

**LINDEN FIRE DISTRICT**  
**FINANCIAL STATEMENTS**  
**June 30, 2014**

**Saunders Company, Ltd.**  
**6008 West Cortez Street**  
**Glendale, Arizona 85304**  
**Fax 602-926-2431**  
**Phone 623-476-8660**

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**LINDEN FIRE DISTRICT  
SHOW LOW, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2014**

**TABLE OF CONTENTS**

|  | <u>PAGE</u> | <u>EXHIBIT</u> |
|--|-------------|----------------|
| TABLE OF CONTENTS  | 1           |                |
| INDEPENDENT AUDITOR 'S REPORT  | 5           |                |
| MANAGEMENT'S DISCUSSION AND ANALYSIS   | 9           |                |
| BASIC FINANCIAL STATEMENTS:  | 15          |                |
| Government -Wide Financial Statements  |             |                |
| Statement of Net Position  | 16          | A              |
| Statement of Activities  | 17          | B              |
| Fund Financial Statements  |             |                |
| Balance Sheet - Governmental Funds   | 18          | C              |
| Statement of Revenues, Expenditures and Changes in Fund<br>Balances - Governmental Funds   | 19          | D              |
| Reconciliation of the Balance Sheet<br>- Governmental Funds to the Statement of Net Position   | 20          | E              |
| Reconciliation of the Statement of Revenues, Expenditures<br>And Changes in Fund Balances - Governmental Funds<br>To the Statement of Activities | 21          | F              |
| Statement of Net Position - Fiduciary Funds  | 22          | G              |
| Statement of Changes in Fiduciary Net Position   | 23          | H              |
| Notes to the Financial Statements  | 25          |                |

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**LINDEN FIRE DISTRICT  
SHOW LOW, ARIZONA  
FINANCIAL STATEMENTS  
JUNE 30, 2014**

|  | <u>PAGE</u> | <u>EXHIBIT</u> |
|--|-------------|----------------|
| REQUIRED SUPPLEMENTARY INFORMATION   | 43          |                |
| Statement of Revenues, Expenditures and Changes in Fund<br>Balances - Budget and Actual (GAAP Basis)<br>General Fund   | 44          | I              |
| Pension Financial Disclosures  | 45          |                |
| Notes to the Required Supplementary Information  | 48          |                |
| OTHER SUPPLEMENTARY INFORMATION  | 49          |                |
| Arizona Annual Report Information  | 50          |                |
| Volunteer Pension Disbursement   | 51          |                |
| GOVERNMENT AUDIT STANDARDS SECTION   | 53          |                |
| GOVERNMENT AUDIT STANDARDS TABLE OF CONTENTS   | 55          |                |
| Report On Internal Control Over Financial Reporting<br>and On Compliance and Other Matters Based<br>On An Audit Of Financial Statements Performed<br>In Accordance with <i>Government Auditing Standards</i> | 57          |                |

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# SAUNDERS COMPANY, LTD

**JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, CGMA, PI.**  
**TRICIA E. SAUNDERS, PI.**

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CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FRAUD EXAMINER  
CERTIFIED GOVERNMENT FINANCIAL MANAGER  
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706  
CERTIFIED IN FINANCIAL FORENSICS  
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT

6008 W. CORTEZ ST  
GLENDALE, ARIZONA 85304  
Tel: (623) 476-8660  
Fax: (602) 926-2431  
E-Mail: [JamesH49@AOL.com](mailto:JamesH49@AOL.com)  
[Redheadedcutie10@AOL.com](mailto:Redheadedcutie10@AOL.com)

Member: American Institute of Certified Public Accountants  
Arizona Society of Certified Public Accountants

Arizona Association of Licensed Private Investigators  
AICPA Government Audit Quality Center

International Association of Certified Fraud Examiners  
Arizona Association of Certified Fraud Examiners

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Linden Fire District  
Linden, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Linden Fire District, Linden, Arizona, 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 of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from 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 opinions.

### 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 Linden 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 accordance with accounting principles generally accepted in the United States of America.

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**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Legal and Regulatory Requirements**

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 48-251 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by statute as 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.

Arizona Revised Statutes require disclosure of certain additional supplementary information required to comply with section 9-956 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Arizona State Fire Marshal as mandated by statute as 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 9, 2015, 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* in considering the District's internal control over financial reporting and compliance.

**Saunders Company, Ltd.**

Glendale, Arizona  
January 9, 2015

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# LINDEN FIRE DISTRICT

## Management's Discussion and Analysis of

### Basic Financial Statements

June 30, 2014

The following discussion and analysis of the Linden Fire District financial performance presents management's overview of the District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts, Management's Discussion and Analysis (this section) and the Basic Financial Statements.

#### NATURE OF OPERATIONS

The Linden Fire District provides Fire, EMT and Paramedic services to the homes, property and persons residing within the District boundaries. We provide services and assistance to visitors traveling or visiting the district. The District provides for mutual automatic assistance in the event of fires and other types of emergency incidents within the Intergovernmental Agreement.

#### RESULTS OF OPERATIONS

- λ The Linden Fire District ran on 292 calls, which included fire, medical, public assist and mutual aid with the agencies in the Intergovernmental Agreement.
- λ American Heart, Heartsaver CPR, Healthcare Provider CPR and First Aid have been taught on the first and third Wednesday of every month of this budget year with numerous additional courses taught to various groups throughout the community.
- λ Fire Prevention was taught to the students at Linden Elementary School, Sequoia School and the American Indian Christian Mission and several preschools in the Linden Fire District. This program was developed for all the schools in the White Mountain area, with participants from the fire departments in the White Mountains, Navopache Electric, Navajo County Sheriff's Office, and the USFS.
- λ We participated in organizing fire drills with these mentioned schools. The firefighters spent one lunch period once or twice a month with each school so the students could become familiar with the firefighters.

- λ Safety inspections were completed at the day care centers in the Linden Fire District.
- λ Linden Fire District has supported the idea of the Regional Dispatch Study. This study has determined the feasibility of a regional dispatch center that would serve fire and law enforcement agencies of Navajo County, therefore, increasing the level of safety and interoperability of the regional communication systems. The IGA was signed by the Linden Fire District Fire Board at the June 2014 Board meeting. This will include Fire Districts including Pinetop, Lakeside, Show Low, Linden, Heber/Ovegaard, Claysprings/Pinedale, White Mountain Lake, Joseph City and Holbrook along with Navajo County.
- λ Continue our commitment to the quarterly trainings with the automatic aid agencies, to meet our obligations in the Automatic Aid Agreement.
- λ Continued involvement with committees through the Northeastern Arizona Fire Chief's Association, i.e. Fire Marshall's Office, Fire Prevention, Quarterly trainings, Dispatch, Safety, etc.
- λ Have continued membership and attended trainings with the Arizona Fire Chief's Association and the Arizona Fire Districts Association.
- λ Linden Fire District has participated in the study for possible merger with Show Low, Lakeside and Linden Fire Districts.

### FINANCIAL HIGHLIGHTS

The outlook for Linden Fire Department is excellent, it is important to remember that we have always had a solid Financial Management, been responsible in utilizing tax payer dollars. It is clear that the financial future based on the decrease of assessed evaluation will be challenging to stay afloat. The severity of the financial impact is not yet fully understood, however it is important that we plan now.

- λ Purchase and payment of the new 2013 Rosenbauer Pumper
- λ Entered into the study for possible merger with the Linden, Lakeside, and Show Low Fire Districts.
- λ The Linden Fire District has managed their budget extremely close, resulting in additional saving to the contingency (capital) fund. This fund will enable us to continue to operate in the black and not jeopardize the integrity of the service we provide to the Linden community.
- λ Based on the economic situation, we are projecting a decrease with assessed evaluations, legislation, etc. in the next budget year, however to continue to operate with the manpower, equipment and service we have provided in past years.
- λ District investment in capital assets increased by \$285,110 or 19.40%.

