

TIMBER MESA FIRE & MEDICAL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the fiscal year ended June 30, 2018



TIMBER MESA FIRE & MEDICAL DISTRICT
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Timber Mesa Fire and Medical District



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018

Prepared by:
The James Vincent Group

TIMBER MESA FIRE AND MEDICAL DISTRICT

YEAR ENDED JUNE 30, 2018

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YEAR ENDED JUNE 30, 2018

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Introductory Section



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Monday December 17, 2018

To the Honorable Board of Directors and Citizens of Timber Mesa Fire and Medical District:

The following is the Comprehensive Annual Financial Report (CAFR) of Timber Mesa Fire and Medical District (TMFMD) for the fiscal year ending June 30, 2018. This CAFR report is intended to meet and exceed all legal reporting requirements that are borne by this jurisdiction. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Arizona Revised Statutes (ARS) 48-253 and 48-805(9) require an annual audit to be performed in accordance to the statutory requirements and in conformance to generally accepted government auditing standards. As such, the fiscal year audit has been performed by an independent certified public accounting firm, BeachFleischman PC. The auditors have issued an unmodified (“clean”) opinion on Timber Mesa Fire and Medical District’s financial statements for the year ended June 30, 2018.

The independent auditor’s report is located at the front of the financial section of this report. Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

District Profile

In 2013 multiple fire districts throughout the White Mountain region began investigating the potential benefits, disadvantages and feasibility of combining efforts and resources. Numerous different models were assessed including consolidation, shared services and mergers. Ultimately it was determined that by combining the efforts and resources of the three districts, the newly formed entity could more effectively provide risk management, medical and fire suppression services to the communities in the White Mountains. The newly formed entity, Timber Mesa Fire and Medical District (TMFMD) is a special taxing district and was formed on September 19th, 2014.

Recognized by the State of Arizona as a special taxing district, TMFMD operates under Arizona Revised Statutes (ARS) Title 48, Chapter 5. The District is a community service organization funded



TIMBER MESA FIRE and MEDICAL DISTRICT

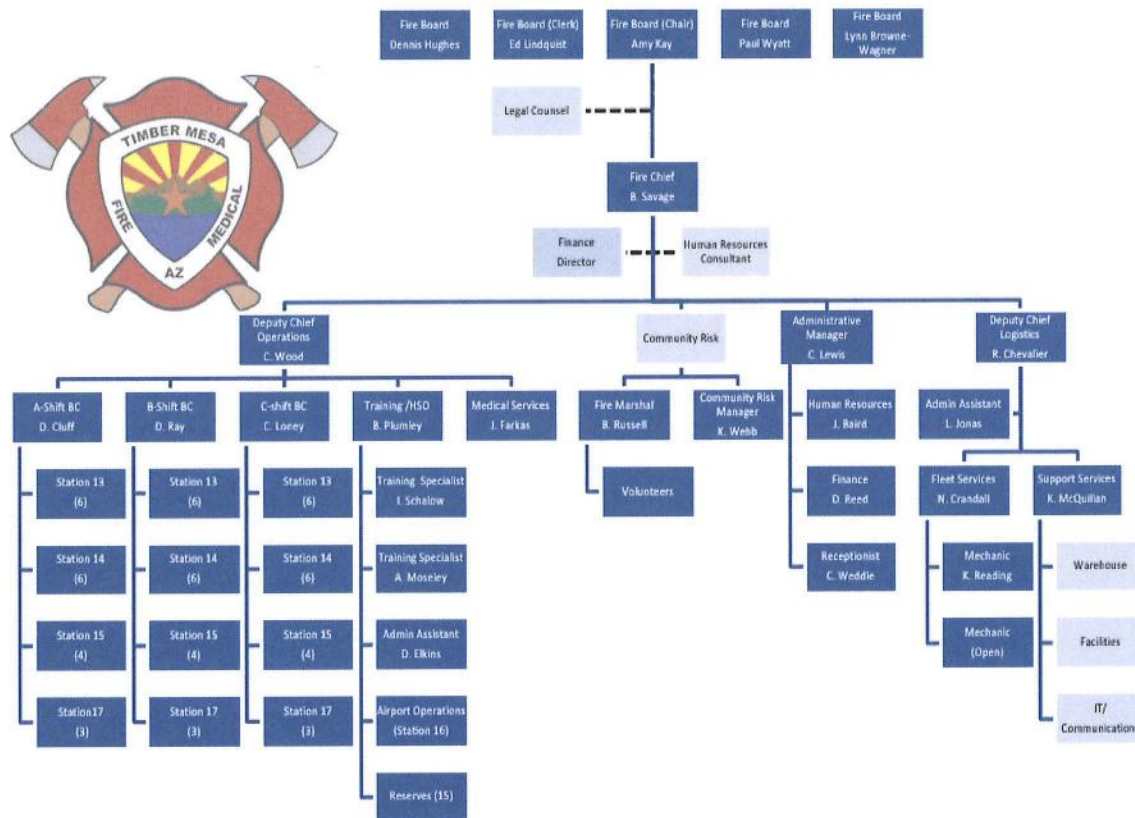
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through limited assessed value property taxes. It is governed by a five-member Board of Directors elected by the public, comprised of a Board Chair and four Directors, including a Board Clerk. All board members are elected at large and serve staggered four-year terms. The Board hires and has authority over a Fire Chief who is charged with managing day-to-day operations of the District.

