

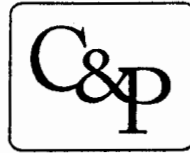
**CHANDLER HEIGHTS CITRUS  
IRRIGATION DISTRICT**

Annual Financial Statements  
and  
Independent Auditors' Report

June 30, 2007

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Chandler Heights Citrus Irrigation District  
Chandler Heights, Arizona

We have audited the accompanying statement of net assets of Chandler Heights Citrus Irrigation District as of June 30, 2007, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the year then ended. These financial statements are the responsibility of Chandler Heights Citrus Irrigation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit domestic water receivables because sufficient detailed documentation was unavailable to test the balance presented by management on the financial statements. We were unable to satisfy ourselves about the existence, completeness, and valuation of domestic water receivables by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about domestic water receivables, the financial statements referred to above present fairly, in all material respects, the financial position of Chandler Heights Citrus Irrigation District as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Chandler Heights Citrus Irrigation District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2007, on our consideration of the District's internal control over financial reporting and 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.

*Colley + Powell PLC*

March 6, 2008

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**  
**Statement of Net Assets**  
**June 30, 2007**

**ASSETS**

Cash and cash equivalents	\$	158,504
Reserved cash		11,159
Domestic water accounts receivable		70,329
Irrigation water accounts receivable		11,115
Property tax receivable		8,163
Refundable deposits		734
Prepaid water charges		5,040
Capital assets, not being depreciated		10,735
Capital assets, being depreciated, net		<u>1,728,503</u>
<b>Total assets</b>		<u><u>2,004,282</u></u>

**LIABILITIES**

Accounts payable		62,860
Accrued expenses		20,562
Customer water deposits		8,581
Deferred income		29,754
Noncurrent liabilities		
Due within one year		16,874
Due in more than one year		<u>952,983</u>
<b>Total liabilities</b>		<u><u>1,091,614</u></u>

**NET ASSETS**

Invested in capital assets, net of related debt		769,381
Unrestricted		<u>143,287</u>
<b>Total net assets</b>	<b>\$</b>	<u><u>912,668</u></u>

*The accompanying notes are an integral part of these financial statements.*

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**  
**Statement of Revenues, Expenses, and**  
**Changes in Fund Net Assets**  
**For the Year Ended June 30, 2007**

<b>Operating Revenues</b>		
Domestic water sales		\$ 447,071
Irrigation water sales		240,062
Property tax assessments		105,952
Tap fees		59,985
Other operating revenues		41,434
<b>Total operating revenues</b>		<u>894,504</u>
<b>Operating Expenses</b>		
Irrigation operations		
Power costs	147,900	
Repairs and maintenance	115,703	
Personnel costs	59,533	
Water purchases	<u>33,300</u>	
		356,436
Domestic operations		
Personnel costs	111,567	
Repairs and maintenance	76,191	
Power costs	13,816	
Miscellaneous	<u>13,766</u>	
		215,340
General and administrative		
Professional services	129,247	
Depreciation and amortization	126,411	
Personnel costs	96,810	
Miscellaneous	43,028	
Utilities and telephone	37,980	
Insurance expense	26,918	
Repairs and maintenance	<u>763</u>	
		461,157
<b>Total operating expenses</b>		<u>1,032,933</u>
<b>Operating income</b>		<u>(138,429)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income		5,983
Interest expense		<u>(15,124)</u>
<b>Total nonoperating revenues (expenses)</b>		<u>(9,141)</u>
<b>Change in net assets</b>		(147,570)
Total net assets - Beginning of year		<u>1,060,238</u>
<b>Total net assets - End of year</b>		<u>\$ 912,668</u>

*The accompanying notes are an integral part of these financial statements.*

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2007**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 942,721
Payments to suppliers and providers of goods and services	(592,281)
Payments to employees	<u>(265,523)</u>
<b>Net cash provided by operating activities</b>	<u>84,917</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Interest paid	(15,124)
Principal paid on long-term debt	<u>(13,877)</u>
<b>Net cash used by capital and related financing activities</b>	<u>(29,001)</u>
<b>Cash Flows from Investing Activities</b>	
Interest and dividends received	5,983
Capital acquisitions	<u>(33,300)</u>
<b>Net cash provided by investing activities</b>	<u>(27,317)</u>
<b>Net increase in cash and cash equivalents</b>	28,599
Cash and cash equivalents - Beginning of year	<u>141,064</u>
<b>Cash and cash equivalents - End of year</b>	<u><u>\$ 169,663</u></u>

