

Daisy Mountain Fire District

Financial Statements

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the District Board
Daisy Mountain Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Daisy Mountain Fire District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation on financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Daisy Mountain Fire District, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the budgetary comparison on pages 30 and 31 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015, on our consideration of the Daisy Mountain Fire 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* in considering Daisy Mountain Fire District's internal control over financial reporting and compliance.



Heidenreich & Heidenreich, CPAs, PLLC
Phoenix, AZ
January 23, 2015

**Daisy Mountain Fire District
Management's Discussion and Analysis
Year ended June 30, 2014**

As management of Daisy Mountain Fire District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District's performance for the year ended June 30, 2014. 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 District exceeded its liabilities at the close of the fiscal year by \$7,181,333 (net position). Of this amount, \$2,462,980 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens, creditors, and further the purpose of the District.
- The District's total net position on a full accrual basis decreased by \$199,367, primarily due to lower property tax revenues and ambulance revenues. Expenses decreased during the year but not in the same proportion as the decrease in revenues.
- Combined fund balance on a modified accrual basis increased by \$387,209, which resulted from total revenues exceeding expenditures during the year.
- During the fiscal year, the District also obtained grants to supplement the existing training budget and the purchase of equipment to handle hazardous material.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as 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., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 9-10 of this report.

**Daisy Mountain Fire District
Management's Discussion and Analysis - Continued**

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two (2) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget and can be found on pages 30-31 of this report.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-29 of this report.

Other Information

In addition, funding information related to the District's participation in an agent retirement plan can be found on Note 11 of pages 26-28 of this report.

**Daisy Mountain Fire District
Management's Discussion and Analysis – Continued**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Daisy Mountain Fire District, assets exceeded liabilities by \$7,181,333 at the close of the most recent fiscal year.

The largest portion of the District's net position (66 percent) reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, vehicles, and equipment); less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following page contains a comparative analysis between the current and the prior fiscal year for the government-wide statements.

Condensed Statement of Net Position

	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 4,511,836	\$ 4,012,197
Capital assets	5,079,199	5,623,146
Total assets	9,591,035	9,635,343
Current and other liabilities		
Current and other liabilities	805,624	476,515
Long-term liabilities	1,604,078	1,778,128
Total liabilities	2,409,702	2,254,643
Net position:		
Net investment in capital assets	4,718,353	5,070,595
Unrestricted	2,462,980	2,310,105
Total net position	\$ 7,181,333	\$ 7,380,700

During 2014, current assets increased primarily because of an increase in cash and cash equivalents of \$610,079 from prior year. The increase in current and other liabilities, and decrease in long-term liabilities, are primarily due to \$194,862 in compensated absences payable being classified as due within one year for expected retirements. There was no similar accrual in the prior year for the current portion of compensated absences because there were no anticipated retirements for 2014. Capital assets decreased in total primarily due to depreciation expense incurred during the year totaling \$792,826.

**Daisy Mountain Fire District
Management's Discussion and Analysis – Continued**

Government-wide Financial Analysis - Continued

The unrestricted net position of \$2,462,980 may be used to meet the District's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the District is able to report a positive balance in all categories of net position.

Governmental Activities

Governmental activities net position decreased by \$199,367. Key elements of this decrease are reported below.

Condensed Statement of Activities

	Governmental Activities	
	2014	2013
Revenues:		
Program revenue:		
Charges for services	\$ 979,874	\$ 1,135,590
Capital grants	104,578	134,425
Total program revenues	<u>1,084,452</u>	<u>1,270,015</u>
General revenues:		
Property taxes	9,958,792	10,183,138
Fire district assistance tax	404,965	403,245
Fire insurance premium tax	97,737	91,348
Interest	11,774	9,910
Other income	134,911	67,346
Loss on disposal of assets	-	(1,307)
Total general revenues	<u>10,608,179</u>	<u>10,753,680</u>
Total revenues	11,692,631	12,023,695
Expenses:		
Fire protection and emergency services	11,891,998	11,980,692
Total expenses	<u>11,891,998</u>	<u>11,980,692</u>
Change in net position	(199,367)	43,003
Net position, beginning of year	<u>7,380,700</u>	<u>7,337,697</u>
Net position, end of year	<u>\$ 7,181,333</u>	<u>\$ 7,380,700</u>

