

**Daisy Mountain Fire District**

**Financial Statements**

**June 30, 2012**



**Heidenreich & Heidenreich, CPAs, PLLC**

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## INDEPENDENT AUDITOR'S REPORT

To the District Board  
Daisy Mountain Fire District

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Daisy Mountain Fire District, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Heidenreich & Heidenreich CPAs PLLC*

Heidenreich & Heidenreich, CPAs, PLLC

Phoenix, AZ

January 15, 2013

## 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, 2012. 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 \$7,337,697 (*net assets*). Of this amount, \$1,812,241 (*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 \$640,589. Of this \$58,955 is attributed to business-type activities and \$581,634 to governmental activities.
- The District participated in the Public Safety Personnel Retirement System (PSPRS).
- During the fiscal year, the District also obtained grants to supplement the existing budget; and continued upgrading the equipment and facilities.
- During the fiscal year, the District provided training for employees and continued to implement various education and community service programs.
- During the fiscal year the Enterprise Fund, *Health Center Billing*, was discontinued.

#### Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the accountant's audit report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

#### Required Financial Statements

##### *Government-Wide Financial Statements*

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

The statement of net assets present information on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets, without a corresponding increase to liabilities, result in increased net assets, which indicate an improved financial position.

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

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, 2012</u> | <u>June 30, 2011</u> |
|--|----------------------|----------------------|
| Current and other assets                           | \$ 3,371,421         | \$ 3,647,904         |
| Capital assets                                     | 6,262,131            | 6,699,657            |
| Total assets                                       | <u>9,633,552</u>     | <u>10,347,561</u>    |
| Current liabilities                                | 524,838              | 700,083              |
| Noncurrent liabilities                             | 1,771,018            | 2,950,370            |
| Total liabilities                                  | <u>2,295,855</u>     | <u>3,650,453</u>     |
| Net assets:  |                      |                      |
| Invested in capital assets,<br>net of related debt | 5,525,456            | 5,361,087            |
| Unrestricted                                       | 1,812,241            | 1,336,021            |
|  | <u>\$ 7,337,697</u>  | <u>\$ 6,697,108</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, there was an increase in net assets and a decrease in capital assets. Current liabilities were significantly reduced due to the payoff of several capital leases in the prior fiscal year. There are no restricted net assets and the unrestricted net assets are available for future operations. The District is continuing to use a 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 were reduced and revenues slightly increased over the prior year. Part of the increase in operating revenues can be attributed to receipt of grant income for capital purchases made in the prior fiscal year. The balance of the increase was in charges for services.

There was a decrease in the non-operating revenues due in part to a decline in property taxes and the fire insurance premium tax. In addition, there was a decline in other income compared to the prior fiscal year which showed income from a Microsoft Class Action Settlement.

The decrease in operating expenses reflected a significant number of expenditure reductions including freezing wages and eliminating or postponing certain upgrades to equipment and facilities.

|                               | <u>June 30, 2012</u> | <u>June 30, 2011</u> |
|-------------------------------|----------------------|----------------------|
| Operating revenues            | \$ 1,265,098         | \$ 1,995,347         |
| Operating expenses            | <u>10,931,924</u>    | <u>12,872,047</u>    |
| Loss from operations          | (9,666,826)          | (10,876,700)         |
| Net non-operating revenues:   |                      |                      |
| Property taxes and FDAT       | 10,189,285           | 11,005,950           |
| Fire insurance premium tax    | 100,100              | 116,074              |
| Interest earnings             | 13,361               | 26,033               |
| Other income                  | <u>4,669</u>         | <u>6,977</u>         |
| Net non-operating revenue     | 10,307,415           | 11,155,034           |
| Change in net assets          | 640,589              | 278,334              |
| Net assets, beginning of year | 6,697,108            | 6,418,774            |
| Net assets, end of year       | <u>\$ 7,337,697</u>  | <u>\$ 6,697,108</u>  |

The expenditure budget was amended during the year to accommodate unexpected expenses occurring after the beginning of the fiscal year. Funds in the amount of \$14,000 were moved from Operating expense to Administrative expense.

Over the years, the District has expended less than budgeted, resulting in a carryover of funds available for current and future expenditures. The District minimizes the tax rate by utilizing monies collected in prior years while reserving a portion of the funds for major purchases.

### **Capital Assets and Debt Administration**

The District's investment in capital assets amounts to \$5,525,456, net of accumulated depreciation, as of June 30, 2012, which is an increase of \$164,369 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 2011 Chevrolet Silverado Trucks, one assigned to Battalion 141 and the other for the Maintenance shop as replacements for older vehicles; additional HazMat equipment; and three Power Pro Ambulance Cots for Ambulance service; upgrades to existing computer equipment; other new fire and communications equipment and furniture for the fire stations.

