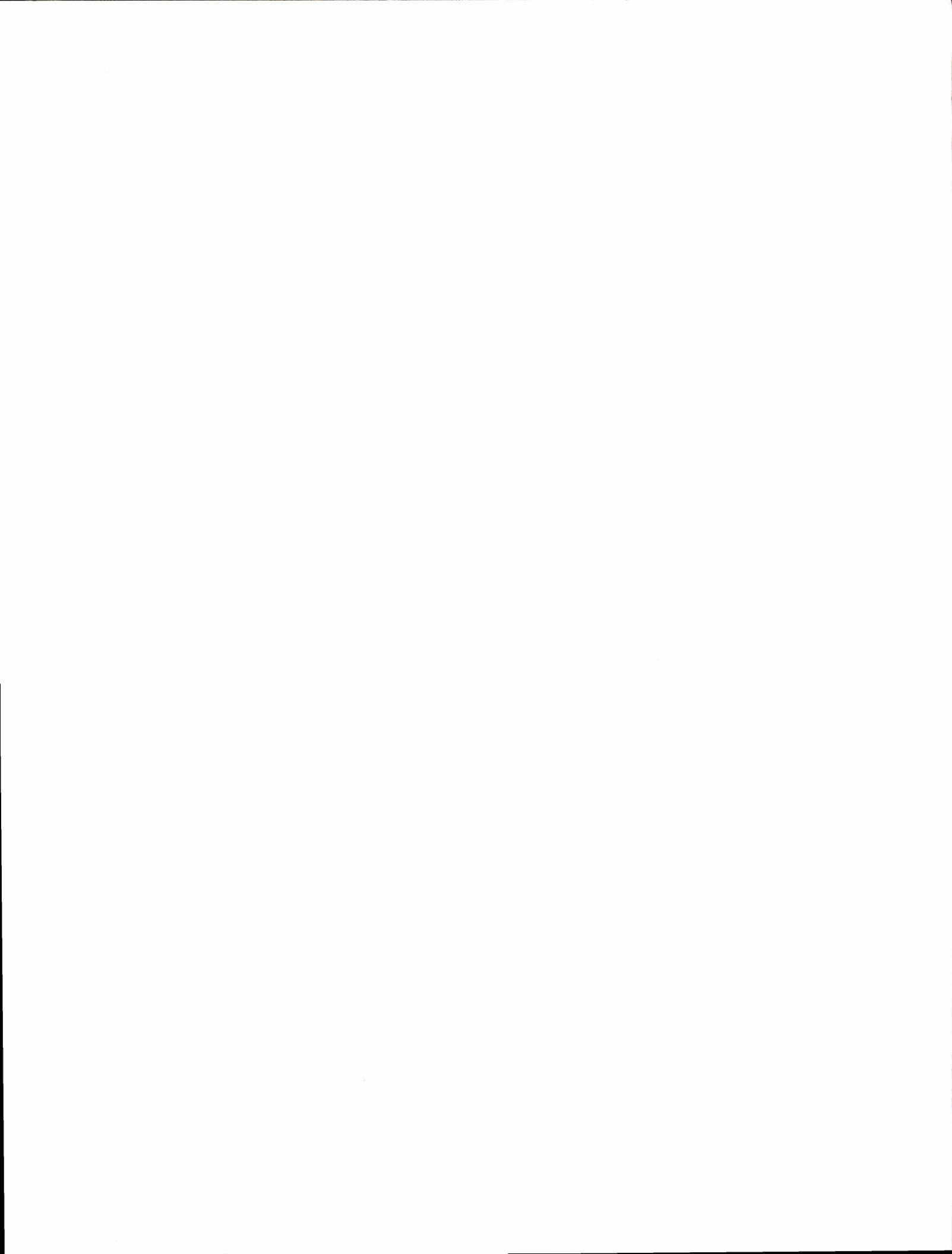


FINANCIAL STATEMENTS  
DAISY MOUNTAIN FIRE DISTRICT  
JUNE 30, 2010



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INDEPENDENT AUDITOR'S REPORT

To the District Board  
Daisy Mountain Fire District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Daisy Mountain Fire District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Daisy Mountain Fire District's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the 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, 2010 and the respective changes in financial position, thereof 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Heidenreich & Heidenreich CPAs PLLC*  
Heidenreich & Heidenreich, CPAs, PLLC  
Phoenix, AZ  
December 16, 2010

**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, 2010. 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 \$6,325,774 (*net assets*). Of this amount, \$705,530 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$357,984. Of this \$65,847 is attributed to business-type activities and \$292,137 to governmental activities.
- 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.
- Reorganized the maintenance shop and eliminated two positions.

