

FINANCIAL STATEMENTS
DAISY MOUNTAIN FIRE DISTRICT
JUNE 30, 2009

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT DISCUSSION & ANALYSIS REPORT	4
(Required Supplementary Information)	
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	8
STATEMENT OF ACTIVITIES	9
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	10
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS	11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	12
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	14
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	15
STATEMENT OF NET ASSETS – PROPRIETARY FUND	16
STATEMENT OF ACTIVITIES – PROPRIETARY FUND	17
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	18
NOTES TO FINANCIAL STATEMENTS	19

HEIDENREICH & HEIDENREICH, CPAs, PLLC

10201 S. 51st Street, Suite. #170
Phoenix, AZ 85044
(480) 704-6301 fax 785-4619

INDEPENDENT AUDITOR'S REPORT

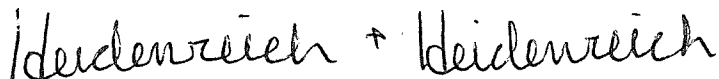
To the District Board
Daisy Mountain Fire District

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, 2009, 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, 2009 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.

The management's discussion and analysis and budgetary comparison information 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. 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.



Heidenreich & Heidenreich, CPAs, PLLC
Phoenix, AZ
December 17, 2009

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, 2009. 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 \$6,684,108 (*net assets*). Of this amount, \$1,722,642 (*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 \$1,136,438. Of this \$7,216 is attributed to business-type activities and \$1,129,222 to governmental activities. These increases are available for future operations and major improvements or equipment.
- 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.
- During the fiscal year, the District started the Health Center Billing.

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 presents 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).

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.

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current and other assets	\$ 3,866,849	\$ 2,447,019
Capital assets	7,393,594	7,447,414
Total assets	<u>11,260,443</u>	<u>9,894,433</u>
Current liabilities	1,142,903	1,106,851
Noncurrent liabilities	3,433,432	3,239,912
Total liabilities	<u>4,576,335</u>	<u>4,346,763</u>
Net assets:		
Invested in capital assets, net of related debt	4,954,250	5,070,551
Unrestricted	1,729,858	477,119
	<u>\$ 6,684,108</u>	<u>\$ 5,547,670</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.

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 and the opening of the Health Center.

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.

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating revenues	\$ 1,447,112	\$ 1,021,294
Operating expenses	<u>12,084,163</u>	<u>10,785,169</u>
Loss from operations	(10,637,051)	(9,763,875)
Net non-operating revenues:		
Property taxes and FDAT	11,590,411	11,983,905
Fire insurance premium tax	147,126	115,461
Interest earnings	40,132	38,108
Other income	<u>(4,180)</u>	<u>16,277</u>
Net non-operating revenue	11,773,489	12,153,751
Change in net assets	1,136,438	2,389,876
Net assets, beginning of year	<u>5,547,670</u>	<u>3,157,794</u>
Net assets, end of year	<u>\$ 6,684,108</u>	<u>\$ 5,547,670</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 \$4,954,250, net of accumulated depreciation, as of June 30, 2009, which is an increase of \$116,301 over the prior year. Capital assets include emergency vehicles, buildings, improvements other than buildings, equipment and furniture. During the current fiscal year, the major additions include two new rescue ambulances; a new computer network; Telestaff, a computer software program for staffing needs; upgrades to existing computer equipment; and new fire and communications equipment. Additionally, security fencing was installed at the shop as a first step in the continuing project to upgrade security at all locations.

During the fiscal year, the District paid off the tanker apparatus per the lease schedule. In 2009/2010, the District plans to pay off four additional lease purchases prior to maturity date.

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.

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).

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.