During the year, the District paid off the remaining lease purchase obligation for Station 142.

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

DAISY MOUNTAIN FIRE DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

|   | Governmental<br>Activities | Business-type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>                                   |                            |                             |                     |
| Cash  | \$ 2,371,860               | \$ -                        | \$ 2,371,860        |
| Accounts receivable                             | 48,257                     |                             | 48,257              |
| Taxes receivable                                | 369,624                    |                             | 369,624             |
| Ambulance receivables, net                      | 281,470                    |                             | 281,470             |
| Prepaid expenses                                | 222,231                    |                             | 222,231             |
| Due from other governments                      | 77,979                     |                             | 77,979              |
| Capital assets:                                 |                            |                             |                     |
| Land  | 480,066                    |                             | 480,066             |
| Property & Equipment, net                       | 5,782,065                  |                             | 5,782,065           |
| <b>Total assets</b>                             | <b>9,633,552</b>           | <b>-</b>                    | <b>9,633,552</b>    |
| <b>LIABILITIES</b>                              |                            |                             |                     |
| Accounts payable                                | 54,168                     | -                           | 54,168              |
| Accrued salaries and benefits                   | 258,862                    |                             | 258,862             |
| Noncurrent liabilities:                         |                            |                             |                     |
| Due within one year                             |                            |                             |                     |
| Capital leases                                  | 211,807                    |                             | 211,807             |
| Due in more than one year                       |                            |                             |                     |
| Compensated absences                            | 1,246,150                  |                             | 1,246,150           |
| Capital leases                                  | 524,868                    |                             | 524,868             |
| <b>Total liabilities</b>                        | <b>2,295,855</b>           | <b>-</b>                    | <b>2,295,855</b>    |
| <b>NET ASSETS</b>                               |                            |                             |                     |
| Invested in capital assets, net of related debt | 5,525,456                  | -                           | 5,525,456           |
| Unrestricted                                    | 1,812,241                  | -                           | 1,812,241           |
| <b>Total net assets</b>                         | <b>\$ 7,337,697</b>        | <b>\$ -</b>                 | <b>\$ 7,337,697</b> |

See accompanying notes to financial statements.



DAISY MOUNTAIN FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

|   | Governmental<br>Activities | Business-type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| <b>EXPENSES:</b>                            |                            |                             |                     |
| Fire protection and emergency services:     |                            |                             |                     |
| Personnel                                   | \$ 6,450,608               |                             | \$ 6,450,608        |
| Employee benefits                           | -1,785,053                 |                             | 1,785,053           |
| Taxes and insurance                         | -522,114                   |                             | 522,114             |
| Administration                              | 312,373                    |                             | 312,373             |
| Professional services                       | 89,200                     | 1,011                       | 90,211              |
| Utilities and communication                 | 394,476                    |                             | 394,476             |
| Insurance                                   | -104,014                   |                             | 104,014             |
| Repairs and maintenance                     | 305,691                    |                             | 305,691             |
| Small tools & equipment                     | 24,249                     |                             | 24,249              |
| Ambulance operations                        | 90,753                     |                             | 90,753              |
| Supplies                                    | 385                        |                             | 385                 |
| Training                                    | 25,872                     |                             | 25,872              |
| Turnout gear                                | 11,589                     |                             | 11,589              |
| Interest                                    | 13,840                     |                             | 13,840              |
| Depreciation                                | 745,772                    |                             | 745,772             |
| Interest on debt                            | 54,924                     |                             | 54,924              |
| <b>Total expenses</b>                       | <b>10,930,913</b>          | <b>1,011</b>                | <b>10,931,924</b>   |
| <b>PROGRAM REVENUES:</b>                    |                            |                             |                     |
| Charges for services                        | 150,322                    | 65,183                      | 215,505             |
| Ambulance revenue                           | 990,307                    |                             | 990,307             |
| Capital grants                              | 59,286                     |                             | 59,286              |
| <b>Total program revenues</b>               | <b>1,199,915</b>           | <b>65,183</b>               | <b>1,265,098</b>    |
| Net program expense                         | 9,730,998                  | (64,172)                    | 9,666,826           |
| <b>GENERAL REVENUES:</b>                    |                            |                             |                     |
| Property taxes                              | 9,886,302                  |                             | 9,886,302           |
| Fire district assistance tax                | 302,983                    |                             | 302,983             |
| Fire insurance premium tax                  | 100,100                    |                             | 100,100             |
| Interest                                    | 13,361                     |                             | 13,361              |
| Loss on disposal of assets                  | (24,090)                   |                             | (24,090)            |
| Other income                                | 28,759                     |                             | 28,759              |
| Transfers - internal activities             | 5,217                      | (5,217)                     | -                   |
| <b>Total general revenues and transfers</b> | <b>10,312,632</b>          | <b>(5,217)</b>              | <b>10,307,415</b>   |
| Change in net assets                        | 581,634                    | 58,955                      | 640,589             |
| Net assets - beginning of the year          | 6,756,063                  | (58,955)                    | 6,697,108           |
| Net assets - end of the year                | <u>\$ 7,337,697</u>        | <u>\$ -</u>                 | <u>\$ 7,337,697</u> |