**Overview of the Financial Statements**

This annual report includes the management's discussion and analysis report, the accountant's audit 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**

*Government-Wide Financial Statements*

The government-wide financial statements are designed to present an overview of the District's finances similar to a private-sector business.

The statement of net assets present information on all of the District's assets and liabilities with the difference between the two reported as 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 indicate an improved financial position.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. Changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unused leave).

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

	June 30, 2010	June 30, 2009
Current and other assets	\$ 3,350,757	\$ 3,866,849
Capital assets	7,168,252	7,393,244
Total assets	10,519,009	11,260,093
Current liabilities	1,130,211	1,142,903
Noncurrent liabilities	3,063,024	3,433,432
Total liabilities	4,193,235	4,576,335
Net assets:		
Invested in capital assets, net of related debt	5,620,244	4,953,900
Unrestricted	705,530	1,729,858
	\$ 6,325,774	\$ 6,683,758

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 decrease in net assets is due to the decrease 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 for scheduled replacement of apparatus and vehicles, capital improvements to existing buildings and for purchasing equipment.

As noted in the following table, the operating expenses and 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. The increase in operating revenues can be attributed to an increase in call volume for ambulance charges.

There was a significant decrease in the non-operating revenues due in part to a decline in property taxes. In addition, the Anthem Community Council had exempted Open Spaces that were previously included in the property tax rolls. The only non-operating revenue item that increased was other income which was due to a Microsoft Class Action Settlement received during the year.



Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

*Fund financial statements*

The fund financial statements are presented by governmental fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenses and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and governmental activities.

The District also maintains a proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses the enterprise fund to account for the operations of the Health Center Billing.

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.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Operating revenues	\$ 1,481,460	\$ 1,447,112
Operating expenses	<u>13,276,782</u>	<u>12,084,163</u>
Loss from operations	(11,795,322)	(10,637,051)
Net non-operating revenues:		
Property taxes and FDAT	11,268,446	11,590,411
Fire insurance premium tax	127,802	147,126
Interest earnings	24,224	40,132
Other income	<u>16,866</u>	<u>(4,530)</u>
Net non-operating revenue	11,437,338	11,773,139
Change in net assets	(357,984)	1,136,088
Net assets, beginning of year	6,683,758	5,547,670
Net assets, end of year	<u>\$ 6,325,774</u>	<u>\$ 6,683,758</u>

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 \$5,620,244, net of accumulated depreciation, as of June 30, 2010, which is an increase of \$666,343 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 a 2009 Sterling Bullet Brush Truck; a 2010 LDV Walkin Haz Mat Vehicle; a Pace American Cargo Trailer; upgrades to existing computer equipment; and new fire and communications equipment.

During the year, the District paid off lease purchase obligations for Station 141 and the admin addition, Station 145, the Shop and the Tanker.

**Currently Known Facts**

Fire Chief Tom Healy passed away in August 2010 resulting in a vacancy for that position. The District is currently in the process of doing an executive search for his replacement.

**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 Director, Daisy Mountain Fire District, 515 E. Carefree Hwy., PMB #385, Phoenix, AZ 85085.