*The accompanying notes are an integral part of these financial statements.*

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**

**Statement of Cash Flows  
For the Year Ended June 30, 2007**

**Reconciliation of operating loss**

**to net cash provided by operating activities**

Operating income	\$	(138,429)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		126,410
Changes in assets and liabilities		
(Increase) decrease in:		
Domestic water accounts receivable		31,591
Irrigation water accounts receivable		11,604
Property tax receivable		(4,525)
Refundable deposits		(170)
Prepaid water charges		4,476
Increase (decrease) in:		
Accounts payable		42,026
Accrued expenses		2,387
Customer water deposits		5,700
Deferred income		3,847
<b>Net cash provided by operating activities</b>	<b>\$</b>	<b>84,917</b>

*The accompanying notes are an integral part of these financial statements.*



# CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT

## Notes to Financial Statements

June 30, 2007

### ***NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES***

The accompanying financial statements of Chandler Heights Citrus Irrigation District have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows.

***Reporting Entity*** - The District was formed in 1929 in accordance with Title 48, Chapter 19 of the Arizona Revised Statutes, which provides that irrigation districts shall be political subdivisions of the State and vested with all the rights, privileges and benefits granted municipalities. The District, consisting of approximately 1,360 acres of land located in southeastern Maricopa County, Arizona, provides water to landowners for both domestic and agricultural purposes. The District is governed by a separately elected board of directors.

***Basis of Presentation*** – The financial statements include a statement of net assets and a statement of revenue, expenses, and changes in fund net assets. These statements report the financial activities of the District. Operating revenues, such as charges for services, result from transactions associated with the District's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenue, such as investment earnings, result from transactions in which the parties do not exchange equal values.

***Basis of Accounting*** – The District accounts for its operations using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the users holding water rights on a continuing basis, is financed through user charges and acreage tax assessments. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Acreage tax assessments are recognized as revenue in the year for which they are levied.

Accounting methods and policies are determined by reference to generally accepted accounting principles as promulgated by the Financial Accounting Standards Board (FASB) as long as those FASB pronouncements do not conflict with or contradict pronouncements of the Governmental Accounting Standards Board (GASB).

***Estimates*** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT

Notes to Financial Statements

June 30, 2007

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

– *Continued*

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Capital Assets** – Capital assets (such as property and equipment) are recorded at cost. Depreciation is recorded using the straight-line method. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for additions and betterments are capitalized and depreciated over the estimated remaining useful life of the related asset. Gains and losses on sales and retirements are reflected in income during the year of actual sale or retirement.

**Compensated Absences** – Compensated absences consist of vacation leave earned by employees based on services already rendered. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and, therefore, are not accrued.

**Income Taxes** – All income earned by the District in its normal course of operations is exempted from federal income taxation under Section 115 of the Internal Revenue Code.

**Acreage Assessments** – The District's Board of Directors determines the minimum annual assessment for property taxes on each acre of land that has water rights in the District. Assessments are not refunded and, upon failure to pay, a lien attaches to the land. Assessments are levied in September of each year on approximately 1,360 acres of taxable land within the District's boundaries, and are due and payable in two installments. The first payment is due October 1<sup>st</sup> and is delinquent on November 1<sup>st</sup>. The second payment is due March 1<sup>st</sup> of the following year and is delinquent May 1<sup>st</sup>. The assessments are billed and collected by Maricopa County and remitted to the District upon request. The assessment rate for the year ended June 30, 2007, was \$74.54 per acre. All assessments are deemed fully collectible and, therefore, no allowance for uncollectible amounts has been recorded.

The Board of Directors also establishes a rate per acre-foot of water required in excess of that provided by the minimum rate per acre of land. Acreage assessments to landowners are recognized as revenue in the year assessed.

