

**Argyle Fire District**  
**Report on Audit of Financial Statements**  
**For The Year Ended September 30, 2009**

**Argyle Fire District  
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September 30, 2009**

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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, 2009, 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, 2009, 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 February 4, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. 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 to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Certified Public Accountants

February 4, 2011

## **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***

In 2009, there was no major change in the District's financial position. County funding received remained steady though it tends to vary in most years. There was also a slight increase in assessment revenue received which varies from year to year. The District is in the process of applying for grants for the construction of a new fire house to be located at Station 1 site in Argyle, a new fire truck, and SCBA & bunker gear. 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 general fund. Both perspectives (government-wide and fund level) 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 2009 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 change in assets was due primarily to the purchase of a new fire truck. Liabilities also increased as the district incurred a capital lease payable related to the new truck.

Revenues increased due to the district sharing a grant with another district for the purchase of radio equipment and the in-kind contributions of bunker gear and other equipment from a district in Delaware as well as the in-kind contribution of materials for a metal building.

The following schedule reflects the condensed Statement of Net Assets and Statement of Activities as of and for the years ended September 30, 2009 and 2008:

<b>Statement of Net Assets</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 27,709	\$ 49,484
Prepaid insurance	9,096	6,655
Receivables	27,875	10,800
Deposits	-	14,050
Capital assets	265,717	187,780
<b>Total assets</b>	<b>330,397</b>	<b>268,769</b>
<b>Liabilities</b>		
Accounts payable	3,198	9,588
Short-term notes	-	9,540
Capital lease - noncurrent	73,549	-
<b>Total liabilities</b>	<b>76,747</b>	<b>19,128</b>
<b>Net assets</b>	<b>\$ 253,650</b>	<b>\$ 249,641</b>
<b>Statement of Activities</b>		
<b>Expenses</b>		
Public safety	\$ 135,027	\$ 110,636
Interest on capital lease	9,762	-
<b>Total expenses</b>	<b>144,789</b>	<b>110,636</b>
<b>General Revenues</b>		
Taxes	41,299	37,174
Intergovernmental	72,095	72,087
Interest income	87	367
Grant proceeds	23,102	-
Other income	12,215	5,569
<b>Total general revenues</b>	<b>148,798</b>	<b>115,197</b>
Change in net assets	4,009	4,561
Net assets - beginning	249,641	245,080
<b>Total net assets - ending</b>	<b>\$ 253,650</b>	<b>\$ 249,641</b>

***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>	<b>2009</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 27,709
Prepaid insurance	9,096
Receivables	27,875
Capital assets not being depreciated	8,500
Capital assets, net of depreciation	257,217
<b>Total assets</b>	<b>330,397</b>
<b>Liabilities</b>	
Accounts payable	3,198
Capital lease - noncurrent	73,549
<b>Total liabilities</b>	<b>76,747</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	192,168
Unrestricted	61,482
<b>Total net assets</b>	<b>\$ 253,650</b>

See accompanying notes to financial statements.

**Argyle Fire District**  
**Statement of Activities**

<i>For the year ended September 30,</i>	<b>2009</b>
<hr/>	
<b>Expenses</b>	
Public safety	\$ 135,027
Interest on capital lease	9,762
<hr/>	
Total expenses	144,789
<hr/>	
<b>Program Revenues</b>	
Operating grants	23,102
<hr/>	
<b>General Revenues</b>	
Taxes	41,299
Intergovernmental	72,095
Interest income	87
Other income	12,215
<hr/>	
Total general revenues	125,696
<hr/>	
Change in net assets	4,009
<hr/>	
<b>Net Assets - beginning</b>	249,641
<hr/>	
<b>Net Assets - ending</b>	\$ 253,650
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See accompanying notes to financial statements.

# Argyle Fire District

## Balance Sheet - Governmental Funds

<i>September 30,</i>	<b>General Fund</b>
	<b>2009</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 27,709
Accounts receivable	27,875
Total assets	\$ 55,584
<b>Liabilities and Fund Balance</b>	
Liabilities	
Accounts payable	\$ 3,198
Fund balance - unreserved, undesignated	52,386
Total liabilities and fund balance	\$ 55,584

Differences in amounts reported for governmental activities in the Statement of Net Assets:

Fund balance - governmental funds	\$ 52,386
Prepaid expenses are recorded as expenditures in governmental funds when paid rather than assets as reported in the Statement of Net Assets	9,096
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	265,717
Capital leases are not payable in the current period and are not reported in the governmental funds	(73,549)
<b>Net Assets of Governmental Activities</b>	<b>\$ 253,650</b>

See accompanying notes to financial statements.

