepared in accordance with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board. The more significant of these governmental accounting policies are described below:

Reporting Entity

The District is an unincorporated district created by Ordinance 86-17 of the Walton County Board of County Commissioners to provide fire protection. The District's boundaries generally include all of the land, excluding any federal land or land within a municipality, in a specified area of Walton County as defined by Ordinance 86-17. The District is governed by a five (5) member elected commission. The powers of this Commission are regulated by ordinances and resolutions of the Fire District, Walton County, and the Statutes of the State of Florida.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units applying the criteria set forth in Governmental Accounting Standards Board opinion 14, "The Financial Reporting Entity". The basic criterion for including a potential component unit within the reporting entity is (1) the governing body's ability to exercise oversight responsibility, (2) the scope of public service, and (3) the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibility. Based upon the application of these criteria, the District has no potential component unit.

Government-Wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements, comprised of the Statement of Net Assets and the Statement of Changes in Net Assets, report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Fiduciary funds of the government are eliminated from this presentation since these resources are not available for general government funding purposes. Governmental activities, which normally are 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenues collected that help support all functions of government and contribute to the change in the net assets for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Notes To Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

General Fund – This is the District's only operating fund and it accounts for all financial resources of the general government.

Budgetary Accounting

The District is required to prepare an annual budget in accordance with Florida Statute Chapter 189.418(3). The budget is prepared on a modified accrual basis in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand as well as demand deposits and certificates of deposits with original maturities of three months or less. Demand and time deposits are fully insured by the Federal Deposit Insurance Corporation and the multiple financial institutions collateral pool required by Sections 280.07 and 280.08, Florida Statutes.

Notes To Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$1,000 or more with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

Buildings	30 – 40 years
Improvements	20 years
Equipment	10 years
Office equipment	3 years
Furniture and fixtures	5 years

Fund Equity

In the fund financial statements, governmental funds report designations of fund balance for tentative management plans that are subject to change.

NOTE 2 – CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows:

	Balance 9/30/07*	Additions	Deductions	Balance 9/30/08
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 8,500	\$ -	\$ -	\$ 8,500

Argyle Fire District

Notes To Financial Statements

NOTE 2 – CAPITAL ASSETS (Continued)

	Balance 9/30/07*	Additions	Deductions	Balance 9/30/08
Capital assets, being depreciated:				
Buildings	\$ 24,745	\$ 11,652	\$ -	\$ 36,397
Office equipment	4,071	788	-	4,859
Fire equipment	71,873	49,925	1,500	120,298
Fire trucks	187,209	-	-	187,209
Computer equipment	8,455	1,700	-	10,155
Total capital assets being depreciated	296,353	64,065	1,500	358,918
Less accumulated depreciation for:				
Buildings	7,745	1,422	-	9,167
Office equipment	1,110	1,148	-	2,258
Fire equipment	46,167	8,560	1,166	53,561
Fire trucks	94,687	11,345	-	106,032
Computer equipment	8,091	529	-	8,620
Total accumulated depreciation	157,800	23,004	1,166	179,638
Total capital assets being depreciated, net	138,553	41,061	334	179,280
Governmental activities capital assets, net	\$ 147,053	\$ 41,061	\$ 334	\$ 187,780

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Public safety	\$ 23,004
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In addition to the vehicles noted above, the District has custody of two vehicles that are on loan from the Florida Forestry Department.

NOTE 3 - ACCOUNTS RECEIVABLE

During 2008, the District deposited \$10,000 with a vendor for the purchase of a fire engine. The vendor failed to timely deliver the fire engine and the order was cancelled. At year end, the deposit had not been returned.

Notes To Financial Statements

NOTE 4 - DEPOSITS

Deposits represent \$14,050 deposited with a vendor for a new fire engine delivered in fiscal year 2009. The remaining balance of \$87,300 was financed at 5.81%. Payments of \$11,756.72 are set to begin on October 15, 2008 and are due on October 15th every year there after until October 15, 2017.

NOTE 5 – SHORT-TERM NOTES

During 2008, the District incurred over \$20,000 in repairs on a fire truck. The District paid \$10,000 down and the vendor financed the balance with monthly payments of \$1,000. The balance at year end was \$9,540.