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2012

|  | General      | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|--------------|---------------------|--------------------------------|
| <b>ASSETS</b>                          |              |                     |                                |
| Cash                                   | \$ 1,225,232 | \$ 1,146,628        | \$ 2,371,860                   |
| Accounts receivable                    | 48,257       |                     | 48,257                         |
| Taxes receivable                       | 369,624      |                     | 369,624                        |
| Ambulance receivables, net             | 281,470      |                     | 281,470                        |
| Prepaid expenses                       | 222,231      |                     | 222,231                        |
| Due from other governments             | 77,979       |                     | 77,979                         |
| Total assets                           | \$ 2,224,793 | \$ 1,146,628        | \$ 3,371,421                   |
| <br><b>LIABILITIES</b>                 |              |                     |                                |
| Accounts payable                       | \$ 54,168    | \$ -                | \$ 54,168                      |
| Accrued salaries and benefits          | 258,862      |                     | 258,862                        |
| Deferred revenue                       | 442,625      |                     | 442,625                        |
| Total liabilities                      | 755,655      | -                   | 755,655                        |
| <br><b>FUND BALANCES</b>               |              |                     |                                |
| Unassigned                             | 222,988      |                     | 222,988                        |
| Assigned for compensated absences      | 1,246,150    |                     | 1,246,150                      |
| Assigned to capital expenditures       |              | 1,146,628           | 1,146,628                      |
| Total fund balances                    | 1,469,138    | 1,146,628           | 2,615,766                      |
| Total liabilities and<br>fund balances | \$ 2,224,793 | \$ 1,146,628        | \$ 3,371,421                   |

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
RECONCILIATION OF BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

|   |    |             |
|---|----|-------------|
| Total Government Fund Balances  | \$ | 2,615,766   |
| 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.                   |    | 6,262,131   |
| Receivables that are not considered available to pay for current period expenditures are reported as deferred revenue in the funds.       |    |             |
| Taxes receivable  |    | 257,989     |
| Ambulance receivables   |    | 184,636     |
| 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  |    | (736,675)   |
| Compensated absences  |    | (1,246,150) |
|   |    | (1,982,825) |
| Net assets of governmental activities   | \$ | 7,337,697   |

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, 2012

|   | General<br>Fund | Capital<br>Projects Fund | Total        |
|---|-----------------|--------------------------|--------------|
| <b>EXPENDITURES/EXPENSES:</b>           |                 |                          |              |
| Fire protection and emergency services: |                 |                          |              |
| Personnel                               | \$ 7,138,983    | \$ -                     | \$ 7,138,983 |
| Employee benefits                       | 1,785,053       |                          | 1,785,053    |
| Taxes and insurance                     | 522,114         |                          | 522,114      |
| Administration                          | 312,373         |                          | 312,373      |
| Professional services                   | 89,200          |                          | 89,200       |
| Utilities and communication             | 394,476         |                          | 394,476      |
| Insurance                               | 104,014         |                          | 104,014      |
| Repairs and maintenance                 | 305,691         |                          | 305,691      |
| Small tools & equipment                 | 24,249          |                          | 24,249       |
| Ambulance operations                    | 90,753          |                          | 90,753       |
| Supplies                                | 385             |                          | 385          |
| Training                                | 25,872          |                          | 25,872       |
| Turnout gear                            | 11,589          |                          | 11,589       |
| Interest                                | 13,840          |                          | 13,840       |
| Contingency                             | -               |                          | -            |
| Capital outlay                          | 360,335         |                          | 360,335      |
| Debt service:                           |                 |                          |              |
| Principal payments                      | 601,895         |                          | 601,895      |
| Interest payments                       | 54,924          |                          | 54,924       |
|   | 11,835,746      | -                        | 11,835,746   |
| <b>Total expenditures</b>               |                 |                          |              |
| <b>PROGRAM REVENUES:</b>                |                 |                          |              |
| Charges for services                    | 150,322         |                          | 150,322      |
| Ambulance revenue                       | 924,157         |                          | 924,157      |
| Capital grants                          | 59,286          |                          | 59,286       |
| Total program revenues                  | 1,133,765       | -                        | 1,133,765    |