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**

**Notes to Financial Statements**

**June 30, 2007**

***NOTE 2 – CASH AND CASH EQUIVALENTS***

The District is required by statute to invest its cash in accounts covered by federal depository insurance or with other custodial governments such as the County or State Treasurer. Cash held by the District consisted of the following at June 30, 2007:

Merrill Lynch money market	\$ 157,505
Cash on hand	<u>999</u>
	<u>\$ 158,504</u>

At June 30, 2007, the carrying amount of the District's cash in bank was (\$8,222) and the bank balance was \$28,815, all of which was covered by federal depository insurance. At June 30, 2007, the carrying amount and banking balance of the money market accounts was \$157,505, of which \$100,000 was insured by the Securities Investors Protection Corporation. The remaining balance of \$57,505 was covered by collateral held by the pledging financial institution's trust department or agent in the City's name. Each dollar invested in the Merrill Lynch money market fund constitutes one share in the fund, and the fair value of each share in this fund was one dollar as of June 30, 2007.

*Restricted cash* – Restricted cash consists of required cash deposits reserved for debt service.

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**

**Notes to Financial Statements**

**June 30, 2007**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>
Capital assets not being depreciated:				
Land	\$ 10,735	\$ -	\$ -	\$ 10,735
<b>Total capital assets not being depreciated</b>	<u>10,735</u>	<u>-</u>	<u>-</u>	<u>10,735</u>
Capital assets being depreciated:				
Buildings	32,459	-	-	32,459
Irrigation system	3,600,463	-	-	3,600,463
Fixtures and equipment	47,923	-	-	47,923
Vehicles	40,331	33,300	-	73,631
<b>Total</b>	<u>3,721,176</u>	<u>33,300</u>	<u>-</u>	<u>3,754,476</u>
Less accumulated depreciation for:				
Buildings	27,661	559	-	28,220
Irrigation system	1,810,902	119,562	-	1,930,464
Fixtures and equipment	32,803	1,440	-	34,243
Vehicles	28,196	4,850	-	33,046
<b>Total</b>	<u>1,899,562</u>	<u>126,411</u>	<u>-</u>	<u>2,025,973</u>
<b>Total capital assets being depreciated, net</b>	<u>1,821,614</u>	<u>(93,111)</u>	<u>-</u>	<u>1,728,503</u>
<b>Capital assets, net</b>	<u>\$ 1,832,349</u>	<u>\$ (93,111)</u>	<u>\$ -</u>	<u>\$ 1,739,238</u>

Depreciation expense for the year ended June 30, 2007, was \$126,411.

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**

**Notes to Financial Statements**

**June 30, 2007**

**NOTE 4 – LONG-TERM DEBT**

In December 1985, Chandler Heights Citrus Irrigation District, Queen Creek Irrigation District, and San Tan Irrigation District jointly entered into a contract with the United States Bureau of Reclamation to construct a pipeline to provide water to the three districts from the Central Arizona Project Canal.

The District’s share of the direct construction costs and related debt for the project was \$809,873. The note balance at June 30, 2007, is payable in semi-annual installments ranging from \$1,817 to \$25,260 plus interest at 3.342% with the final payment being due in August 2023, of \$25,260. Interest is charged only on 6.87% of the unpaid loan balance that is attributable to the furnishing of municipal, domestic, and industrial water as defined in the loan agreement.

Currently, the note payable to the United States Bureau of Reclamation is being reviewed as possibly being forgiven in its entirety. As of the audit report date, the note terms and conditions were in effect and the note was still due.

In 1998, the District incurred a note payable to the Water Infrastructure Finance Authority of Arizona (WIFA) for the construction of a storage reservoir. The original note balance was \$105,000. Principal payments are made on September 1 of each year commencing September 1, 1999, with the final principal repayment on September 1, 2018. Interest at 3.75% is payable semi-annually on each March 1 and September 1, commencing March 1, 1999, with the final interest payment due September 1, 2018.

In July 2004, the District incurred a note payable to the Water Infrastructure Finance Authority of Arizona (WIFA) for the redesign and construction of a new water distribution system. The original note balance was \$306,000. Principal payments are due on the first day of each month commencing January 1, 2005, with the final principal repayment on June 1, 2024. Interest at 3.84% is payable monthly, commencing January 1, 2007, with the final interest payment due September 1, 2020.

