



**Chandler County Island Fire District
Financial Statements
June 30, 2009**

Chandler County Island Fire District
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INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Chandler County Island Fire District
Chandler, Arizona

We have reviewed the accompanying financial statements of Chandler County Island Fire District (the District), as of and for the year ended June 30, 2009, as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All financial information included in the financial statements is the representation of the District's management.

A review consists principally of inquiries of the District's management and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices prescribed or permitted by the State of Arizona, which accounting practices differ from accounting principles generally accepted in the United State of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the District as of June 30, 2009, or changes in financial position thereof for the year then ended.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements referred to above in order for them to be in conformity with the format prescribed or permitted by the State of Arizona, on the modified cash basis of accounting as described in Note 1.

This report is intended solely for the information and use of the governing board and management of the District, the Maricopa County Board of Supervisors and the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties.

Breecher & Company P.C.

December 9, 2009

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**Chandler County Island Fire District
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Total Governmental Funds
ASSETS		
Cash and investments	\$ <u>6,072</u>	\$ <u>6,072</u>
Total assets	\$ <u><u>6,072</u></u>	\$ <u><u>6,072</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Advance from County	\$ <u>35,000</u>	\$ <u>35,000</u>
Total liabilities	<u>35,000</u>	<u>35,000</u>
Fund balances:		
Unreserved, undesignated, reported in:		
General fund	<u>(28,928)</u>	<u>(28,928)</u>
Total fund balances	<u>(28,928)</u>	<u>(28,928)</u>
Total liabilities and fund balances	\$ <u><u>6,072</u></u>	\$ <u><u>6,072</u></u>

The accompanying notes are an integral part of this financial statement.

Chandler County Island Fire District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Property taxes	\$ -	\$ -
Fire district assistance taxes	-	-
Interest income	<u>57</u>	<u>57</u>
Total revenues	<u>57</u>	<u>57</u>
EXPENDITURES		
Current:		
Public safety, fire protection:		
Emergency services	-	-
Administrative and support services	28,985	28,985
Debt service:		
Principal	-	-
Interest	-	-
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>28,985</u>	<u>28,985</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,928)</u>	<u>(28,928)</u>
OTHER FINANCING SOURCES/(USES)		
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>
Net changes in fund balances	(28,928)	(28,928)
Fund balances – beginning	<u>-</u>	<u>-</u>
Fund balances – ending	<u>\$ (28,928)</u>	<u>\$ (28,928)</u>

The accompanying notes are an integral part of this financial statement.

Chandler County Island Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations and Financial Reporting Entity

The District, established pursuant to Arizona Revised Statute Title 48 § 851, is a noncontiguous county island fire district. The District is a local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. The District has no discrete or blended component units.

The authority, powers and duties of a noncontiguous county island fire district are outlined in Arizona Revised Statute Title 48 § 853. As further described in the preceding statute, the District's authority is limited to contracting for administrative services, entering into an intergovernmental agreement with a municipal provider for fire protection services or contracting with a private provider for fire protection services. The District is statutorily prohibited from directly employing personnel, acquiring or ownership of assets and issuing any long-term debt obligations (see Note 3).

B. Fund Accounting

The accounts of the District are organized on the basis of fund accounting, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District reports the following major governmental funds:

General Fund – This fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Modified Cash Basis of Accounting

As required under Arizona Revised Statutes, Title 48 § 251.A(1), the District has prepared these financial statements in a manner sufficient to report beginning and ending fund balances and all revenues and expenditures for the year ending June 30, 2009. The Statement of Revenues, Expenses and Changes in Fund Balance is presented on the modified cash basis of accounting which is a comprehensive basis other than accounting principles generally accepted in the United States. The modified cash basis of accounting recognizes revenues when cash is received and expenditures when cash is spent.

The major departure from accounting principles generally accepted in the United States is that there are generally no accruals made using the modified cash basis of accounting. Specifically, there were no accruals made for accounts receivable, accounts payable and amounts either due from or due to other governmental entities. Furthermore, these financial statements do not include government-wide financial statements which are required by accounting principles generally accepted in the United States. Additionally, the District has also elected not to present Management's Discussion and Analysis or the Budgetary Comparison Schedules that accounting principles generally accepted in the United States have determined are necessary to supplement, although not required to be part of, the basic financial statements.

**Chandler County Island Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. As of June 30, 2009 the District has reported \$6,072 in governmental funds on deposit with the Maricopa County Treasurer's Investment Pool; the investment pool is considered a cash equivalent. For additional information regarding cash and cash equivalents see Financial Note 2 - Cash and Cash Equivalents.

E. Advance From County

Liabilities are reported for advances from Maricopa County which are to be repaid in the near future. These advances were necessary in order for the district to begin operations prior to the initial property tax levy.

F. Budgetary accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year. The adopted budget is on the modified cash basis of accounting, which an acceptable basis for budgetary purposes. All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to spend more than the budgeted revenues plus the prior year's carry-over of unrestricted cash. The limitation is applied to the total of the combined funds.

NOTE 2 – CASH AND CASH EQUIVALENTS

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices.

A. District's Cash and Cash Equivalents Deposits

As of June 30, 2009 the District had \$6,072 on deposit with the Maricopa County Treasurer's Investment Pool (MCTIP) in the governmental funds. The Maricopa County Treasurer invests the cash in a pool under policy guidelines established by the Maricopa County Treasurers' Office (the County). The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the MCTIP is included in the Comprehensive Annual Financial Report of Maricopa County. The fair value of each participant's position in the MCTIP approximates the value of the participant's shares in the pool.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Chandler County Island Fire District
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Credit Risk. Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. State law limits deposits and investments of the MCTIP to the Arizona State Treasurer's local government investment pool (LGIP); interest bearing savings accounts, certificates of deposit; United States Treasury Bills, notes or bonds which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices. The Maricopa County Treasurer's Investment Pool is an external investment pool with no regulatory oversight. The MCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2009 the MCTIP had not received a credit quality rating from a national rating agency.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have a formal policy for custodial credit. However, all monies are held in safekeeping by Maricopa County.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

The District is a noncontiguous county island fire district, established under Arizona Revised Statute Title 48 § 851, allowable activities of the District are described under Note 1. As required under Arizona Revised Statute Title 48 § 853, the District has entered into a intergovernmental agreement with a municipal provider (City of Chandler) for fire protection services. The intergovernmental agreement has a term of four years, ending on June 30, 2013. The cost of protection services is determined annually based on the City of Chandler's estimate of the operating and capital costs to provide fire protection services to the District. No expenditures have been paid to the City of Chandler for fire protection services for the year ended June 30, 2009.