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, 2012

|   | <u>General<br/>Fund</u> | <u>Capital<br/>Projects Fund</u> | <u>Total</u>            |
|---|-------------------------|----------------------------------|-------------------------|
| <b>GENERAL REVENUES:</b>                              |                         |                                  |                         |
| Property taxes  | 10,218,335              |                                  | 10,218,335              |
| Fire district assistance tax                          | 302,983                 |                                  | 302,983                 |
| Fire insurance premium tax                            | 100,100                 |                                  | 100,100                 |
| Interest  | 5,562                   | 7,799                            | 13,361                  |
| Dividend income                                       | -                       |                                  | -                       |
| Other income  | 28,758                  |                                  | 28,758                  |
| Sale of assets  | 28,000                  |                                  | 28,000                  |
| Total general revenues                                | <u>10,683,738</u>       | <u>7,799</u>                     | <u>10,691,537</u>       |
| <br>Excess (deficiency) of revenues over expenditures | <br>(18,243)            | <br>7,799                        | <br>(10,444)            |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                         |                                  |                         |
| Transfers in (out)                                    | 416,274                 | (416,274)                        | -                       |
| Transfer in from enterprise fund                      | 5,217                   |                                  | 5,217                   |
| Total other financing sources and uses                | <u>421,491</u>          | <u>(416,274)</u>                 | <u>5,217</u>            |
| <br>Fund balances - beginning of the year             | <br><u>1,065,890</u>    | <br><u>1,555,103</u>             | <br><u>2,620,993</u>    |
| <br>Fund balances - end of the year                   | <br><u>\$ 1,469,138</u> | <br><u>\$ 1,146,628</u>          | <br><u>\$ 2,615,766</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, 2012

|  |    |           |
|--|----|-----------|
| Net change in fund balances - total government funds   | \$ | (5,227)   |
| 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   |    | 360,335   |
| Depreciation expense   |    | (745,772) |
| Loss on sale of assets   |    | (52,089)  |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |    |           |
| Ambulance services   |    | 66,150    |
| Property taxes   |    | (332,033) |
| Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.                     |    |           |
|  |    | 601,895   |
| 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. |    |           |
|  |    | 688,375   |
| Change in net assets of governmental activities  | \$ | 581,634   |

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

|   | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|------------------------------------|
|   | Original            | Final               |                     |                                    |
| Beginning budgetary fund balance        | \$ 1,065,890        | \$ 1,065,890        | \$ 1,065,890        | \$ -                               |
| Resources (inflows):                    |                     |                     |                     |                                    |
| Property taxes                          | 10,232,568          | 10,232,568          | 10,218,335          | (14,233)                           |
| Fire district assistance tax            | 300,000             | 300,000             | 302,983             | 2,983                              |
| Fire insurance premium tax              | 95,000              | 95,000              | 100,100             | 5,100                              |
| Charges for services                    | 113,300             | 113,300             | 150,322             | 37,022                             |
| Ambulance revenue                       | 930,000             | 930,000             | 924,157             | (5,843)                            |
| Capital grants                          | -                   | -                   | 59,286              | 59,286                             |
| Interest                                | 9,000               | 9,000               | 5,562               | (3,438)                            |
| Other income                            | 1,250               | 1,250               | 28,758              | 27,508                             |
| Sale of assets                          | -                   | -                   | 28,000              | 28,000                             |
| Transfers - internal activities         | -                   | -                   | 421,491             | 421,491                            |
| Amounts available for appropriation     | <u>11,681,118</u>   | <u>11,681,118</u>   | <u>12,238,994</u>   | <u>557,876</u>                     |
| Charges to appropriations (outflows):   |                     |                     |                     |                                    |
| Fire protection and emergency services: |                     |                     |                     |                                    |
| Personnel                               | \$ 7,008,778        | 7,008,778           | \$ 7,138,983        | 130,205                            |
| Employee benefits                       | 1,829,204           | 1,829,204           | 1,785,053           | (44,151)                           |
| Taxes and insurance                     | 492,514             | 492,514             | 522,114             | 29,600                             |
| Administration                          | 389,359             | 389,359             | 312,373             | (76,986)                           |
| Professional services                   | 77,700              | 77,700              | 89,200              | 11,500                             |
| Utilities and communication             | 413,750             | 413,750             | 394,476             | (19,274)                           |
| Insurance                               | 90,600              | 90,600              | 104,014             | 13,414                             |
| Repairs and maintenance                 | 375,100             | 375,100             | 305,691             | (69,409)                           |
| Small tools & equipment                 | 46,500              | 46,500              | 24,249              | (22,251)                           |
| Ambulance operations                    | 235,400             | 235,400             | 90,753              | (144,647)                          |
| Supplies                                | 6,000               | 6,000               | 385                 | (5,615)                            |
| Training                                | 64,310              | 64,310              | 25,872              | (38,438)                           |
| Turnout gear                            | 45,900              | 45,900              | 11,589              | (34,311)                           |
| Interest                                | 16,900              | 16,900              | 13,840              | (3,060)                            |
| Contingency                             | 185,000             | 185,000             | -                   | (185,000)                          |
| Capital outlay                          | 70,500              | 70,500              | 360,335             | 289,835                            |
| Debt service:                           |                     |                     |                     |                                    |
| Principal payments                      | 263,806             | 263,806             | 601,895             | 338,089                            |
| Interest payments                       | 69,797              | 69,797              | 54,924              | (14,873)                           |
| Total charges to appropriations         | <u>11,681,118</u>   | <u>11,681,118</u>   | <u>11,835,746</u>   | <u>154,628</u>                     |
| Ending budgetary fund balance           | <u>\$ 1,065,890</u> | <u>\$ 1,065,890</u> | <u>\$ 1,469,138</u> | <u>\$ 403,248</u>                  |