- λ The District's net position increased \$137,376 or 7.07% from the previous fiscal year.
- λ Total revenues increased \$21,115 or 1.66% over the previous fiscal year.
- λ At the end of the current fiscal year, unrestricted net position for the General fund was \$1,582,500.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated.

## 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 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 District'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.

## FUND FINANCIAL STATEMENT

A fund is 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, use fund accounting to ensure and demonstrate compliance with finance related legal requirements.

NET POSITION JUNE 30, 2014

|  | June 30, 2013       | June 30, 2014       |
|--|---------------------|---------------------|
| Invested in Capital Assets, net of related debit | \$ 416,883          | \$ 497,287          |
| Unrestricted                                     | <u>1,525,528</u>    | <u>1,582,500</u>    |
| Total Net Position                               | <u>\$ 1,942,411</u> | <u>\$ 2,079,787</u> |

GOVERNMENTAL ACTIVITIES

Revenues for the Linden Fire District were derived from assessed property taxes and Fire District Assistance Tax from the County.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Linden Fire District has operated within our budget. As we prepare for the next budget year, we have always had a line item to carry money over to be financially secure from July through October. This is necessary as the majority of the property tax money is received in October then in April. The Linden Fire District Fire Board is very determined to operate within our budget restraints and provide the necessary service for the community. As a result of this effort the Linden Fire District has not had to ask for a line of credit. Because of these actions we feel we have the support and appreciation of the community.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

In order to continue to provide the best service possible, the District spends a portion of the budget on fixed asset acquisition and capital project. For the fiscal year ending June 30, 2014 the District purchased the following assets:

- λ Miscellaneous Facility upgrade
- λ Purchase and payment of the 2013 Rosenbauer Pumper
- λ Participated in the study for possible merger

CAPITAL ASSETS, NET OF DEPRECIATION JUNE 30, 2014

|   | <u>BALANCE</u><br><u>06/30/2013</u> | <u>BALANCE</u><br><u>06/30/2014</u> |
|---|-------------------------------------|-------------------------------------|
| <u>Depreciable Assets</u>               |                                     |                                     |
| Vehicles                                | \$ 585,288                          | \$ 870,398                          |
| Buildings                               | 405,000                             | 405,000                             |
| Equipment, Other                        | 69,461                              | 69,461                              |
| Equipment, Fire                         | <u>410,183</u>                      | <u>410,183</u>                      |
| Total Historical Costs                  | <u>1,469,932</u>                    | <u>1,755,042</u>                    |
| Less Accum Depreciation                 |                                     |                                     |
| Vehicles                                | 558,142                             | 573,729                             |
| Buildings                               | 179,980                             | 190,105                             |
| Equipment, Other                        | 9,029                               | 11,807                              |
| Equipment, Fire                         | <u>375,898</u>                      | <u>382,114</u>                      |
| Less: Total Accumulated<br>Depreciation | <u>1,123,049</u>                    | <u>1,157,755</u>                    |
| Depreciable<br>Capital Assets, Net      | 346,883                             | 597,287                             |
| <u>Non-Depreciable Assets</u>           |                                     |                                     |
| Land                                    | <u>70,000</u>                       | <u>70,000</u>                       |
| Capital Assets, Net                     | <u>\$ 416,883</u>                   | <u>\$ 667,287</u>                   |

LONG TERM DEBT

At the end of the current fiscal year, the District had debit outstanding of \$210,889. All of the debit is backed by the full faith and credit of the District.

OUTSTANDING DEBT

|                         | <u>Balance<br/>June 30, 2013</u> | <u>Balance<br/>June 30, 2014</u> |
|-------------------------|----------------------------------|----------------------------------|
| Fire Engine             | <u>\$ 0</u>                      | <u>\$ 170,000</u>                |
| Total Lease Obligations | 0                                | 170,000                          |
| Compensated Absences    | <u>40,493</u>                    | <u>40,889</u>                    |
| Totals                  | <u>\$ 40,493</u>                 | <u>\$ 210,889</u>                |

FACTORS AFFECTING FUTURE RESULTS

The Navajo County Assessors Office projects that our assessed evaluation will drop again, which will significantly affect the upcoming budget year 2014-2015. We have implemented steps to plan and prepare for this reduced assessment. The Linden Fire District will continue to take advantage of any and all available grants that are pertinent to the fire service. Grants requested are pending to date for facility upgrade, firefighter health and safety, additional apparatus, staffing and communications.

In March of 2014 the Linden Fire District entered into the merger study with Lakeside and Show Low Fire Departments. With the decreasing evaluation in the coming years, it was imperative to enter into this study.

The Linden Fire District does have an outstanding debt, for the lease/purchase of a new apparatus the district.

CONTACTING THE DISTRICT

This financial report is designed to provide an overview of the District's finances for anyone with an interest in the government's finances. Any questions regarding this report or request for additional information may be directed to the Linden Fire District at 6884 Arizona Highway 260, Show Low, Arizona 85901.

## **BASIC FINANCIAL STATEMENTS**

**LINDEN FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

Exhibit A

**Governmental  
Activities**

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**ASSETS**

|                                    |  |                      |
|------------------------------------|--|----------------------|
| Cash & Cash Equivalents (Note 3)   |  | \$ 1,627,724         |
| Receivables:                       |  |                      |
| Property Taxes (Note 6)            |  | 60,116               |
| Prepaid Lease/Purchase - Principal |  | 19,524               |
| Prepaid Lease/Purchase - Interest  |  | 4,211                |
| Total Capital Assets, Net (Note 7) |  | <u>667,287</u>       |
| <br>Total Assets                   |  | <br><u>2,378,862</u> |

**LIABILITIES**

|                                   |  |                    |
|-----------------------------------|--|--------------------|
| Payroll Taxes Payable             |  | 15,414             |
| Wages Payable                     |  | 2,422              |
| Compensated Absences (Note 10 )   |  |                    |
| Portion due within one year       |  | 10,225             |
| Portion due after one year        |  | 40,898             |
| Lease/Purchases Payable (Note 11) |  |                    |
| Portion due within one year       |  | 19,524             |
| Portion due after one year        |  | <u>150,476</u>     |
| <br>Total Liabilities             |  | <br><u>238,959</u> |

**DEFERRED INFLOW OF RESOURCES**

|  |  |                   |
|--|--|-------------------|
| Unavailable Property Tax Revenue       |  | <u>60,116</u>     |
| <br>Total Deferred Inflow of Resources |  | <br><u>60,116</u> |

**NET POSITION**

|   |  |                                |
|---|--|--------------------------------|
| Invested in Capital Assets, Net of related Debt |  | 497,287                        |
| Unrestricted (Note 13)                          |  | <u>1,582,500</u>               |
| <br><b>Total Net Position</b>                   |  | <br><u><u>\$ 2,079,787</u></u> |

-The Notes to the Financial Statements are an Integral Part of This Statement-

**LINDEN FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit B

**Governmental  
Activities**

**EXPENSES**

|                                     |    |                |
|-------------------------------------|----|----------------|
| Public Safety - Fire/EMS Protection |    |                |
| Personnel Services                  | \$ | 796,558        |
| Materials & Services                |    | 151,271        |
| Depreciation                        |    | <u>34,716</u>  |
| Total Program Expenses              |    | <u>982,545</u> |

