

FINANCIAL STATEMENTS
DAISY MOUNTAIN FIRE DISTRICT
JUNE 30, 2008

DAISY MOUNTAIN FIRE DISTRICT
Boundary Change List
FY 2007-2008

Resolution #	Resolution Date	Address	Parcel #
224	July 23, 2007	37255 N. 16th Street	211-69-004Q
225	September 24, 2007	1847 E. Dolores Rd.	211-69-005N
226	September 24, 2007	367025 N. 20th St.	211-69-005P
227	October 22, 2007	367025 N. 20th St.	211-69-005L
228	October 22, 2007	367025 N. 20th St.	211-69-009E
229	November 26, 2007	367025 N. 20th St.	211-69-047D

Notes:

RES # - 230 Adoption of Policies and Procedures Volume I

RES # - 231 Adoption of Phoenix Fire Dept. Regional Standard Operating Procedures - Volume II

RES # - 232 Adoption of Phoenix Fire Dept. EMS Operations Policies & Procedures Volume XII

Daisy Mountain Fire District

**INDEPENDENT AUDITORS' COMMUNICATION TO
THOSE CHARGED WITH GOVERNANCE**

June 30, 2008



**INDEPENDENT AUDITORS' COMMUNICATION TO
THOSE CHARGED WITH GOVERNANCE**

To the Board of Directors of
Daisy Mountain Fire District
Phoenix, Arizona

We have audited the basic financial statements of Daisy Mountain Fire District (the District) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITIES UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As communicated in our engagement letter dated August 1, 2008, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (and when applicable, Government Auditing Standards). Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- Capital assets (due to depreciation);
- Net revenues from ambulance services (due to contractual adjustments and bad debt); and,
- Long-term debt (due to the future minimum payments).

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

UNCORRECTED & CORRECTED MISSTATEMENTS

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. However, we did not identify any known or likely significant, but immaterial, misstatements during the audit which have not been corrected.

In addition, professional standards require us to communicate to you all material, corrected misstatements and adjusting entries that were brought to the attention of management or made by us as a result of our audit procedures and preparation of the financial statements. However, we did not identify any known or likely material misstatements during the audit which were corrected.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, internal control, compliance or auditing matters, which could be significant to the District's financial statements or the auditors' report.

During our audit we were unable to satisfy ourselves as to the District's authority to invest public monies outside of the Maricopa County Treasurer's Office. As documented in Arizona Attorney General Opinion 103-004, a fire district may only exercise such powers that the Arizona Legislature has conferred upon it, expressly in words, or those necessarily or fairly implied in or incident to the powers expressly conferred, or those essential to the declared objectives and purposes of the district. While we have audited special districts with significant investments, such investments were usually part of financing agreements and such monies were held by a trustee subject to an indenture of trust; and necessary for the district to accomplish its objectives. However, given our experience with the audits of local governments in Arizona, we believe that had the Legislature intended for a fire district to invest public monies, such authority would have been expressly given to fire districts in statute. Consequently, Daisy Mountain Fire District's investing activities may not be compliant with Arizona laws and regulations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Daisy Mountain Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management verbally during our audit. Such matters were related to the District's allowability to invest public monies (as described earlier), and the District's pay advances to employees. Regardless of whether such matters may or may not represent instances of noncompliance, we recommend that the District adequately develop the appropriate control and monitoring activities over compliance with laws, regulations, grants and contracts to avoid instances of noncompliance which could have a direct and material effect on the financial condition of the District.

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

Breecher & Company P.C.

December 12, 2008

DMFD
COMMENTS ON FINANCIAL STATEMENTS
JUNE 30, 2008

General comment... After GASB 34, all tables and notes general use the term "government-type" activities. Even though this is a single purpose governmental entity, capital asset and long-term debt tables should probably still have this title.

Possible GAAP Departures:

- We need to discuss the cash note. GASB requires risk disclosures for cash, thus all the risk policies are to be disclosed, or at a minimum that the district has no policy regarding. And, we need all the same required disclosures (concentration, interest and maturity risk, etc) for investments (GASB 40 for investments)
- Other receivables includes amounts due from other governments and an immaterial receivable. Shouldn't we state "due from other governments"? GASB 38.
- Accrued expenses – shouldn't we say accrued salaries and related to make this clear and understandable, or at least disclose in the notes?
- Long-Term Debt: The table needs a column for "due within one year" (No current compensated absences? GASB 34 & Codification 2200)
- Any accrued interest related to capital leases? We are still reviewing the lease agreements and payment schedules as we didn't get to this in the field.
- On the statement of net assets, we should either show "capital assets", non-depreciable and depreciable or probably add a group for buildings and improvements.
- On the statement of activities, should we say "capital outlay/depreciation" or add a row for depreciation?
- Why is the capitalization threshold so low? I have most people moved to \$5,000 as recommended by GFOA.
- Source of capital assets, never seen this before? Nor, "assets acquired under lease", these should be presented under their standard category.
- Why do we have a different revenue recognition policy for tax revenues and ambulance revenues? Generally, but not required, governments should only have one period of availability.
- Purchase lease agreement should disclose the reversionary interest subject to the district not appropriating monies for the payments; i.e. that title is held by the bank and the asset is leased back to the district (if applicable). FASB 13 – P 16(d) [to be followed at the direction of NCGAS 5].