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

|                           | Enterprise Fund<br><i>Health Center Billing</i> |
|---------------------------|---|
| <b>ASSETS</b>             |   |
| Current assets:           |   |
| Cash                      | \$ -  |
| Accounts receivable       | -   |
| Other current asset       | -   |
|                           | -   |
| Total current assets      | -   |
| Total assets              | -   |
| <br><b>LIABILITIES</b>    |   |
| Current liabilities:      |   |
| Accounts payable          | -   |
|                           | -   |
| Total current liabilities | -   |
| <br><b>NET ASSETS</b>     |   |
| Unrestricted              | \$ -  |

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, 2012

|                              | <u>Enterprise Fund</u><br><u>Health Center Billing</u> |
|------------------------------|--|
| OPERATING REVENUES           |  |
| Charges for services         | \$ 65,183  |
| Total operating revenues     | <u>65,183</u>  |
| OPERATING EXPENSES           |  |
| Professional services        | <u>1,011</u>   |
| Total operating expenses     | <u>1,011</u>   |
| Operating income (loss)      | <u>64,172</u>  |
| Transfer to other funds      | (5,217)  |
| Change in net assets         | <u>58,955</u>  |
| Total net assets - beginning | <u>(58,955)</u>  |
| Total net assets - ending    | <u>\$ -</u>  |

See accompanying notes to financial statements.

DAISY MOUNTAIN FIRE DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

|  | <u>Enterprise Fund</u><br><u>Health Center Billing</u> |
|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |
| Receipts from customers  | 88,986   |
| Payments to vendors  | <u>(130,332)</u>                                       |
| Net cash (used) by operating activities  | <u>(41,346)</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                     |  |
| Transfers to other funds   | <u>(5,217)</u>   |
| Net cash used by noncapital financing activities   | (5,217)  |
| Net (decrease) in cash and cash equivalents  | (46,563)   |
| Balance - beginning of the year  | <u>46,563</u>  |
| Balance - end of the year  | <u><u>\$ -</u></u>                                     |
| <br>   |  |
| Reconciliation of operating income (loss) to net cash provided<br>by operating activities: |  |
| Operating income (loss)  | \$ 64,172  |
| Decrease in accounts receivable  | 15,248   |
| Decrease in accounts payable   | <u>(120,766)</u>                                       |
| Net cash (used) by operating activities  | <u><u>\$ (41,346)</u></u>                              |

See accompanying notes to financial statements.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

**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, 2012

**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, 2012

**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 \$500.

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 may be classified in the following five categories:

*Nonspendable* - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

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

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. Contract employees will be paid out according to the terms of their contracts. 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. During 2012, the District changed its policy for sick leave to only accrue it for employees who have been employed for at least 10 years by the District.