Long-term debt at June 30, 2007, consisted of the following:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
Note payable to the U.S. Bureau of Reclamation	\$ 624,165	\$ -	\$ -	\$ 624,165	\$ -
Note payable to WIFA	72,443	4,193	4,682	71,954	4,858
Note payable to WIFA	287,126	-	13,388	273,738	12,016
	<u>\$ 983,734</u>	<u>\$ 4,193</u>	<u>\$ 18,070</u>	<u>\$ 969,857</u>	<u>\$ 16,874</u>

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**

**Notes to Financial Statements**

**June 30, 2007**

***NOTE 4 – LONG-TERM DEBT – Continued***

Maturities of the debt principal over the next five years and thereafter are as follows:

Year Ending June 30,	
2008	16,874
2009	31,241
2010	49,556
2011	56,893
2012	62,466
2013-2017	343,799
2018-2022	383,768
2023	25,260
	<u>\$ 969,857</u>

***NOTE 5 – CAP WATER ALLOCATION CONTRACT***

In August 1993 Arizona irrigation districts were notified that the Central Arizona Project (CAP) would be declared complete, and that on October 1, 1993, operation of the CAP would be transferred to the Central Arizona Water Conservation District (a public entity created to manage and maintain the CAP). Beginning on October 1, 1993, those irrigation districts with contracts to receive water from the CAP began paying an annual assessment fee per acre-foot as per the original contract. The annual assessment fee for the year ended June 30, 2007 was \$31-35 per acre-foot. This fee covers operations, maintenance, and repairs. This fee must be paid whether or not any CAP water is taken by the District (Take or Pay Provision).

***NOTE 6 – CONCENTRATIONS***

As a quasi-governmental unit, Chandler Heights Citrus Irrigation District provides proprietary-fund-type services (i.e. domestic and irrigation water) to customers in a limited geographic area. Consequently, the ability of the District's funds to cover their operating costs is at risk due to this geographic concentration of customers in the area. As with the majority of municipalities and other quasi-governmental units that operate similar proprietary funds, a downturn in the local economy or other unforeseen circumstances could adversely affect the District's ability to collect amounts due from customers or to continue to generate the revenue needed to cover the costs of providing services.

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**

**Notes to Financial Statements**

**June 30, 2007**

***NOTE 7 – CONTINGENCY***

Chandler Heights Citrus Irrigation District has been named, along with other water and irrigation districts, in an action (initiated in the 1970's) intended to confirm water rights throughout the major watersheds in central and southern Arizona. The loss of water rights could severely impact the revenue and operations of the District. The District has filed a statement of claim to protect its water rights and is vigorously contesting the action. Legal council is currently monitoring the situation and has stated that no opinion on this matter can be expressed. This adjudication has been ongoing and is expected to continue indefinitely.

***NOTE 8 – RISK MANAGEMENT***

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



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**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***

To the Board of Directors  
Chandler Heights Citrus Irrigation District  
Chandler Heights, Arizona

We have audited the accompanying statement of net assets of Chandler Heights Citrus Irrigation District as of June 30, 2007, and the related statement of revenue, expenses, and changes in fund net assets and cash flows for the years then ended, which collectively comprise the Chandler Heights Citrus Irrigation District's basic financial statements and have issued our report thereon dated March 6, 2008. 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 Chandler Heights Citrus Irrigation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chandler Heights Citrus Irrigation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chandler Heights Citrus Irrigation District's internal control over financial reporting.

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

A control deficiency exists when the design or operations 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 Chandler Heights Citrus



Irrigation 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 Chandler Heights Citrus Irrigation District's financial statements that is more than inconsequential will not be prevented or detected by Chandler Heights Citrus Irrigation District's internal control. We consider the deficiencies with reference numbers **07-01**, **07-02**, **07-03**, **07-04**, **07-05**, **07-06**, and **07-07** described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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

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 that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item **07-04**, **07-05**, **07-06**, and **07-07** to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Chandler Heights Citrus Irrigation District's financial statements are free of material misstatement, we performed tests of its compliance with a certain provisions of laws, regulations, contracts, and loan 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*.

Chandler Heights Citrus Irrigation District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Chandler Heights Citrus Irrigation District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's management and the Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties.

March 6, 2008

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**  
**Schedule of Findings and Responses**  
**June 30, 2007**

**Financial Statement Findings**

Audit findings and responses are as follows:

**Item: 07-01**

*Subject:* Review and approval of bank statements, cancelled checks, and bank reconciliations.

*Criteria/Specific Requirements:* Management should designate a responsible employee to review bank statements, cancelled checks, and bank reconciliations on a regular basis. This employee should be someone not involved with the preparing of bank reconciliations or recording transactions in the accounting records. Evidence of the review should be kept as well.