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COMMENTS ON FINANCIAL STATEMENTS
JUNE 30, 2008

- For ambulance revenues we should disclose gross charges and contractual adjustments for a net revenue amount recognized in the financial statements. While this is from the ACIPA Guide to Healthcare Organizations, I believe it relevant
- Note 1 – Should we mention the treatment of liability for general obligation bonds considering that the district does not have any, nor a debt service fund (which is the only fund allowed to recognize such a liability).
- Note 13 – Line of Credit. GASB 38 & NCGA Interpretation 6 indicates that disclosures should not contain misleading information. Since the line of credit is not really available for the district to draw on throughout the year, rather is only there to cover cash flows at the beginning of the year until property taxes are collected, should we really disclose? Our opinion has been that this could be misleading as a reader may believe the district has the ability to just draw on \$3.5M at any time.
- Fund Balances (NCGAS 1 – Codification 1800.142):
 - a. Assuming capital project cash is designated for purchases, the fund balance should show “unreserved, designated reported in capital projects”.
 - b. If the investments totaling \$275 are designated for the liability, this should probably also be designated in fund balance.
- Note 15 – Must also add “settled claims, if any, resulting from these risks have not exceeded commercial insurance in any of the last three years. (I missed this sentence on mine too).

DMFD
COMMENTS ON FINANCIAL STATEMENTS
JUNE 30, 2008

General comment... After GASB 34, all tables and notes general use the term "government-type" activities. Even though this is a single purpose governmental entity, capital asset and long-term debt tables should probably still have this title. Will add to my tables.

Possible GAAP Departures:

- We need to discuss the cash note. GASB requires risk disclosures for cash, thus all the risk policies are to be disclosed, or at a minimum that the district has no policy regarding. And, we need all the same required disclosures (concentration, interest and maturity risk, etc) for investments (GASB 40 for investments) Thought I had. Between what is in Note 1 under cash and investments and then the individual notes under Note 2 and 4. However, Note 2 should state that \$19,678 is in excess of FDIC.
- Other receivables includes amounts due from other governments and an immaterial receivable. Shouldn't we state "due from other governments"? GASB 38. I thought I had because Note 1 says that it is mainly for wildland charges. I can change the name on the face of the financials to say due from other governments but then shouldn't there be a note disclosure as well?
- Accrued expenses – shouldn't we say accrued salaries and related to make this clear and understandable, or at least disclose in the notes? I can change the name on the face of the statements.
- Long-Term Debt: The table needs a column for "due within one year" (No current compensated absences? GASB 34 & Codification 2200 Due to the fact that it is disclosed on the face of the balance sheet right under due within one year and then back in the notes under Note 9 when it details the what is due over the next several years, I don't feel it is really necessary. It is not like there are numerous types of debt that would need that breakout. The District has not done any current compensated absences because the normal costs of vacation/sick are under wages. If they had info that someone was retiring then they would include in current year. Do you have a way that you want it estimated somehow?
- Any accrued interest related to capital leases? We are still reviewing the lease agreements and payment schedules as we didn't get to this in the field. Under Note 1 it states that principal and interest are reported when due.
- On the statement of net assets, we should either show "capital assets", non-depreciable and depreciable or probably add a group for buildings and improvements. Why? It discusses that land and construction in progress are not depreciated in the notes.

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COMMENTS ON FINANCIAL STATEMENTS
JUNE 30, 2008