**Daisy Mountain Fire District
Management's Discussion and Analysis – Continued**

Government-wide Financial Analysis – Continued

- Overall revenues decreased by \$331,064 while expenses decreased by \$88,694. The majority of the decrease in total revenues resulted from a decrease in property tax revenues of \$224,346 and decline in charges for services (ambulance revenues) of \$155,716. The decrease in property tax revenues resulted from a decrease in back property taxes collected during 2014. The decrease in ambulance revenues resulted from a decrease in the ambulance services provided during the year resulting from a new medical facility unrelated to the District that opened in December 2013. This new facility lessened the need for the District's ambulance services.
- Expenses decreased primarily due to turnover in two firefighter positions and less costs pertaining to ambulance services due to the aforementioned decline in demand.

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,751,560 an increase of \$387,209 in comparison with the prior year's balance.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, spendable fund balance of the general fund was \$928,934. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 8.2% of total current year general fund expenditures of \$11,299,585.

Budgetary Highlights

During 2014, there were no modifications to the originally adopted budget. Total revenues were \$253,211 more than budgeted revenues while total expenditures were \$128,117 less than budgeted expenditures. The positive expenditure variance resulted primarily from an overall decrease in costs related to ambulance services and lower than anticipated utility and communication expenditures.

The variance in transfers resulted because the District did not budget for the \$200,000 transfer to the capital projects fund.

**Daisy Mountain Fire District
Management's Discussion and Analysis – Continued**

Capital Asset and Debt Administration

Capital assets – The District's investment in capital assets as of June 30, 2014, totals \$5,079,199 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, improvements other than buildings, buildings and improvements, vehicles, furniture and equipment.

Outlays for capital assets during 2014 were \$248,879 which consisted primarily of the purchase of vehicles and equipment.

During the current fiscal year, the District re-evaluated the expected useful life of Station 145 due to damage sustained to the facility as a result of the foundation sinking. The District expects the facility to be useful for two years following fiscal year 2014. The change in expected useful life results in an annual increase of depreciation expense of \$79,708 through fiscal year 2016.

Additional information on the District's capital assets can be found in Note 6 to the financial statements on page 23.

Long-term liabilities – At the end of the current fiscal year, the District had total debt outstanding of \$360,846, which was comprised of various capital lease agreements.

In addition, the District had compensated absences payable of \$1,657,454 at year-end.

Additional information on the District's long-term liabilities can be found in Note 7 to the financial statements on pages 23 and 24.

Economic Factors and Next Year's Budgets and Rates

The District expects property tax revenues to increase for FY2015 based on a mil rate of 3.25 which will be supplemented through the use of reserve funds and a decrease in operating costs.

The District is currently evaluating financing options to pay for improvements to Station 145. The estimated financing for this project will be based on the budgeted costs, which is currently being determined. In addition, the District is considering the purchase of new ambulances and fire engines that will be paid for through a combination of monies assigned for capital projects and debt financing.

Requests for Information

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

Basic Financial Statements

Daisy Mountain Fire District
Statement of Net Position - Governmental Activities
June 30, 2014

Assets	
Cash and cash equivalents	\$ 3,732,006
Receivables	
Ambulance, net	224,094
Property taxes	203,014
Due from other governments	38,468
Prepaid expenses	314,254
Capital assets, net	
Land	480,066
Property & equipment, net	<u>4,599,133</u>
Total assets	9,591,035
Liabilities	
Accounts payable	65,016
Accrued salaries and benefits	326,386
Noncurrent liabilities	
Due within one year - compensated absences	194,862
Due within one year - capital leases	219,360
Due in more than one year:	
Compensated absences	1,462,592
Capital leases	<u>141,486</u>
Total liabilities	<u>2,409,702</u>
Net position	
Net investment in capital assets	4,718,353
Unrestricted	<u>2,462,980</u>
Total net position	<u><u>\$ 7,181,333</u></u>

The accompanying notes are an integral part of the financial statements.

