

FINANCIAL STATEMENTS
DAISY MOUNTAIN FIRE DISTRICT
JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Board Members
Daisy Mountain Fire District
Phoenix, AZ

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Daisy Mountain Fire District, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Daisy Mountain Fire District, as of June 30, 2005, and the changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 7, are 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. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Angela D. Bertram, CPA

Glendale, Arizona
November 25, 2005

DAISY MOUNTAIN FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Daisy Mountain Fire District, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District's performance during the fiscal year ending June 30, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Daisy Mountain Fire District exceeded its liabilities at the close of the most recent fiscal year by \$2,033,894 (*net assets*). Of this amount, \$404,159 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$235,508. This increase is available for future operations and major improvements or equipment.
- The District hired nine (9) new fulltime employees during the fiscal year, bringing the total number of employees to seventy-three (73) full-time employees, and one (1) part-time employee. The District also hired twenty-four (24) Reserve Firefighters who are paid-per-call. After attrition and hiring for fulltime, the number of Reserve Firefighters totaled thirty (30) in this fiscal year.
- The District participated in the Public Safety Personnel Retirement System (PSPRS).
- During the fiscal year, the District also obtained grants to supplement the existing budget; and continued upgrading the equipment and facilities.
- During the fiscal year, the District provided training for employees and continued to implement various education and community service programs.
- The District strives to provide the best possible service while minimizing the tax rate.

Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the accountant's review report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The District is a special-purpose government that has a single governmental program. Therefore, the fund and government-wide financial statements are being presented together in the same financial statements.

The balance sheet and statement of net assets present information on all of the District's assets and liabilities. The "Adjustments" column displays the changes needed to adjust the line items in the balance sheet to the line items in the statement of net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets, without a corresponding increase to liabilities, result in increased net assets, which indicates an improved financial position.

The governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are also presented together in the same financial statement. This statement presents information showing how a government's net assets changed during the fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its ad valorem taxes, ambulance revenues and mutual-aid agreements.

The District is the trustee, or *fiduciary*, for certain funds held on behalf of the Daisy Mountain Fire District. The District's fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in fiduciary net assets. We exclude this activity from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes.

The District has elected to report the budgetary comparison information in the basic financial statements. This schedule provides data on the District's operations and compares actual amounts with budgeted amounts.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one measure of financial health or financial position. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

To begin our analysis, we present a summary of the District's Statement of Net Assets.

	June 30, 2005	June 30, 2004
Current and other assets	\$1,157,903	\$1,008,197
Capital assets	\$2,863,276	\$2,847,225
Total assets	\$4,021,179	\$3,855,422
Current and other liabilities	\$ 706,034	\$ 614,311
Long-term liabilities	\$1,281,251	\$1,452,725
Total liabilities	\$1,987,285	\$2,067,036
Net assets:		
Invested in capital assets	\$1,629,735	\$1,348,648
(net of related debt)		
Unrestricted assets	\$ 404,159	\$ 439,738
Total net assets	\$2,033,894	\$1,788,386

In the past, the largest portion of the District's net assets reflects its investment in capital assets (e.g. vehicles, equipment, buildings, etc.). The District uses these capital assets to provide services and, consequently, these assets are not available to liquidate liabilities or other spending. In the current fiscal year, the increase in cash and investments is comparable to the increase in net assets. There are no restricted net assets and the unrestricted net assets are available for future operations. The District plans to use a significant portion of the unrestricted net assets to begin building two (2) new fire stations and for purchasing equipment.

As noted in the following table, the operating expenses and revenues and non-operating revenues all increased over the prior year. The primary reason for the increase in operating revenues is because there was a significant decrease in ambulance write offs in the current year. Most of the increase in operating expenses is for personnel and benefits. The District has increased the wage scale for the full-time personnel and has concentrated on providing wages and benefits comparable to other employers in the Phoenix metropolitan area.

	June 30, 2005	June 30, 2004
Operating revenues	\$ 637,327	\$ 355,799
Operating expenses	\$6,098,807	\$4,735,092
Loss from operations	\$5,461,480	\$4,379,293
Net non-operating revenues		
Ad valorem taxes & FDAT	\$5,682,432	\$4,398,091
Investment earnings	\$ 19,375	\$ 14,362
Miscellaneous	\$ 2,570	\$ -12,815
Net non-operating revenue	\$5,696,988	\$4,399,638
Changes in net assets	\$ 235,508	\$ 20,345
Net assets, beginning of year	\$1,798,386	\$1,768,041
Net assets, end of year	\$2,033,894	\$1,788,386

The expenditure budget adopted prior to the beginning of the fiscal year was not amended during the year. Over the years, the District has expended less than budgeted, resulting in a carryover of funds available for current and future expenditures. The District minimizes the tax rate by utilizing monies collected in prior years while reserving a portion of the funds for major purchases.

The difference in the June 30, 2004 end-of-year net assets and the June 30, 2005 beginning-of-year net assets was a result of the restatement of \$10,000 for accrued leave in the budget.

Capital Assets and Debt Administration

The District's investment in capital assets amounts to \$2,863,276, net of accumulated depreciation, as of June 30, 2004, which is an increase of \$16,051 over the prior year. Capital assets include emergency vehicles, buildings, improvements other than buildings, equipment and furniture. During the current fiscal year, the major additions include two new vehicles (one front-line Battalion truck, and one Staff vehicle), upgrades to computer equipment and shop equipment and the construction in progress on general improvements to the facilities.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Administrative Manager, Daisy Mountain Fire District, 515 E. Carefree Hwy., PMB #385, Phoenix, AZ 85085.

DAISY MOUNTAIN FIRE DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET ASSETS
JUNE 30, 2005