DAISY MOUNTAIN FIRE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,372,705	\$ -	\$ 2,372,705
Accounts receivable	-	162,161	162,161
Taxes receivable	728,129		728,129
Ambulance receivables, net	157,065		157,065
Due from other governments	109,514		109,514
Deposit	48,913		48,913
Investments	288,362		288,362
Capital assets:			-
Land	480,066		480,066
Property & Equipment, net	6,913,528		6,913,528
Total assets	11,098,282	162,161	11,260,443
LIABILITIES			
Accounts payable	268,551	36,829	305,380
Accrued salaries and benefits	297,239		297,239
Bank overdraft		118,116	118,116
Noncurrent liabilities:			
Due within one year			
Capital leases	422,168		422,168
Due in more than one year			
Compensated absences	1,370,564		1,370,564
Capital leases	2,062,868		2,062,868
Total liabilities	4,421,390	154,945	4,576,335
NET ASSETS			
Invested in capital assets, net of related debt	4,954,250	-	4,954,250
Unrestricted	1,722,642	7,216	1,729,858
Total net assets	\$ 6,676,892	\$ 7,216	\$ 6,684,108

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
EXPENSES:			
Fire protection and emergency services:			
Personnel	\$ 7,328,793		\$ 7,328,793
Employee benefits	1,487,995		1,487,995
Taxes and insurance	415,837		415,837
Administration	444,204		444,204
Facility rental	-	2,100	2,100
Professional services	66,213	287,810	354,023
Utilities and communication	365,441		365,441
Insurance	82,848		82,848
Repairs and maintenance	348,058		348,058
Small tools & equipment	58,721		58,721
Ambulance operations	276,959		276,959
Training	116,512		116,512
Turnout gear	32,217		32,217
Interest	7,514		7,514
Depreciation	665,531		665,531
Interest on debt	97,410		97,410
Total expenses	11,794,253	289,910	12,084,163
PROGRAM REVENUES:			
Charges for services	127,123	297,123	424,246
Ambulance revenue	966,242		966,242
Capital grants	56,624		56,624
Total program revenues	1,149,989	297,123	1,447,112
Net program expense	10,644,264	(7,213)	10,637,051
GENERAL REVENUES:			
Property taxes	11,297,485		11,297,485
Fire district assistance tax	292,926		292,926
Fire insurance premium tax	147,127		147,127
Interest	40,129	3	40,132
Dividend income	12,883		12,883
Loss on disposal of assets	(26,468)		(26,468)
Other income	9,823		9,823
Unrealized loss on investment	(419)		(419)
Total general revenues and transfers	11,773,486	3	11,773,489
Change in net assets	1,129,222	7,216	1,136,438
Net assets - beginning of the year	5,547,670	-	5,547,670
Net assets - end of the year	\$ 6,676,892	\$ 7,216	\$ 6,684,108

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash	\$ 626,978	\$ 1,745,727	\$ 2,372,705
Taxes receivable	728,129		728,129
Ambulance receivables, net	157,065		157,065
Due from other governments	109,514		109,514
Deposit	48,913		48,913
Investments	288,362		288,362
Total assets	\$ 1,958,961	\$ 1,745,727	\$ 3,704,688
LIABILITIES			
Accounts payable	\$ 268,551	\$ -	\$ 268,551
Accrued salaries and benefits	297,239		297,239
Deferred revenue	606,074		606,074
Total liabilities	1,171,864	-	1,171,864
FUND BALANCES			
Unreserved, undesignated	198,667		198,667
Unreserved, designated	588,430		588,430
Unreserved, designated reported in capital projects		1,745,727	1,745,727
Total fund balances	787,097	1,745,727	2,532,824
Total liabilities and fund balances	\$ 1,958,961	\$ 1,745,727	\$ 3,704,688

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
RECONCILIATION OF BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Government Fund Balances	\$ 2,532,824
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.	7,393,594
Receivables that are not considered available to pay for current period expenditures are reported as deferred revenue in the funds.	
Taxes receivable	565,984
Ambulance receivables	40,090
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	(2,485,036)
Compensated absences	(1,370,564)
Net assets of governmental activities	\$ 6,676,892