Daisy Mountain Fire District
Statement of Activities - Governmental Activities
Year Ended June 30, 2014

Expenditures:

Fire protection and emergency services

Personnel	\$	7,062,425
Employee benefits		2,030,205
Depreciation		792,826
Taxes and insurance		479,146
Utilities and communication		464,115
Repairs and maintenance		352,021
Administration		297,492
Ambulance operations		133,041
Insurance		80,215
Turnout gear		69,124
Professional services		42,416
Training		29,713
Grant expense		22,749
Interest payments		20,102
Small tools and equipment		13,561
Supplies		2,290
Interest		557
		11,891,998

Program revenues:

Charges for services		979,874
Capital grants		104,578
Total program revenues		1,084,452

General revenues:

Property taxes		9,958,792
Fire district assistance taxes		404,965
Fire insurance premium tax		97,737
Interest		11,774
Other income		134,911
Total general revenues		10,608,179
Decrease in net position		(199,367)
Net position - beginning of year		7,380,700
Net position - end of year	\$	7,181,333

The accompanying notes are an integral part of the financial statements.

**Daisy Mountain Fire District
Balance Sheet - Governmental Funds
June 30, 2014**

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	
Assets			
Cash and cash equivalents	\$ 2,134,463	\$ 1,597,543	\$ 3,732,006
Receivables			
Ambulance, net	224,094	-	224,094
Property taxes	203,014	-	203,014
Due from other governments	38,468	-	38,468
Prepaid expenses	314,254	-	314,254
Total assets	\$ 2,914,293	\$ 1,597,543	\$ 4,511,836
Liabilities			
Accounts payable	\$ 65,016	\$ -	65,016
Wages payable and benefits	326,386	-	326,386
Total liabilities	391,402	-	391,402
Deferred inflows of resources			
<i>Unavailable revenues</i>			
Ambulance receivables	228,238	-	228,238
Property taxes	140,636	-	140,636
Total deferred inflows of resources	368,874	-	368,874
Fund balances			
Assigned	910,829	1,597,543	2,508,372
Nonspendable	314,254	-	314,254
Unassigned	928,934	-	928,934
Total fund balances	2,154,017	1,597,543	3,751,560
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,914,293	\$ 1,597,543	\$ 4,511,836

The accompanying notes are an integral part of the financial statements.

**Daisy Mountain Fire District
Reconciliation of the Governmental Funds - Balance Sheet
to the Statement of Net Position
June 30, 2014**

Fund balances - Governmental funds	\$	3,751,560
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Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds' balance sheet.		5,079,199
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Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds' balance sheet as follows:		
Property taxes receivable		140,636
Ambulance receivables		228,238

Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds' balance sheet as follows:		
Capital leases		(360,846)
Compensated absences		(1,657,454)

Net position of governmental activities	\$	<u><u>7,181,333</u></u>
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The accompanying notes are an integral part of the financial statements.

Daisy Mountain Fire District
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2014