**PROGRAM REVENUES**

|                        |  |                |
|------------------------|--|----------------|
| Charges for Service    |  | <u>3,148</u>   |
| Total Program Revenues |  | <u>3,148</u>   |
| Net Program Expense    |  | <u>979,397</u> |

**GENERAL REVENUES**

|                          |  |                  |
|--------------------------|--|------------------|
| Property Taxes           |  | 1,020,824        |
| Fire District Assistance |  | 70,862           |
| Investment Earnings      |  | 6,534            |
| Miscellaneous            |  | <u>18,553</u>    |
| Total General Revenues   |  | <u>1,116,773</u> |

Increase in Net Position 137,376

**NET POSITION-BEGINNING OF THE YEAR** 1,942,411

**NET POSITION-END OF THE YEAR** \$ 2,079,787

-The Notes to the Financial Statements are an Integral Part of This Statement-

**LINDEN FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

Exhibit C

**General**

**ASSETS**

|                                    |                                |
|------------------------------------|--------------------------------|
| Cash and Cash Equivalents (Note 3) | \$ 1,627,724                   |
| Receivables:                       |                                |
| Property Taxes (Note 6)            | 60,116                         |
| Prepaid Lease/Purchase - Principal | 19,524                         |
| Prepaid Lease/Purchase - Interest  | <u>4,211</u>                   |
| <br>Total Assets                   | <br><u><u>\$ 1,711,575</u></u> |

**LIABILITIES**

|                                |                   |
|--------------------------------|-------------------|
| Payroll Taxes Payable          | \$ 15,414         |
| Wages Payable                  | 2,422             |
| Compensated Absences (Note 10) | <u>10,225</u>     |
| <br>Total Liabilities          | <br><u>28,061</u> |

**DEFERRED INFLOW OF RESOURCES**

|  |                   |
|--|-------------------|
| Unavailable Property Tax Revenue       | <u>60,116</u>     |
| <br>Total Deferred Inflow of Resources | <br><u>60,116</u> |

**FUND BALANCES**

|                                       |                                |
|---------------------------------------|--------------------------------|
| Assigned (Note 13)                    | 1,007,807                      |
| Non-Spendable (Note 13)               | 23,735                         |
| Unassigned (Note 13)                  | <u>591,856</u>                 |
| <br>Total Fund Balances               | <br><u>1,623,398</u>           |
| <br>Total Liabilities & Fund Balances | <br><u><u>\$ 1,711,575</u></u> |

-The Notes to the Financial Statements are an Integral Part of This Statement-

**LINDEN FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED  
JUNE 30, 2014**

Exhibit D

|  | <b>General</b>      |
|--|---------------------|
| <b>REVENUE</b>                                       |                     |
| Property Taxes                                       | \$ 1,020,824        |
| Fire District Assistance Tax                         | 70,862              |
| Fees for Service                                     | 3,148               |
| Interest   | 6,534               |
| Miscellaneous  | 188,552             |
| Total Revenues                                       | 1,289,920           |
| <b>EXPENDITURES</b>                                  |                     |
| Current:   |                     |
| Public Safety  | 910,475             |
| Administration                                       | 29,590              |
| Capital Outlay                                       | 292,478             |
| Total Expenditures                                   | 1,232,543           |
| Excess (Deficiency) of<br>Revenues over Expenditures | 57,377              |
| Net Change in Fund Balances                          | 57,377              |
| <b>Fund Balances-Beginning of Year</b>               | <b>1,566,021</b>    |
| <b>Fund Balances-End of Year</b>                     | <b>\$ 1,623,398</b> |

-The Notes to the Financial Statements are an Integral Part of This Statement-

**LINDEN FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Exhibit E

**Reconciliation of Governmental Fund Balance to Net Position  
(Exhibit A) of governmental activities:**

Fund Balances - Total Governmental Funds (Exhibit C) \$ 1,623,398

Amounts reported for governmental activities in the statement  
of net position are different because:

Capital Assets used in governmental activities are  
not financial resources and, therefore are not  
reported in the other funds.

|                                |                    |         |
|--------------------------------|--------------------|---------|
| Governmental Capital Assets    | 1,825,042          |         |
| Less: Accumulated Depreciation | <u>(1,157,755)</u> | 667,287 |

Long-term liabilities are not due and payable  
in the current period and therefore are not  
reported in the funds. (210,898)

Net Postion of Governmental Activities (Exhibit A) \$ 2,079,787

**LINDEN FIRE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED  
JUNE 30, 2014**

Exhibit F

**Reconciliation of the change in fund balance-total governmental funds  
to the change in net position of governmental activities:**

|                                      |    |        |
|--------------------------------------|----|--------|
| Net Change in Fund Balances -        |    |        |
| Total Governmental Funds (Exhibit D) | \$ | 57,377 |

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:

|  |  |         |
|--|--|---------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. |  | 250,394 |
|--|--|---------|

|   |  |                  |
|---|--|------------------|
| The issuance of long-term debt (e.g., bonds, leases, leave) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. |  | <u>(170,395)</u> |
|---|--|------------------|

|   |    |                       |
|---|----|-----------------------|
| Change in Net Position of Governmental Activities (Exhibit B) | \$ | <u><u>137,376</u></u> |
|---|----|-----------------------|

**LINDEN FIRE DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

Exhibit G

**Volunteer  
Pension  
Fund**

---

**ASSETS**

|                            |               |
|----------------------------|---------------|
| Cash & Cash Equivalents    | \$ 38,930     |
| Investments, at fair value |               |
| Mutual Funds               | <u>10,589</u> |
| Total Investments          | <u>10,589</u> |
| Total Assets               | <u>49,519</u> |

**LIABILITIES**

|                   |            |
|-------------------|------------|
| Accounts Payable  | <u>-0-</u> |
| Total Liabilities | <u>-0-</u> |

**NET POSITION**

|   |                         |
|---|-------------------------|
| Held in trust for pension<br>and other purposes | <u><u>\$ 49,519</u></u> |
|---|-------------------------|

-The Notes to the Financial Statements are an Integral Part of This Statement-

**LINDEN FIRE DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit H

|  | <b><u>Volunteer<br/>Pension<br/>Fund</u></b> |
|--|--|
| <b>ADDITIONS</b>                                 |  |
| Other  |  |
| Contributions                                    | \$ 2,377                                     |
| State Fire Marshal                               | <u>1,497</u>                                 |
| Total Other Contributions                        | <u>3,874</u>                                 |
| Investment Earnings:                             |  |
| Interest & Dividends                             | 110  |
| Net Increase in the<br>fair value of investments | <u>2,437</u>                                 |
| Total Investment Earnings                        | <u>2,547</u>                                 |
| Less Investment Expense                          | <u>550</u>                                   |
| Net Investment Earnings                          | <u>1,997</u>                                 |
| Total Additions                                  | <u>5,871</u>                                 |
| <b>DEDUCTIONS</b>                                |  |
| Distributions                                    | <u>11,956</u>                                |
| Total Liabilities                                | <u>11,956</u>                                |
| Change in Net Position                           | (6,085)                                      |
| <b>Net Position - Beginning</b>                  | <u>55,604</u>                                |
| <b>Net Position - Ending</b>                     | <u><u>\$ 49,519</u></u>                      |

-The Notes to the Financial Statements are an Integral Part of This Statement-

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**LINDEN FIRE DISTRICT  
SHOW LOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Reporting Entity**

The District is a local governmental unit formed as a political subdivision of the local county which is a political subdivision of the State of Arizona. The District was formed under the provisions of Title 48 of Arizona Revised Statutes. The District operates under the guidance of an elected board, which is the policy making body of the District. The purpose of the District is to provide fire protection, emergency medical and related services to the residents and guests of the District and the surrounding area. The day to day operations are supervised by a fire chief and his staff.

