

FINANCIAL STATEMENTS  
DAISY MOUNTAIN FIRE DISTRICT  
JUNE 30, 2007



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## INDEPENDENT AUDITOR'S REPORT

Board Members  
Daisy Mountain Fire District  
Phoenix, AZ

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Daisy Mountain Fire District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Daisy Mountain Fire District, as of June 30, 2007, and the changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

*Angela D. Bertram, CPA*

Angela D. Bertram, CPA

Glendale, Arizona  
December 27, 2007



## 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, 2007. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

#### Financial Highlights

- The assets of the Daisy Mountain Fire District exceeded its liabilities at the close of the most recent fiscal year by \$3,157,794 (*net assets*). Of this amount, \$458,013 (*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 \$75,969. This increase is available for future operations and major improvements or equipment.
- The District hired seven (7) new fulltime employees during the fiscal year, bringing the total number to ninety-three (93) full-time employees. The District also hired eight (8) Reserve Firefighters who are paid-per-call. After attrition and hiring for fulltime, the number of Reserve Firefighters totaled fourteen (14) in this fiscal year.
- The District participated in the Public Safety Personnel Retirement System (PSPRS).
- During the fiscal year, the District also obtained grants to supplement the existing budget; and continued upgrading the equipment and facilities.
- During the fiscal year, the District provided training for employees and continued to implement various education and community service programs.
- The District strives to provide the best possible service while minimizing the tax rate.

#### Overview of the Financial Statements

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

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

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





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

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

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

### Financial Analysis

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

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

	June 30, 2007	June 30, 2006
Current and other assets	\$1,505,635	\$2,084,106
Capital assets	\$5,692,953	\$4,696,372
Total assets	\$7,198,588	\$6,780,478
Current and other liabilities	\$ 862,792	\$ 694,669
Long-term liabilities	\$3,178,002	\$3,003,984
Total liabilities	\$4,040,794	\$3,698,653
Net assets:		
Invested in capital assets	\$2,699,781	\$1,865,428
(net of related debt)		
Unrestricted assets	\$ 458,013	\$1,216,397
Total net assets	\$3,157,794	\$3,081,825



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

As noted in the following table, the operating expenses and revenues and non-operating revenues all increased over the prior year. Most of the increase in operating expenses is for personnel and benefits. The District has increased the wage scale for the full-time personnel and has concentrated on providing wages and benefits comparable to other employers in the Phoenix metropolitan area.

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

	June 30, 2007	June 30, 2006
Operating revenues	\$ 907,735	\$1,085,924
Operating expenses	\$8,883,736	\$7,309,215
Loss from operations	\$7,976,001	\$6,223,291
Net non-operating revenues		
Ad valorem taxes & FDAT	\$8,008,927	\$7,188,201
Investment earnings	\$ 30,297	\$ 32,152
Miscellaneous	\$ 12,746	\$ 51,939
Net non-operating revenue	\$8,051,970	\$7,272,292
Changes in net assets	\$ 75,969	\$1,047,931
Net assets, beginning of year	\$3,081,825	\$2,033,894
Net assets, end of year	\$3,157,794	\$3,081,825

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 \$2,699,781, net of accumulated depreciation, as of June 30, 2006, which is an increase of \$834,353 over the prior year. Capital assets include emergency vehicles, buildings, improvements other than buildings, equipment and furniture. During the current fiscal year, the major additions include three (3) new vehicles (one front-line Ladder Tender, a TLO Truck and a new Staff Vehicle for the Chief), a twenty-two (22) foot Mirage Trailer for the CERT Team, upgrades to computer equipment and shop equipment and the construction in progress on general improvements to the facilities. The District also received capital lease proceeds in the amount of \$622,141 for the construction of a new Shop facility, the refinance of Station 141 and an addition to the Administration Office.

## **Currently Known Facts**

The District's budget for FY 2007-2008 included funds to pay down current debt service and to limit future debt service by purchasing four (4) new apparatus outright, taking the cash discount. The lease purchases paid off in early FY 2007-2008 were for Fire Station 145 and for the Mako Compressor.