**NOTE 2 – 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 3 – DEPOSITS AND INVESTMENTS**

*Deposits* – Amounts classified as deposits on June 30, 2012, are described below:

|   | <u>Bank<br/>Balance</u> | <u>Carrying<br/>Amount</u> |
|---|-------------------------|----------------------------|
| General Fund                                |                         |                            |
| Maricopa County Treasurer's Investment Pool | \$ 1,124,725            | \$ 595,789                 |
| Deposits with financial institutions        | 629,490                 | 629,443                    |
|   | <u>\$ 1,754,215</u>     | <u>\$ 1,225,232</u>        |
| Capital Projects Fund                       |                         |                            |
| Maricopa County Treasurer's Investment Pool | <u>\$ 1,146,628</u>     | <u>\$ 1,146,628</u>        |
| Enterprise Fund                             |                         |                            |
| Deposits with financial institutions        | <u>\$ -</u>             | <u>\$ -</u>                |

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

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

*Credit risk* - Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices other than what is in the Arizona Revised Statutes. The Maricopa County Treasurer's Investment Pool is an external investment pool with no regulatory oversight. The MCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2012, the MCTIP had not received a credit quality rating from a national rating agency.

*Custodial credit risk* – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits (in excess of FDIC insurance) may not be returned to us. State statutes require that deposits with financial institutions be insured by the Federal Deposit Insurance Corporation (FDIC). FDIC insures deposits up to \$250,000 for all interest-bearing accounts and another \$250,000 for all demand deposit accounts in a given financial institution. Deposits in excess of insured amounts shall be collateralized by approved securities. The District does not have a formal policy related to custodial credit risk. The District's custodial credit risk as of June 30, 2012 was \$379,443.

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

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

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

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

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

**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, 2012. The receivable balance as of June 30, 2012 is \$361,186. The allowance for doubtful accounts as of June 30, 2012 is \$79,716. The portion of the receivable that is not collected within ninety days after the end of the fiscal year is recorded as deferred revenue.

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable consists mainly of an amount due from the District's HRA program that was discontinued as of June 30, 2012. The receivable balance as of June 30, 2012 is \$48,257. 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, 2012 is \$369,624 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, 2012 is \$77,979. Currently, there is no provision for allowance of doubtful accounts.



Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

**NOTE 8 – CAPITAL ASSETS**

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

|                                 | Balance<br>6/30/2011 | Additions           | Deletions          | Balance<br>6/30/2012 |
|---------------------------------|----------------------|---------------------|--------------------|----------------------|
| <i>Governmental activities:</i> |                      |                     |                    |                      |
| Land                            | \$ 480,066           | \$ -                | \$ -               | \$ 480,066           |
| Buildings                       | 4,002,032            |                     |                    | 4,002,032            |
| Equipment                       | 6,182,758            | 361,541             | (244,222)          | 6,300,077            |
| Construction in progress        | 1,205                |                     | (1,205)            | -                    |
|                                 | <u>10,666,061</u>    | <u>361,541</u>      | <u>(245,427)</u>   | <u>10,782,175</u>    |
| Accumulated depreciation        |                      |                     |                    |                      |
| Buildings                       | (739,371)            | (137,291)           |                    | (876,662)            |
| Equipment                       | (3,227,033)          | (608,481)           | 192,132            | (3,643,382)          |
|                                 | <u>(3,966,404)</u>   | <u>(745,772)</u>    | <u>192,132</u>     | <u>(4,520,044)</u>   |
| Capital assets, net             | <u>\$ 6,699,657</u>  | <u>\$ (384,231)</u> | <u>\$ (53,295)</u> | <u>\$ 6,262,131</u>  |

Depreciation expense is charged to the general government.

**NOTE 9 – LONG TERM DEBT**

Capital Leases

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

The District's obligations are accounted for in the Statement of Net Assets. Assets under capital leases totaled \$1,173,584 less accumulated depreciation of \$565,807 at June 30, 2012.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

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

Capital Leases - continued

The description of the capital leases are as follows:

| <u>Description</u> | <u>Interest<br/>Rate</u> | <u>Lease<br/>Term</u> | <u>Balance<br/>6/30/2012</u> |
|--------------------|--------------------------|-----------------------|------------------------------|
| Station 146        | 5.27%                    | 1/2016                | 199,355                      |
| Ambulance          | 3.88%                    | 5/2016                | 88,974                       |
| Ambulance          | 3.88%                    | 5/2016                | 85,080                       |
| Pumper             | 3.38%                    | 6/2016                | 181,633                      |
| Pumper             | 3.38%                    | 6/2016                | 181,633                      |
|                    |                          |                       | <u>\$ 736,675</u>            |