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Revenues:			
<i>Taxes</i>			
Property taxes	\$ 9,992,143	\$ -	\$ 9,992,143
Fire district assistance taxes	404,965	-	404,965
Fire insurance premium tax	97,737	-	97,737
Charges for services	940,686	-	940,686
Intergovernmental	104,578	-	104,578
Interest	5,893	5,881	11,774
Other	134,911	-	134,911
Total revenues	<u>11,680,913</u>	<u>5,881</u>	<u>11,686,794</u>
Expenditures:			
<i>Fire protection and emergency services</i>			
Personnel	6,822,253	-	6,822,253
Employee benefits	2,030,205	-	2,030,205
Taxes and insurance	479,146	-	479,146
Utilities and communication	464,115	-	464,115
Repairs and maintenance	352,021	-	352,021
Administration	297,493	-	297,493
Ambulance operations	133,041	-	133,041
Turnout gear	69,124	-	69,124
Insurance	80,215	-	80,215
Grant expense	22,749	-	22,749
Professional services	42,416	-	42,416
Training	29,713	-	29,713
Small tools and equipment	13,561	-	13,561
Supplies	2,290	-	2,290
Interest	557	-	557
<i>Capital outlay</i>	248,879	-	248,879
<i>Debt service:</i>			
Principal payments	191,705	-	191,705
Interest payments	20,102	-	20,102
Total expenditures	<u>11,299,585</u>	<u>-</u>	<u>11,299,585</u>
Excess of revenues over expenditures	381,328	5,881	387,209
Transfers in (out)	(200,000)	200,000	-
Net changes in fund balances	<u>181,328</u>	<u>205,881</u>	<u>387,209</u>
Fund balances, beginning of year	1,972,689	1,391,662	3,364,351
Fund balances, end of year	<u>\$ 2,154,017</u>	<u>\$ 1,597,543</u>	<u>\$ 3,751,560</u>

The accompanying notes are an integral part of the 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
Year Ended June 30, 2014**

Net change in fund balances - total governmental funds	\$	387,209
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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 costs over the lives of the assets and losses on the disposal of capital assets as expenditures as follows:

Capital asset purchases		248,879
Depreciation expense		(792,826)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds as follows:

Property taxes		(33,351)
Ambulance services		39,189

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 position.

191,705

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 the governmental funds.

(240,172)

Change in net position of governmental activities	\$	<u>(199,367)</u>
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The accompanying notes are an integral part of the financial statements.

**Daisy Mountain Fire District
Notes to Financial Statements
June 30, 2014**

Note 1 – Summary of Significant Accounting Policies

The accounting policies of The Daisy Mountain Fire District (the “District”) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The District was organized in 1989 pursuant to Title 48 of the Arizona Revised Statutes and is a special purpose local government governed by a separately elected governing body. The District provides fire protection and rescue services to residents of the New River area. The District is legally separate and fiscally independent of other state and local governments. As required under generally accepted accounting principles, these financial statements present the activities of the District (a primary government) and its component units. Component units are legally separate entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the District's operations. The District has no discretely presented or blended component units.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

Government-wide statements – These statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include:

- Charges to customers for services provided;
- Operating grants and contributions, and
- Capital grants and contributions.

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Revenues not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenue.

The effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund financial statements – provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District’s primary operating fund which accounts for all financial resources except those required to be accounted for in another fund.
- The *capital projects* fund is used to account for activities related to the acquisition or construction of significant capital assets. 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 of facilities. It should provide for the replacement of major equipment without the need for assessing large tax increases in any one year.

Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year they are levied. Grant and contract revenues are recognized when all eligibility requirements have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all property tax revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable.

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Taxes, leases, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted (which includes committed, assigned, and unassigned fund balance classifications).

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

Nonspendable fund balance - amounts that cannot be expended because they are either not in spendable form such as prepaid items, or are legally or contractually required to be maintained intact.

Restricted fund balances - amounts that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

Committed fund balances - amounts with self-imposed limitations approved by the District's board of directors, which is the highest level of decision-making authority within the District. The constraints placed on committed fund balances can only be removed or changed by the board.

Assigned fund balances - amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance - the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Assignments of Fund Balance

The District has adopted a policy whereby it will assign unencumbered revenues equivalent to the unexpended budgeted wages and benefits to the Retirement Paid Time Off account within the general fund. This assignment will provide for the funding of previously unfunded liabilities associated with compensated absences. The Retirement Paid Time Off account will be evaluated annually and monies assigned based on the unexpended budget associated with wages and benefits, the fiscal year end compensated absence liability and current balance of the account. Such assignments are not restricted by state statute and can be unassigned upon board approval. As of June 30, 2014, \$910,829 was assigned for this purpose.