## **Request for Information**

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



DAISY MOUNTAIN FIRE DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET ASSETS  
JUNE 30, 2007

	General Fund	Capital Projects Fund	Total	Adjustments (Note 10)	Statement of Net Assets
<b>ASSETS</b>					
Cash	\$ 186,971	\$ 425,644	\$ 612,615	\$ -	\$ 612,615
Taxes receivable	396,888		396,888		396,888
Ambulance receivables	954,332		954,332	(630,402)	323,930
Other receivables	68,511		68,511		68,511
Prepaid expenses	54,611		54,611		54,611
Investments	49,080		49,080		49,080
Capital assets:					
Land				480,066	480,066
Construction in progress				2,495,395	2,495,395
Property & Equipment, net				2,717,492	2,717,492
<b>Total assets</b>	<b><u>\$1,710,393</u></b>	<b><u>\$ 425,644</u></b>	<b><u>\$2,136,037</u></b>	<b><u>\$5,062,551</u></b>	<b><u>\$ 7,198,588</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 50,403	\$ -	\$ 50,403	\$ -	\$ 50,403
Accrued expenses	279,581		279,581		279,581
Deferred revenue	1,069,138		1,069,138	(1,069,138)	-
Noncurrent liabilities:					
Due within one year					
Capital leases				532,808	532,808
Due in more than one year					
Compensated absences				612,659	612,659
Capital leases				2,565,343	2,565,343
<b>Total liabilities</b>	<b><u>1,399,122</u></b>	<b><u>-</u></b>	<b><u>1,399,122</u></b>	<b><u>2,641,672</u></b>	<b><u>4,040,794</u></b>
<b>FUND BALANCES/NET ASSETS</b>					
Fund balances:					
Unreserved	<u>311,271</u>	<u>425,644</u>	<u>736,915</u>	<u>(736,915)</u>	<u>-</u>
<b>Total fund balances</b>	<b><u>311,271</u></b>	<b><u>425,644</u></b>	<b><u>736,915</u></b>	<b><u>(736,915)</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$1,710,393</u></b>	<b><u>\$ 425,644</u></b>	<b><u>\$2,136,037</u></b>	<b><u>\$1,904,757</u></b>	
Net assets:					
Invested in capital assets, net of related debt				2,699,781	2,699,781
Unrestricted				458,013	458,013
<b>Total net assets</b>				<b><u>\$3,157,794</u></b>	<b><u>\$ 3,157,794</u></b>

See accompanying notes to financial statements.





DAISY MOUNTAIN FIRE DISTRICT  
 GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES AND STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES:					
Fire protection and emergency services:					
Personnel	\$ 5,907,150	\$ -	\$ 5,907,150	\$ 149,860	\$ 6,057,010
Employee benefits	686,439		686,439		686,439
Taxes and insurance	393,399		393,399		393,399
Administration	297,196		297,196		297,196
Professional services	43,993		43,993		43,993
Utilities and communication	260,277		260,277		260,277
Insurance	75,330		75,330		75,330
Repairs and maintenance	296,273		296,273		296,273
Small tools & equipment	59,847		59,847		59,847
Ambulance operations	164,806		164,806		164,806
Supplies	991		991		991
Training	50,458		50,458		50,458
Turnout gear	25,202		25,202		25,202
Interest	22,241		22,241		22,241
Contingency	-		-		-
Capital outlay	1,352,125		1,352,125	(1,001,242)	350,883
Debt service:					
Principal payments	477,483		477,483	(477,483)	-
Interest payments	99,391		99,391		99,391
Total expenditures/ expenses	<u>10,212,601</u>	<u>-</u>	<u>10,212,601</u>	<u>(1,328,865)</u>	<u>8,883,736</u>
PROGRAM REVENUES:					
Charges for services	100,495		100,495		100,495
Ambulance revenue	827,778		827,778	(141,595)	686,183
Capital grants	121,057		121,057		121,057
Total program revenues	<u>1,049,330</u>	<u>-</u>	<u>1,049,330</u>	<u>(141,595)</u>	<u>907,735</u>
Net program expense					<u>7,976,001</u>

See accompanying notes to financial statements.