DAISY MOUNTAIN FIRE DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 2,486,951	\$ 29,641	\$ 2,516,592
Accounts receivable	-	88,994	88,994
Taxes receivable	595,780		595,780
Ambulance receivables, net	124,122		124,122
Due from other governments	22,964		22,964
Other current asset	-	2,305	2,305
Capital assets:			-
Land	480,066		480,066
Property & Equipment, net	6,688,186		6,688,186
<b>Total assets</b>	<b>10,398,069</b>	<b>120,940</b>	<b>10,519,009</b>
<b>LIABILITIES</b>			
Accounts payable	119,501	179,571	299,072
Accrued salaries and benefits	498,203		498,203
Noncurrent liabilities:			
Due within one year			
Capital leases	332,936		332,936
Due in more than one year			
Compensated absences	1,800,854		1,800,854
Capital leases	1,262,170		1,262,170
<b>Total liabilities</b>	<b>4,013,664</b>	<b>179,571</b>	<b>4,193,235</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,620,244	-	5,620,244
Unrestricted	764,161	(58,631)	705,530
<b>Total net assets</b>	<b>\$ 6,384,405</b>	<b>\$ (58,631)</b>	<b>\$ 6,325,774</b>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>EXPENSES:</b>			
Fire protection and emergency services:			
Personnel	\$ 7,977,964		\$ 7,977,964
Employee benefits	1,730,382		1,730,382
Taxes and insurance	555,051		555,051
Administration	380,265		380,265
Facility rental	-	62,300	62,300
Professional services	63,850	443,178	507,028
Utilities and communication	337,071		337,071
Insurance	88,417		88,417
Repairs and maintenance	401,479		401,479
Small tools & equipment	71,862		71,862
Ambulance operations	211,889		211,889
Supplies	1,642		1,642
Training	54,816		54,816
Turnout gear	38,965		38,965
Interest	11,014		11,014
Depreciation	746,737		746,737
Interest on debt	99,900		99,900
	<u>12,771,304</u>	<u>505,478</u>	<u>13,276,782</u>
Total expenses			
	12,771,304	505,478	13,276,782
<b>PROGRAM REVENUES:</b>			
Charges for services	83,963	439,630	523,593
Ambulance revenue	957,867		957,867
Total program revenues	<u>1,041,830</u>	<u>439,630</u>	<u>1,481,460</u>
Net program expense	11,729,474	65,848	11,795,322
	<u>11,729,474</u>	<u>65,848</u>	<u>11,795,322</u>
<b>GENERAL REVENUES:</b>			
Property taxes	10,970,806		10,970,806
Fire district assistance tax	297,640		297,640
Fire insurance premium tax	127,802		127,802
Interest	24,223	1	24,224
Dividend income	29		29
Gain on disposal of assets	1,170		1,170
Other income	15,667		15,667
Total general revenues and transfers	<u>11,437,337</u>	<u>1</u>	<u>11,437,338</u>
	11,437,337	1	11,437,338
Change in net assets	(292,137)	(65,847)	(357,984)
Net assets - beginning of the year	<u>6,676,542</u>	<u>7,216</u>	<u>6,683,758</u>
Net assets - end of the year	<u>\$ 6,384,405</u>	<u>\$ (58,631)</u>	<u>\$ 6,325,774</u>

See accompanying notes to financial statements.



DAISY MOUNTAIN FIRE DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 1,062,053	\$ 1,424,898	\$ 2,486,951
Taxes receivable	595,780		595,780
Ambulance receivables, net	124,122		124,122
Due from other governments	22,964		22,964
Deposit	-		-
Investments	-		-
	<u>\$ 1,804,919</u>	<u>\$ 1,424,898</u>	<u>\$ 3,229,817</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 119,501	\$ -	\$ 119,501
Accrued salaries and benefits	498,203		498,203
Deferred revenue	448,675		448,675
	<u>1,066,379</u>	<u>-</u>	<u>1,066,379</u>
<b>FUND BALANCES</b>			
Unreserved, undesignated	143,325		143,325
Unreserved, designated	595,215		595,215
Unreserved, designated reported in capital projects		<u>1,424,898</u>	<u>1,424,898</u>
	<u>738,540</u>	<u>1,424,898</u>	<u>2,163,438</u>
Total fund balances	<u>\$ 1,804,919</u>	<u>\$ 1,424,898</u>	<u>\$ 3,229,817</u>
Total liabilities and fund balances	<u>\$ 1,804,919</u>	<u>\$ 1,424,898</u>	<u>\$ 3,229,817</u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
RECONCILIATION OF BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

Total Governmental Fund Balances	\$	2,163,438
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.		7,168,252
Receivables that are not considered available to pay for current period expenditures are reported as deferred revenue in the funds.		
Taxes receivable		423,008
Ambulance receivables		25,667
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		(1,595,106)
Compensated absences		(1,800,854)
		(3,395,960)
Net assets of governmental activities	\$	6,384,405