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, 2009

	General Fund	Capital Projects Fund	Total
EXPENDITURES/EXPENSES:			
Fire protection and emergency services:			
Personnel	\$ 7,074,624	\$ -	\$ 7,074,624
Employee benefits	1,487,995		1,487,995
Taxes and insurance	415,837		415,837
Administration	444,204		444,204
Professional services	66,213		66,213
Utilities and communication	365,441		365,441
Insurance	82,848		82,848
Repairs and maintenance	348,057		348,057
Small tools & equipment	58,721		58,721
Ambulance operations	276,959		276,959
Supplies	-		-
Training	116,512		116,512
Turnout gear	32,217		32,217
Interest	7,514		7,514
Contingency	-		-
Capital outlay	638,178		638,178
Debt service:			
Principal payments	264,594		264,594
Interest payments	97,410		97,410
	<u>11,777,324</u>	<u>-</u>	<u>11,777,324</u>
Total expenditures			
PROGRAM REVENUES:			
Charges for services	127,123		127,123
Ambulance revenue	962,340		962,340
Capital grants	56,624		56,624
Total program revenues	<u>1,146,087</u>	<u>-</u>	<u>1,146,087</u>

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, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
GENERAL REVENUES:			
Property taxes	11,237,488		11,237,488
Fire district assistance tax	292,926		292,926
Fire insurance premium tax	147,127		147,127
Interest	26,044	14,085	40,129
Dividend income	12,883		12,883
Unrealized loss on investment	(419)		(419)
Other income	9,823		9,823
Total general revenues	<u>11,725,872</u>	<u>14,085</u>	<u>11,739,957</u>
Excess (deficiency) of revenues over expenditures	1,094,635	14,085	1,108,720
OTHER FINANCING SOURCES (USES)			
Capital lease proceeds	286,409		286,409
Transfers in (out)	<u>(1,226,610)</u>	<u>1,226,610</u>	<u>-</u>
Total other financing sources and uses	(940,201)	1,226,610	286,409
Fund balances - beginning of the year	<u>632,663</u>	<u>505,032</u>	<u>1,137,695</u>
Fund balances - end of the year	<u>\$ 787,097</u>	<u>\$ 1,745,727</u>	<u>\$ 2,532,824</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, 2009