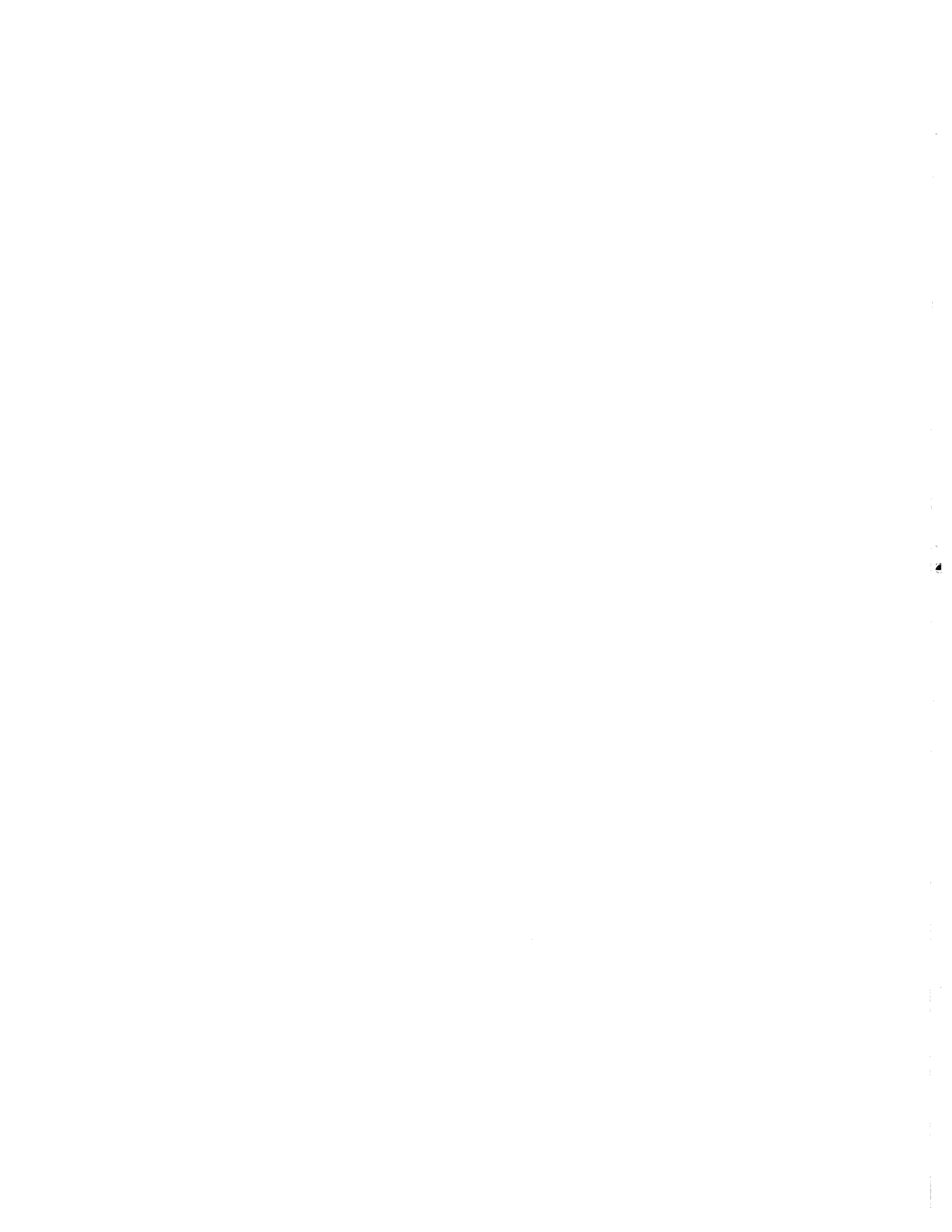
	General Fund	Capital Projects Fund	Total	Adjustments (Note 9)	Statement of Net Assets
ASSETS					
Cash	\$ 214,332	\$ 476,112	\$ 690,444	\$ -	\$ 690,444
Taxes receivable	208,268		208,268		208,268
Ambulance receivables	527,892		527,892	(290,000)	237,892
Investments	21,299		21,299		21,299
Capital assets:					
Land				480,066	480,066
Construction in progress				106,064	106,064
Property & Equipment, net				2,277,146	2,277,146
 Total assets	 <u>\$ 971,791</u>	 <u>\$ 476,112</u>	 <u>\$1,447,903</u>	 <u>\$2,573,276</u>	 <u>\$ 4,021,179</u>
 LIABILITIES					
Accounts payable	\$ 66,587	\$ -	\$ 66,587	\$ -	\$ 66,587
Accrued expenses	164,695		164,695		164,695
Deferred revenue	520,794		520,794	(520,794)	-
Noncurrent liabilities:					
Due within one year					
Compensated absences				240,409	240,409
Capital leases				234,343	234,343
Due in more than one year					
Compensated absences				142,928	142,928
Capital leases				1,138,323	1,138,323
 Total liabilities	 <u>752,076</u>	 <u>-</u>	 <u>752,076</u>	 <u>1,235,209</u>	 <u>1,987,285</u>
 FUND BALANCES/NET ASSETS					
Fund balances:					
Unreserved	219,715	476,112	695,827	(695,827)	-
 Total fund balances	 <u>219,715</u>	 <u>476,112</u>	 <u>695,827</u>	 <u>(695,827)</u>	 <u>-</u>
Total liabilities and fund balances	<u>\$ 971,791</u>	<u>\$ 476,112</u>	<u>\$1,447,903</u>	<u>\$ 539,382</u>	
 Net assets:					
Invested in capital assets, net of related debt				1,629,735	1,629,735
Unrestricted				404,159	404,159
 Total net assets				 <u>\$2,033,894</u>	 <u>\$ 2,033,894</u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Capital Projects Fund	Total	Adjustments (Note 10)	Statement of Activities
EXPENDITURES/EXPENSES:					
Fire protection and emergency services:					
Personnel	\$ 4,026,577	\$ -	\$ 4,026,577	\$ 118,431	\$ 4,145,008
Employee benefits	531,881		531,881		531,881
Taxes and insurance	171,343		171,343		171,343
Administration	221,323		221,323		221,323
Professional services	37,562		37,562		37,562
Utilities and communication	160,213		160,213		160,213
Insurance	55,134		55,134		55,134
Repairs and maintenance	221,962		221,962		221,962
Small tools & equipment	18,197		18,197		18,197
Ambulance operations	95,481		95,481		95,481
Supplies	4,352		4,352		4,352
Training	53,544		53,544		53,544
Turnout gear	86,304		86,304		86,304
Interest	4,200		4,200		4,200
Contingency	-		-		-
Capital outlay	296,003		296,003	(32,856)	263,147
Debt service:					
Principal payments	280,672		280,672	(280,672)	-
Interest payments	29,156		29,156		29,156
Total expenditures/ expenses	<u>6,293,904</u>	<u>-</u>	<u>6,293,904</u>	<u>(195,097)</u>	<u>6,098,807</u>
PROGRAM REVENUES:					
Charges for services	40,807		40,807		40,807
Ambulance revenue	575,415		575,415	17,311	592,726
Operating grants	3,794		3,794		3,794
Total program revenues	<u>620,016</u>	<u>-</u>	<u>620,016</u>	<u>17,311</u>	<u>637,327</u>
Net program expense					<u>5,461,480</u>
GENERAL REVENUES:					
Property taxes	5,415,661		5,415,661	(29,152)	5,386,509
Fire district assistance tax	295,923		295,923		295,923
Interest	10,823	7,254	18,077		18,077
Dividend income	745		745		745
Sale of assets	-		-	(16,805)	(16,805)
Other income	11,986		11,986		11,986
Unrealized gain on investment	553		553		553

See accompanying notes to financial statements.



DAISY MOUNTAIN FIRE DISTRICT
 GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES AND STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Capital Projects Fund	Total	Adjustments (Note 10)	Statement of Activities
Transfers - internal activities	(78,247)	78,247	-		-
Total general revenues and transfers	5,657,444	85,501	5,742,945	(45,957)	5,696,988
Excess of revenues and transfers in over expenditures and transfers out	(16,444)	85,501	69,057	(69,057)	-
Change in net assets				235,508	235,508
Fund balances/net assets:					
Beginning of the year, restated	236,159	390,611	626,770	1,171,616	1,798,386
End of the year	<u>\$ 219,715</u>	<u>\$ 476,112</u>	<u>\$ 695,827</u>	<u>\$ 1,338,067</u>	<u>\$ 2,033,894</u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Budget Variance
	Original	Final		Positive (Negative)
Beginning budgetary fund balance	\$ 236,159	\$ 236,159	\$ 236,159	\$ -
Resources (inflows):				
Property taxes	5,422,090	5,422,090	5,415,661	(6,429)
Fire district assistance tax	300,000	300,000	295,923	(4,077)
Charges for services	56,000	56,000	40,807	(15,193)
Ambulance revenue	385,000	385,000	575,415	190,415
Capital grants	-	-	3,794	3,794
Dividend income	-	-	745	745
Interest	6,000	6,000	10,823	4,823
Sale of assets	-	-	-	-
Other income	2,000	2,000	11,986	9,986
Unrealized gain on investment	-	-	553	553
Transfers - internal activities	-	-	(78,247)	(78,247)
Amounts available for appropriation	<u>6,171,090</u>	<u>6,171,090</u>	<u>6,277,460</u>	<u>106,370</u>
Charges to appropriations (outflows):				
Fire protection and emergency services:				
Personnel	\$ 3,862,333	3,862,333	\$ 4,026,577	164,244
Employee benefits	646,589	646,589	531,881	(114,708)
Taxes and insurance	161,255	161,255	171,343	10,088
Administration	247,537	247,537	221,323	(26,214)
Professional services	59,000	59,000	37,562	(21,438)
Utilities and communication	158,274	158,274	160,213	1,939
Insurance	53,520	53,520	55,134	1,614
Repairs and maintenance	205,113	205,113	221,961	16,848
Small tools & equipment	9,550	9,550	18,197	8,647
Ambulance operations	103,500	103,500	95,481	(8,019)
Supplies	5,600	5,600	4,352	(1,248)
Training	47,470	47,470	53,544	6,074
Turnout gear	73,326	73,326	86,304	12,978
Interest	4,000	4,000	4,200	200
Contingency	45,000	45,000	-	(45,000)
Capital outlay	134,300	134,300	296,003	161,703
Debt service:				
Principal payments	307,945	307,945	280,672	(27,273)
Interest payments	46,778	46,778	29,156	(17,622)
Total charges to appropriations	<u>6,171,090</u>	<u>6,171,090</u>	<u>6,293,904</u>	<u>122,814</u>
Ending budgetary fund balance	<u>\$ 236,159</u>	<u>\$ 236,159</u>	<u>\$ 219,715</u>	<u>\$ (16,444)</u>

See accompanying notes to financial statements.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Daisy Mountain Fire District (District) was organized in 1989 pursuant to Title 48 of the Arizona Revised Statutes. The District provides fire protection and rescue services for residents of the New River area.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles as applicable to local governments. The more significant of the District's accounting policies are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not only, criterion for including potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The District does not currently have any potential component units.

Basis of Presentation

The accounts of the District are organized on the basis of funds, 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 are comprised of assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent. The District's funds, which are included in this report, are as follows:

1. General Fund – This fund is established to account for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund – This fund is established to account for the purchase of major capital additions which are not financed by other funds.