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Capital Projects Fund	Total
<b>EXPENDITURES/EXPENSES:</b>			
Fire protection and emergency services:			
Personnel	\$ 7,547,674	\$ -	\$ 7,547,674
Employee benefits	1,730,382		1,730,382
Taxes and insurance	555,051		555,051
Administration	380,265		380,265
Professional services	63,850		63,850
Utilities and communication	337,071		337,071
Insurance	88,417		88,417
Repairs and maintenance	401,479		401,479
Small tools & equipment	71,862		71,862
Ambulance operations	211,889		211,889
Supplies	1,642		1,642
Training	54,816		54,816
Turnout gear	38,965		38,965
Interest	11,014		11,014
Contingency	-		-
Capital outlay	527,240		527,240
Debt service:			
Principal payments	889,930		889,930
Interest payments	99,900		99,900
	13,011,447	-	13,011,447
<b>PROGRAM REVENUES:</b>			
Charges for services	83,963		83,963
Ambulance revenue	972,290		972,290
Total program revenues	1,056,253	-	1,056,253

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>GENERAL REVENUES:</b>			
Property taxes	11,113,782		11,113,782
Fire district assistance tax	297,639		297,639
Fire insurance premium tax	127,803		127,803
Interest	10,651	13,572	24,223
Dividend income	29		29
Other income	15,667		15,667
Sale of assets	6,665		6,665
Total general revenues	<u>11,572,236</u>	<u>13,572</u>	<u>11,585,808</u>
 Excess (deficiency) of revenues over expenditures	 (382,958)	 13,572	 (369,386)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>334,401</u>	<u>(334,401)</u>	<u>-</u>
Total other financing sources and uses	334,401	(334,401)	-
 Fund balances - beginning of the year	 <u>787,097</u>	 <u>1,745,727</u>	 <u>2,532,824</u>
 Fund balances - end of the year	 <u>\$ 738,540</u>	 <u>\$ 1,424,898</u>	 <u>\$ 2,163,438</u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2010

Net change in fund balances - total government funds	\$	(369,386)
<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		527,240
Depreciation expense		(746,737)
Sale of assets		(5,495)
<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		(14,423)
Property taxes		(142,976)
<p>Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		889,930
<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>		
		<u>(430,290)</u>
Change in net assets of governmental activities	\$	<u><u>(292,137)</u></u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 787,097	\$ 787,097	\$ 787,097	\$ -
Resources (inflows):				
Property taxes	11,132,569	11,132,569	11,113,782	(18,787)
Fire district assistance tax	300,000	300,000	297,639	(2,361)
Fire insurance premium tax	100,000	100,000	127,803	27,803
Charges for services	115,200	115,200	83,963	(31,237)
Ambulance revenue	885,000	885,000	972,290	87,290
Capital grants	-	-	-	-
Dividend income	-	-	29	29
Interest	10,000	10,000	10,651	651
Other income	2,200	2,200	15,667	13,467
Sale of assets	-	-	6,665	6,665
Transfers - internal activities	-	-	334,401	334,401
Amounts available for appropriation	<u>12,544,969</u>	<u>12,544,969</u>	<u>12,962,890</u>	<u>417,921</u>
Charges to appropriations (outflows):				
Fire protection and emergency services:				
Personnel	\$ 7,585,806	7,585,806	\$ 7,547,674	(38,132)
Employee benefits	1,756,379	1,756,379	1,730,382	(25,997)
Taxes and insurance	462,987	462,987	555,051	92,064
Administration	519,994	519,994	380,265	(139,729)
Professional services	78,700	78,700	63,850	(14,850)
Utilities and communication	423,870	423,870	337,071	(86,799)
Insurance	93,000	93,000	88,417	(4,583)
Repairs and maintenance	388,850	388,850	401,479	12,629
Small tools & equipment	50,100	50,100	71,862	21,762
Ambulance operations	274,300	274,300	211,889	(62,411)
Supplies	3,000	3,000	1,642	(1,358)
Training	69,310	69,310	54,816	(14,494)
Turnout gear	49,800	49,800	38,965	(10,835)
Interest	10,000	10,000	11,014	1,014
Contingency	200,000	200,000	-	(200,000)
Capital outlay	100,000	100,000	527,240	427,240
Debt service:				
Principal payments	320,056	320,056	889,930	569,874
Interest payments	156,317	156,317	99,900	(56,417)
Total charges to appropriations	<u>12,542,469</u>	<u>12,542,469</u>	<u>13,011,447</u>	<u>468,978</u>
Ending budgetary fund balance	<u>\$ 789,597</u>	<u>\$ 789,597</u>	<u>\$ 738,540</u>	<u>\$ (51,057)</u>

See accompanying notes to financial statements.