The District has the power to issue bonds, levy taxes, bill for services and raise revenues with the power of the County government. The District has the power to expend public funds for any legitimate purpose required to further its needs. The District operates as an independent governmental agency directly responsible to the local taxpayers and voters.

**Introduction**

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

**Basic Financial Statements**

The accounting policies for the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

## **Government -wide Statements**

The government -wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business -type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to users of the services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government -wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## **Governmental funds**

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available as net current assets. All sources of revenue except interest become measurable when the District has rendered a service. Interest revenue is measurable when its rate becomes known. Revenues are considered available if they are received within the accounting period. Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. This fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

### **Financial Statements Amounts**

#### **Cash & Cash Equivalents**

All savings, checking and money market accounts with an original maturity of less than 60 days are considered to be cash equivalents.

#### **Prepaid Items**

Payments to vendors that benefit future accounting periods are classified as prepaid items until charged to expenditures in the period benefited.

#### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

|                  |                  |
|------------------|------------------|
| Buildings        | 27.5 to 40 years |
| Equipment        | 5 to 7 years     |
| Fire Trucks      | 10 years         |
| Automobiles      | 5 years          |
| Office Equipment | 5 years          |

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### **Compensated Absences**

Accumulated unpaid vacation and leave time is normally accrued when incurred. The anticipated current portion of employee leave is accrued in the governmental fund, while the long term portion is recorded only in the long term group of accounts.

### **Long-Term Obligations**

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **Net Position/Fund Equity**

### **Net Position on Government Wide Financial Statements – Exhibit A**

Fund Equity, as defined in GASB Statement No. 34, “Basic Financial Statements for State and Local Governments” is defined as net position and is classified in the following categories:

- λ Restricted —amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- λ Unrestricted – this balance is the amount of equity which is not included in the Restricted fund balance and the Investments in Capital Assets balances.
- λ Investment in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

### **Fund Balances on Government Fund Financial Statements – Exhibit C**

Beginning with fiscal year ended June 30, 2010, the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- λ Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- λ Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- λ Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- λ Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.
- λ Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by District Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

### **Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amount and disclosures in the financial statements. Actual results could differ from those estimates.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

A fire district shall prepare an annual budget that contains detailed estimated expenditures for each fiscal year and that clearly shows salaries payable to employees of the district. The budget summary shall be posted in three public places and a complete copy of the budget shall be published on the district's official website for twenty days before a public hearing at a meeting called by the board to adopt the budget. Copies of the budget shall also be available to members of the public on written request to the district. Following the public hearing, the district board shall adopt a budget. A complete copy of the adopted budget shall be posted in a prominent location on the district's official website within seven business days after final adoption and shall be retained on the website for at least sixty months. For any fire district that does not maintain an official website, the fire district may comply with this subsection by posting on a website of an association of fire districts in this state. ARS 48-805.2(a)

Pursuant to ARS 48.805.2(d), all fire district are required to submit certain information accompanying the budget which has been certified to by the chairman and clerk of the District Board. The budget and the accompanying certification are required to be submitted to the County Board of Supervisors no later than August 1<sup>st</sup> of each year.

Budgets are adopted by the District on basis consistent with Arizona Revised Statutes.

Encumbrance accounting is not employed by the District. All appropriations lapse at year-end.

### **NOTE 3 - DEPOSITS, INVESTMENT RISK & CASH MANAGEMENT**

#### **Deposits and Investments**

The deposit of public funds is regulated by Arizona Revised Statutes (ARS). ARS 48-807 allows the District to establish bank accounts with any financial institution that is authorized to do business in the State of Arizona for the purpose of operating a payroll account, holding special revenues, ambulance revenues or both, as necessary to fulfill the District's fiduciary responsibilities. The District may also establish, through the County Treasurer, accounts for monies from taxes, grants, contributions and donations. The County Treasurer is required to establish a fund known as the "fire district general fund" for the receipt of all taxes levied on behalf of the District.

The District may register warrants only if separate accounts are maintained by the County Treasurer for each governmental fund of the District. Warrants may only be registered on the maintenance and operation account, the unrestricted capital outlay account and the special revenue accounts, and only if the total cash balance of all three accounts is insufficient to pay the warrants and only after any revolving line of credit has been expended. Registered warrants may not exceed ninety per cent of the taxes levied by the County for the District's current fiscal year. Registered warrants bear interest as prescribed by statute and are redeemed as provided for by law for County warrants.

Unless monies are legally restricted by contract, agreement or law, those monies may be transferred between fund accounts according to the original or amended budget of the Fire District.

Any surplus remaining the fire district general fund at the end of the fiscal year shall be credited to the fire district general fund of the district for the succeeding fiscal year and after subtraction of accounts payable and encumbrances, shall be used to reduce the tax levy for the following year.

The District accounts with the County Treasurer are part of an investment pool operated by the County Treasurer which is in turn invested in the Local Government Investment Pool (LGIP) operated by the Arizona State Treasurer. The risk category (defined below) cannot be determined, as the District does not own identifiable securities, but only as a shareholder in the statewide pool.

Financial institutions accepting governmental monies in the State of Arizona are required to collateralize at 102% all government deposits which exceed the FDIC insurance limit. The current FDIC limit is \$250,000 for the total of all interest bearing accounts and \$250,000 for the total of all demand deposit accounts. The collateralization is required to be separately identifiable securities and be held by a third party financial institution or trust agency. ARS (Title 35) requires this to be monitored by the State Treasurer's Office.

The District may also place monies in investments which are subject to the risks identified below.

The following is a summary of the Cash and Cash Equivalents held by financial institutions at June 30, 2014:

DEPOSITORY ACCOUNTS:

|                              | <u>General<br/>Fund</u> | <u>Fiduciary<br/>Fund</u> | <u>Total</u>    |
|------------------------------|-------------------------|---------------------------|-----------------|
| Insured Deposits (FDIC)      | \$ 250,000              | \$ 0                      | 250,000         |
| Collateralized               | 775,029                 | 2,814                     | 777,843         |
| Uninsured & uncollateralized | <u>634,570</u>          | <u>46,473</u>             | <u>681,043</u>  |
| Total Deposits               | 1,659,599               | 49,287                    | 1,708,886       |
| In Transit Items             | <u>(31,997)</u>         | <u>232</u>                | <u>(31,765)</u> |
| Total Depository Accounts    | 1,627,602               | 49,519                    | 1,677,121       |

NON DEPOSITORY  
ACCOUNTS

|                               |                     |                  |                     |
|-------------------------------|---------------------|------------------|---------------------|
| CASH ON HAND                  | <u>122</u>          | <u>0</u>         | <u>122</u>          |
| Total Non Depository Accounts | <u>122</u>          | <u>0</u>         | <u>122</u>          |
| Total Cash & Cash Equivalents | <u>\$ 1,627,724</u> | <u>\$ 49,519</u> | <u>\$ 1,677,243</u> |

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The District does not invest in any identifiable securities. District investments are limited to open-end mutual funds.

| <u>Custodial Credit Risk For:</u> | <u>Rating</u> | <u>Rating Agency</u> | <u>Amount</u> |
|-----------------------------------|---------------|----------------------|---------------|
| County Treasurer Pool             | Unrated       | Not Applicable       | \$634,570     |
| Linesco Investments               | Unrated       | Not Applicable       | 119           |
| Ameritrade                        | Unrated       | Not Applicable       | 46,354        |

Credit Risk Statutes authorize the District to invest in obligations of the U.S. Treasury and federal agency securities, along with certain public obligations, such as bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state in which the District invests, that are rated in the highest rating category of nationally recognized statistical rating organizations.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

The District normally invests only in FDIC insured bank accounts, accounts collateralized above FDIC insurance limits in commercial banks, the County Treasurer's investment pool, which is reinvested in the Arizona State Treasurer Local Government Investment Pool (LGIP), and open-end mutual stock funds of commercial brokerage firms.