The District is engaged in a single governmental program, therefore the government-wide and fund financial statements are combined.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Government-wide Financial Statements: The statement of net assets and statement of activities display information about the reporting government as a whole. It includes all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. They are also financed by program revenue such as charges for services.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Notes 9 and 10 include a reconciliation and brief explanation to better identify the relationship between the government-wide statements and the fund financial statements.

Fund Financial Statements: The fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for using a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and fiduciary. The governmental fund includes the general fund and capital projects fund. The general fund is the primary operating fund of the District and is always classified as a major fund. The only other governmental fund is the capital projects fund and it is also classified as a major fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred, except for general obligation bond principal and interest which are reported when due, and revenues are recognized when they become measurable and available. Measurable means the amount of the transaction that can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes revenue as available if they are collected within sixty days after year end.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

In accordance with the Arizona Revised Statutes, the District is required to adopt an annual operating budget for the general fund. The District is required to approve and submit their budget no later than July 10th. The budget is adopted on a basis consistent with generally accepted accounting principles and appropriations lapse at year end.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded in the period in which the transactions were executed.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments are reported at fair value. Securities owned by the District are traded on a national exchange and valued on the last business day of the fiscal year. See Note 4 for more information.

Taxes and Other Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year end and not yet received. Taxes receivables represent delinquent real and personal property taxes levied within the District. Other receivables are primarily the charges for ambulance services not collected at year end.

Capital Assets

Capital assets, which include property, equipment and vehicles, are reported in the general fund in the government-wide financial statements. Purchased assets are recorded at cost, except those assets for which historical costs were not available and estimated costs were used. Donated capital assets are recorded at fair market value on the date received.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets - continued

The costs of normal repair and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, equipment and vehicles of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	5 to 30 years
Equipment	3 to 10 years
Vehicles	10 years

No depreciation is taken on land or construction in progress.

Equity and Other Credits

In the government-wide financial statements, net assets are the difference between assets and liabilities. Net assets invested in capital assets are capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors. None of the District's net assets are restricted.

In the fund financial statements, governmental fund equity is classified as fund balance. The unreserved fund balance represents the amount available for budgeting future operations. The reserved fund balance represents the amount that has been legally identified for specific purposes.

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 could differ from those estimates.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District's policy regarding compensatory times permits employees to accumulate a maximum of 648 hours of vacation time and 720 hours of sick time. The policy regarding sick pay allows an employee who has accrued the maximum of 720 hours to have the excess dollar value for the time placed into a post employment health plan or receive payment in cash. If the employee elects to receive a cash payment, they will be paid at 50% of the employees' current rate of pay. The vacation policy allows any unused vacation to be paid upon termination at 100% of the employees' current rate of pay. The liability for compensated absences is reported in the government-wide statements as a long-term liability.

NOTE 2 – CASH AND CASH EQUIVALENTS

Amounts classified as cash on June 30, 2005, are described below:

	Bank Balance	Carrying Amount
General Fund		
Funds held by Maricopa County	\$ 164,371	\$ 143,500
Demand deposit	92,805	70,832
	\$ 257,176	\$ 214,332
 Capital Projects Fund		
Funds held by Maricopa County	\$ 476,112	\$ 476,112

Cash is on deposit with the County Treasurer in accordance with Arizona Revised Statutes. Interest earned on these accounts is recorded as revenue in the year it is earned. State statutes require that deposits with financial institutions be insured by the Federal Deposit Insurance Corporation. Deposits in excess of insured amounts shall be collateralized by approved securities.

NOTE 3 – CAPITAL PROJECTS FUND

The Capital Projects Fund was authorized by the board to provide funds from each year's General Fund budget for the replacement, acquisition or construction of major equipment or facilities. It should provide for the replacement of major equipment without the need for assessing large tax increases in any one year.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 4 – INVESTMENTS

The cost and reported market value of investments as of June 30, 2005 are \$21,299. The investments are fully insured by the Securities Investor Protection Corporation (SIPC). The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories. Category 1 includes investments that are insured or registered or for which securities held by the District or its agent are in the District's name. Category 2 includes uninsured or unregistered investments with securities held by the trust department or agent in the District's name. Category 3 includes uninsured or unregistered investments with securities held by the trust department or agent but not in the District's name. All investments held by the District are mutual funds and are considered Category 1 investments.

NOTE 5 – PROPERTY TAXES

Taxes are levied and collected by the Maricopa County Treasurer. Property taxes attach an enforceable lien on the first day of the levy year. Taxes are levied in August and may be paid in two equal installments. The first installment is due in October and the second is due in March of the following year.

Taxes receivable represents the delinquent tax levied against the property taxes within the District. No reserve is made in the financial statements for doubtful accounts because in the event the taxes are not paid, a lien is placed on the property which can be subsequently sold to collect the delinquent taxes. The taxes receivable at June 30, 2005 is \$208,268 which represents property taxes outstanding. The portion of taxes receivable that is not collected within sixty days after the end of the fiscal year is recorded as deferred revenue.

NOTE 6 – AMBULANCE RECEIVABLE

The District considers ambulance revenue as available if collected within ninety days after year end. The ambulance receivable represents the calls invoiced by June 30, 2005 and collected within ninety days after year end. The balance as of June 30, 2005 is \$527,892. No reserve is made in the fund financial statements for doubtful accounts. The portion of the receivable that is not collected within ninety days after the end of the fiscal year is recorded as deferred revenue. In the government-wide statements, a reserve of \$290,000 is reflected as of June 30, 2005.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 7 – CAPITAL ASSETS

The summary of changes in the capital assets is as follows:

	<u>Balance</u> <u>6/30/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2005</u>
Land	\$ 121,066	\$ -	\$ -	\$ 359,000	\$ 480,066
Construction in progress	5,050	101,014			106,064
Buildings	674,301	65,391			739,692
Equipment	878,015	129,598	(66,142)	185,000	1,126,471
Assets under capital lease	<u>2,023,828</u>			<u>(544,000)</u>	<u>1,479,828</u>
	3,702,260	296,003	(66,142)	-	3,932,121
Accumulated depreciation	<u>(855,035)</u>	<u>(263,147)</u>	<u>49,337</u>		<u>(1,068,845)</u>
Capital assets, net	<u>\$ 2,847,225</u>	<u>\$ 32,856</u>	<u>\$ (16,805)</u>	<u>\$ -</u>	<u>\$ 2,863,276</u>

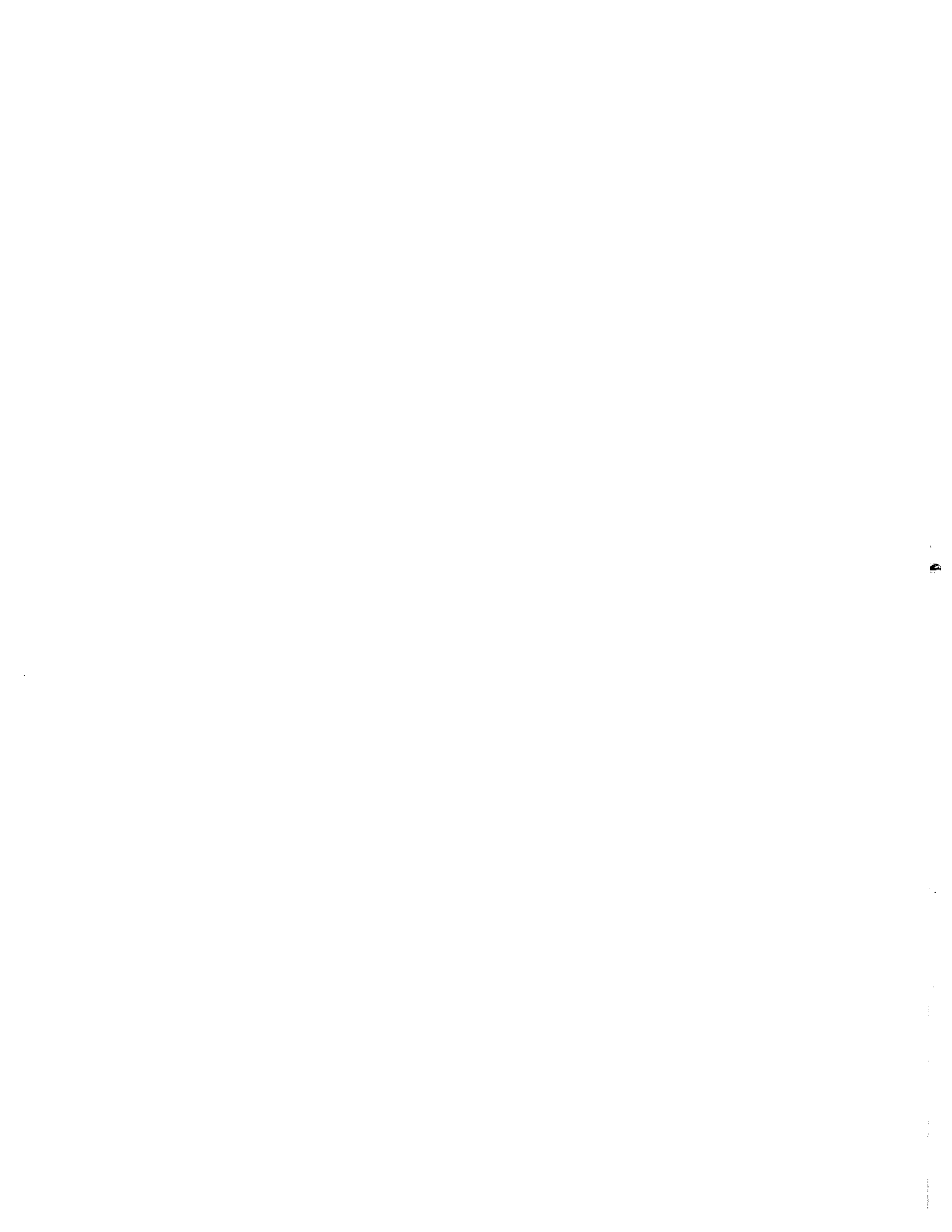
The source of investment in property and equipment is as follows:

Purchased	\$ 2,452,293
Capital lease	<u>1,479,828</u>
	<u>\$ 3,932,121</u>

NOTE 8 – LONG TERM DEBT

Capital Leases

The District is obligated under certain leases which are accounted for as capital leases. The related obligations are accounted for in the Statement of Net Assets. Assets under capital leases totaled \$1,479,828 less accumulated depreciation of \$143,853 at June 30, 2005.



Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 8 – LONG TERM DEBT (Continued)

The description of the capital leases are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance 6/30/2005</u>
Station 141	6.15%	7/2010	\$ 218,677
Station 145	4.70%	2/2010	82,878
800 MHz	6.00%	6/2012	139,125
Tanker	3.45%	1/2014	68,834
Rescue	3.20%	4/2009	116,778
Compressor	3.85%	2/2008	24,069
2 Pumpers	4.00%	3/2014	722,305
			<u>\$ 1,372,666</u>

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2005.

Year Ending <u>June 30</u>	
2006	\$ 234,343
2007	234,840
2008	235,367
2009	227,353
2010	173,399
2011-2014	<u>514,203</u>
Minimum lease payments for all capital leases	1,619,505
Less: Amount representing interest	<u>(246,839)</u>
Present value of minimum lease payments	<u>\$ 1,372,666</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 8 – LONG TERM DEBT (Continued)

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2005, are as follows:

	Balance 6/30/2004	Increases	Decreases	Balance 6/30/2005
Capital leases	\$ 1,653,338	\$ -	\$ (280,672)	\$ 1,372,666
Compensated absences	264,906	118,431		383,337
	<u>\$ 1,918,244</u>	<u>\$ 118,431</u>	<u>\$ (280,672)</u>	<u>\$ 1,756,003</u>

NOTE 9 – RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

Total Government Fund Balances	\$ 695,827
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,863,276
Receivables that are not considered available to pay for current period expenditures are reported as deferred revenue in the funds.	
Taxes receivable	115,152
Ambulance receivables	405,642
In governmental funds, the receivables do not include an allowance for doubtful accounts because the amount is considered available to pay for current obligations. However, in the statement of activities ambulance receivables do include an allowance for doubtful accounts.	(290,000)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Capital leases	(1,372,666)
Compensated absences	(383,337)
Net assets of governmental activities	<u>\$ 2,033,894</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

**NOTE 10 – RECONCILIATION OF THE CHANGES IN FUND BALANCE – TOTAL
GOVERNMENTAL FUNDS TO THE CHANGE IN NET ASSETS OF
GOVERNMENTAL ACTIVITIES**

Net change in fund balances - total government funds	\$	69,057
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenses over the life of the assets.</p>		
Capital assets purchases		296,003
Depreciation expense		(263,147)
Loss on sale of assets		(16,805)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Ambulance services		17,311
Property taxes		(29,152)
<p>Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		280,672
<p>Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(118,431)
Change in net assets of governmental activities	\$	235,508

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 11 – OPERATING LEASE

The District has a cancelable computer aided dispatching service agreement with the City of Phoenix. The current agreement is effective for a period of one year ending June 30, 2005. Rents are paid on a quarterly basis for dispatch and technical services at a cost of \$19,589. Total rent for the year ended June 30, 2005, was \$78,356.

NOTE 12 – COMMITMENTS

The District has a line of credit with Bank One for \$1,500,000. The District did not have a balance as of June 30, 2005.

NOTE 13 – RETIREMENT PLANS

Deferred Compensation Plan

The District has a deferred compensation plan for all personnel. In this plan, employees can designate a percentage of their salary or a specific amount to be deducted from their paychecks. This plan is designed to provide benefits for retirement for any employee who chooses to participate in the plan. The contributions are funded by employees only. The District makes a contribution for administrative personnel only. The contribution is based on 6% of their salary. Total contributions as of June 30, 2005 were \$32,813.

Public Safety Personnel Retirement System

Plan description - In November, 1990, the District entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan, to cover all full-time personnel engaged in fire suppression activities and/or fire support. Under provisions of the Public Safety Retirement System, employee's coverage begins immediately upon commencement of covered employment.

PSPRS issues a publicly available financial report that includes the applicable financial statements and required supplementary information for PSPRS. The report may be obtained by writing to PSPRS, 1020 East Missouri Avenue, Phoenix, Arizona 85014.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 13 – RETIREMENT PLANS (Continued)

Public Safety Personnel Retirement System – continued

Funding policy - For the year ended June 30, 2005, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll. The District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2005, was 8.22% of annual covered payroll. The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates.

Annual Pension Cost – The District's annual and required contributions for the year ended June 30, 2005, were \$397,197. The District's actuarial valuation is for the year ended June 30, 2005. Information related to this valuation follows.

Actuarial valuation date	6/30/2005
Actuarial cost method	Individual entry age
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	6.00% - 9.00%
Includes inflation at	5.00%
Cost of living adjustments	None
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	Smoothed market value

Trend Information - Information for the three most recent actuarial valuations follows.

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percent</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2005	\$ 397,197	100%	\$ -
June 30, 2004	240,272	100%	-
June 30, 2003	164,331	100%	-

**AMBULANCE REVENUE and COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY**

**Arizona Department of Health Services
Annual Ambulance Financial Report**

**Daisy Mountain Fire District
Reporting Ambulance Service**

Address: 515 E Carefree Hwy PMB #385
City: Phoenix AZ Zip: 85085

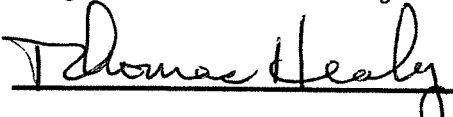
Report Fiscal Year

From: July 1, 2004 To: June 30, 2005
Mo. Day Year Mo. Day Year

I hereby verify that I have directed the preparation of the enclosed annual report in accordance with the reporting requirements of the State of Arizona.

I have read this report and hereby verify that the information provided is true and correct to the best of my knowledge.

This report has been prepared using the accrual basis of accounting.

Authorized Signature:  Date: December 19, 2005
Print Name and Title: Thomas Healy / Fire Chief
Phone: 623-465-7400

Mail to:
Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
Phoenix, AZ 85007-3248
Telephone: (602) 364-3150
Fax: (602) 364-3567

COPY

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

Daisy Mountain Fire District

FOR THE PERIOD

FROM: July 1, 2004

TO: June 30, 2005

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:	-	-	836	836
2	Number of BLS Billable Transports:	-	-	172	172
3	Number of Loaded Billable Miles:	-	-	16,542	16,542
4	Waiting Time (Hr. & Min.):	-	-	-	-
5	Canceled (Non-Billable) Runs:				452

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue				\$ 543,400
7	BLS Base Rate Revenue				111,800
8	Mileage Charge Revenue				179,223
9	Waiting Charge Revenue				-
10	Medical Supplies Charge Revenue				-
11	Nurses Charge Revenue				-
12	Standby Charge Revenue (Attach Schedule)				-
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE	(Post to Page 3, Line 1)			\$ 834,423

SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:

		\$	** No. of FTE's
14	Management	114,587	1.9
15	Paramedics and IEMTs	432,646	6.3
16	Emergency Medical Technician (EMT)	278,889	6.3
17	Other Personnel	64,097	2.0
18	Payroll Taxes and Fringe Benefits - All Personnel	222,555	16.5
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)	1,112,774	16.5

* This column reports only those runs where a contracted discount rate was applied.