DAISY MOUNTAIN FIRE DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

	<u>Enterprise Fund</u> <u>Health Center Billing</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 29,641
Accounts receivable	88,994
Other current asset	<u>2,305</u>
Total current assets	<u>120,940</u>
Total assets	<u>120,940</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>179,571</u>
Total current liabilities	<u>179,571</u>
 <b>NET ASSETS</b>	
Unrestricted	<u><u>\$ (58,631)</u></u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Enterprise Fund</u> <u>Health Center Billing</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 439,630
Total operating revenues	<u>439,630</u>
<b>OPERATING EXPENSES</b>	
Facility rental	62,300
Professional services	<u>443,178</u>
Total operating expenses	<u>505,478</u>
Operating income (loss)	<u>(65,848)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>1</u>
Total nonoperating revenues (expenses)	<u>1</u>
Change in net assets	<u>(65,847)</u>
Total net assets - beginning	<u>7,216</u>
Total net assets - ending	<u>\$ (58,631)</u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Enterprise Fund</u> <u>Health Center Billing</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	510,492
Payments to vendors	<u>(362,736)</u>
Net cash provided by operating activities	147,756
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	<u>1</u>
Net cash provided by investing activities	<u>1</u>
Net Increase in cash and cash equivalents	147,757
Balance - beginning of the year	<u>(118,116)</u>
Balance - end of the year	<u><u>\$ 29,641</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (65,848)
Decrease in accounts receivable	73,167
Increase in other asset	(2,305)
Increase in accounts payable	<u>142,742</u>
Net cash (used) by operating activities	<u><u>\$ 147,756</u></u>

See accompanying notes to financial statements.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**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.
3. Enterprise Fund – This fund is established to account for the operations that are financed and operated in a manner similar to private business in which the costs of providing the service are recovered by user charges.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**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. Business-type activities are financed in whole or in part by fees charged to external parties for goods or 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.

*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 three major categories: governmental, proprietary 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 proprietary fund includes the enterprise fund that accounts for the Health Center Billing.

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 lease purchase 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. The proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**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 1st. 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 public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan association insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. Investments are carried at cost, which approximates fair value. Investments in these pools are classified as a cash equivalent. 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 2 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. Ambulance receivables are for charges for ambulance transports that are still outstanding at year end.



Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**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 threshold for capital assets is equipment that has a useful life greater than a year and costs more than \$750.

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.

When both restricted and unrestricted resources are available for use, it is the policy of the District to use restricted resources first, then unrestricted resources as they are needed.

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  
Notes to Financial Statements  
June 30, 2010

**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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Compensated Absences

The District's policy regarding compensatory times permits employees to accumulate and roll over time with no maximum limit. Upon retirement, the policy regarding sick leave allows an employee to be paid for 50% of the employee's unused sick leave at the employee's current rate of pay. The sick leave policy does not allow payment for voluntary or involuntary termination. The vacation policy allows any unused vacation to be paid upon termination at 100% of the employee's current rate of pay. The liability for compensated absences is reported in the government-wide statements as a long-term liability.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

*Deposits* – Amounts classified as deposits on June 30, 2010, are described below:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund		
Maricopa County Treasurer's Investment Pool	\$ 801,024	\$ 417,688
Deposits with financial institutions	644,365	644,365
	<u>\$ 1,445,389</u>	<u>\$ 1,062,053</u>
Capital Projects Fund		
Maricopa County Treasurer's Investment Pool	<u>\$ 1,424,898</u>	<u>\$ 1,424,898</u>
Enterprise Fund		
Deposits with financial institutions	<u>\$ 29,691</u>	<u>\$ 29,641</u>

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

The Maricopa County Treasurer invests the cash in a pool under policy guidelines established by the Maricopa County Treasurers' Office (the County). The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the MCTIP is included in the Comprehensive Annual Financial Report of Maricopa County. The fair value of each participant's position in the MCTIP approximates the value of the participant's shares in the pool.

*Credit risk* - Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices other than what is in the Arizona Revised Statutes. The Maricopa County Treasurer's Investment Pool is an external investment pool with no regulatory oversight. The MCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2010, the MCTIP had not received a credit quality rating from a national rating agency.

