

FINANCIAL STATEMENTS
DAISY MOUNTAIN FIRE DISTRICT
JUNE 30, 2006

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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, 2006, 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, 2006, 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 26, 2006

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, 2006. 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 \$3,081,825 (*net assets*). Of this amount, \$1,216,397 (*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 \$1,049,001. This increase is available for future operations and major improvements or equipment.
- The District hired thirteen (13) new fulltime employees during the fiscal year, bringing the total number to eighty-six (86) full-time employees. The District also hired twelve (12) Reserve Firefighters who are paid-per-call. After attrition and hiring for fulltime, the number of Reserve Firefighters totaled fourteen (14) 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, 2006	June 30, 2005
Current and other assets	\$2,084,106	\$1,157,903
Capital assets	\$4,696,372	\$2,862,206
Total assets	\$6,780,653	\$4,020,109
Current and other liabilities	\$ 694,669	\$ 706,034
Long-term liabilities	\$3,003,984	\$1,281,251
Total liabilities	\$3,968,653	\$1,987,285
Net assets:		
Invested in capital assets	\$1,865,428	\$1,628,665
(net of related debt)		
Unrestricted assets	\$1,216,397	\$ 404,159
Total net assets	\$3,081,825	\$2,032,824

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, a significant amount of the increase in net assets is due to the increase in capital assets. There are no restricted net assets and the unrestricted net assets are available for future operations. The District is continuing to use a significant portion of the unrestricted net assets to complete 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. 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.

A substantial amount of the increase in net non-operating revenue was due to the increase in ad valorem taxes as the assessed values in the District continue to rise. In addition, there was an increase in grant revenues in this fiscal year to pay for equipment, including 800 MHz and VHF radios.

	June 30, 2006	June 30, 2005
Operating revenues	\$1,085,924	\$ 637,327
Operating expenses	\$7,309,215	\$6,099,877
Loss from operations	\$6,223,291	\$5,462,550
Net non-operating revenues		
Ad valorem taxes & FDAT	\$7,188,201	\$5,682,432
Investment earnings	\$ 32,152	\$ 19,375
Miscellaneous	\$ 51,939	\$ -4,819
Net non-operating revenue	\$7,272,292	\$5,696,988
Changes in net assets	\$1,049,001	\$ 234,438
Net assets, beginning of year	\$2,032,824	\$1,798,386
Net assets, end of year	\$3,081,825	\$2,032,824

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.

Capital Assets and Debt Administration

The District's investment in capital assets amounts to \$4,696,372, net of accumulated depreciation, as of June 30, 2006, which is an increase of \$1,834,166 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 three (3) new vehicles (one front-line Marque Rescue, and two E-One Engines), upgrades to computer equipment and shop equipment and the construction in progress on general improvements to the facilities. The District also received capital lease proceeds in the amount of \$2,004,590 for the construction of two fire stations and two pumpers.