No ratings were available for any of the District's investments and those investments are considered unrated.

Concentration of Credit Risk Concentration of credit risk is associated with investments in any one issuer that represent 5 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are considered as excluded from this requirement.

The District invests only in FDIC banking institutions, mutual funds and government investment pools. The District does not have a policy relating to concentration of credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Interest rate risk factors and information are not available for the mutual fund investments of the District.

The weighted average maturity of the LGIP-GOV pool at June 30, 2014 was:

|              |            |
|--------------|------------|
| For Pool 5   | 34 days    |
| For Pool 7   | 53 days    |
| For Pool 500 | 1.82 years |
| For Pool 700 | 2.02 years |

## **Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural or manmade disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have never exceeded commercial insurance coverage for the District.

In addition, as the owner and operator of emergency response vehicles, the District is exposed to a high risk of loss related to these activities. The District carries commercial insurance on all vehicles and requires insurance coverage on all privately owned vehicles used for District activities.

Custodial risk of deposit and investment accounts is the risk that in the event of a failure, the District's deposits may not be returned to it. The District does not have a policy for custodial risk, concentration of risk, concentration of credit risk, interest rate risk, or foreign currency risk for deposits or investments.

### **NOTE 4 - INVENTORIES**

The costs of governmental fund-type inventories are recorded as expenditures when purchased. All inventories of the District are considered immaterial.

### **NOTE 5 - RECEIVABLES**

General and governmental fund receivables are recorded as received except for those funds collected and held by other governments on behalf of the Fire District. These amounts are recorded as soon as they are measurable and available in accordance with governmental accounting standards.

### **NOTE 6 – PROPERTY TAX REVENUE RECEIVABLE**

Property Tax Receivables arise when property taxes are levied but not currently collected. The collectible portion (taxes levied less estimated uncollectible) are recorded as deferred inflow of resources in the period when an enforceable legal claim to the assets arise.

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended.

|   | <u>BALANCE</u><br><u>06/30/20 13</u> | <u>ADDITIONS</u>  | <u>DELETIONS</u> | <u>BALANCE</u><br><u>06/30/20 14</u> |
|---|--------------------------------------|-------------------|------------------|--------------------------------------|
| <u>Depreciable Assets</u>               |                                      |                   |                  |                                      |
| Vehicles                                | \$ 585,288                           | \$ 285,120        | \$ 10            | \$ 870,398                           |
| Buildings                               | 405,000                              | 0                 | 0                | 405,000                              |
| Equipment, Other                        | 69,461                               | 0                 | 0                | 69,461                               |
| Equipment, Fire                         | <u>410,183</u>                       | <u>0</u>          | <u>0</u>         | <u>410,183</u>                       |
| Total Historical Costs                  | <u>1,469,932</u>                     | <u>285,120</u>    | <u>10</u>        | <u>1,755,042</u>                     |
| Less Accum Depreciation                 |                                      |                   |                  |                                      |
| Vehicles                                | 558,142                              | 15,597            | 10               | 573,729                              |
| Buildings                               | 179,980                              | 10,125            | 0                | 190,105                              |
| Equipment, Other                        | 9,029                                | 2,778             | 0                | 11,807                               |
| Equipment, Fire                         | <u>375,898</u>                       | <u>6,216</u>      | <u>0</u>         | <u>382,114</u>                       |
| Less: Total Accumulated<br>Depreciation | <u>1,123,049</u>                     | <u>34,716</u>     | <u>10</u>        | <u>1,157,755</u>                     |
| Depreciable<br>Capital Assets, Net      | 346,883                              | 250,404           | 0                | 597,287                              |
| <u>Non-Depreciable Assets</u>           |                                      |                   |                  |                                      |
| Land                                    | <u>70,000</u>                        | <u>0</u>          | <u>0</u>         | <u>70,000</u>                        |
| Capital Assets, Net                     | <u>\$ 416,883</u>                    | <u>\$ 250,404</u> | <u>\$ 0</u>      | <u>\$ 667,287</u>                    |

**NOTE 8 - CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**NOTE 9 – SHORT-TERM INDEBTEDNESS**

The District utilizes a credit line with a limit of \$100,000.00. As of June 30, 2014, the balance outstanding was approximately \$ 0 and \$100,000.00 was available. The interest rate, at year end, was approximately 1.885%. The District routinely pays the balance in full when funds are available.

Changes in Short-Term Indebtedness :

|                | <u>Balance</u><br><u>June 30, 2013</u> | <u>Additions</u>   | <u>Deletions</u>   | <u>Balance</u><br><u>June 30, 2014</u> |
|----------------|--|--------------------|--------------------|--|
| Line of Credit | \$ <u>0</u>                            | \$ <u>0</u>        | \$ <u>0</u>        | \$ <u>0</u>                            |
| Totals         | \$ <u><u>0</u></u>                     | \$ <u><u>0</u></u> | \$ <u><u>0</u></u> | \$ <u><u>0</u></u>                     |

**NOTE 10 – ACCUMULATED COMPENSATED ABSENCES**

Accumulated unpaid time off is accrued when incurred. The current portion of such amounts has been accrued in the governmental fund (using the modified accrual basis of accounting).

The District uses a paid time off (PTO) system for compensated absences. This includes all vacation, sick, compensating or other leaves allowed. The District policy is to allow any PTO to be carried forward after the second year to future years. At June 30, 2014, \$10,225 was considered current and \$40,898 was considered long-term for a total amount of accumulated PTO of \$51,123.

**NOTE 11 – LONG-TERM INDEBTEDNESS**

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the statement of net assets.

General Obligation Bonds

The District does not currently have any general obligation bonds.

Operating Leases

The District does not currently have any operating leases.

Capital Leases

**Fire Engine:** The District entered into a lease/purchase agreement for a Rosenbauer Fire Engine. The lease/purchase was dated June 10<sup>th</sup> 2013 in the amount of \$170,000 with an interest rate of 2.54% with annual payments of \$23,735 with a final payment due July 1<sup>st</sup> 2021.

Changes in Long-Term Indebtedness :

|                         | <u>Balance</u><br><u>June 30, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|-------------------------|--|------------------|------------------|--|
| Fire Engine             | \$ 0                                   | \$170,000        | \$ 0             | \$ 170,000                             |
| Total Lease Obligations | 0                                      | 170,000          | 0                | 170,000                                |
| Compensated Absences    | 40,493                                 | 396              | 0                | 40,889                                 |
| Totals                  | <u>\$ 40,493</u>                       | <u>\$170,396</u> | <u>\$ 0</u>      | <u>\$ 210,889</u>                      |

**NOTE 12 - FUTURE MINIMUM LEASE/PURCHASE OBLIGATIONS**

The future minimum lease/purchase obligations and the net present value of these minimum lease/purchase payments as of June 30, 2014, were as follows:

| <u>Year Ending June 30,</u>   | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-------------------------------|-------------------|------------------|-------------------|
| 2015                          | \$ 19,524         | \$ 4,211         | \$ 23,735         |
| 2016                          | 19,913            | 3,822            | 23,735            |
| 2017                          | 20,419            | 3,316            | 23,735            |
| 2018                          | 20,937            | 2,798            | 23,735            |
| 2019                          | 21,470            | 2,265            | 23,735            |
| 2020/2022                     | <u>67,737</u>     | <u>3,470</u>     | <u>71,207</u>     |
| Total Obligation              | 170,000           | <u>\$ 19,882</u> | <u>\$ 189,882</u> |
| Less amount due within 1 year | <u>19,524</u>     |                  |                   |
| Amount due after 1 year       | <u>\$ 150,476</u> |                  |                   |

**NOTE 13 – NET POSITION/FUND BALANCE**

The District’s Net Position balances consist of restricted, unrestricted and net investment in capital assets amounts.