The District has adopted a policy whereby it will transfer any unassigned and unencumbered revenues to the capital projects fund to provide for planned future acquisitions of apparatus, vehicles, buildings and improvements. Such transfers are not restricted by statute and can be transferred back to the general fund upon board approved changes to the District's policies. As of June 30, 2014, the District's governing board has assigned \$1,597,543 of the capital projects fund's fund balance for future capital projects.

Net Position

In the government-wide financial statements, net position is the difference between assets and liabilities. Net assets invested in capital assets are capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors. None of the District's net assets are restricted.

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

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. All investments are stated at fair value based on market prices.

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Prepaid Items

Prepaid items are accounted for using the purchase method in the governmental fund financial statements. Using this method, expenditures are reported at the time of purchase and unexpended amounts at year-end are reported on the balance sheet as a prepaid item for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute “available spendable resources.”

In the government-wide financial statements, prepaid purchases are recorded as assets when the goods or services are purchased and expensed over the period consumed.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All program service receivables are shown net of an allowance for uncollectible accounts. The amount of the estimated uncollectible program service receivables at June 30, 2014, was \$151,259, which represents 40% of the current program service receivables balance.

The District levies real property taxes on or before the third Monday in August. Such levies, collected by Maricopa County, become due and payable in two equal installments; the first is due on the first day of October and the second is due on the first day of March in the subsequent year. There is no allowance for uncollectible accounts on taxes receivables as the District has a subordinated lien on all properties subject to the tax.

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 all 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.

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 1 – Summary of Significant Accounting Policies - Continued

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Intergovernmental Grants and Aid

Monies received from other government agencies in the form of grants or aid based on an entitlement period are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

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. An employee is deemed eligible to retire by having been employed with the District for at least ten full years or by having been employed in the PSPRS system for at least ten full years and employed by the District for at least five full years. Contracted 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.

Property Tax Calendar

The District levies real and personal property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

**Daisy Mountain Fire District
Notes to Financial Statements - Continued**

Note 1 – Summary of Significant Accounting Policies - Continued

Budgetary Accounting

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the county treasurer and the county board of supervisors no later than the first day of August each year; under statute only the general fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes.

All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. Statutes also do not permit the District to incur debt in excess of the tax levy outstanding and to be collected plus the available and unencumbered cash on deposit. The limitation is applied to the total of the combined governmental funds.

Note 2 – Deposits and Investments

Deposits – Amounts classified as deposits on June 30, 2014, are described below:

	Bank Balance	Carrying Amount
<i>General Fund</i>		
Maricopa County Treasurer’s Investment Pool	\$ 1,822,745	\$ 1,432,521
Deposits with financial institutions	454,873	701,942
Total General Fund deposits and investments	\$ 2,277,618	\$ 2,134,463
<i>Capital Projects Fund</i>		
Maricopa County Treasurer’s Investment Pool	\$ 1,597,543	\$ 1,597,543

The Maricopa County Treasurer invests the cash in a pool under policy guidelines established by the Maricopa County Treasurer’s 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 Maricopa County Treasurer’s Investment Pool (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 issuer 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 MCTIP 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, 2014, the MCTIP had not received a credit quality rating from a national rating agency.

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 2 – Deposits and Investments - Continued

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 has a formal agreement with BNY Mellon to cover their custodial credit risk. The District’s custodial risk coverage as of June 30, 2014 was \$138,837 and \$66,036 is uninsured and uncollateralized.

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 investments 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.

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

Note 3 – 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, 2014. The receivable balance as of June 30, 2014 is \$375,353. The allowance for doubtful accounts as of June 30, 2014 is \$151,259. 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 4 – Property Taxes

Taxes are levied and collected by the Maricopa County Treasurer. Property taxes attach an enforceable lien on the first day of the levy year. Taxes are levied in August and may be paid in two equal installments. The first installment is due in October and the second installment 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, 2014 is \$203,014, which represents property taxes outstanding. The portion of taxes receivable that is not collected within sixty days after the end of the fiscal year is recorded as deferred revenue.