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, 2006

	General Fund	Capital Projects Fund	Total	Adjustments (Note 10)	Statement of Net Assets
ASSETS					
Cash	\$ 284,157	\$ 966,878	\$1,251,035	\$ -	\$ 1,251,035
Taxes receivable	338,432		338,432		338,432
Ambulance receivables	766,864		766,864	(354,000)	412,864
Other receivables	43,630		43,630		43,630
Investments	38,145		38,145		38,145
Capital assets:					
Land				480,066	480,066
Construction in progress				1,378,801	1,378,801
Property & Equipment, net				2,837,505	2,837,505
 Total assets	 <u>\$1,471,228</u>	 <u>\$ 966,878</u>	 <u>\$2,438,106</u>	 <u>\$4,342,372</u>	 <u>\$ 6,780,478</u>
 LIABILITIES					
Accounts payable	\$ 77,636	\$ -	\$ 77,636	\$ -	\$ 77,636
Accrued expenses	204,724		204,724		204,724
Deferred revenue	974,646		974,646	(974,646)	-
Noncurrent liabilities:					
Due within one year					
Capital leases				412,309	412,309
Due in more than one year					
Compensated absences				462,799	462,799
Capital leases				2,541,185	2,541,185
 Total liabilities	 <u>1,257,006</u>	 <u>-</u>	 <u>1,257,006</u>	 <u>2,441,647</u>	 <u>3,698,653</u>
 FUND BALANCES/NET ASSETS					
Fund balances:					
Unreserved	214,222	966,878	1,181,100	(1,181,100)	-
 Total fund balances	 <u>214,222</u>	 <u>966,878</u>	 <u>1,181,100</u>	 <u>(1,181,100)</u>	 <u>-</u>
Total liabilities and fund balances	<u>\$1,471,228</u>	<u>\$ 966,878</u>	<u>\$2,438,106</u>	<u>\$1,260,547</u>	
 Net assets:					
Invested in capital assets, net of related debt				1,865,428	1,865,428
Unrestricted				1,216,397	1,216,397
 Total net assets				 <u>\$3,081,825</u>	 <u>\$ 3,081,825</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, 2006

	General Fund	Capital Projects Fund	Total	Adjustments (Note 11)	Statement of Activities
EXPENDITURES/EXPENSES:					
Fire protection and emergency services:					
Personnel	\$ 4,854,520	\$ -	\$ 4,854,520	\$ 79,462	\$ 4,933,982
Employee benefits	625,611		625,611		625,611
Taxes and insurance	207,023		207,023		207,023
Administration	290,270		290,270		290,270
Professional services	35,410		35,410		35,410
Utilities and communication	175,154		175,154		175,154
Insurance	63,102		63,102		63,102
Repairs and maintenance	297,376		297,376		297,376
Small tools & equipment	70,433		70,433		70,433
Ambulance operations	178,123		178,123		178,123
Supplies	2,484		2,484		2,484
Training	38,809		38,809		38,809
Turnout gear	45,210		45,210		45,210
Interest	12,959		12,959		12,959
Contingency	-		-		-
Capital outlay	2,331,038		2,331,038	(2,050,327)	280,711
Debt service:					
Principal payments	423,762		423,762	(423,762)	-
Interest payments	52,558		52,558		52,558
Total expenditures/ expenses	9,703,842	-	9,703,842	(2,394,627)	7,309,215
PROGRAM REVENUES:					
Charges for services	112,945		112,945		112,945
Ambulance revenue	606,916		606,916	166,571	773,487
Operating grants	199,492		199,492		199,492
Total program revenues	919,353	-	919,353	166,571	1,085,924
Net program expense					6,223,291