- On the statement of activities, should we say “capital outlay/depreciation” or add a row for depreciation? According to the GASB 34 example for a single purpose government it just shows capital outlay as the description.
- Why is the capitalization threshold so low? I have most people moved to \$5,000 as recommended by GFOA. This is in the process of being increased. It will be different for FY 08-09.
- Source of capital assets, never seen this before? Nor, “assets acquired under lease”, these should be presented under their standard category. Just part of disclosing what assets are under capital lease and if there were donated assets it would also state that.
- Why do we have a different revenue recognition policy for tax revenues and ambulance revenues? Generally, but not required, governments should only have one period of availability. When I asked them initially about the ambulance revenue the time period they stated was 90 days therefore that is what they decided to use.
- Purchase lease agreement should disclose the reversionary interest subject to the district not appropriating monies for the payments; i.e. that title is held by the bank and the asset is leased back to the district (if applicable). FASB 13 – P 16(d) [to be followed at the direction of NCGAS 5]. Must be similar to your note you mentioned on Sun City. We can make that change.
- For ambulance revenues we should disclose gross charges and contractual adjustments for a net revenue amount recognized in the financial statements. While this is from the ACIPA Guide to Healthcare Organizations, I believe it relevant I honestly don’t see why we need to disclose this. We don’t disclose how much was written off during the year for bad debt that is also rolled into revenue.
- Note 1 – Should we mention the treatment of liability for general obligation bonds considering that the district does not have any, nor a debt service fund (which is the only fund allowed to recognize such a liability). It should state the purchase lease agreements. Sorry I missed that one.
- Note 13 – Line of Credit. GASB 38 & NCGA Interpretation 6 indicates that disclosures should not contain misleading information. Since the line of credit is not really available for the district to draw on throughout the year, rather is only there to cover cash flows at the beginning of the year until property taxes are collected, should we really disclose? Our opinion has been that this could be misleading as a reader may believe the district has the ability to just draw on \$3.5M at any time. The line of credit is available to draw on throughout the year. And in fact Daisy Mountain has had to use it twice during the year in the past.
- Fund Balances (NCGAS 1 – Codification 1800.142):

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COMMENTS ON FINANCIAL STATEMENTS
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- a. Assuming capital project cash is designated for purchases, the fund balance should show “unreserved, designated reported in capital projects”. Can change
 - b. If the investments totaling \$275 are designated for the liability, this should probably also be designated in fund balance. Good point.
- Note 15 – Must also add “settled claims, if any, resulting from these risks have not exceeded commercial insurance in any of the last three years. (I missed this sentence on mine too). Can add.



INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Daisy Mountain Fire District
Phoenix, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of the Daisy Mountain Fire District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 from 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 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 and of each major fund of the Daisy Mountain Fire District, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis on pages 4 through 7 and the Budgetary Comparison Schedule on page 11 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Breecher & Company P.C.

December 12, 2008

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 contractual agreements.

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.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current and other assets	\$ 2,447,019	\$ 1,505,635
Capital assets	<u>7,447,168</u>	<u>5,692,953</u>
Total assets	9,894,187	7,198,588
Current liabilities	1,106,851	862,792
Noncurrent liabilities	<u>3,239,912</u>	<u>3,178,002</u>
Total liabilities	4,346,763	4,040,794
Net assets:		
Invested in capital assets, net of related debt	5,071,455	2,699,781
Unrestricted	<u>477,119</u>	<u>458,013</u>
	<u>\$ 5,548,574</u>	<u>\$ 3,157,794</u>

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 for scheduled replacement of apparatus and vehicles, capital improvements to existing buildings and for purchasing equipment.