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 5 – Due From Other Governments

Due from other governments consists mainly of receivables related to state land fires. The balance of this receivable as of June 30, 2014 is \$38,468. Currently, there is no provision for an allowance for doubtful accounts as management considers all amounts collectible.

Note 6 – Capital Assets

The summary of changes in capital assets is as follows:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
<i>Governmental Activities:</i>				
Land	\$ 480,066	\$ -	\$ -	\$ 480,066
Construction in progress	-	15,000	-	15,000
Buildings	4,006,373	83,543	-	4,089,916
Equipment	6,347,927	150,336	-	6,498,263
Total capital assets	<u>10,834,366</u>	<u>248,879</u>	-	<u>11,083,245</u>
Accumulated depreciation				
Buildings	(1,013,497)	(217,531)	-	(1,231,028)
Equipment	(4,197,723)	(575,295)	-	(4,773,018)
Total accumulated depreciation	<u>(5,211,220)</u>	<u>(792,826)</u>	-	<u>(6,004,046)</u>
Capital assets, net	<u>\$5,623,146</u>	<u>\$ (543,947)</u>	<u>\$ -</u>	<u>\$ 5,079,199</u>

One of the District's fire stations has an unstable building foundation. The District expects the building will only be useable until June 30, 2016. Depreciation on the building as well as any affixed capital assets has been adjusted to reflect the shortened life. The District anticipates constructing a new fire station on the site for between approximately two million dollars to four million dollars. The District is considering issuing general obligation bonds to pay for the new fire station.

Note 7 – Long-Term Debt

The District acquired buildings, vehicles and equipment by granting leasehold interests in the underlying assets to the lender, a financial institution. The lender 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 lender, subject to receiving Board appropriations, until the obligation to the lender is satisfied. Once the obligations to the lender 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 lender may terminate the leases, take possession of, and liquidate the assets pledged under the agreements.

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 7 – Long-Term Debt – Continued

The District's obligations are accounted for in the Statement of Net Position. Assets under capital leases totaled \$1,173,584 less accumulated depreciation of \$786,007 at June 30, 2014.

The description of capital leases are as follows:

Description	Interest Rate	Lease Term	Balance 6/30/2014
Station 146	5.27%	06/2015	\$ 82,757
Ambulance	3.88%	05/2016	46,196
Ambulance	3.88%	05/2016	44,175
Pumper	3.38%	06/2016	93,859
Pumper	3.38%	06/2016	93,859
			<u>\$ 360,846</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, 2014.

Year Ending June 30	
2015	\$ 211,807
2016	<u>165,525</u>
Minimum lease payments for all capital leases	377,332
Less: Amount representing interest	<u>(16,486)</u>
Present value of minimum lease payments	<u>\$ 360,846</u>

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2014, are as follows:

	Balance 6/30/13	Increases	Decreases	Balance 6/30/2014	Due in One Year
<i>Governmental Activities:</i>					
Capital leases	\$ 552,551	\$ -	\$ 191,705	\$ 360,846	\$ 219,360
Compensated absences	1,417,282	240,172	-	1,657,454	194,862
Total long-term debt	<u>\$1,969,833</u>	<u>\$ 240,172</u>	<u>\$ 191,705</u>	<u>\$2,018,300</u>	<u>\$ 414,222</u>

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 8 – 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 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 9 – Operating Leases

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, 2015. Rents are paid on a quarterly basis for dispatch and technical services at a cost of \$76,078. Total rent for the year ended June 30, 2014, was \$304,312.

The District has an agreement for the use of a communications tower. The agreement is in effect until May 1, 2016. The term may extend for four renewal periods of five years each. Rents are paid on a monthly basis at a cost of \$190 through April, 2014, and \$196 thereafter. With each renewal period, the payment increases by 3%. Total rent for the year ended June 30, 2014, was \$2,303.