*Custodial credit risk* – 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. State statutes require that deposits with financial institutions be insured by the Federal Deposit Insurance Corporation (FDIC). FDIC insures deposits up to \$250,000 for all interest-bearing accounts and another \$250,000 for all demand deposit accounts in a given financial institution. Deposits in excess of insured amounts shall be collateralized by approved securities. The District does not have a formal policy related to custodial credit risk. The District's custodial credit risk as of June 30, 2010 was \$394,365.

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

*Concentration of credit risk* – Arizona Revised Statutes do not include any requirements for concentration of credit risk.

*Foreign currency risk* – Arizona Revised Statutes do not allow foreign investments.

*Investments* – The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**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 – 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, 2010. The receivable balance as of June 30, 2010 is \$258,248. The allowance for doubtful accounts as of June 30, 2010 is \$134,127. The portion of the receivable that is not collected within ninety days after the end of the fiscal year is recorded as deferred revenue.

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable consists of user charges through the Health Center Billing that were not collected as of June 30, 2010. The receivable balance as of June 30, 2010 is \$88,994. Currently, there is no provision for an allowance for doubtful accounts.

**NOTE 6 – 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, 2010 is \$595,780 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 7 – DUE FROM OTHER GOVERNMENTS**

Due from other governments consist mainly of receivables related to state land fires. The balance of this receivable as of June 30, 2010 is \$22,964.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**NOTE 8 – CAPITAL ASSETS**

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

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
<i>Governmental activities:</i>				
Land	\$ 480,066	\$ -	\$ -	\$ 480,066
Buildings	3,965,125	23,449		3,988,574
Equipment	5,576,256	503,791	(173,902)	5,906,145
	<u>10,021,447</u>	<u>527,240</u>	<u>(173,902)</u>	<u>10,374,785</u>
Accumulated depreciation				
Buildings	(466,221)	(136,422)		(602,643)
Equipment	(2,161,982)	(610,315)	168,407	(2,603,890)
	<u>(2,628,203)</u>	<u>(746,737)</u>	<u>168,407</u>	<u>(3,206,533)</u>
Capital assets, net	<u>\$ 7,393,244</u>	<u>\$ (219,497)</u>	<u>\$ (5,495)</u>	<u>\$ 7,168,252</u>

Depreciation expense is charged to the general government.

**NOTE 9 – LONG TERM DEBT**

Capital Leases

The District acquired buildings, vehicles and equipment by granting leasehold interests in the underlying assets to the creditors (the Bank). The Bank, in turn, leased the property to the District under long-term agreements. Under these agreements, the District is obligated to make lease payments to the Bank, subject to receiving Board appropriations, until the obligation to the Bank is satisfied. Once the obligations to the Bank are satisfied, all rights, title, and interest in the buildings, vehicles and equipment are transferred to the District. However, if the Board appropriations are not received, the District is relieved of any subsequent obligation and the obligations are considered in default. If the default is not cured, the District has agreed that the Bank may terminate the leases, take possession of, and liquidate, the assets pledged under the agreements.

The District's obligations are accounted for in the Statement of Net Assets. Assets under capital leases totaled \$2,290,999 less accumulated depreciation of \$428,246 at June 30, 2010.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**NOTE 9 – LONG TERM DEBT (Continued)**

Capital Leases - continued

The description of the capital leases are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance 06/30/10</u>
800 MHz	6.00%	6/2012	\$ 47,098
Station 142	5.27%	1/2016	507,587
Station 146	5.27%	1/2016	304,552
Pumper	5.25%	7/2016	242,161
Pumper	5.25%	7/2016	242,161
Ambulance	3.88%	5/2016	128,587
Ambulance	3.88%	5/2016	122,960
			<u>\$ 1,595,106</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, 2010.