Net change in fund balances - total government funds	\$ 1,395,129
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenses over the life of the assets.	
Capital assets purchases	638,178
Depreciation expense	(665,531)
Sale of assets	(26,468)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Ambulance services	3,901
Property taxes	59,997
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 assts. This is the amount by which proceeds exceeds repayments.	
	(21,815)
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.	
	<u>(254,169)</u>
Change in net assets of governmental activities	<u><u>\$ 1,129,222</u></u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 632,663	\$ 632,663	\$ 632,663	\$ -
Resources (inflows):				
Property taxes	11,402,922	11,402,922	11,237,489	(165,433)
Fire district assistance tax	300,000	300,000	292,926	(7,074)
Fire insurance premium tax	-	-	147,126	147,126
Charges for services	91,300	91,300	127,123	35,823
Ambulance revenue	885,000	885,000	962,340	77,340
Capital grants	-	-	56,624	56,624
Dividend income	-	-	12,883	12,883
Interest	8,000	8,000	26,044	18,044
Other income	3,000	3,000	9,823	6,823
Capital lease proceeds	-	-	286,409	286,409
Unrealized gain on investment	-	-	(419)	(419)
Transfers - internal activities	-	-	(1,226,610)	(1,226,610)
Amounts available for appropriation	<u>12,690,222</u>	<u>12,690,222</u>	<u>11,931,758</u>	<u>(758,464)</u>
Charges to appropriations (outflows):				
Fire protection and emergency services:				
Personnel	7,356,344	7,356,344	7,074,624	(281,720)
Employee benefits	1,559,895	1,559,895	1,487,995	(71,900)
Taxes and insurance	660,241	660,241	415,837	(244,404)
Administration	461,271	461,271	444,204	(17,067)
Professional services	118,200	118,200	66,213	(51,987)
Utilities and communication	390,300	390,300	365,441	(24,859)
Insurance	86,000	86,000	82,848	(3,152)
Repairs and maintenance	391,590	391,590	348,057	(43,533)
Small tools & equipment	53,360	53,360	58,721	5,361
Ambulance operations	317,200	317,200	276,959	(40,241)
Supplies	2,000	2,000	-	(2,000)
Training	111,285	111,285	116,512	5,227
Turnout gear	40,798	40,798	32,217	(8,581)
Interest	15,000	15,000	7,514	(7,486)
Contingency	80,000	80,000	-	(80,000)
Capital outlay	400,700	400,700	638,178	237,478
Debt service:				
Principal payments	316,743	316,743	264,594	(52,149)
Interest payments	143,567	143,567	97,410	(46,157)
Total charges to appropriations	<u>12,504,494</u>	<u>12,504,494</u>	<u>11,777,324</u>	<u>(727,170)</u>
Ending budgetary fund balance	<u>\$ 818,391</u>	<u>\$ 818,391</u>	<u>\$ 787,097</u>	<u>\$ (31,294)</u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	<u>Enterprise Fund</u> <u>Health Center Billing</u>
ASSETS	
Current assets:	
Accounts receivable	<u>\$ 162,161</u>
Total current assets	<u>162,161</u>
Total assets	<u>162,161</u>
LIABILITIES	
Current liabilities:	
Accounts payable	36,829
Bank overdraft	<u>118,116</u>
Total current liabilities	<u>154,945</u>
NET ASSETS	
Unrestricted	<u><u>\$ 7,216</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, 2009

	<u>Enterprise Fund</u> <u>Health Center Billing</u>
OPERATING REVENUES	
Charges for services	\$ 297,123
Total operating revenues	<u>297,123</u>
OPERATING EXPENSES	
Facility rental	2,100
Professional services	<u>287,810</u>
Total operating expenses	<u>289,910</u>
Operating income (loss)	<u>7,213</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>3</u>
Total nonoperating revenues (expenses)	<u>3</u>
Change in net assets	<u>7,216</u>
Total net assets - beginning	<u>-</u>
Total net assets - ending	<u><u>\$ 7,216</u></u>

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Fund <i>Health Center Billing</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 134,962
Payments to vendors	(253,081)
Net cash (used) by operating activities	(118,119)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	3
Net cash provided by investing activities	3
Net (decrease) in cash and cash equivalents	(118,116)
Balance - beginning of the year	-
Balance - end of the year	\$ (118,116)
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 7,213
Increase in accounts receivable	(162,161)
Increase in accounts payable	36,829
Net cash (used) by operating activities	\$ (118,119)

See accompanying notes to financial statements.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2009

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, 2009

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, 2009

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 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 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, 2009

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, 2009

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 the 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. 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, 2009, are described below:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund		
Funds held by Maricopa County	\$ 413,532	\$ 304,711
Demand deposit	<u>323,016</u>	<u>322,267</u>
	<u>\$ 736,548</u>	<u>\$ 626,978</u>
Capital Projects Fund		
Funds held by Maricopa County	<u>\$ 1,745,727</u>	<u>\$ 1,745,727</u>
Enterprise Fund		
Demand deposit	<u>\$ 32,293</u>	<u>\$ (118,116)</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2009

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2009 was \$72,267.