The District has an agreement with a financial institution for the use of computers. The agreement is in effect until January 1, 2018. Rents are paid on a monthly basis at a base cost of \$913. Total rent for the year ended June 30, 2014, was \$10,956.

Future minimum lease payments under these agreements are as follows:

<u>Year Ending</u> <u>June 30</u>	
2015	\$ 10,956
2016	10,956
2017	10,956
2018	5,478
	<u>\$ 38,346</u>

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 10 – Commitments

The District has a line of credit with a financial institution totaling \$10,000,000. The District did not have a balance outstanding on this line of credit as of June 30, 2014.

Note 11 – Retirement Plans

Deferred Compensation Plan

The District has a deferred compensation plan for all personnel. In this plan, employees can designate a percentage of their salary or a specific amount to be deducted from their paychecks. This plan is designed to provide benefits for retirement for any employee who chooses to participate in the plan. The District makes the following contributions: support staff receives 6% of their salary, management receives 10% of their salary and operations personnel receive a \$30 match per pay period. District contributions for the year ended June 30, 2014 totaled \$91,162.

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 of 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, 2014, active PSPRS members were required, by statute, to contribute 10.35% 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, 2014, was 13.08% of annual covered payroll. The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rate.

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 11 – Retirement Plans – Continued

Annual Pension Cost (APC): The District's annual and required contributions for the year ended June 30, 2014, were \$908,200. The District's actuarial valuation is for the year ended June 30, 2014. Information related to this valuation follows.

	<u>PSPRS</u>
Actuarial valuation date	6/30/14
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases *	4% - 8%
Amortization method	Level percent-of-pay closed
Remaining amortization period	22 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market 80%/120% market

Trend information - Information for the three most recent actuarial valuations follows:

<u>PSPRS</u>	<u>Year ending June 30,</u>	<u>Annual Pension/ OPEB Costs</u>	<u>Percentage Contributed</u>
Pension	2014	\$ 931,086	100%
	2013	995,995	100%
	2012	823,010	100%
Health Insurance	2014	\$ 48,209	100%
	2013	48,566	100%
	2012	45,086	100%

Daisy Mountain Fire District
Notes to Financial Statements - Continued

Note 11 – Retirement Plans – Continued

Schedule of funding progress

Valuation Ending June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2014	\$ 19,471,182	\$20,167,102	\$ 695,920	96.5%	\$6,556,127	10.6%
2013	17,794,387	18,189,257	394,870	97.8%	6,551,303	6.0%
2012	15,925,566	16,808,161	882,595	94.7%	6,526,447	13.5%

Health Insurance Subsidy

Valuation Ending June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2014	\$ 462,277	\$ 604,706	\$ 142,429	76.45%	\$6,556,127	2.17%
2013	-	540,286	540,286	0.0%	6,551,303	8.25%
2012	-	485,218	485,218	0.0%	6,526,447	7.43%

Note 12 - Interfund Activity

Interfund transfers for the year ended June 30, 2014 consisted of a transfer from the general fund to the capital projects fund totaling \$200,000. This transfer was determined at year-end based on the total excess of revenues over expenditures in the general fund and was transferred for the purpose of funding future capital projects.

Note 13 – 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 - Continued

Note 14 – Subsequent Events

Management has evaluated subsequent events through January 23, 2015, the date of the financial statements were available to be issued. No events or transactions occurred after year-end that require additional disclosure or adjustment to the financial statements.