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2012.

| Year Ending<br><u>June 30</u>                 |                   |
|---|-------------------|
| 2013  | \$ 211,807        |
| 2014  | 211,807           |
| 2015  | 211,807           |
| 2016  | 178,533           |
| Minimum lease payments for all capital leases | 813,954           |
| Less: Amount representing interest            | (77,279)          |
| Present value of minimum lease payments       | <u>\$ 736,675</u> |

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2012, are as follows:

|                                 | <u>Balance<br/>6/30/2011</u> | <u>Increases</u> | <u>Decreases</u>      | <u>Balance<br/>6/30/2012</u> |
|---------------------------------|------------------------------|------------------|-----------------------|------------------------------|
| <i>Governmental activities:</i> |                              |                  |                       |                              |
| Capital leases                  | \$ 1,338,570                 | \$ -             | \$ (601,895)          | \$ 736,675                   |
| Compensated absences            | 1,934,525                    |                  | (688,375)             | 1,246,150                    |
|                                 | <u>\$ 3,273,095</u>          | <u>\$ -</u>      | <u>\$ (1,290,270)</u> | <u>\$ 1,982,825</u>          |

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

**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, 2012 are as follows:

|                                    | Governmental<br>Activities |
|------------------------------------|----------------------------|
| Gross program charges for services | \$ 1,562,128               |
| Contractual adjustments/allowances | (661,693)                  |
| Net program service revenue        | \$ 900,435                 |

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, 2012. Rents are paid on a quarterly basis for dispatch and technical services at a cost of \$72,683. Total rent for the year ended June 30, 2012, was \$290,732.

The District has an agreement with Crown Castle for the use of the tower. The agreement is in effect until May 1, 2016. The term may extend for five renewal periods of 5 years each. Rents are paid on a monthly basis at a cost of \$175. With each renewal period, the payment increases by 3%. Total rent for the year ended June 30, 2012, was \$2,524.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

**NOTE 12 – COMMITMENTS**

The District has a line of credit with JP Morgan Chase for \$3,500,000. The District did not have a balance as of June 30, 2012.

**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, administrative management receives 10% of their salary and line management and operations personnel receive a \$30 match per pay period. Total District contributions as of June 30, 2012 were \$102,197.

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, 2012, active PSPRS members were required by statute to contribute 8.65% 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, 2012, was 11.36% of annual covered payroll. The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

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

Public Safety Personnel Retirement System - continued

*Annual Pension Cost* – The District's annual and required contributions for the year ended June 30, 2012, were \$769,803. The District's actuarial valuation is for the year ended June 30, 2012. Information related to the valuation follows.

|                               |   |
|-------------------------------|---|
| Actuarial valuation date      | 6/30/2012   |
| Actuarial cost method         | Entry Age Normal                                    |
| Actuarial assumptions:        |   |
| Investment rate of return     | 8.00%   |
| Projected salary increases    | 5.00% - 9.00%                                       |
| Includes inflation at         | 5.00%   |
| Cost of living adjustments    | None  |
| Amortization method           | Level percent of pay closed                         |
| Remaining amortization period | 24 years for underfunded<br>20 years for overfunded |
| Asset valuation method        | 7 year smoothed market value                        |

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

| PSPRS                   | Year<br>Ending<br>June 30 | Annual<br>Pension/<br>OPEB Cost | Percent<br>Contributed | Net<br>Pension/OPEB<br>Obligation |
|-------------------------|---------------------------|---------------------------------|------------------------|-----------------------------------|
| <i>Pension</i>          | 2012                      | \$ 823,010                      | 100%                   | \$ -                              |
|                         | 2011                      | 724,454                         | 100%                   | \$ -                              |
|                         | 2010                      | 779,167                         | 100%                   | \$ -                              |
| <i>Health Insurance</i> | 2012                      | 45,086                          | 100%                   | -                                 |
|                         | 2011                      | 40,713                          | 100%                   | -                                 |
|                         | 2010                      | 31,240                          | 100%                   | -                                 |

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

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

Public Safety Personnel Retirement System – continued

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

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

| Valuation<br>Ending<br>June 30 | Actuarial<br>Value of<br>Plan Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((b - a)/c) |
|--------------------------------|---|---|--------------------------------------|--------------------------|---------------------------|--|
| 2012                           | \$ 15,925,566                               | \$ 16,808,161                                     | \$ 882,595                           | 94.7%                    | \$ 6,526,447              | 13.5%  |
| 2011                           | 12,766,762                                  | 14,912,963  | 2,146,201                            | 85.6%                    | 6,992,237                 | 30.7%  |
| 2010                           | 10,686,004                                  | 11,581,593  | 895,589                              | 92.3%                    | 6,865,697                 | 13.0%  |