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 FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Capital Projects Fund	Total	Adjustments (Note 11)	Statement of Activities
EXPENDITURES/EXPENSES:					
Fire protection and emergency services:					
Personnel	\$ 6,521,791	\$ -	\$ 6,521,791	\$ 503,736	\$ 7,025,527
Employee benefits	1,168,169		1,168,169		1,168,169
Taxes and insurance	414,016		414,016		414,016
Administration	328,990		328,990		328,990
Professional services	45,613		45,613		45,613
Utilities and communication	295,483		295,483		295,483
Insurance	76,421		76,421		76,421
Repairs and maintenance	281,574		281,574		281,574
Small tools & equipment	24,334		24,334		24,334
Ambulance operations	206,143		206,143		206,143
Supplies	1,455		1,455		1,455
Training	82,585		82,585		82,585
Turnout gear	56,129		56,129		56,129
Interest	34,940		34,940		34,940
Contingency	-		-		-
Capital outlay	2,295,871		2,295,871	(1,758,738)	537,133
Debt service:					
Principal payments	634,931		634,931	(634,931)	-
Interest payments	206,903		206,903		206,903
Total expenditures/ expenses	<u>12,675,348</u>	<u>-</u>	<u>12,675,348</u>	<u>(1,889,933)</u>	<u>10,785,415</u>
PROGRAM REVENUES:					
Charges for services	142,984		142,984		142,984
Ambulance revenue	898,157		898,157	(104,430)	793,727
Capital grants	84,583		84,583		84,583
Total program revenues	<u>1,125,724</u>	<u>-</u>	<u>1,125,724</u>	<u>(104,430)</u>	<u>1,021,294</u>
Net program expense					<u>9,764,121</u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Budget Variance
	Original	Final		Positive (Negative)
Beginning budgetary fund balance	\$ 311,271	\$ 311,271	\$ 311,271	\$ -
Resources (inflows):				
Property taxes	11,809,491	11,809,491	11,480,319	(329,172)
Fire district assistance tax	300,000	300,000	295,717	(4,283)
Fire insurance premium tax	-	-	115,461	115,461
Charges for services	66,300	66,300	142,984	76,684
Ambulance revenue	750,000	750,000	898,157	148,157
Capital grants	-	-	84,583	84,583
Dividend income	-	-	2,846	2,846
Interest	8,000	8,000	24,049	16,049
Sale of assets	-	-	8,900	8,900
Other income	3,000	3,000	5,081	2,081
Unrealized gain on investment	-	-	3,972	3,972
Transfers - internal activities	-	-	(65,329)	(65,329)
	<u>12,936,791</u>	<u>12,936,791</u>	<u>12,996,740</u>	<u>59,949</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Fire protection and emergency services:				
Personnel	\$ 6,533,023	6,533,023	\$ 6,521,791	(11,232)
Employee benefits	1,179,286	1,179,286	1,168,169	(11,117)
Taxes and insurance	384,232	384,232	414,016	29,784
Administration	425,278	425,278	328,990	(96,287)
Professional services	37,900	37,900	45,613	7,713
Utilities and communication	310,760	310,760	295,483	(15,277)
Insurance	113,800	113,800	76,421	(37,379)
Repairs and maintenance	325,200	325,200	281,574	(43,626)
Small tools & equipment	28,000	28,000	24,334	(3,666)
Ambulance operations	237,410	237,410	206,143	(31,267)
Supplies	3,000	3,000	1,455	(1,545)
Training	99,000	99,000	82,585	(16,415)
Turnout gear	47,400	47,400	56,129	8,729
Interest	15,000	15,000	34,940	19,940
Contingency	60,000	60,000	-	(60,000)
Capital outlay	2,360,327	2,360,327	2,295,871	(64,456)
Debt service:				
Principal payments	616,686	616,686	634,931	18,245
Interest payments	160,489	160,489	206,903	46,414
	<u>12,936,791</u>	<u>12,936,791</u>	<u>12,675,348</u>	<u>(261,443)</u>
Total charges to appropriations				
Ending budgetary fund balance	<u>\$ 311,271</u>	<u>\$ 311,271</u>	<u>\$ 632,663</u>	<u>\$ 321,392</u>

See accompanying notes to financial statements.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2008

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 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.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2008

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.

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, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

The District does not have a formal policy related to 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. The District's custodial credit risk as of June 30, 2008 was \$19,678.

Investments – The credit risk for the General Fund's investments as of June 30, 2008 is 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	\$ 275,898

The investments are fully insured by the Securities Investor Protection Corporation (SIPC) and therefore there is no custodial credit risk. The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, or interest rate risk.

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 – 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, 2008 is \$655,649 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, 2008

NOTE 8 – 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 \$3,122,695 less accumulated depreciation of \$351,533 at June 30, 2008.

The description of the capital leases are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance 6/30/2008</u>
Station 145	4.70%	2/2010	\$ 42,846
800 MHz	6.00%	6/2012	86,357
Tanker	3.45%	1/2014	48,200
Rescue	3.20%	4/2009	30,570
Station 142	5.27%	1/2016	679,890
Station 146	5.27%	1/2016	407,934
Pumper	5.25%	7/2016	297,054
Pumper	5.25%	7/2016	297,054
Admin addition	5.21%	5/2017	237,446
Shop	5.21%	5/2017	335,869
			<u>\$ 2,463,220</u>

Daisy Mountain Fire District
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NOTE 9 – 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, 2008 are as follows:

	<u>Activities</u>
Gross program charges for services	\$ 1,351,544
Contractual adjustments/allowances	<u>(453,387)</u>
Net program service revenue	<u>\$ 898,157</u>

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.

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**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	\$ 400,780
<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	2,295,871
Depreciation expense	(537,133)
Sale of assets	(4,523)
<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	(104,430)
Property taxes	207,869
<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>	
	634,931
<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>	
	(503,736)
Change in net assets of governmental activities	\$ 2,389,630

Daisy Mountain Fire District
Notes to Financial Statements
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NOTE 14 – RETIREMENT PLANS (Continued)

Public Safety Personnel Retirement System – continued

Funding policy - For the year ended June 30, 2008, 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, 2008, was 8.02% 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, 2008, were \$468,655. The District's actuarial valuation is for the year ended June 30, 2007. Information related to this valuation follows.

Actuarial valuation date	6/30/2007
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50%
Includes inflation at	5.00%
Cost of living adjustments	None
Amortization method	Level percent open
Remaining amortization period	29 years for unfunded actuarial accrued liability, 20 years for excess
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, 2007	\$ 343,307	100%	\$ -
June 30, 2006	249,523	100%	-
June 30, 2005	397,197	100%	-