Required Supplementary Information

Daisy Mountain Fire District
Required Supplementary Information
General Fund - Budgetary Comparison Schedule
Year Ended June 30, 2014

	Original and Final Budget	Actual Amounts	Variance with Final Budget-
Revenues			
<i>Taxes:</i>			
Property taxes	\$ 10,005,652	\$ 9,992,143	\$ (13,509)
Fire district assistance tax	400,000	404,965	4,965
Fire insurance premium tax	90,000	97,737	7,737
Charges for services	834,950	940,686	105,736
Capital grants	95,100	104,578	9,478
Interest	2,000	5,893	3,893
Other income	-	134,911	134,911
Total revenues	<u>11,427,702</u>	<u>11,680,913</u>	<u>253,211</u>
Expenditures			
<i>Fire protection and emergency services</i>			
Personnel	6,631,161	6,822,253	(191,092)
Employee benefits and expenses	2,718,458	2,509,351	209,107
Utilities and communication	622,100	464,115	157,985
Repairs and maintenance	237,250	352,021	(114,771)
Administration	210,372	297,493	(87,121)
Ambulance operations	186,887	133,041	53,846
Turnout gear	35,400	69,124	(33,724)
Insurance	90,267	80,215	10,052
Grant expense	-	22,749	(22,749)
Professional services	77,900	42,416	35,484
Training	53,700	29,713	23,987
Small tools and equipment	31,000	13,561	17,439
Supplies	22,521	2,290	20,231
Interest	15,400	557	14,843
Capital outlay	128,600	248,879	(120,279)
<i>Debt service:</i>			
Principal payments	211,807	191,705	20,102
Interest payments	15,400	20,102	(4,702)
Contingency/carryforward	139,479	-	139,479
Total expenditures	<u>11,427,702</u>	<u>11,299,585</u>	<u>128,117</u>
Excess of revenues over expenditures	-	381,328	381,328
Transfers out	-	(200,000)	(200,000)
Changes in fund balance	-	181,328	181,328
Fund balance, beginning of year	<u>1,972,689</u>	<u>1,972,689</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,972,689</u>	<u>\$ 2,154,017</u>	<u>\$ 181,328</u>

The accompanying notes are an integral part of the financial statements.

**Daisy Mountain Fire District
Required Supplementary Information
Notes to Budgetary Comparison Schedule
Year Ended June 30, 2014**

Note 1 – Budgetary Requirements and Basis of Accounting

In accordance with the Arizona Revised Statutes, the District is required to adopt an annual operating budget no later than August 1st. The budget is adopted on a basis consistent with generally accepted accounting principles and appropriations lapse at year-end.

Note 2 – Expenditures in Excess of Appropriations

For the year ended June 30, 2014, expenditures and transfers that exceeded final budget amounts were as follows:

<u>Category</u>	<u>Excess</u>
Personnel	\$ 191,092
Repairs and maintenance	114,771
Administration	87,121
Turnout gear	33,724
Grant expense	22,749
Capital outlay	120,279
Interest payment	4,702
Transfers out	200,000

The transfer from the general fund to the capital projects fund was not included in the adopted budget and resulted from management’s intent of using the 2014 excess of revenues over expenditures in the general fund for future capital projects. The excesses in expenditures were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenues, or both. Despite the unfavorable line item variances, the total budget variance of \$128,117 was positive during the year.

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Daisy Mountain Fire District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Daisy Mountain Fire District's basic financial statements, and have issued our report thereon dated January 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Daisy Mountain Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Daisy Mountain Fire District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heidenreich & Heidenreich CPAs PLLC

Heidenreich & Heidenreich, CPAs, PLLC

Phoenix, AZ

January 23, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH ARIZONA REVISED STATUTES SECTION 48

Governing Board and Management
Daisy Mountain Fire District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of Daisy Mountain Fire District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2015.

In connection with our audit, nothing came to our attention that caused us to believe that Daisy Mountain Fire District failed to comply with the provisions of section 48-805, subsection B, section 48-806, section 48-807, and section 48-805.02, subsection F as required pursuant to section 48-805.02, subsection G of the Arizona Revised Statutes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced conditions of the Statute, insofar as they relate to accounting matters.

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

Heidenreich & Heidenreich CPAs PLLC

Phoenix, Arizona
January 23, 2015