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, 2006

	General Fund	Capital Projects Fund	Total	Adjustments (Note 11)	Statement of Activities
GENERAL REVENUES:					
Property taxes	6,668,370		6,668,370	223,280	6,891,650
Fire district assistance tax	296,551		296,551		296,551
Interest	16,133	19,173	35,306		35,306
Dividend income	1,200		1,200		1,200
Sale of assets	265,187		265,187	(216,160)	49,027
Other income	2,912		2,912		2,912
Unrealized loss on investment	(4,354)		(4,354)		(4,354)
Capital lease proceeds	2,004,590		2,004,590	(2,004,590)	-
Transfers - internal activities	(471,593)	471,593	-		-
Total general revenues and transfers	8,778,996	490,766	9,269,762	(1,997,470)	7,272,292
Excess of revenues and transfers in over expenditures and transfers out	(5,493)	490,766	485,273	(485,273)	-
Change in net assets				1,049,001	1,049,001
Fund balances/net assets:					
Beginning of the year, restated	219,715	476,112	695,827	1,336,997	2,032,824
End of the year	<u>\$ 214,222</u>	<u>\$ 966,878</u>	<u>\$ 1,181,100</u>	<u>\$ 1,900,725</u>	<u>\$ 3,081,825</u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Budget Variance
	Original	Final		Positive (Negative)
Beginning budgetary fund balance	\$ 219,715	\$ 219,715	\$ 219,715	\$ -
Resources (inflows):				
Property taxes	6,928,197	6,928,197	6,668,370	(259,827)
Fire district assistance tax	300,000	300,000	296,551	(3,449)
Charges for services	63,900	63,900	112,945	49,045
Ambulance revenue	450,000	450,000	606,916	156,916
Capital grants	-	-	199,492	199,492
Dividend income	-	-	1,200	1,200
Interest	8,000	8,000	16,133	8,133
Sale of assets	-	-	265,187	265,187
Other income	3,500	3,500	2,912	(588)
Unrealized gain on investment	-	-	(4,354)	(4,354)
Capital lease proceeds	-	-	2,004,590	2,004,590
Transfers - internal activities	-	-	(471,593)	(471,593)
Amounts available for appropriation	<u>7,753,597</u>	<u>7,753,597</u>	<u>9,698,349</u>	<u>1,944,752</u>
Charges to appropriations (outflows):				
Fire protection and emergency services:				
Personnel	\$ 4,785,878	4,785,878	\$ 4,854,520	68,642
Employee benefits	757,205	757,205	625,611	(131,594)
Taxes and insurance	242,226	242,226	207,023	(35,203)
Administration	340,361	340,361	290,270	(50,091)
Professional services	49,100	49,100	35,410	(13,690)
Utilities and communication	177,681	177,681	175,154	(2,527)
Insurance	76,000	76,000	63,102	(12,898)
Repairs and maintenance	235,313	235,313	297,376	62,063
Small tools & equipment	15,900	15,900	70,433	54,533
Ambulance operations	203,150	203,150	178,123	(25,027)
Supplies	6,000	6,000	2,484	(3,516)
Training	75,380	75,380	38,809	(36,571)
Turnout gear	90,441	90,441	45,210	(45,231)
Interest	6,000	6,000	12,959	6,959
Contingency	70,000	70,000	-	(70,000)
Capital outlay	388,619	388,619	2,331,038	1,942,419
Debt service:				
Principal payments	176,911	176,911	423,762	246,852
Interest payments	57,432	57,432	52,558	(4,875)
Total charges to appropriations	<u>7,753,597</u>	<u>7,753,597</u>	<u>9,703,842</u>	<u>1,950,245</u>
Ending budgetary fund balance	<u>\$ 219,715</u>	<u>\$ 219,715</u>	<u>\$ 214,222</u>	<u>\$ (5,493)</u>

See accompanying notes to financial statements.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

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, 2006

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 10 and 11 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, 2006

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 August 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. The District has not adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed other than what is in the Arizona Revised Statutes. 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.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**DAISY MOUNTAIN FIRE DISTRICT
RESOLUTIONS AND BOUNDARY CHANGES
FY 2005-2006**

RES #	LAST NAME	FIRST NAME	PARCEL #	ADDRESS	CITY
187	Deming	Thomas C. & Kimberly C.	211-69-049B	36648 N. 22nd St.	Phoenix
188	Kresge/Parker	Keith W. / Susan J.	211-67-037C	36615 N. 24th St.	Phoenix
189	Kallen	Cid R. & Candace	211-64-001Y	2727 E. Ridgcrest Rd.	Phoenix
190	Lekas	Elaine	211-67-003E	37636 N. 26th St.	Phoenix
191	Lease purchase financing for construction of Fire Station & related equipment for FS142				
192	Lease purchase financing for construction of Fire Station & related equipment for FS146				
193	Grover	Gary and Annette	211-67-006E	37507 N. 24th Place	Cave Creek
194	Guthmiller	Marty R. and Denise M.	211-67-056F	36516 N. 27th Place	Cave Creek
195	Guthmiller	Marty R. and Denise M.	211-67-057D	36406 N. 27th Place	Cave Creek
196	Authorizing the application to USFA for 2006 Assistance to Firefighters Grant Program				
197	Approving the form of the Capital Lease Agreement with Federal Signal for 2 E-One Fire Engines				
198	Submission of Projects for consideration for the 2006-2007 GOHS Grant				