** Full-time equivalents (F.T.E.) is the sum of all hours for which employees wages were paid during the year divided by 2080.

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

Daisy Mountain Fire District

FOR THE PERIOD

FROM: July 1, 2004

TO: June 30, 2005

SCHEDULE OF REVENUES AND EXPENSES

Line No.	<u>DESCRIPTION</u>		
Operating Revenues:			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	\$ <u>834,423</u>
Settlement Amounts:			
2	AHCCCS		<u>21,887</u>
3	Medicare		<u>78,284</u>
4	Subscription Service		<u>0</u>
5	Contractual		<u>0</u>
6	Other		<u>2,324</u>
7	Total	(Sum of Lines 2 through 6)	<u>102,495</u>
8	Total Operating Revenue	(Line 1 minus Line 7)	\$ <u>731,928</u>
Operating Expenses:			
9	Bad Debt		\$ <u>179,825</u>
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)	<u>1,112,774</u>
11	Professional Services		<u>37,328</u>
12	Travel and Entertainment		<u>6,182</u>
13	Other General Administrative		<u>30,015</u>
14	Depreciation		<u>42,663</u>
15	Rent / Leasing		<u>0</u>
16	Building / Station		<u>13,777</u>
17	Vehicle Expense		<u>25,650</u>
18	Other Operating Expense		<u>91,767</u>
19	Cost of Medical Supplies Charged to Patients		<u>0</u>
20	Interest		<u>5,663</u>
21	Subscription Service Sales Expense		<u>0</u>
22	Total Operating Expense	(Sum of Lines 9 through 21)	<u>1,545,644</u>
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	\$ <u>(813,716)</u>
24	Subscription Contract Sales		<u>0</u>
25	Other Operating Revenue		<u>813,716</u>
26	Local Supportive Funding		<u>0</u>
27	Other Non-Operating Income (Attach Schedule)		<u>0</u>
28	Other Non-Operating Expense (Attach Schedule)		<u>0</u>
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	\$ <u>0</u>
Provision for Income Taxes:			
30	Federal Income Tax		<u> </u>
31	State Income Tax		<u> </u>
32	Total Income Tax	(Line 30, plus Line 31)	<u> </u>
33	Ambulance Service Net Income (Loss)	(Line 29, minus Line 32)	<u> </u>

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: _____ Daisy Mountain Fire District

FOR THE PERIOD FROM: July 1, 2004 TO: June 30, 2005

BALANCE SHEET PLEASE SEE ATTACHED AUDIT

ASSETS

CURRENT ASSETS

1	Cash	\$		
2	Accounts Receivable			
3	Less: Allowance for Doubtful Accounts			
4	Inventory			
5	Prepaid Expense			
6	Other Current Assets			
7	TOTAL CURRENT ASSETS			\$

9	PROPERTY & EQUIPMENT			
10	Less: Accumulated Depreciation			

11 OTHER NON CURRENT ASSETS

12 **TOTAL ASSETS** \$

LIABILITIES & EQUITY

CURRENT LIABILITIES

13	Accounts Payable	\$		
14	Current Portion of Notes Payable			
15	Current Portion of Long-Term Debt			
16	Deferred Subscription Income			
17	Accrued Expenses and Other			
18			
19			
20	TOTAL CURRENT LIABILITIES			\$

21 NOTES PAYABLE

22 LONG-TERM DEBT, OTHER

23 **TOTAL LONG-TERM DEBT**

EQUITY & OTHER CREDITS

Paid-In Capital:

24	Common Stock			
25	Paid-In Capital in Excess of Par Value			
26	Contributed Capital			
27	Retained Earnings			
28			-
29			-
30	Fund Balance			-
31	TOTAL EQUITY			\$

32 **TOTAL LIABILITIES & EQUITY** \$

AMBULANCE REVENUE AND COST REPORT

AMBULANCE SERVICE ENTITY: _____ **Daisy Mountain Fire District**

FOR THE PERIOD **FROM:** July 1, 2004 **TO:** June 30, 2005

STATEMENT OF CASH FLOWS

PLEASE SEE ATTACHED AUDIT

OPERATING ACTIVITIES:

1	Net (loss) Income	\$ _____	
	<i>Adjustments to Reconcile Net Income to Net Cash</i>		
	<i>Provided by Operating Activities:</i> Note: a increase in these accounts improves cash flow		
2	Depreciation Expense	_____	
3	Deferred Income Tax	_____	
4	Loss (gain) on Disposal of Property & Equipment	_____	
	<i>(Increase) Decrease in:</i> Note: a decrease in these accounts improves cash flow		
5	Accounts Receivable	_____	
6	Inventories	_____	
7	Prepaid Expenses	_____	
	<i>Increase (Decrease) in:</i> Note: a increase in these accounts improves cash flow		
8	Accounts Payable	_____	
9	Accrued Expenses	_____	
10	Deferred Subscription Income	_____	
11	NET CASH PROVIDED (Used) BY OPERATING ACTIVITIES	\$ _____	

INVESTING ACTIVITIES:

12	Purchases of Property & Equipment	_____	
13	Proceeds from Disposal of Property & Equipment	_____	
14	Purchases of Investments	_____	
15	Proceeds from Disposal of Investments	_____	
16	Loans Made	_____	
17	Collections on Loans	_____	
18	Other	_____	
19	NET CASH PROVIDED (Used) BY INVESTING ACTIVITIES	_____	

FINANCING ACTIVITIES:

<i>New Borrowings:</i>			
20	Long-Term	_____	
21	Short-Term	_____	
<i>Debt Reduction:</i>			
22	Long-Term	_____	
23	Short-Term	_____	
24	Capital Contributions	_____	
25	Dividends Paid	\$ _____	
26	NET CASH PROVIDED (Used) BY FINANCING ACTIVITIES	_____	
27	NET INCREASE (Decrease) IN CASH	_____	
28	CASH AT BEGINNING OF YEAR	_____	
29	CASH AT END OF YEAR	_____	

SUPPLEMENTAL DISCLOSURES:

<i>Non-cash Investing and Financing Transactions:</i>			
30	_____	_____	
31	_____	_____	
32	_____	_____	
33	Interest Paid (Net of Amounts Capitalized)	_____	
34	Income Taxes Paid	\$ _____	

FINANCIAL STATEMENTS
DAISY MOUNTAIN FIRE DISTRICT
JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Board Members
Daisy Mountain Fire District
Phoenix, AZ

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Daisy Mountain Fire District, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Daisy Mountain Fire District, as of June 30, 2005, and the changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 7, are 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. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Angela D. Bertram CPA

Angela D. Bertram, CPA

Glendale, Arizona
November 25, 2005

DAISY MOUNTAIN FIRE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Daisy Mountain Fire District, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District's performance during the fiscal year ending June 30, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Daisy Mountain Fire District exceeded its liabilities at the close of the most recent fiscal year by \$2,033,894 (*net assets*). Of this amount, \$404,159 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$235,508. This increase is available for future operations and major improvements or equipment.
- The District hired nine (9) new fulltime employees during the fiscal year, bringing the total number of employees to seventy-three (73) full-time employees, and one (1) part-time employee. The District also hired twenty-four (24) Reserve Firefighters who are paid-per-call. After attrition and hiring for fulltime, the number of Reserve Firefighters totaled thirty (30) in this fiscal year.
- The District participated in the Public Safety Personnel Retirement System (PSPRS).
- During the fiscal year, the District also obtained grants to supplement the existing budget; and continued upgrading the equipment and facilities.
- During the fiscal year, the District provided training for employees and continued to implement various education and community service programs.
- The District strives to provide the best possible service while minimizing the tax rate.

Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the accountant's review report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The District is a special-purpose government that has a single governmental program. Therefore, the fund and government-wide financial statements are being presented together in the same financial statements.

The balance sheet and statement of net assets present information on all of the District's assets and liabilities. The "Adjustments" column displays the changes needed to adjust the line items in the balance sheet to the line items in the statement of net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets, without a corresponding increase to liabilities, result in increased net assets, which indicates an improved financial position.

The governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are also presented together in the same financial statement. This statement presents information showing how a government's net assets changed during the fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its ad valorem taxes, ambulance revenues and mutual-aid agreements.

The District is the trustee, or *fiduciary*, for certain funds held on behalf of the Daisy Mountain Fire District. The District's fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in fiduciary net assets. We exclude this activity from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes.