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

	<b>General Fund</b>
<i>For the year ended September 30,</i>	<b>2009</b>
<b>Revenues</b>	
Taxes	\$ 41,299
Intergovernmental	72,095
Interest income	87
Grant proceeds	23,102
Other income	1,715
<hr/>	
Total revenues	138,298
<hr/>	
<b>Expenditures</b>	
Public safety	102,010
Capital outlay	102,895
Debt service - principal	23,291
Debt service - interest	9,762
<hr/>	
Total expenditures	237,958
<hr/>	
<b>Excess Revenues (Under) Expenditures</b>	(99,660)
<b>Other Financing Sources</b>	
Capital lease proceeds	87,300
<hr/>	
Net change in fund balance	(12,360)
<b>Fund Balance - beginning</b>	64,746
<hr/>	
<b>Fund Balance - ending</b>	<b>\$ 52,386</b>
<hr/> <hr/>	

See accompanying notes to the financial statements

**Argyle Fire District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended September 30, 2009**

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

Net change in fund balances - total governmental funds	\$	(12,360)
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. Governmental funds do not report donated capital assets as capital outlays as they do not use current financial resources. Donated capital assets of \$10,500 were reported and depreciated over their useful lives on the Statement of Activities.		113,395
Proceeds from capital lease payable not reported on the Statement of Activities, but reported as other financing sources in the governmental funds		(87,300)
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		9,540
Repayment of a capital lease is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the Statement of Net Assets		13,751
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.		2,441
Depreciation expenses on governmental capital assets included in the governmental activities in the Statement of Activities		(35,458)
<b>Change In Net Assets of Governmental Activities</b>	<b>\$</b>	<b>4,009</b>

See accompanying notes to the financial statements

**Argyle Fire District**

**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended September 30, 2009**

	Budgeted Amounts		Budgetary Basis Actual	Variance with Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues</b>				
Taxes	\$ 40,000	\$ 40,000	\$ 41,299	\$ 1,299
Intergovernmental	71,500	71,500	72,095	595
Interest income	-	-	87	87
Other income	-	-	1,715	1,715
<hr/>				
Total revenues	111,500	111,500	115,196	3,696
<hr/>				
<b>Expenditures</b>				
Public safety	75,900	75,900	78,908	(3,008)
Capital outlay	24,000	24,000	15,595	8,405
Debt service - principal	11,000	11,000	23,291	(12,291)
Debt service - interest	-	-	9,762	(9,762)
<hr/>				
Total expenditures	110,900	110,900	127,556	(16,656)
<hr/>				
<b>Excess Revenues Over (Under) Expenditures</b>	600	600	(12,360)	(12,960)
<hr/>				
<b>Fund Balance- beginning</b>	30,315	30,315	64,746	34,431
<hr/>				
<b>Fund Balance- ending</b>	\$ 30,915	\$ 30,915	\$ 52,386	\$ 21,471

See accompanying notes to financial statements.

Notes To Financial Statements

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**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 District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 helps 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.

The fund financial statements follow and report additional and detailed information about operations for the general fund. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

Notes To Financial Statements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 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.

The District did not budget for capital leases and unanticipated grants. As a result the following adjustments were necessary to present actual data on a budgetary basis:

	<b>General Fund</b>
	<b>Net Change in Fund Balance</b>
GAAP basis	\$ (12,360)
Unbudgeted:	
Operating grant	23,102
Capital lease proceeds	87,300
Public safety	(23,102)
Capital outlay	(87,300)
Budget basis	\$ (12,360)

Notes To Financial Statements

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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.

***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.

**Argyle Fire District**

**Notes To Financial Statements**

**NOTE 2 – CAPITAL ASSETS**

Capital asset activity for the fiscal year is as follows:

	<b>Balance 9/30/08</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 9/30/09</b>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 8,500	\$ -	\$ -	\$ 8,500
Capital assets, being depreciated:				
Buildings	\$ 36,397	\$ 1,545	\$ -	\$ 52,942
Office equipment	4,859	-	-	4,859
Fire equipment	120,298	5,500	-	125,798
Fire trucks	187,209	106,350	73,750	219,809
Computer equipment	10,155	-	3,318	6,837
Total capital assets being depreciated	358,918	113,395	77,068	395,245
Less accumulated depreciation for:				
Buildings	9,167	1,988	-	11,529
Office equipment	2,258	1,167	-	3,425
Fire equipment	53,561	10,909	-	64,470
Fire trucks	106,032	21,111	73,750	53,393
Computer equipment	8,620	283	3,318	5,585
Total accumulated depreciation	179,638	35,458	77,068	138,028
Total capital assets being depreciated, net	179,280	77,937	-	257,217
Governmental activities capital assets, net	\$ 187,780	\$ 77,937	\$ -	\$ 265,717

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

**Governmental Activities:**

Public safety	\$ 35,458
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In addition to the vehicles noted above, the District has custody of one vehicle that is on loan from the Florida Forestry Department.

Notes To Financial Statements

**NOTE 2 – CAPITAL ASSETS (Continued)**

During 2009, materials for a metal building with an estimated market value of \$15,000 were donated to the District. However, management estimates the cost of utilizing the materials to be significant and management has no immediate plans to do so. Therefore, the economic benefit, if any, of the materials could not immediately be determined and the materials are not included in the capital asset listing above.