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

**NOTE 10 – RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

Total Government Fund Balances	\$ 1,181,100	
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.	4,696,372	
Receivables that are not considered available to pay for current period expenditures are reported as deferred revenue in the funds.		
Taxes receivable	338,432	
Ambulance receivables	636,214	
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.		(354,000)
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	(2,953,494)	
Compensated absences	(462,799)	
Net assets of governmental activities	<u>\$ 3,081,826</u>	

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

**NOTE 11 – 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	\$ 485,273
<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	2,331,038
Depreciation expense	(280,711)
Loss on sale of assets	(216,160)
<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	166,571
Property taxes	223,280
<p>Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.</p>	
	(2,004,590)
<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>	
	423,762
<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>	
	(79,462)
Change in net assets of governmental activities	\$ 1,049,001

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

NOTE 12 – OPERATING LEASE

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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.

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Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

NOTE 14 – RETIREMENT PLANS (Continued)

Public Safety Personnel Retirement System – continued

Funding policy - For the year ended June 30, 2006, 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, 2006, was 6.29% 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, 2006, were \$250,738. 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%	-

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

NOTE 14 – 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 15 – SUBSEQUENT EVENTS

On August 1, 2006, the District signed a lease agreement with the City of Phoenix to lease a ladder truck for the next two years. The rent will be paid annually in advance. The payments are \$5,150 due on September 1, 2006 and \$5,075 on September 1, 2007.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2006, are described below:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund		
Funds held by Maricopa County	\$ 306,005	\$ 175,102
Demand deposit	144,338	98,797
Cash on hand	-	10,258
	<u>\$ 450,343</u>	<u>\$ 284,157</u>
Capital Projects Fund		
Funds held by Maricopa County	<u>\$ 966,878</u>	<u>\$ 966,878</u>

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.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits (in excess of FDIC insurance) may not be returned to us. The District did not have any custodial credit risk as of June 30, 2006.

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.

NOTE 4 – INVESTMENTS

The General Fund's investments as of June 30, 2006 are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>
PIMCO Long-Term U.S. Government	Various	AAA	\$ 38,145

The investments are fully insured by the Securities Investor Protection Corporation (SIPC) and therefore there is no custodial credit risk.

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, 2006 is \$338,432 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.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

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, 2006 and collected within ninety days after year end. The balance as of June 30, 2006 is \$766,864. 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 \$354,000 is reflected as of June 30, 2006.

NOTE 7 – OTHER RECEIVABLES

Other receivables consist mainly of receivables related to state land fires. The balance of other receivables as of June 30, 2006 is \$43,630.

NOTE 8 – CAPITAL ASSETS

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

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Land	\$ 480,066	\$ -	\$ -	\$ 480,066
Construction in progress	104,994	1,273,807		1,378,801
Buildings	739,692	17,239		756,931
Equipment	1,126,471	395,402		1,521,873
Assets under capital lease	1,479,828	644,590	(267,415)	1,857,003
	3,931,051	2,331,038	(267,415)	5,994,674
Accumulated depreciation	(1,068,845)	(280,711)	51,254	(1,298,302)
Capital assets, net	<u>\$ 2,862,206</u>	<u>\$ 2,050,327</u>	<u>\$ (216,161)</u>	<u>\$ 4,696,372</u>

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

Purchased	\$ 2,863,864
CIP-capital lease	1,273,807
Capital lease	1,857,003
	<u>\$ 5,994,674</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

NOTE 9 – 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 \$3,217,003 less accumulated depreciation of \$124,595 at June 30, 2006.