The District has elected to report the budgetary comparison information in the basic financial statements. This schedule provides data on the District's operations and compares actual amounts with budgeted amounts.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one measure of financial health or financial position. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

To begin our analysis, we present a summary of the District's Statement of Net Assets.

	June 30, 2005	June 30, 2004
Current and other assets	\$1,157,903	\$1,008,197
Capital assets	\$2,863,276	\$2,847,225
Total assets	\$4,021,179	\$3,855,422
Current and other liabilities	\$ 706,034	\$ 614,311
Long-term liabilities	\$1,281,251	\$1,452,725
Total liabilities	\$1,987,285	\$2,067,036
Net assets:		
Invested in capital assets	\$1,629,735	\$1,348,648
(net of related debt)		
Unrestricted assets	\$ 404,159	\$ 439,738
Total net assets	\$2,033,894	\$1,788,386

In the past, the largest portion of the District's net assets reflects its investment in capital assets (e.g. vehicles, equipment, buildings, etc.). The District uses these capital assets to provide services and, consequently, these assets are not available to liquidate liabilities or other spending. In the current fiscal year, the increase in cash and investments is comparable to the increase in net assets. There are no restricted net assets and the unrestricted net assets are available for future operations. The District plans to use a significant portion of the unrestricted net assets to begin building two (2) new fire stations and for purchasing equipment.

As noted in the following table, the operating expenses and revenues and non-operating revenues all increased over the prior year. The primary reason for the increase in operating revenues is because there was a significant decrease in ambulance write offs in the current year. Most of the increase in operating expenses is for personnel and benefits. The District has increased the wage scale for the full-time personnel and has concentrated on providing wages and benefits comparable to other employers in the Phoenix metropolitan area.

	June 30, 2005	June 30, 2004
Operating revenues	\$ 637,327	\$ 355,799
Operating expenses	\$6,098,807	\$4,735,092
Loss from operations	\$5,461,480	\$4,379,293
Net non-operating revenues		
Ad valorem taxes & FDAT	\$5,682,432	\$4,398,091
Investment earnings	\$ 19,375	\$ 14,362
Miscellaneous	\$ 2,570	\$ -12,815
Net non-operating revenue	\$5,696,988	\$4,399,638
Changes in net assets	\$ 235,508	\$ 20,345
Net assets, beginning of year	\$1,798,386	\$1,768,041
Net assets, end of year	\$2,033,894	\$1,788,386

The expenditure budget adopted prior to the beginning of the fiscal year was not amended during the year. Over the years, the District has expended less than budgeted, resulting in a carryover of funds available for current and future expenditures. The District minimizes the tax rate by utilizing monies collected in prior years while reserving a portion of the funds for major purchases.

The difference in the June 30, 2004 end-of-year net assets and the June 30, 2005 beginning-of-year net assets was a result of the restatement of \$10,000 for accrued leave in the budget.

Capital Assets and Debt Administration

The District's investment in capital assets amounts to \$2,863,276, net of accumulated depreciation, as of June 30, 2004, which is an increase of \$16,051 over the prior year. Capital assets include emergency vehicles, buildings, improvements other than buildings, equipment and furniture. During the current fiscal year, the major additions include two new vehicles (one front-line Battalion truck, and one Staff vehicle), upgrades to computer equipment and shop equipment and the construction in progress on general improvements to the facilities.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Administrative Manager, Daisy Mountain Fire District, 515 E. Carefree Hwy., PMB #385, Phoenix, AZ 85085.

DAISY MOUNTAIN FIRE DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET ASSETS
JUNE 30, 2005

	General Fund	Capital Projects Fund	Total	Adjustments (Note 9)	Statement of Net Assets
ASSETS					
Cash	\$ 214,332	\$ 476,112	\$ 690,444	\$ -	\$ 690,444
Taxes receivable	208,268		208,268		208,268
Ambulance receivables	527,892		527,892	(290,000)	237,892
Investments	21,299		21,299		21,299
Capital assets:					
Land				480,066	480,066
Construction in progress				106,064	106,064
Property & Equipment, net				2,277,146	2,277,146
Total assets	\$ 971,791	\$ 476,112	\$1,447,903	\$2,573,276	\$ 4,021,179
LIABILITIES					
Accounts payable	\$ 66,587	\$ -	\$ 66,587	\$ -	\$ 66,587
Accrued expenses	164,695		164,695		164,695
Deferred revenue	520,794		520,794	(520,794)	-
Noncurrent liabilities:					
Due within one year					
Compensated absences				240,409	240,409
Capital leases				234,343	234,343
Due in more than one year					
Compensated absences				142,928	142,928
Capital leases				1,138,323	1,138,323
Total liabilities	752,076	-	752,076	1,235,209	1,987,285
FUND BALANCES/NET ASSETS					
Fund balances:					
Unreserved	219,715	476,112	695,827	(695,827)	-
Total fund balances	219,715	476,112	695,827	(695,827)	-
Total liabilities and fund balances	\$ 971,791	\$ 476,112	\$1,447,903	\$ 539,382	
Net assets:					
Invested in capital assets, net of related debt				1,629,735	1,629,735
Unrestricted				404,159	404,159
Total net assets				\$2,033,894	\$ 2,033,894

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Capital Projects Fund	Total	Adjustments (Note 10)	Statement of Activities
EXPENDITURES/EXPENSES:					
Fire protection and emergency services:					
Personnel	\$ 4,026,577	\$ -	\$ 4,026,577	\$ 118,431	\$ 4,145,008
Employee benefits	531,881		531,881		531,881
Taxes and insurance	171,343		171,343		171,343
Administration	221,323		221,323		221,323
Professional services	37,562		37,562		37,562
Utilities and communication	160,213		160,213		160,213
Insurance	55,134		55,134		55,134
Repairs and maintenance	221,962		221,962		221,962
Small tools & equipment	18,197		18,197		18,197
Ambulance operations	95,481		95,481		95,481
Supplies	4,352		4,352		4,352
Training	53,544		53,544		53,544
Turnout gear	86,304		86,304		86,304
Interest	4,200		4,200		4,200
Contingency	-		-		-
Capital outlay	296,003		296,003	(32,856)	263,147
Debt service:					
Principal payments	280,672		280,672	(280,672)	-
Interest payments	29,156		29,156		29,156
Total expenditures/ expenses	6,293,904	-	6,293,904	(195,097)	6,098,807
PROGRAM REVENUES:					
Charges for services	40,807		40,807		40,807
Ambulance revenue	575,415		575,415	17,311	592,726
Operating grants	3,794		3,794		3,794
Total program revenues	620,016	-	620,016	17,311	637,327
Net program expense					5,461,480
GENERAL REVENUES:					
Property taxes	5,415,661		5,415,661	(29,152)	5,386,509
Fire district assistance tax	295,923		295,923		295,923
Interest	10,823	7,254	18,077		18,077
Dividend income	745		745		745
Sale of assets	-		-	(16,805)	(16,805)
Other income	11,986		11,986		11,986
Unrealized gain on investment	553		553		553

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Capital Projects Fund	Total	Adjustments (Note 10)	Statement of Activities
Transfers - internal activities	(78,247)	78,247	-		-
Total general revenues and transfers	5,657,444	85,501	5,742,945	(45,957)	5,696,988
Excess of revenues and transfers in over expenditures and transfers out	(16,444)	85,501	69,057	(69,057)	-
Change in net assets				235,508	235,508
Fund balances/net assets:					
Beginning of the year, restated	236,159	390,611	626,770	1,171,616	1,798,386
End of the year	\$ 219,715	\$ 476,112	\$ 695,827	\$ 1,338,067	\$ 2,033,894