*Condition:* The office manager records and reconciles all accounting information in accounting records. The general manager doesn't reviews bank statements, cancelled checks, and bank reconciliations; or there is no documentation or evidence of regular reviews of these items.

*Effect:* A material misstatement due to error or fraud could occur and it would not be detected by management within a timely manner.

*Cause:* No evidence of regular periodic review of the bank statement, cancelled checks, and bank reconciliations is being done.

*Recommendation:* The general manager should signoff on bank statements and bank reconciliations to show evidence of review of bank statements, cancelled checks, and bank reconciliations.

*Response:* Management agrees there is merit to the recommendation and will work with our accountant to implement the necessary procedures.

**Item: 07-02**

*Subject:* Fixed assets and related depreciation.

*Criteria/Specific Requirements:* The District should maintain a complete and accurate detailed listing of fixed assets and related depreciation.

*Condition:* The District does not maintain a complete detailed listing of their fixed assets and related depreciation nor are adjustments posted to accounting records throughout the year.

*Effect:* Fixed assets and related depreciation are materially misstated on interim financial statement produced by the District throughout the year.

*Cause:* Detailed fixed asset and depreciation schedules are not being kept by the District.

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**  
**Schedule of Findings and Responses**  
**June 30, 2007**

*Recommendation:* Detailed fixed asset schedules and related depreciation should be kept by the District and related adjustments to accounting records must be made.

*Response:* Management agrees there is merit to the recommendation and will work with our accountant to implement the necessary procedures.

**Item: 07-03**

*Subject:* Accounts payable.

*Criteria/Specific Requirements:* The District should maintain a complete and accurate detailed listing of accounts payable for audit testing.

*Condition:* The District does not maintain a complete detailed listing of their accounts payable.

*Effect:* The District does not have controls in place to determine if their accounts payable on the audited financial statements are complete.

*Cause:* A detailed end of year accounts payable listing is not being kept by the District.

*Recommendation:* A complete listing of accounts payable at the end of the year should be compiled by the District.

*Response:* Management agrees there is merit to the recommendation and will work with our accountant to implement the necessary procedures.

**Item: 07-04**

*Subject:* Review policies and procedures for oversight of financial statement presentation and disclosure.

*Criteria/Specific Requirements:* Management must review, approve, and accept responsibility for its financial statements accompanying the audit.

*Condition:* Not unlike other governments of similar size and structure, the District's absence of internal control over financial statement presentation does not provide procedures for the prevention or detection of possible material misstatement of the financial statements.

*Effect:* A material misstatement could occur and be undiscovered by management.

*Cause:* Management's lack of knowledge as it relates to financial external reporting.

**CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT**  
**Schedule of Findings and Responses**  
**June 30, 2007**

*Recommendation:* Management should reconcile general ledger amounts to draft financial statements, review all supporting documentation for audit adjusting journal entries, and review the adequacy of financial statement disclosures by utilizing, at a minimum, a disclosure checklist. If management is unable to do this, management could contract this portion to a responsible qualified individual.

*Response:* Management agrees there is merit to the recommendation and will work with our accountant to implement the necessary procedures.

***Item: 07-05***

*Subject:* Controls over cash.

*Criteria/Specific Requirements:* The District should limit access to cash and other forms of payments.

*Condition:* All office personnel receive payments and have access to cash.

*Effect:* A material misstatement due to error or fraud could occur and it would not be detected by management within a timely manner.

*Cause:* Lack of checks and balances over cash, segregation of duties, and significant amount of payments being received through the District office.

*Recommendation:* Management should consider using a lockbox system for processing receipts

*Response:* Management disagrees with this recommendation and will continue to accept payments in our office. Management feels that since there are two different accounts being paid on it would create too many inaccuracies if the payments went to a third party.

***Item: 07-06***

*Subject:* Prepare and review account reconciliations.

*Criteria/Specific Requirements:* The District should prepare and review reconciliations for accounts receivable, accounts payable, and prepaid water general ledger accounts.

*Condition:* No preparation of reconciliations is made for accounts receivable, accounts payable, and prepaid water general ledger accounts.

*Effect:* A material misstatement due to error or fraud could occur and it would not be detected by management within a timely manner.

*Cause:* Lack of understanding of accounting procedures and proficiencies.