The description of the capital leases are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance 6/30/2006</u>
Station 141	6.15%	7/2010	\$ 187,000
Station 145	4.70%	2/2010	82,878
800 MHz	6.00%	6/2012	122,550
Tanker	3.45%	1/2014	62,190
Rescue	3.20%	4/2009	88,959
Compressor	3.85%	2/2008	16,350
2 Pumpers	4.00%	3/2014	388,977
Station 142	5.27%	1/2016	850,000
Station 146	5.27%	1/2016	510,000
Pumper	5.25%	7/2016	322,295
Pumper	5.25%	7/2016	322,295
			<u>\$ 2,953,494</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

NOTE 9 – LONG TERM DEBT (Continued)

Capital Leases - continued

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, 2006.

Year Ending <u>June 30</u>	
2007	\$ 412,309
2008	497,354
2009	489,341
2010	458,598
2011	379,486
2012-2017	<u>1,445,559</u>
Minimum lease payments for all capital leases	3,682,647
Less: Amount representing interest	<u>(729,153)</u>
Present value of minimum lease payments	<u><u>\$ 2,953,494</u></u>

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2006, are as follows:

	<u>Balance 6/30/2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2006</u>
Capital leases	\$ 1,372,666	\$ 2,004,590	\$ (423,762)	\$ 2,953,494
Compensated absences	383,337	79,462		462,799
	<u>\$ 1,756,003</u>	<u>\$ 2,084,052</u>	<u>\$ (423,762)</u>	<u>\$ 3,416,293</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

**NOTE 10 – RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

Total Government Fund Balances	\$ 1,181,100
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.	4,696,372
Receivables that are not considered available to pay for current period expenditures are reported as deferred revenue in the funds.	
Taxes receivable	338,432
Ambulance receivables	636,214
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.	(354,000)
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	(2,953,494)
Compensated absences	(462,799)
Net assets of governmental activities	<u>\$ 3,081,826</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2006

**NOTE 11 – 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	\$ 485,273
<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	2,331,038
Depreciation expense	(280,711)
Loss on sale of assets	(216,160)
<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	166,571
Property taxes	223,280
<p>Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.</p>	
	(2,004,590)
<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>	
	423,762
<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>	
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Change in net assets of governmental activities	<u>\$ 1,049,001</u>

Daisy Mountain Fire District
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June 30, 2006

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DAISY MOUNTAIN FIRE DISTRICT
MANAGEMENT LETTER
JUNE 30, 2006



ANGELA D. BERTRAM, CPA

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GLENDALE, AZ 85318-1721
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To the Daisy Mountain Fire District Board

In planning and performing my audit of the financial statements of Daisy Mountain Fire District for the year ended June 30, 2006, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. However, I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Daisy Mountain Fire District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions

During the course of the audit, I noted the District had back dated several checks with a date of June 30, 2006. As a result, the cutoff procedures were not accurate for year end. These checks should have been accrued for as payables and printed with the appropriate date.

Another item I noted is the consistent use of signature stamps instead of having the board come in and sign checks. The process of the board reviewing the invoices for approval and signing the checks is a major part of the internal control structure of the District. The board should be reviewing the invoices and signing checks on a regular basis.

Lastly, I noted the District needs to develop a better system for tracking capital assets. In the process of observing the new additions, they were difficult to locate without a serial number or model number to trace the new items to. Due to the size of the District, a bar coding system may be something to consider as it would track the items and could attach locations as well.

Other comments and recommendations

In the course of doing some testing related to ambulance billing it was noted that 27% of the selection pulled had either not been billed or was billed up to 4 months after the date of the call. As a result, these calls might not be collected on for up to 6 months. The District needs to make sure to bill the calls as soon as possible to help with the collection rate and ensure cash flow.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all

reportable conditions that are also considered to be material weaknesses as defined above. However, the items above referring to back dating checks and the use of signature stamps are considered material weaknesses. The other item noted related to the capital assets is not believed to be a material weakness.

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

A handwritten signature in black ink that reads "Angela D. Bertram, CPA". The signature is written in a cursive style with a horizontal line through the middle of the text.

Angela D. Bertram, CPA

November 26, 2006