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Budget Variance
	Original	Final		Positive (Negative)
Beginning budgetary fund balance	\$ 236,159	\$ 236,159	\$ 236,159	\$ -
Resources (inflows):				
Property taxes	5,422,090	5,422,090	5,415,661	(6,429)
Fire district assistance tax	300,000	300,000	295,923	(4,077)
Charges for services	56,000	56,000	40,807	(15,193)
Ambulance revenue	385,000	385,000	575,415	190,415
Capital grants	-	-	3,794	3,794
Dividend income	-	-	745	745
Interest	6,000	6,000	10,823	4,823
Sale of assets	-	-	-	-
Other income	2,000	2,000	11,986	9,986
Unrealized gain on investment	-	-	553	553
Transfers - internal activities	-	-	(78,247)	(78,247)
Amounts available for appropriation	<u>6,171,090</u>	<u>6,171,090</u>	<u>6,277,460</u>	<u>106,370</u>
Charges to appropriations (outflows):				
Fire protection and emergency services:				
Personnel	\$ 3,862,333	3,862,333	\$ 4,026,577	164,244
Employee benefits	646,589	646,589	531,881	(114,708)
Taxes and insurance	161,255	161,255	171,343	10,088
Administration	247,537	247,537	221,323	(26,214)
Professional services	59,000	59,000	37,562	(21,438)
Utilities and communication	158,274	158,274	160,213	1,939
Insurance	53,520	53,520	55,134	1,614
Repairs and maintenance	205,113	205,113	221,961	16,848
Small tools & equipment	9,550	9,550	18,197	8,647
Ambulance operations	103,500	103,500	95,481	(8,019)
Supplies	5,600	5,600	4,352	(1,248)
Training	47,470	47,470	53,544	6,074
Turnout gear	73,326	73,326	86,304	12,978
Interest	4,000	4,000	4,200	200
Contingency	45,000	45,000	-	(45,000)
Capital outlay	134,300	134,300	296,003	161,703
Debt service:				
Principal payments	307,945	307,945	280,672	(27,273)
Interest payments	46,778	46,778	29,156	(17,622)
Total charges to appropriations	<u>6,171,090</u>	<u>6,171,090</u>	<u>6,293,904</u>	<u>122,814</u>
Ending budgetary fund balance	<u>\$ 236,159</u>	<u>\$ 236,159</u>	<u>\$ 219,715</u>	<u>\$ (16,444)</u>

See accompanying notes to financial statements.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Daisy Mountain Fire District (District) was organized in 1989 pursuant to Title 48 of the Arizona Revised Statutes. The District provides fire protection and rescue services for residents of the New River area.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles as applicable to local governments. The more significant of the District's accounting policies are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not only, criterion for including potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The District does not currently have any potential component units.

Basis of Presentation

The accounts of the District are organized on the basis of funds, 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 are comprised of assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent. The District's funds, which are included in this report, are as follows:

1. General Fund – This fund is established to account for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund – This fund is established to account for the purchase of major capital additions which are not financed by other funds.

The District is engaged in a single governmental program, therefore the government-wide and fund financial statements are combined.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Government-wide Financial Statements: The statement of net assets and statement of activities display information about the reporting government as a whole. It includes all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. They are also financed by program revenue such as charges for services.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Notes 9 and 10 include a reconciliation and brief explanation to better identify the relationship between the government-wide statements and the fund financial statements.

Fund Financial Statements: The fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for using a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and fiduciary. The governmental fund includes the general fund and capital projects fund. The general fund is the primary operating fund of the District and is always classified as a major fund. The only other governmental fund is the capital projects fund and it is also classified as a major fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred, except for general obligation bond principal and interest which are reported when due, and revenues are recognized when they become measurable and available. Measurable means the amount of the transaction that can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes revenue as available if they are collected within sixty days after year end.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

In accordance with the Arizona Revised Statutes, the District is required to adopt an annual operating budget for the general fund. The District is required to approve and submit their budget no later than July 10th. The budget is adopted on a basis consistent with generally accepted accounting principles and appropriations lapse at year end.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded in the period in which the transactions were executed.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments are reported at fair value. Securities owned by the District are traded on a national exchange and valued on the last business day of the fiscal year. See Note 4 for more information.

Taxes and Other Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year end and not yet received. Taxes receivables represent delinquent real and personal property taxes levied within the District. Other receivables are primarily the charges for ambulance services not collected at year end.

Capital Assets

Capital assets, which include property, equipment and vehicles, are reported in the general fund in the government-wide financial statements. Purchased assets are recorded at cost, except those assets for which historical costs were not available and estimated costs were used. Donated capital assets are recorded at fair market value on the date received.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets - continued

The costs of normal repair and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, equipment and vehicles of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	5 to 30 years
Equipment	3 to 10 years
Vehicles	10 years

No depreciation is taken on land or construction in progress.

Equity and Other Credits

In the government-wide financial statements, net assets are the difference between assets and liabilities. Net assets invested in capital assets are capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors. None of the District's net assets are restricted.

In the fund financial statements, governmental fund equity is classified as fund balance. The unreserved fund balance represents the amount available for budgeting future operations. The reserved fund balance represents the amount that has been legally identified for specific purposes.

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 could differ from those estimates.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District's policy regarding compensatory times permits employees to accumulate a maximum of 648 hours of vacation time and 720 hours of sick time. The policy regarding sick pay allows an employee who has accrued the maximum of 720 hours to have the excess dollar value for the time placed into a post employment health plan or receive payment in cash. If the employee elects to receive a cash payment, they will be paid at 50% of the employees' current rate of pay. The vacation policy allows any unused vacation to be paid upon termination at 100% of the employees' current rate of pay. The liability for compensated absences is reported in the government-wide statements as a long-term liability.

NOTE 2 – CASH AND CASH EQUIVALENTS

Amounts classified as cash on June 30, 2005, are described below:

	Bank Balance	Carrying Amount
General Fund		
Funds held by Maricopa County	\$ 164,371	\$ 143,500
Demand deposit	92,805	70,832
	\$ 257,176	\$ 214,332
Capital Projects Fund		
Funds held by Maricopa County	\$ 476,112	\$ 476,112

Cash is on deposit with the County Treasurer in accordance with Arizona Revised Statutes. Interest earned on these accounts is recorded as revenue in the year it is earned. State statutes require that deposits with financial institutions be insured by the Federal Deposit Insurance Corporation. Deposits in excess of insured amounts shall be collateralized by approved securities.

NOTE 3 – CAPITAL PROJECTS FUND

The Capital Projects Fund was authorized by the board to provide funds from each year's General Fund budget for the replacement, acquisition or construction of major equipment or facilities. It should provide for the replacement of major equipment without the need for assessing large tax increases in any one year.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 4 – INVESTMENTS

The cost and reported market value of investments as of June 30, 2005 are \$21,299. The investments are fully insured by the Securities Investor Protection Corporation (SIPC). The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories. Category 1 includes investments that are insured or registered or for which securities held by the District or its agent are in the District's name. Category 2 includes uninsured or unregistered investments with securities held by the trust department or agent in the District's name. Category 3 includes uninsured or unregistered investments with securities held by the trust department or agent but not in the District's name. All investments held by the District are mutual funds and are considered Category 1 investments.

NOTE 5 – PROPERTY TAXES

Taxes are levied and collected by the Maricopa County Treasurer. Property taxes attach an enforceable lien on the first day of the levy year. Taxes are levied in August and may be paid in two equal installments. The first installment is due in October and the second is due in March of the following year.

Taxes receivable represents the delinquent tax levied against the property taxes within the District. No reserve is made in the financial statements for doubtful accounts because in the event the taxes are not paid, a lien is placed on the property which can be subsequently sold to collect the delinquent taxes. The taxes receivable at June 30, 2005 is \$208,268 which represents property taxes outstanding. The portion of taxes receivable that is not collected within sixty days after the end of the fiscal year is recorded as deferred revenue.

NOTE 6 – AMBULANCE RECEIVABLE

The District considers ambulance revenue as available if collected within ninety days after year end. The ambulance receivable represents the calls invoiced by June 30, 2005 and collected within ninety days after year end. The balance as of June 30, 2005 is \$527,892. No reserve is made in the fund financial statements for doubtful accounts. The portion of the receivable that is not collected within ninety days after the end of the fiscal year is recorded as deferred revenue. In the government-wide statements, a reserve of \$290,000 is reflected as of June 30, 2005.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 7 – CAPITAL ASSETS

The summary of changes in the capital assets is as follows:

	Balance 6/30/2004	Additions	Deletions	Transfers	Balance 6/30/2005
Land	\$ 121,066	\$ -	\$ -	\$ 359,000	\$ 480,066
Construction in progress	5,050	101,014			106,064
Buildings	674,301	65,391			739,692
Equipment	878,015	129,598	(66,142)	185,000	1,126,471
Assets under capital lease	2,023,828			(544,000)	1,479,828
	3,702,260	296,003	(66,142)	-	3,932,121
Accumulated depreciation	(855,035)	(263,147)	49,337		(1,068,845)
Capital assets, net	<u>\$ 2,847,225</u>	<u>\$ 32,856</u>	<u>\$ (16,805)</u>	<u>\$ -</u>	<u>\$ 2,863,276</u>

The source of investment in property and equipment is as follows:

Purchased	\$ 2,452,293
Capital lease	1,479,828
	<u>\$ 3,932,121</u>

NOTE 8 – LONG TERM DEBT

Capital Leases

The District is obligated under certain leases which are accounted for as capital leases. The related obligations are accounted for in the Statement of Net Assets. Assets under capital leases totaled \$1,479,828 less accumulated depreciation of \$143,853 at June 30, 2005.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 8 – LONG TERM DEBT (Continued)

The description of the capital leases are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance 6/30/2005</u>
Station 141	6.15%	7/2010	\$ 218,677
Station 145	4.70%	2/2010	82,878
800 MHz	6.00%	6/2012	139,125
Tanker	3.45%	1/2014	68,834
Rescue	3.20%	4/2009	116,778
Compressor	3.85%	2/2008	24,069
2 Pumpers	4.00%	3/2014	722,305
			<u>\$ 1,372,666</u>

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2005.