Year Ending <u>June 30</u>	
2011	\$ 332,936
2012	333,602
2013	309,385
2014	309,385
2015	309,385
2016-2017	<u>290,676</u>
Minimum lease payments for all capital leases	1,885,369
Less: Amount representing interest	<u>(290,263)</u>
Present value of minimum lease payments	<u>\$ 1,595,106</u>



Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**NOTE 9 – LONG TERM DEBT (Continued)**

Capital Leases - continued

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2010, are as follows:

	Balance 6/30/2009	Increases	Decreases	Balance 6/30/2010
<i>Governmental activities:</i>				
Capital leases	\$ 2,485,036	\$ -	\$ (889,930)	\$ 1,595,106
Compensated absences	1,370,564	430,290	-	1,800,854
	<u>\$ 3,855,600</u>	<u>\$ 430,290</u>	<u>\$ (889,930)</u>	<u>\$ 3,395,960</u>

**NOTE 10 – NET REVENUE**

The District provides emergency medical and transportation services within the same geographic region as it provides fire prevention and suppression services. Charges for such emergency medical and transportation services are recognized as charges for services. Net revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, and provisions for bad debt.

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, and provision for bad debts for the year ended June 30, 2010 are as follows:

	Governmental Activities
Gross program charges for services	\$ 1,350,706
Contractual adjustments/allowances	(378,416)
Net program service revenue	<u>\$ 972,290</u>

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**NOTE 10 – NET REVENUE (Continued)**

The District relies on payments from third-party payers, such as Medicare and commercial insurance carriers, to support the emergency medical services provided. Should these third-party payers not cover the entire amount of the services rendered, any remaining amounts are adjusted as uncompensated services with the remaining amounts necessary to support the program funded through tax revenues.

**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, 2010. Rents are paid on a quarterly basis for dispatch and technical services at a cost of \$60,828. Total rent for the year ended June 30, 2010, was \$227,911.

**NOTE 12 – COMMITMENTS**

The District has a line of credit with Bank of America for \$3,500,000. The District did not have a balance as of June 30, 2010.

**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 District makes the following contributions: support staff receives 6% of their salary, management receives 10% of their salary and operations personnel receive a \$30 match per pay period. Total District contributions as of June 30, 2010 were \$117,407.

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.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**NOTE 13 – RETIREMENT PLANS (Continued)**

Public Safety Personnel Retirement System - continued

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.

*Funding policy* - For the year ended June 30, 2010, 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, 2010, was 11.65% 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, 2010, were \$803,795. The District's actuarial valuation is for the year ended June 30, 2010. Information related to this valuation follows.

Actuarial valuation date	6/30/2010
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50%
Includes inflation at	5.50%
Cost of living adjustments	None
Amortization method	Level percent of pay closed
Remaining amortization period	26 years for underfunded 20 years for overfunded
Asset valuation method	7 year smoothed market value

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**NOTE 13 – RETIREMENT PLANS (Continued)**

Public Safety Personnel Retirement System – continued

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

PSPRS	Year Ending June 30	Annual Pension/ OPEB Cost	Percent Contributed	Net Pension/OPEB Obligation
<i>Pension</i>	2010	\$ 779,167	100%	\$ -
	2009	882,080	100%	-
	2008	502,227	100%	-
<i>Health Insurance</i>	2010	31,240	100%	-
	2009	30,627	100%	-
	2008	23,889	100%	-

*Schedule of funding progress - Excluding Health Insurance Subsidy Beginning June 30, 2008*

*Pension - Excluding Health Insurance Subsidy Beginning June 30, 2008*

Valuation Ending June 30	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)
2010	\$ 10,686,004	\$ 11,581,593	\$ 895,589	92.3%	\$ 6,865,697	13.0%
2009	8,773,612	9,289,834	516,222	94.4%	6,417,315	8.0%
2008	7,027,542	8,244,509	1,216,967	85.2%	6,125,469	19.9%

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2010

**NOTE 13 – RETIREMENT PLANS (Continued)**

Public Safety Personnel Retirement System – continued

Health Insurance Subsidy

Valuation Ending June 30	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)
2010	\$ -	\$ 263,309	\$ 263,309	0.0%	\$ 6,865,697	3.8%
2009	-	218,655	218,655	0.0%	6,417,315	3.4%
2008	-	175,081	175,081	0.0%	6,125,469	2.9%

**NOTE 14 – RISK MANAGEMENT**

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. The District maintains commercial liability insurance to cover losses. Any settled claims resulting from these risks have not exceeded commercial insurance in any of the last three years. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. Consequently, no provision has been made in the financial statements for possible losses of this nature.

**NOTE 15 - SUBSEQUENT EVENTS**

Fire Chief Tom Healy passed away in August 2010. The District is currently in the process of searching for his replacement.

Management has evaluated subsequent events occurring through the date of issuance, December 16, 2010.