The District’s Governmental Funds fund balance consists of restricted, committed, assigned and unassigned amounts.

Restricted balances are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance is amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Assigned fund balance is amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board or by an official or body to which the District Board delegates the authority.

Unassigned fund balance is amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position :

|   |                     |
|---|---------------------|
| Invested in Capital Assets, Net of Related Debt | \$ 497,287          |
| Unrestricted                                    | <u>1,582,500</u>    |
| Total Net Position                              | <u>\$ 2,079,787</u> |

Governmental Fund Balances :

|                          |                     |
|--------------------------|---------------------|
| Assigned Fund Balance    |                     |
| Payroll                  | \$ 88,580           |
| Capital                  | <u>919,227</u>      |
| Total Assigned           | 1,007,807           |
| Non-Spendable            | 23,735              |
| Unassigned Fund Balances | <u>591,856</u>      |
| Total Fund Balance       | <u>\$ 1,623,398</u> |

**NOTE 14 - PROPERTY TAXES**

The District is authorized to levy property taxes in an amount sufficient to operate the District. This levy cannot exceed three dollars and twenty-five cents per one hundred dollars of assessed valuation. It also cannot exceed the amount of the levy in the preceding tax year multiplied by 1.08.

The District levies real 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.

The District also levies various personal property taxes during the year, which are due at the same time as real property taxes.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

The taxpayers may, by vote of the electorate, authorize either a five year budget override or a permanent override, depending upon certain criteria being met. The taxpayers also may authorize the issuance of bonds for capital acquisitions in addition to the operating taxes referred to above.

The County collects a County-Wide Fire District Assistance Tax (FDAT) and distributes the funds to all Fire Districts in the County, according to a formula established by state law. The maximum awarded to a District cannot exceed \$400,000 per year.

**NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS**

**(SEE ALSO THE REQUIRED SUPPLEMENTAL INFORMATION)**

**Plan Descriptions**

The District contributes to the three plans described below. Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' annual compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health Insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance

premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The Arizona State Retirement System (ASRS) administers a cost sharing, multiple-employer defined benefit pension plan, a cost-sharing, multiple employer defined health insurance premium plan, and a cost-sharing, multiple employer defined long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to provisions of the A.R.S. Title 38, Chapter 5, Article 2. The ASRS System does not provide information on each individual entity that has an account in the System. Information provided in this report is based on the information provided by ASRS, which is on a state wide basis.

Normal retirement is when an individual achieves 80 points, which is age plus years of service after age 62. Retirement benefits are computed by the Arizona State Retirement System.

The information required by GASB 50 paragraph 7b, three year trend information, is not currently available.

The Public Safety Personnel Retirement System (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or participating political subdivisions. The PSPRS, acting as a common investment and administration agent, is governed by a five-member board known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Normal retirement is on completion of 20 years of service or 15 years of service and attainment of age 62. Retirement benefits after 20 years are 50% of average monthly compensation plus an additional 2% for each year of service from 20 to 25 years. Upon attainment of 25 years of service the additional percentage is increased to 2 ½ % for each year beyond 20. Maximum pension is 80% of average compensation. All participants are fully vested upon 10 years of service with deferred retirement possible at reduced benefits. Disability, survivor's benefits and medical care are also integrated into the plan.

Each multiple employer plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS  
3300 N. Central Avenue  
Suite 200

PSPRS  
3010 E. Camelback Road,

PO Box 33910  
Phoenix, AZ 85067-3910  
(602) 240-2000 or 1-800-621-3778

Phoenix, AZ 85016-4416  
Phone (602) 255-5575

The District maintains a Volunteer Fire Pension Fund as allowed by ARS 9-951. This plan is administered by an outside consulting firm who prepares a separate annual report. This report is available through Innes & Associates, 4302 East Ray Road Suite 117, Phoenix, Arizona 85044. The plan is reviewed by the Arizona State Fire Marshal's office.

Standard benefits vary by number of years of activity and funds available. Benefits are fixed by the local board at the time of retirement. Eligibility is minimum age of 18 years and 12 months of service. Maximum age does not apply. Retirement age is earlier of age 50 or 20 years of service. Entry dates are Jan 01 and July 01 of each year.

The local pension board has the authority to deviate from these guidelines as they feel necessary under an adopted alternative plan. The District has elected under ARS Title 9, Section 4 to establish an alternative plan which differs significantly from the standards referred to above.

#### **NOTE 16 - POST EMPLOYMENT BENEFITS**

The government provides certain health care and insurance benefits for recently separated employees as required by the Federal law under COBRA. Any cost of health care and insurance benefits would be short term and recognized as an expenditure as claims are paid. The District currently has no such claims.

#### **NOTE 17- SUBSEQUENT EVENTS**

Management has evaluated subsequent events and does not know of any additional comments or disclosures that should be made thru the date of this report, except listed below.

In the 2013-2014 Fiscal Year, the Linden Fire District Governing Board joined with other surrounding Districts to fund a merger study between the District and those other local Fire Districts participating in the merger study. Subsequent to the 2013-2014 Fiscal Year, the Governing Board voted to merge with the Show Low and Lakeside Fire Districts. This move resulted in the three Districts merging to form a new District called the Timber Mesa Fire and Medical District.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**LINDEN FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED  
JUNE 30, 2014**

Exhibit I

|  | Budgeted Amounts |                  | Actual              | Variance with Final           |
|--|------------------|------------------|---------------------|-------------------------------|
|  | Original         | Final            |                     | Budget Positive<br>(Negative) |
| Revenues:  |                  |                  |                     |                               |
| Property Taxes                                       | \$ 1,035,150     | \$ 1,035,150     | \$ 1,020,824        | \$ (14,326)                   |
| Fire District Assistance                             | 72,000           | 72,000           | 70,862              | (1,138)                       |
| Miscellaneous  | -                | -                | 188,552             | 188,552                       |
| Grants   | 400,000          | 400,000          | -                   | (400,000)                     |
| Fees for Service                                     | -                | -                | 3,148               | 3,148                         |
| Interest   | -                | -                | 6,534               | 6,534                         |
| <b>Total Revenues</b>                                | <b>1,507,150</b> | <b>1,507,150</b> | <b>1,289,920</b>    | <b>(217,230)</b>              |
| Expenditures:  |                  |                  |                     |                               |
| Current:   |                  |                  |                     |                               |
| Public Safety  | 1,121,250        | 1,121,250        | 910,475             | 210,775                       |
| Administration                                       | 45,900           | 45,900           | 29,590              | 16,310                        |
| Grants   | 400,000          | 400,000          | -                   | 400,000                       |
| Capital Outlay                                       | 420,000          | 420,000          | 292,478             | 127,522                       |
| <b>Total Expenditures</b>                            | <b>1,987,150</b> | <b>1,987,150</b> | <b>1,232,543</b>    | <b>754,607</b>                |
| Excess (Deficiency) of<br>Revenues over Expenditures | <u>(480,000)</u> | <u>(480,000)</u> | <u>57,377</u>       | <u>537,377</u>                |
| Net Change in Fund Balances                          | (480,000)        | (480,000)        | 57,377              | 537,377                       |
| Fund Balances at Beginning of Year                   | <u>480,000</u>   | <u>480,000</u>   | <u>1,566,021</u>    | <u>1,086,021</u>              |
| Fund Balances at End of Year                         | <u>\$ 0</u>      | <u>\$ 0</u>      | <u>\$ 1,623,398</u> | <u>\$ 1,623,398</u>           |