Year Ending <u>June 30</u>	
2006	\$ 234,343
2007	234,840
2008	235,367
2009	227,353
2010	173,399
2011-2014	514,203
Minimum lease payments for all capital leases	<u>1,619,505</u>
Less: Amount representing interest	(246,839)
Present value of minimum lease payments	<u>\$ 1,372,666</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 8 – LONG TERM DEBT (Continued)

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2005, are as follows:

	Balance 6/30/2004	Increases	Decreases	Balance 6/30/2005
Capital leases	\$ 1,653,338	\$ -	\$ (280,672)	\$ 1,372,666
Compensated absences	264,906	118,431		383,337
	\$ 1,918,244	\$ 118,431	\$ (280,672)	\$ 1,756,003

**NOTE 9 – RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

Total Government Fund Balances	\$ 695,827
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,863,276
Receivables that are not considered available to pay for current period expenditures are reported as deferred revenue in the funds.	
Taxes receivable	115,152
Ambulance receivables	405,642
In governmental funds, the receivables do not include an allowance for doubtful accounts because the amount is considered available to pay for current obligations. However, in the statement of activities ambulance receivables do include an allowance for doubtful accounts.	(290,000)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Capital leases	(1,372,666)
Compensated absences	(383,337)
Net assets of governmental activities	\$ 2,033,894

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

**NOTE 10 – RECONCILIATION OF THE CHANGES IN FUND BALANCE – TOTAL
GOVERNMENTAL FUNDS TO THE CHANGE IN NET ASSETS OF
GOVERNMENTAL ACTIVITIES**

Net change in fund balances - total government funds	\$	69,057
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenses over the life of the assets.

Capital assets purchases		296,003
Depreciation expense		(263,147)
Loss on sale of assets		(16,805)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Ambulance services		17,311
Property taxes		(29,152)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

280,672

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(118,431)

Change in net assets of governmental activities

	\$	235,508
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Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 11 – OPERATING LEASE

The District has a cancelable computer aided dispatching service agreement with the City of Phoenix. The current agreement is effective for a period of one year ending June 30, 2005. Rents are paid on a quarterly basis for dispatch and technical services at a cost of \$19,589. Total rent for the year ended June 30, 2005, was \$78,356.

NOTE 12 – COMMITMENTS

The District has a line of credit with Bank One for \$1,500,000. The District did not have a balance as of June 30, 2005.

NOTE 13 – RETIREMENT PLANS

Deferred Compensation Plan

The District has a deferred compensation plan for all personnel. In this plan, employees can designate a percentage of their salary or a specific amount to be deducted from their paychecks. This plan is designed to provide benefits for retirement for any employee who chooses to participate in the plan. The contributions are funded by employees only. The District makes a contribution for administrative personnel only. The contribution is based on 6% of their salary. Total contributions as of June 30, 2005 were \$32,813.

Public Safety Personnel Retirement System

Plan description - In November, 1990, the District entered into a Joinder Agreement with the Arizona State Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan, to cover all full-time personnel engaged in fire suppression activities and/or fire support. Under provisions of the Public Safety Retirement System, employee's coverage begins immediately upon commencement of covered employment.

PSPRS issues a publicly available financial report that includes the applicable financial statements and required supplementary information for PSPRS. The report may be obtained by writing to PSPRS, 1020 East Missouri Avenue, Phoenix, Arizona 85014.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 13 – RETIREMENT PLANS (Continued)

Public Safety Personnel Retirement System – continued

Funding policy - For the year ended June 30, 2005, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll. The District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2005, was 8.22% of annual covered payroll. The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates.

Annual Pension Cost – The District's annual and required contributions for the year ended June 30, 2005, were \$397,197. The District's actuarial valuation is for the year ended June 30, 2005. Information related to this valuation follows.

Actuarial valuation date	6/30/2005
Actuarial cost method	Individual entry age
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	6.00% - 9.00%
Includes inflation at	5.00%
Cost of living adjustments	None
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	Smoothed market value

Trend Information - Information for the three most recent actuarial valuations follows.

Fiscal Year Ended	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
June 30, 2005	\$ 397,197	100%	\$ -
June 30, 2004	240,272	100%	-
June 30, 2003	164,331	100%	-

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 13 – RETIREMENT PLANS (Continued)

Public Safety Personnel Retirement System – continued

Funding progress - An analysis of funding progress follows.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2005	\$ 3,622,921	\$ 3,872,334	\$ 249,413	93.6%	\$ 3,919,235	6.4%
6/30/2004	2,603,382	2,424,558	(178,824)	107.4%	2,859,938	0.0%
6/30/2003	1,980,361	1,877,327	(103,034)	105.5%	2,253,414	0.0%

NOTE 14 – PRIOR PERIOD ADJUSTMENT

In the prior year, there was an expense recorded for accrued leave in the amount of \$10,000, however, it should have been recorded as an investment.

Beginning net assets	\$ 1,788,386
Prior period adjustment	10,000
Beginning net assets, restated	<u>\$ 1,798,386</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2005

NOTE 13 – RETIREMENT PLANS (Continued)

Public Safety Personnel Retirement System – continued

Funding progress - An analysis of funding progress follows.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2005	\$ 3,622,921	\$ 3,872,334	\$ 249,413	93.6%	\$ 3,919,235	6.4%
6/30/2004	2,603,382	2,424,558	(178,824)	107.4%	2,859,938	0.0%
6/30/2003	1,980,361	1,877,327	(103,034)	105.5%	2,253,414	0.0%

NOTE 14 – PRIOR PERIOD ADJUSTMENT

In the prior year, there was an expense recorded for accrued leave in the amount of \$10,000, however, it should have been recorded as an investment.

Beginning net assets	\$ 1,788,386
Prior period adjustment	10,000
Beginning net assets, restated	<u>\$ 1,798,386</u>

**Daisy Mountain Fire District
Boundary Change List
Fiscal Year 2004 - 2005**

Resolution #	Resolution Date	Address	Parcel #	
166	8/23/2004	14 W Summerset Dr. Phoenix, AZ 85085	211-24-027Z	
167	8/23/2004	32 W Summerset Dr. Phoenix, AZ 85085	211-24-027Y	
168	10/25/2004	1815 E Joy Ranch Phoenix, AZ 85086	211-69-096	
169	10/25/2004	37505 N 17th St Phoenix, AZ 85086	211-69-001U	
171	11/29/2004	37509 N 16th St Phoenix, AZ 85086	211-69-001X	
172	2/28/2005	37420 N 24th St Phoenix, AZ 85086	211-69-028D	
173	2/28/2005	37408 N 24th St Phoenix, AZ 85086	211-69-028C	
174	2/28/2005	36424 N 27th St Cave Creek, AZ 85331	211-67-057B	
175	3/28/2005	2410 E Tanya Cave Creek, AZ 85331	211-66-009	
176	3/28/2005	26th Street N of Tanya Cave Creek, AZ 85331	211-66-001X	
177	3/28/2005	26th Street & Tanya Cave Creek, AZ 85331	211-66-001Y	
178	3/28/2005	37327 N 16th St Phoenix, AZ 85086	211-69-004U	
179	4/25/2005	37405 N 27th Way Cave Creek, AZ 85331	211-67-012C	
180	4/25/2005	37219 N 26th St Cave Creek, AZ 85331	211-67-021D	
185	5/23/2005	36317 N 24th St Phoenix, AZ 85086	211-67-062	
186	5/27/2005	37409 N 24th St Cave Creek, AZ 85331	211-67-005D	

NOTES: RES. #170 - Authorization of 2003 Fire Code Election
RES. #181 - Adoption of 2003 Fire Code
RES. #182 - Adoption of Fire Marshal Fee Schedule
RES. #183 - Application to US Fire Administration for 2005 Assist. To Firefighters Grant
RES. #184 - Submitting projects HWY Traffic Safety Administration Reimbursement Grant

**Daisy Mountain Fire District
Boundary Change List
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