DAISY MOUNTAIN FIRE DISTRICT  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES AND STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Capital Projects Fund	Total	Adjustments (Note 11)	Statement of Activities
GENERAL REVENUES:					
Property taxes	7,755,440		7,755,440	(40,314)	7,715,126
Fire district assistance tax	293,801		293,801		293,801
Interest	13,173	16,189	29,362		29,362
Dividend income	2,130		2,130		2,130
Sale of assets	-		-	(4,661)	(4,661)
Other income	17,407		17,407		17,407
Unrealized loss on investment	(1,195)		(1,195)		(1,195)
Capital lease proceeds	622,141		622,141	(622,141)	-
Transfers - internal activities	557,423	(557,423)	-		-
Total general revenues and transfers	9,260,320	(541,234)	8,719,086	(667,116)	8,051,970
Excess of revenues and transfers in over expenditures and transfers out	97,049	(541,234)	(444,185)	444,185	-
Change in net assets				75,969	75,969
Fund balances/net assets:					
Beginning of the year	214,222	966,878	1,181,100	1,900,725	3,081,825
End of the year	<u>\$ 311,271</u>	<u>\$ 425,644</u>	<u>\$ 736,916</u>	<u>\$ 2,420,878</u>	<u>\$ 3,157,794</u>

See accompanying notes to financial statements.



DAISY MOUNTAIN FIRE DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Budget Variance
	Original	Final		Positive (Negative)
Beginning budgetary fund balance	\$ 214,222	\$ 214,222	\$ 214,222	\$ -
Resources (inflows):				
Property taxes	8,225,243	8,225,243	7,755,440	(469,803)
Fire district assistance tax	300,000	300,000	293,801	(6,199)
Charges for services	66,300	66,300	100,495	34,195
Ambulance revenue	600,000	600,000	827,778	227,778
Capital grants	-	-	121,057	121,057
Dividend income	-	-	2,130	2,130
Interest	8,000	8,000	13,173	5,173
Sale of assets	-	-	-	-
Other income	2,500	2,500	17,407	14,907
Unrealized gain on investment	-	-	(1,195)	(1,195)
Capital lease proceeds	-	-	622,141	622,141
Transfers - internal activities	-	-	557,423	557,423
Amounts available for appropriation	<u>9,202,043</u>	<u>9,202,043</u>	<u>10,309,650</u>	<u>1,107,607</u>
Charges to appropriations (outflows):				
Fire protection and emergency services:				
Personnel	\$ 6,010,431	6,010,431	\$ 5,907,150	(103,281)
Employee benefits	927,381	927,381	686,439	(240,942)
Taxes and insurance	326,704	326,704	393,399	66,695
Administration	348,956	348,956	297,196	(51,760)
Professional services	30,900	30,900	43,993	13,093
Utilities and communication	257,757	257,757	260,277	2,520
Insurance	78,000	78,000	75,330	(2,670)
Repairs and maintenance	254,700	254,700	296,273	41,573
Small tools & equipment	19,700	19,700	59,847	40,147
Ambulance operations	221,880	221,880	164,806	(57,074)
Supplies	3,000	3,000	991	(2,009)
Training	82,700	82,700	50,458	(32,242)
Turnout gear	50,625	50,625	25,202	(25,423)
Interest	13,000	13,000	22,241	9,241
Contingency	65,000	65,000	-	(65,000)
Capital outlay	118,100	118,100	1,352,125	1,234,025
Debt service:				
Principal payments	285,957	285,957	477,483	191,526
Interest payments	107,252	107,252	99,391	(7,861)
Total charges to appropriations	<u>9,202,043</u>	<u>9,202,043</u>	<u>10,212,601</u>	<u>1,010,558</u>
Ending budgetary fund balance	<u>\$ 214,222</u>	<u>\$ 214,222</u>	<u>\$ 311,271</u>	<u>\$ 97,049</u>

See accompanying notes to financial statements.



Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Reporting Entity

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

Basis of Presentation

The accounts of the District are organized on the basis of funds, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent. The District's funds, which are included in this report, are as follows:

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

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





Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Notes 10 and 11 include a reconciliation and brief explanation to better identify the relationship between the government-wide statements and the fund financial statements.

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

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



Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2007

**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 10<sup>th</sup>. The budget is adopted on a basis consistent with generally accepted accounting principles and appropriations lapse at year end.

Interfund Transactions

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

Cash and Investments

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

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments are reported at fair value. Securities owned by the District are traded on a national exchange and valued on the last business day of the fiscal year. The District has not adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed other than what is in the Arizona Revised Statutes. See Note 4 for more information.

Taxes and Other Receivables

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



Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2007

**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, 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

The District's policy regarding compensatory times permits employees to accumulate 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 – CASH AND CASH EQUIVALENTS**

Amounts classified as cash on June 30, 2007, are described below:

	Bank Balance	Carrying Amount
General Fund		
Funds held by Maricopa County	\$ 240,766	\$ 67,263
Demand deposit	81,475	119,678
Cash on hand	-	30
	\$ 322,241	\$ 186,971
Capital Projects Fund		
Funds held by Maricopa County	\$ 425,644	\$ 425,644

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





Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2007

**NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits (in excess of FDIC insurance) may not be returned to us. The District did not have any custodial credit risk as of June 30, 2007.

**NOTE 3 – CAPITAL PROJECTS FUND**

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

**NOTE 4 – INVESTMENTS**

The General Fund's investments as of June 30, 2007 are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>
PIMCO Long-Term U.S. Government	Various	AAA	\$ 49,080

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

**NOTE 5 – PROPERTY TAXES**

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

Taxes receivable represents the delinquent tax levied against the property taxes within the District. No reserve is made in the financial statements for doubtful accounts because in the event the taxes are not paid, a lien is placed on the property which can be subsequently sold to collect the delinquent taxes. The taxes receivable at June 30, 2007 is \$396,888 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.



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**NOTE 6 – AMBULANCE RECEIVABLE**

The District considers ambulance revenue as available if collected within ninety days after year end. The ambulance receivable represents the calls invoiced by June 30, 2007 and collected within ninety days after year end. The balance as of June 30, 2007 is \$954,332. No reserve is made in the fund financial statements for doubtful accounts. The portion of the receivable that is not collected within ninety days after the end of the fiscal year is recorded as deferred revenue. In the government-wide statements, a reserve of \$630,402 is reflected as of June 30, 2007.

**NOTE 7 – OTHER RECEIVABLES**

Other receivables consist mainly of receivables related to state land fires. The balance of other receivables as of June 30, 2007 is \$68,511.

**NOTE 8 – CAPITAL ASSETS**

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

	Balance 6/30/2006	Additions	Deletions	Balance 6/30/2007
Land	\$ 480,066	\$ -	\$ -	\$ 480,066
Construction in progress	1,378,801	1,116,594		2,495,395
Buildings	756,931			756,931
Equipment	1,521,873	235,531	(63,739)	1,693,665
Assets under capital lease	1,857,003			1,857,003
	<u>5,994,674</u>	<u>1,352,125</u>	<u>(63,739)</u>	<u>7,283,060</u>
Accumulated depreciation	(1,298,302)	(350,883)	59,078	(1,590,107)
Capital assets, net	<u>\$ 4,696,372</u>	<u>\$ 1,001,242</u>	<u>\$ (4,661)</u>	<u>\$ 5,692,953</u>

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

Purchased	\$ 4,332,506
CIP-capital lease	1,093,551
Capital lease	1,857,003
	<u>\$ 7,283,060</u>



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**NOTE 9 – LONG TERM DEBT**

Capital Leases

The District is obligated under certain leases which are accounted for as capital leases. The related obligations are accounted for in the Statement of Net Assets. Assets under capital leases totaled \$3,672,645 less accumulated depreciation of \$301,351 at June 30, 2007.

