

FINANCIAL STATEMENTS
DAISY MOUNTAIN FIRE DISTRICT
JUNE 30, 2010

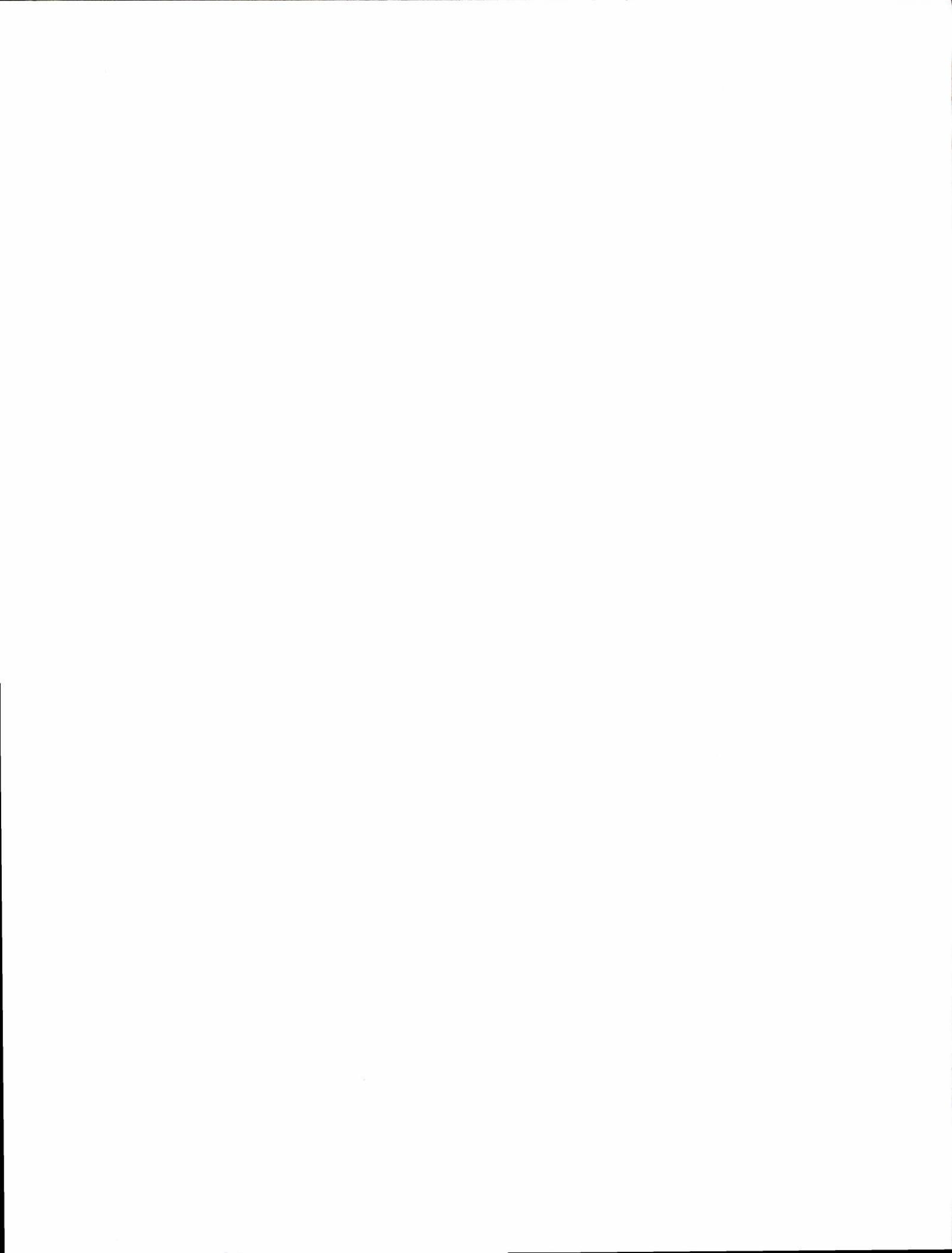


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INDEPENDENT AUDITOR'S REPORT

To the District Board
Daisy Mountain Fire District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Daisy Mountain Fire District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Daisy Mountain Fire District's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Daisy Mountain Fire District as of June 30, 2010 and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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
December 16, 2010

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, 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Daisy Mountain Fire District exceeded its liabilities at the close of the most recent fiscal year by \$6,325,774 (*net assets*). Of this amount, \$705,530 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$357,984. Of this \$65,847 is attributed to business-type activities and \$292,137 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.
- Reorganized the maintenance shop and eliminated two positions.

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).

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

	June 30, 2010	June 30, 2009
Current and other assets	\$ 3,350,757	\$ 3,866,849
Capital assets	7,168,252	7,393,244
Total assets	10,519,009	11,260,093
Current liabilities	1,130,211	1,142,903
Noncurrent liabilities	3,063,024	3,433,432
Total liabilities	4,193,235	4,576,335
Net assets:		
Invested in capital assets, net of related debt	5,620,244	4,953,900
Unrestricted	705,530	1,729,858
	\$ 6,325,774	\$ 6,683,758

In the past, the largest portion of the District's net assets reflects its investment in capital assets (e.g. vehicles, equipment, buildings, etc.). The District uses these capital assets to provide services and, consequently, these assets are not available to liquidate liabilities or other spending. In the current fiscal year, a significant amount of the decrease in net assets is due to the decrease in capital assets. There are no restricted net assets and the unrestricted net assets are available for future operations. The District is continuing to use a significant portion of the unrestricted net assets for scheduled replacement of apparatus and vehicles, capital improvements to existing buildings and for purchasing equipment.

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

There was a significant decrease in the non-operating revenues due in part to a decline in property taxes. In addition, the Anthem Community Council had exempted Open Spaces that were previously included in the property tax rolls. The only non-operating revenue item that increased was other income which was due to a Microsoft Class Action Settlement received during the year.