**LINDEN FIRE DISTRICT**

**GASB STATEMENT NO. 25 SUPPLEMENTARY PENSION INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

**(EXCLUDING HEALTH INSURANCE SUBSIDY BEGINNING JUNE 30, 2008)**

| <b>Year</b><br><b>Date</b><br><b>June 30</b> | <b>Actuarial</b><br><b>Value of</b><br><b>Assets</b><br><b>(a)</b> | <b>Actuarial</b><br><b>Accrued</b><br><b>Liability</b><br><b>(AAL)</b><br><b>Entry Age</b><br><b>(b)</b> | <b>Unfunded</b><br><b>AAL</b><br><b>(UAAL)</b><br><b>(b-a)</b> | <b>Funded</b><br><b>Ratio</b><br><b>(a/b)</b> | <b>Annual</b><br><b>Covered</b><br><b>Payroll</b><br><b>(c)</b> | <b>UAAL as a</b><br><b>% of</b><br><b>Covered</b><br><b>Payroll</b><br><b>((b-a)/c)</b> |
|--|--|--|--|---|---|---|
| 2003   | \$ 52,165  | \$19,860   | \$(32,305)   | 262.7%  | \$25,399  | 0.0%  |
| 2004   | 132,759  | 23,146   | (109,613)  | 573.6%  | 105,443   | 0.0%  |
| 2005   | 164,022  | 76,642   | (87,380)   | 214.0%  | 110,316   | 0.0%  |
| 2006   | 180,451  | 114,525  | (65,926)   | 157.6%  | 197,367   | 0.0%  |
| 2007   | 215,780  | 199,823  | (15,957)   | 108.0%  | 235,067   | 6.8%  |
| 2008   | 371,360  | 285,843  | (85,517)   | 129.9%  | 345,636   | 0.0%  |
| 2009   | 432,045  | 286,173  | (145,872)  | 151.0%  | 384,261   | 0.0%  |
| 2010   | 375,014  | 336,797  | (38,217)   | 111.3%  | 450,623   | 0.0%  |
| 2011   | 489,633  | 423,513  | (66,120)   | 115.6%  | 415,267   | 0.0%  |
| 2012   | 645,363  | 596,553  | (48,810)   | 108.2%  | 476,910   | 0.0%  |
| 2013   | 784,529  | 668,911  | (115,618)  | 117.3%  | 458,809   | 0.0%  |

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| <b>Year</b><br><b>Ended</b><br><b>June 30</b> | <b>Annual</b><br><b>Required</b><br><b>Contribution</b> |
|---|---|
| 2003  | 20,119  |
| 2004  | 11,041  |
| 2005  | 10,444  |
| 2006  | 0   |
| 2007  | 11,781  |
| 2008  | 17,907  |
| 2009  | 41,813  |
| 2010  | 24,450  |
| 2011  | (est.)38,578  |
| 2012  | (est.)51,710  |
| 2013  | (est.)52,422  |
| 2014  | (est.)62,307  |
| 2015  | (est.)55,414  |

-See Accountant's Report-

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

|                                |   |
|--------------------------------|---|
| Valuation Date:                | June 30, 2013                                       |
| Actuarial cost method:         | Entry Age Normal                                    |
| Amortization Method:           | Level percent-of-pay closed                         |
| Remaining amortization period: | 23 years for underfunded<br>20 years for overfunded |
| Asset valuation method:        | 7-year smoothed market<br>80%/120% market           |
| Actuarial Assumptions:         |   |
| Investment Rate of Return:     | 7.85%   |
| Projected Salary increases     | 4.5% - 8.5%   |
| Payroll Growth                 | 4.5%  |
| Cost-of-Living adjustments     | None  |

## **GASB STATEMENT NO. 45 SUPPLEMENTARY INFORMATION**

The following information is presented concerning the post-retirement health insurance subsidy. The liabilities and computed contribution for the post-retirement health insurance subsidy were based on the same assumptions and actuarial cost methods as indicated for GASB Statement No. 25. Although segregated assets for the health insurance subsidy have not been available historically, it is our understanding that they will be made available beginning with the June 30, 2014 valuation.

### SCHEDULE OF FUNDING PROGRESS

| Date<br>June 30 | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Annual<br>Covered<br>Payroll<br>(c) | UAAL as a<br>% of<br>Covered<br>Payroll<br>((b-a)/c) |
|-----------------|--|--|------------------------------------|--------------------------|-------------------------------------|--|
| 2006            | \$0                                    | \$4,854  | \$4,854                            | 0.00%                    | 197,367                             | 2.46%  |
| 2007            | 0                                      | 8,424  | 8,424                              | 0.00%                    | 235,067                             | 3.58%  |
| 2008            | 0                                      | 7,553  | 7,553                              | 0.00%                    | 345,636                             | 2.19%  |
| 2009            | 0                                      | 10,504   | 10,504                             | 0.00%                    | 384,261                             | 2.73%  |
| 2010            | 0                                      | 14,026   | 14,026                             | 0.00%                    | 450,623                             | 3.11%  |
| 2011            | 0                                      | 23,563   | 23,563                             | 0.00%                    | 415,267                             | 5.67%  |
| 2012            | 0                                      | 27,316   | 27,316                             | 0.00%                    | 476,910                             | 5.73%  |
| 2013            | 0                                      | 33,544   | 33,544                             | 0.00%                    | 458,809                             | 7.31%  |

-See Accountant's Report-

**ANNUAL REQUIRED CONTRIBUTION**

| <b>VALUATION DATE<br/>JUNE 30,</b> | <b>FISCAL YEAR ENDED<br/>JUNE 30,</b> | <b>(a)<br/>NORMAL COST</b> | <b>(b)<br/>ACTUARIAL ACCRUED LIABILITY</b> | <b>TOTAL<br/>(a) +(b)</b> | <b>DOLLAR AMOUNT<br/>BASED ON<br/>COVERED PAYROLL</b> |
|------------------------------------|---------------------------------------|----------------------------|--|---------------------------|---|
| 2006                               | 2008                                  | 0.57%                      | 0.15%                                      | 0.72%                     | \$2,489   |
| 2007                               | 2009                                  | 0.68%                      | 0.22%                                      | 0.90%                     | \$3,111   |
| 2008                               | 2010                                  | 0.42%                      | 0.13%                                      | 0.55%                     | \$1,901   |
| 2009                               | 2011                                  | 0.72%                      | 0.17%                                      | 0.89%                     | \$3,806   |
| 2010                               | 2012                                  | 0.72%                      | 0.19%                                      | 0.91%                     | \$4,564   |
| 2011                               | 2013                                  | 0.56%                      | 0.36%                                      | 0.92%                     | \$4,212   |
| 2012                               | 2014                                  | 0.46%                      | 0.34%                                      | 0.80%                     | \$4,206   |
| 2013                               | 2015                                  | 0.51%                      | 0.46%                                      | 0.97%                     | \$4,860   |

**Health Insurance Subsidy Payment Reported for FY 2013: \$0**

**BENEFITS**

Normal retirement is the first day of the month following completion of 20 years of service or following the 62<sup>nd</sup> birthday after 15 years of service. Normal pension after 25 years of credited service is 50% of average monthly compensation for the first 20 years of credited service plus 2½% of average monthly compensation for each year of credited service above 20 years. Retirement at other lengths of service vary according to the plan. The maximum compensation is 80% of the average monthly compensation. Employees are fully vested after 10 years of service.