**INDEPENDENT AUDITORS' 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 Board of Fire Commissioners
Argyle Fire District
Argyle, Florida

We have audited the financial statements of the governmental activities and the general fund of the Argyle Fire District (the "District") as of and for the year ended September 30, 2008 which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 9, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

08-01 Financial Statement Preparation Knowledge - Effective for audits of financial statements for periods ending on or after December 15, 2007, the Auditing Standards Board in Statement 112 required auditors to disclose in the management letter for reports substantially drafted by external auditors whether or not the entity's institutional experience, background and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the entity from preparing the financial statements internally including full note disclosures as required by those standards.

We would encourage the District's personnel to increase their knowledge of these standards sufficiently to allow them to prepare financial statements including the notes in accordance with generally accepted accounting principles.

08-02 Expenditure Documentation – Our audit disclosed a \$5,000 expenditure for the acquisition of equipment which was not supported by an invoice, though management indicated an invoice was issued. Per minutes of the Board of Fire Commissioners meetings the expenditure was approved by the Board. Failure to properly document expenditures could result in misappropriation of assets. The District should maintain all supporting documentation for expenditures.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we believe the significant deficiencies noted above constitute material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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**.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

July 9, 2009

MANAGEMENT LETTER

Board of Fire Commissioners
Argyle Fire District
Argyle, Florida

We have audited the financial statements of the Argyle Fire District (the "District") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated July 9, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and **Government Auditing Standards** issued by the Comptroller General of the United States. We have issued our Independent Auditors' 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**. Disclosures in that report, which are dated July 9, 2009, 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 auditor reports.

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

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 Argyle Fire District 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 findings and recommendations to improve financial management, accounting procedures, and internal controls. See findings 08-01 through 08-02 in the Report on Internal Control over Financial Reporting.

Section 10.554(1)(i)4, Rules of the Auditor General, requires that we address violations of provisions of laws, contracts or grant agreements or abuse that have occurred or likely to have occurred, that have an effect on the determination of the financial statement amounts 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, requires based on professional judgment, the reporting of the following matters that are inconsequential to the determination of the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, regulations,

and contracts or grant agreements, or abuse that have occurred, or likely to have occurred, and would have a immaterial effect on the financial statements; (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no such matters.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government 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 District did not meet the conditions described in Section 218.503(1).

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7) Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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. Our procedures indicated the District was not in a deteriorating financial condition.

Current Year Findings and Recommendations

08-01 Financial Statement Preparation Knowledge

Repeat Finding - Effective for audits of financial statements for periods ending on or after December 15, 2007, the Auditing Standards Board in Statement 112 required auditors to disclose in the management letter for reports substantially drafted by external auditors whether or not the entity's institutional experience, background and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the entity from preparing the financial statements internally including full note disclosures as required by those standards.

Recommendation - We would encourage the District's personnel to increase their knowledge of these standards sufficiently to allow them to prepare financial statements including the notes in accordance with generally accepted accounting principles.

08-02 Expenditure Documentation – Our audit disclosed a \$5,000 expenditure for the acquisition of equipment which was not supported by an invoice, though management indicated an invoice was issued. Per minutes of the Board of Fire Commissioners meetings the expenditure was approved by the Board. Failure to properly document expenditures could result in misappropriation of assets.

Recommendation - The District should maintain all supporting documentation for expenditures.

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 management, members of the Board of Fire Commissioners and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

July 9, 2009

**ARGYLE BOARD OF FIRE COMMISSIONERS
ARGYLE FIRE DISTRICT
P.O. BOX 61
ARGYLE, FLORIDA 32422**

Tommy Yates, Chairman
Will Bronk, Vice-Chairman

Steve Richardson

Larry Standland, Sec./Treas.
Vaughn Banks

July 9, 2009

Carr, Riggs & Ingram, L.L.C
P.O. Box 311070
Enterprise, AL 36331

Re: Response to Management Letter

To Whom It May Concern:

In response to the "Current Year Findings and Recommendations" in the 2008 audit, we offer the following response:

- finding 08-01 Financial Statement Preparation Knowledge: we are not large enough to warrant having a full-time person, or the hiring of said person, to prepare the financial statements internally. Our policy has been to consult with our auditor regarding financial management procedures and to seek their advice when questions arise.
- finding 08-02 Expenditure Documentation: we strive to insure that all payments are accompanied with the appropriate invoice. This error, though the expenditure was documented in the official minutes of the Board, is an exception, but one which will be addressed and corrected.

If there are further questions please do not hesitate to call me at 850/333-0884 (cell) or 850/892-6204 (home).

Thank you for your assistance in this matter.

Sincerely,



Tommy Yates, Chairman