**NOTE 3 - RECEIVABLES**

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. The District is still attempting to recover the deposit. The additional \$17,875 represents an appropriation due from Walton County and was collected as of the report date.

**NOTE 4 – SHORT-TERM NOTES**

During fiscal year 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 of \$9,540 was completely paid in fiscal year 2009.

The changes in short-term debt of the Board for the year ended September 30, 2009 were as follows:

	Balance October 1, 2008	Borrowings	Repayments	Balance September 30, 2009
EVMS	\$ 9,540	\$ -	\$ 9,540	\$ -

**NOTE 5 – CAPITAL LEASE**

The District has entered into a lease agreement as lessee for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception. The District paid the lease payment due October 15, 2009 before the end of this fiscal year. The next payment is due October 15, 2010 (fiscal year 2011). The interest rate under the lease agreement is 5.81%. The following is an analysis of equipment leased under the capital lease as of September 30, 2009:

	Capital Assets
Equipment	\$ 101,350
Less: accumulated depreciation	(9,290)
<b>Carrying Value</b>	<b>\$ 92,060</b>

Notes To Financial Statements

**NOTE 5 – CAPITAL LEASE (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009 were as follows:

Year Ending September 30,	Business-type Activities
2010	\$ -
2011	11,757
2012	11,757
2013	11,757
2014	11,757
2015-2018	47,028
<hr/>	
Total minimum lease payments	94,056
Less: amount representing interest	(20,507)
<hr/>	
Present value of minimum lease payments	73,549
Amount due within one year	-
<hr/>	
Amount due in more than one year	\$ 73,549

The total interest expense for the year ended September 30, 2009 was \$9,762, all of which was applicable to the capital lease.

**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, 2009 which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 4, 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.

**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 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 noted below, we identified deficiencies in internal control 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all the deficiencies described below to be material weaknesses.

**09-01 Financial Statement Preparation Knowledge (Repeat)**

**Finding:** CRI prepares the District's financial statements.

**Criteria:** 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.

**Effect:** Lack of financial statement knowledge could result in fraudulent financial reporting and misstatements in the financial statements that are not prevented or detected and corrected.

**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.

**Managements Response:** The personnel of the District keeps as up to date as possible with required standards of financial reporting. We consult with our auditor regarding financial management procedures and to answer any questions that may arise.

#### **09-02 Expenditure Documentation (Repeat)**

**Finding:** An expenditure of \$4,500 for the acquisition of equipment as well as a number of other expenditures were not supported by an invoice or other supporting documentation, though management indicated invoices were issued.

**Criteria:** Good business practices require the substantiation of all expenditures through the use of invoices or other supporting documentation.

**Effect:** Failure to properly substantiate expenditures could result in misappropriation of assets and duplicate payment of expenditures.

**Recommendation:** The District should maintain all invoices or other supporting documentation necessary to support all expenditures.

**Management Response:** It has and will continue to be the policy of the District to have invoices for all expenditures. We have experienced problems in the past with invoices missing. This usually occurs when we conduct business with some individual. For example, the \$4,500 invoice mentioned was with an individual. I am confident we had him write us out a "bill." That aside, we will continue to make every effort to have an invoice for each transaction.

#### **09-03 Noncash Revenues & Expenditures**

**Finding:** Instances were noted where revenues, expenditures, and other financing sources from grants, leases, and donated assets that were noncash in nature were not properly recorded.

**Criteria:** Recording of revenues and expenditures that are noncash in nature are requirements of generally accepted accounting principles and the modified accrual basis of accounting.

**Effect:** Failure to properly record noncash revenues and expenditures could result in a material misstatement of the financial statements that is not prevented or detected and corrected on a timely basis.

**Recommendation:** The District should record all noncash revenues and expenditures as required by generally accepted accounting principles and the modified accrual basis of accounting.

**Management Response:** This will be addressed and clarified with our bookkeeper, with assistance and advice from our auditor.

#### **09-04 Accounts Payable**

**Finding:** The District does not properly record accounts payable.

**Criteria:** Recording accounts payable is a requirement of generally accepted accounting principles and the modified accrual basis of accounting.

**Effect:** Failure to properly record accounts payable could result in a material misstatement of the financial statements that is not prevented or detected and corrected on a timely basis.

**Recommendation:** The District should record all expenditures in the period in which the liability is incurred.

**Management Response:** We will keep track of invoices of purchases and expenditures made during the fiscal year that are paid after the end of the fiscal year and make sure the amounts are recorded and copies of invoices are provided in the audit materials for the audited fiscal year.

#### **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

February 4, 2011

## 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, 2009, and have issued our report thereon dated February 4, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **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. Disclosures in that report, which are dated February 4, 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 governs 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 as repeat findings in the Report on Internal Control over Financial Reporting.

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 09-01 through 09-04 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 provisions of

contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control 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 this management letter, unless disclosed in the notes to the financial statements. This information is included in note 1 of the notes to the financial statements.

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, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7) Rules of the Auditor General, require that we apply 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.

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

February 4, 2011