The plan provides for disability retirement, survivors benefits, temporary disability, child's benefits, health insurance and other post employment benefits.

The plan is a multiple employer defined benefit pension plan operated by the State of Arizona for the benefit of all public safety employees in the state.

The plan issues a separate report for the entire system and annually issues an actuarial study for each participating governmental agency. These reports are available through the Arizona Public Safety Personnel Retirement System.

A complete copy of the actuarial valuation as of June 30, 2013 is available from the Arizona Public Safety Personnel Retirement System, Phoenix, Arizona or from Gabriel Roeder Smith & Company, One Towne Square, Suite 800 Southfield, MI 48076.

**Date of Information**

The information above reflects the most currently available information about this pension plan as of the published actuarial study for June 30, 2013 issued October 11<sup>th</sup>, 2013.

-See Accountant's Report-

**LINDEN FIRE DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**  
**FISCAL YEAR ENDED JUNE 30, 2014**

**1. BUDGETARY BASIS OF PRESENTATION**

The budget included in these financial statements represents the original budget and amendments approved by the Board of Directors. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual. Accordingly, for the purpose of comparing budgeted expenditures to actual amounts, prior and current year encumbrances have been integrated with the amounts shown on the *Statement of Revenues, Expenditures, and Changes in Fund Balances*.

Various reclassifications have been made to the actual amounts to conform to classifications included in the budget approved by the Board of Directors.

The legal level of budgetary control attributed to the Board of Directors is considered at the objective or natural classification level, presented as subtotals in the schedule of budget to actual (e.g., total revenue, total salaries and benefits, total services and supplies, etc.).

**2. PUBLIC SAFETY PENSION DISCLOSURE INFORMATION**

All Public Safety Pension disclosure information has been furnished by the actuary for the Districts' Public Safety Pension Fund. This information has been excerpted directly from the actuarial report and is the responsibility of the actuary.

## **OTHER SUPPLEMENTARY INFORMATION**

**LINDEN FIRE DISTRICT  
ANNUAL REPORT INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2014**

Arizona Revised Statutes (ARS) requires certain additional information be attached to the audit report to comply with ARS 48-251 & 48-253 as required to meet the requirements of the Arizona "Annual Report" of Special Districts. This information is included as other supplementary information.

**REGULAR FIRE BOARD MEETINGS:**

| <u>Date</u>       | <u>Time</u> | <u>Location</u>   |
|-------------------|-------------|---|
| July 10, 2013     | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| August 14, 2013   | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| Sept 17, 2013     | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| October 15, 2013  | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| November 20, 2013 | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| December 18, 2013 | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| January 22, 2014  | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| February 18, 2014 | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| March 19, 2014    | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| April 16, 2014    | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| May 21, 2014      | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |
| June 18, 2014     | 6:00 p.m.   | Linden Fire Station, 6884 Highway 260, Showlow, Arizona |

**BOARD MEMBERS:**

| <u>Name</u>   | <u>Business Phone Number</u> | <u>Occupation</u>           |
|---------------|------------------------------|-----------------------------|
| Kay Perkins   | 928-537-2008                 | Owner, Perkins Cinders      |
| Paul Wyatt    |                              | Owner, Beeman Well Drilling |
| Lavar Merrill |                              | Owner, Machine Shop         |
| Merwyn Fish   | 928-537-2412                 | Retired                     |
| Loran DeWitt  | 928-537-4034                 | Retired                     |

**LOCATION OF POSTING OF MEETING NOTICES (all meetings):**

|                             |                 |
|-----------------------------|-----------------|
| Linden Fire Station         | Linden, Arizona |
| Timberline Acres Substation | Linden, Arizona |
| Peterson's Market           | Linden, Arizona |

**LEGAL DESCRIPTION OF BOUNDARY CHANGES:**

None

**LINDEN FIRE DISTRICT  
ANNUAL REPORT INFORMATION  
VOLUNTEER PENSION DISBURSEMENT  
FISCAL YEAR ENDED JUNE 30, 2014**

Arizona Revised Statutes (ARS) requires certain additional information be attached to the audit report to comply with ARS 9-956 as required to meet the requirements of the Arizona Annual "Report of Volunteer Fire Fighters Relief and Pension Fund". This information is included as other supplementary information.

| <b>TYPE OF DISTRIBUTION</b> | <b>NAME</b>     | <b>AMOUNT</b>    |
|-----------------------------|-----------------|------------------|
| ARTICLE 4                   | SAXTON, DEWAYNE | \$ 9,778         |
| ARTICLE 4                   | NUNNALLY, CD    | \$ 1,847         |
| ARTICLE 4                   | GRETHER, BILL   | <u>\$ 331</u>    |
| TOTAL                       |                 | <u>\$ 11,956</u> |

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**LINDEN FIRE DISTRICT**  
**GOVERNMENT AUDIT STANDARDS SECTION**  
**June 30, 2014**

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**LINDEN FIRE DISTRICT  
SHOW LOW, ARIZONA  
TABLE OF CONTENTS  
GOVERNMENT AUDIT STANDARDS SECTION  
JUNE 30, 2014**

|  | <u>PAGE</u> |
|--|-------------|
| GOVERNMENT AUDIT STANDARDS SECTION TABLE OF CONTENTS   | 55          |
| Report On Internal Control Over Financial Reporting<br>and On Compliance and Other Matters Based<br>On An Audit Of Financial Statements Performed<br>In Accordance with <i>Government Auditing Standards</i> | 57          |

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# SAUNDERS COMPANY, LTD

**JAMES H. SAUNDERS, CPA, CFE, CFF, CGFM, CGMA, PI.**  
**TRICIA E. SAUNDERS, PI.**

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CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FRAUD EXAMINER  
CERTIFIED GOVERNMENT FINANCIAL MANAGER  
LICENSED PRIVATE INVESTIGATORS #01534603, # 1003706  
CERTIFIED IN FINANCIAL FORENSICS  
CHARTERED GLOBAL MANAGEMENT ACCOUNTANT

6008 W. CORTEZ ST  
GLENDALE, ARIZONA 85304  
Tel: (623) 476-8660  
Fax: (602) 926-2431  
E-Mail: [JamesH49@AOL.com](mailto:JamesH49@AOL.com)  
[Redheadedcutie10@AOL.com](mailto:Redheadedcutie10@AOL.com)

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Member: American Institute of Certified Public Accountants  
Arizona Society of Certified Public Accountants

Arizona Association of Licensed Private Investigators  
AICPA Government Audit Quality Center

International Association of Certified Fraud Examiners  
Arizona Association of Certified Fraud Examiners

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## **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 Governing Board  
Linden Fire District  
Linden, Arizona

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 Linden Fire District, Linden, Arizona, 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, and have issued our report thereon dated January 9, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity'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. However, material weaknesses may exist that have not been identified.

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Internal Control and Compliance Report

June 30, 2014

Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**State of Arizona Required Statutory Compliance Matter**

Arizona Revised Statutes section 48-805.02 requires auditors of fire districts in the State of Arizona to test compliance with certain matters. Our audit was not designed to test for all possible areas of non-compliance with this statute. In connection with the tests we performed relating to compliance with laws, regulations or other matters, nothing came to our attention that would indicate the District failed to comply with this statute, as it relates to accounting matters.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saunders Company, Ltd.

Glendale, Arizona

January 9, 2015

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