The description of the capital leases are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Lease Term</u>	<u>Balance 6/30/2007</u>
Station 145	4.70%	2/2010	\$ 63,092
800 MHz	6.00%	6/2012	104,980
Tanker	3.45%	1/2014	55,314
Rescue	3.20%	4/2009	60,214
Compressor	3.85%	2/2008	8,331
2 Pumpers	4.00%	3/2014	309,383
Station 142	5.27%	1/2016	768,816
Station 146	5.27%	1/2016	461,290
Pumper	5.25%	7/2016	322,295
Pumper	5.25%	7/2016	322,295
Admin addition	5.21%	5/2017	257,668
Shop	5.21%	5/2017	364,473
			<u>\$ 3,098,151</u>



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

Capital Leases - continued

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2007.

Year Ending <u>June 30</u>	
2008	\$ 532,808
2009	524,797
2010	494,054
2011	414,942
2012	375,777
2013-2017	<u>1,553,447</u>
Minimum lease payments for all capital leases	3,895,825
Less: Amount representing interest	<u>(797,674)</u>
Present value of minimum lease payments	<u><u>\$ 3,098,151</u></u>

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2007, are as follows:

	<u>Balance 6/30/2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2007</u>
Capital leases	\$ 2,953,493	\$ 622,141	\$ (477,483)	\$ 3,098,151
Compensated absences	462,799	149,860		612,659
	<u>\$ 3,416,292</u>	<u>\$ 772,001</u>	<u>\$ (477,483)</u>	<u>\$ 3,710,810</u>





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

Total Government Fund Balances	\$ 736,915
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.	5,692,953
Receivables that are not considered available to pay for current period expenditures are reported as deferred revenue in the funds.	
Taxes receivable	298,118
Ambulance receivables	771,020
In governmental funds, the receivables do not include an allowance for doubtful accounts because the amount is considered available to pay for current obligations. However, in the statement of activities ambulance receivables do include an allowance for doubtful accounts.	(630,402)
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	(3,098,151)
Compensated absences	(612,659)
Net assets of governmental activities	<u>\$ 3,157,794</u>



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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	\$ (444,185)
<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	1,352,125
Depreciation expense	(350,883)
Loss on sale of assets	(4,661)
<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	(141,595)
Property taxes	(40,314)
<p>Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.</p>	
	(622,141)
<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>	
	477,483
<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>	
	(149,860)
Change in net assets of governmental activities	\$ 75,969



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**NOTE 12 – 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, 2007. Rents are paid on a quarterly basis for dispatch and technical services at a cost of \$26,774. Total rent for the year ended June 30, 2007, was \$107,098.

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, 2007, was \$5,150. The future minimum rental payment for 2008 is \$5,075.

**NOTE 13 – 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, 2007.

**NOTE 14 – 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 \$15 match per pay period. Total District contributions as of June 30, 2007 were \$107,052.

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.



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**NOTE 14 – RETIREMENT PLANS (Continued)**

Public Safety Personnel Retirement System – continued

*Funding policy* - For the year ended June 30, 2007, 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, 2007, 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, 2007, were \$343,307. 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.

Fiscal Year Ended	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
June 30, 2007	\$ 343,307	100%	\$ -
June 30, 2006	249,523	100%	-
June 30, 2005	397,197	100%	-





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**NOTE 14 – RETIREMENT PLANS (Continued)**

Public Safety Personnel Retirement System – continued

*Funding progress - An analysis of funding progress follows.*

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
6/30/2007	\$ 5,547,063	\$ 6,885,515	\$ 1,338,452	80.6%	\$ 5,481,571	24.4%
6/30/2006	4,453,284	4,624,855	171,571	96.3%	4,655,890	3.7%
6/30/2005	3,622,921	3,426,186	(196,735)	105.7%	3,919,235	0.0%

**NOTE 15 – SUBSEQUENT EVENTS**

In November 2007, the District paid off the lease obligations for the compressor and Station 145 which totaled approximately \$70,000.