*Health Insurance Subsidy*

| Valuation<br>Ending<br>June 30 | Actuarial<br>Value of<br>Plan Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((b - a)/c) |
|--------------------------------|---|---|--------------------------------------|--------------------------|---------------------------|--|
| 2012                           | \$ -  | \$ 485,218  | \$ 485,218                           | 0.0%                     | \$ 6,526,447              | 7.4%   |
| 2011                           | -   | 451,398   | 451,398                              | 0.0%                     | 6,992,237                 | 6.5%   |
| 2010                           | -   | 263,309   | 263,309                              | 0.0%                     | 6,865,697                 | 3.8%   |

**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.

Daisy Mountain Fire District  
Notes to Financial Statements  
June 30, 2012

**NOTE 15 – SUBSEQUENT EVENTS**

The District entered into an operating lease in July 2012 for eleven tablet computers for the EPCR program. The operating lease is for sixty-three months at a cost of \$843 per month with a \$125 documentation fee.

**NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS**

The District has evaluated subsequent events through January 15, 2013, the date which the financial statements were available to be issued.



# Heidenreich & Heidenreich, CPAs, PLLC

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the District Board  
Daisy Mountain Fire District

We have audited the financial statements the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Daisy Mountain Fire District as of and for the year ended June 30, 2012, which collectively comprise the Daisy Mountain Fire District's basic financial statements and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of Daisy Mountain Fire District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Daisy Mountain Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Daisy Mountain Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Daisy Mountain Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Daisy Mountain Fire District in a separate letter dated January 15, 2013.



This report is intended solely for the information and use of management, others within the entity and the District Board and is not intended to be and should not be used by anyone other than these specified parties.

*Heidenreich: Heidenreich CPAs PLLC*

Heidenreich & Heidenreich, CPAs, PLLC

Phoenix, AZ  
January 15, 2013



# Heidenreich & Heidenreich, CPAs, PLLC

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Phoenix, AZ 85044

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January 15, 2013

To the District Board  
Daisy Mountain Fire District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daisy Mountain Fire District for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope of timing of our audit. We have communicated such information in our letter to you dated May 30, 2012. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Daisy Mountain Fire District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion District's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 15, 2013.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

  
Heidenreich & Heidenreich, CPAs, PLLC

Daisy Mountain Fire District  
Summary of Audit Differences  
Year Ended June 30, 2012

|   |             |               |
|---|-------------|---------------|
| Accounts Payable                                    | \$17,299.27 |               |
| Capital Assets                                      |             | \$17,299.27   |
| Electric Expense                                    | \$ 1,551.68 |               |
| Accounts Payable                                    |             | \$ 1,551.68   |
| Cumulative effect on income statement misstatements |             | \$(1,551.68)  |
| Cumulative effect on balance sheet misstatements    |             | \$(15,747.59) |

To the Senior Management and  
The District Board of  
Daisy Mountain Fire District

January 15, 2013

In planning and performing our audit of the financial statements of Daisy Mountain Fire District for the year ended June 30, 2012, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated January 15, 2013, on the financial statements of Daisy Mountain Fire District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Accounting Personnel

It is our understanding the District has recently experienced turnover in some accounting personnel and is considering not renewing the contract with an outside CPA for accounting services. We suggest the District either have staff with sufficient accounting experience or contract with an outside CPA firm to provide accounting services, so that the District is able to produce their financial statements in accordance with generally accepted accounting principles, prior to the annual audit being conducted.

Accounting Manual

The District does not have a formal accounting manual documenting the procedures for fiscal operations. A written accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system. If employees have a question as to the proper handling of a transaction in accordance with management's authorization, such information is not available in writing. We recommend that operating guidelines for fiscal activities be prepared including a description of each fiscal procedure, such as invoice paying, maintenance of accounts receivable and accounts payable subsidiary records and payroll procedures.

Checks

We noted two instances where the signature portion of a void check was not torn off. We suggest all voided checks be kept on file with the word "void" written in ink across the face of the check with the signature portion being torn off.

This report is intended solely for the information and use of the District Board, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Mark Nichols and Tiffany Marik for their support and assistance during our audit.

Very truly yours,

*Heidenreich*; Heidenreich CPAs PLLC  
Heidenreich & Heidenreich, CPAs, PLLC