Investments – The credit risk for the General Fund's investments as of June 30, 2009 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	\$ 288,362

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 – 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, 2009. The receivable balance as of June 30, 2009 is \$301,788. The allowance for doubtful accounts as of June 30, 2009 is \$144,723. The portion of the receivable that is not collected within ninety days after the end of the fiscal year is recorded as deferred revenue.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2009

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consists of user charges through the Health Center Billing that were not collected as of June 30, 2009. The receivable balance as of June 30, 2009 is \$162,161. 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, 2009 is \$728,129 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, 2009 is \$109,514.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2009

NOTE 8 – CAPITAL ASSETS

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

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
<i>Governmental activities:</i>				
Land	\$ 480,066	\$ -	\$ -	\$ 480,066
Buildings	3,897,106	66,084		3,963,190
Equipment	5,163,970	572,095	(154,374)	5,581,691
	<u>9,541,142</u>	<u>638,179</u>	<u>(154,374)</u>	<u>10,024,947</u>
Accumulated depreciation				
Buildings	(332,558)	(133,662)		(466,220)
Equipment	(1,761,170)	(531,869)	127,906	(2,165,133)
	<u>(2,093,728)</u>	<u>(665,531)</u>	<u>127,906</u>	<u>(2,631,353)</u>
Capital assets, net	<u>\$ 7,447,414</u>	<u>\$ (27,352)</u>	<u>\$ (26,468)</u>	<u>\$ 7,393,594</u>

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 \$3,248,888 less accumulated depreciation of \$508,848 at June 30, 2009.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2009

NOTE 9 – LONG TERM DEBT (Continued)

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2009, are as follows:

	<u>Balance 6/30/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2009</u>
<i>Governmental activities:</i>				
Capital leases	\$ 2,463,220	\$ 286,409	\$ (264,593)	\$ 2,485,036
Compensated absences	1,116,395	254,169	-	1,370,564
	<u>\$ 3,579,615</u>	<u>\$ 540,578</u>	<u>\$ (264,593)</u>	<u>\$ 3,855,600</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, 2009 are as follows:

	<u>Governmental Activities</u>
Gross program charges for services	\$ 1,326,084
Contractual adjustments/allowances	(363,744)
Net program service revenue	<u>\$ 962,340</u>

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2009

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, 2009. Rents are paid on a quarterly basis for dispatch and technical services at a cost of \$61,919. Total rent for the year ended June 30, 2009, was \$263,274.

The District has a fire truck lease with the City of Phoenix. The current agreement is effective for a period of two years ending July 31, 2008. The rent is paid annually. The rent for the year ended June 30, 2009, was \$1,224. The truck was returned to the City of Phoenix in November 2008.

NOTE 12 – COMMITMENTS

The District has a line of credit with Bank of America for \$2,000,000. The District did not have a balance as of June 30, 2009.

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, 2009 were \$116,376.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2009

NOTE 13 – RETIREMENT PLANS (Continued)

Public Safety Personnel Retirement System

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

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

Funding policy - For the year ended June 30, 2009, 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, 2009, was 11.69% 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, 2009, were \$738,643. The District's actuarial valuation is for the year ended June 30, 2008. Information related to this valuation follows.

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2009

NOTE 13 – RETIREMENT PLANS (Continued)

Public Safety Personnel Retirement System - continued

Actuarial valuation date	06/30/09
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	27 years for underfunded 20 years for overfunded
Asset valuation method	7 year smoothed market value

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
June 30, 2009	\$ 766,906	100%	\$ -
June 30, 2008	502,227	100%	-
June 30, 2007	343,307	100%	-

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 % of Covered Payroll ((b - a)/c)
6/30/2009	\$ 8,773,612	\$ 9,289,834	\$ 516,222	94.4%	\$ 6,417,315	8.0%
6/30/2008	7,027,542	8,244,509	1,216,967	85.2%	6,125,469	19.9%
6/30/2007	5,547,063	6,885,515	1,338,452	80.6%	5,481,571	24.4%

Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2009

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

In July 2009, the District paid off the administrative addition, Station 145, Tanker and Shop leases. The amount of the payoff was \$584,401 plus interest. These leases were all paid off prior to the maturity dates. Management has evaluated subsequent events through December 17, 2009, the date which the financial statements were issued.