One of the two Deputy Chiefs, the position of Deputy Chief of Operations will report directly to the Fire Chief with direct supervision of the three shift Battalion Chiefs, a Training Battalion Chief, and the Medical Services Supervisor along with indirect supervision of all operations personnel. The other Deputy Chief, the position of Deputy Chief of Logistics, also reports directly to the Fire Chief and is responsible for all logistical needs including facilities, fleet maintenance, communications, supply, etc.

The Board of Directors is required to adopt an annual budget which serves as the foundation for financial planning and control. The budget is prepared by fund, function, and object. A current organization chart follows:

Timber Mesa Fire & Medical District





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TMFMD provides all hazards response to the District and its citizens. These professional full-time fire and medical services include state of the art Advanced Life Support (ALS) and transportation services.

Current Intergovernmental agreements, state requirements and national standards suggest a staffing level of 4 firefighters for engine companies and 2 firefighters for rescues providing medical transport. This level is maintained to provide safe and effective fire suppression activities and life safety for our customers and members. TMFMD strives to maintain this level and provides Advanced Life Support medical treatment with every staffed unit. Emergency medical service is the most utilized service provided to our customers. Current staffing consists of 16 administrative and support members, 2 fire prevention and 60 fulltime fire suppression personnel. TMFMD maintains cooperative agreements with area partners to provide a higher level of service for the community and has developed alternative revenue sources including ambulance transportation, wildland fire response and a robust fleet services division that have reduced the burden on the primary revenue source and helped provide this higher level of service.

The District will respond to any emergency situation that threatens life, safety or property. The Fire District will dispatch the closest available unit(s) with appropriate capabilities to control the emergency or provide the service. Timely response and effective management of medical, rescue and fire control situations represent the most immediate priorities of the Fire District. We also respond to various non-emergency situations that are not routinely handled by other agencies or providers. These non-emergency responses would include things such as wellness checks, home safety surveys, in-home healthcare, pest removals, and other situations to assist our customers. Our community risk reduction strategies are based on the premise that we can proactively attempt to safely and effectively address our customer's needs and meet the basic goals of our mission before someone must access the 911 system.

In the Fiscal Year ending on June 30, 2018, the District was awarded an expanded Certificate of Necessity (CON). This new CON area includes the communities of Show Low and Linden but also extends to the communities of Pinedale/Clay Springs, White Mountain Lake, and portions of Vernon. The addition of these new areas brings opportunities to dramatically improve services to the community but also brings challenges in terms of staffing and the assumption of nearly 1300 additional medical transports (estimated) to be performed by the Fire District.



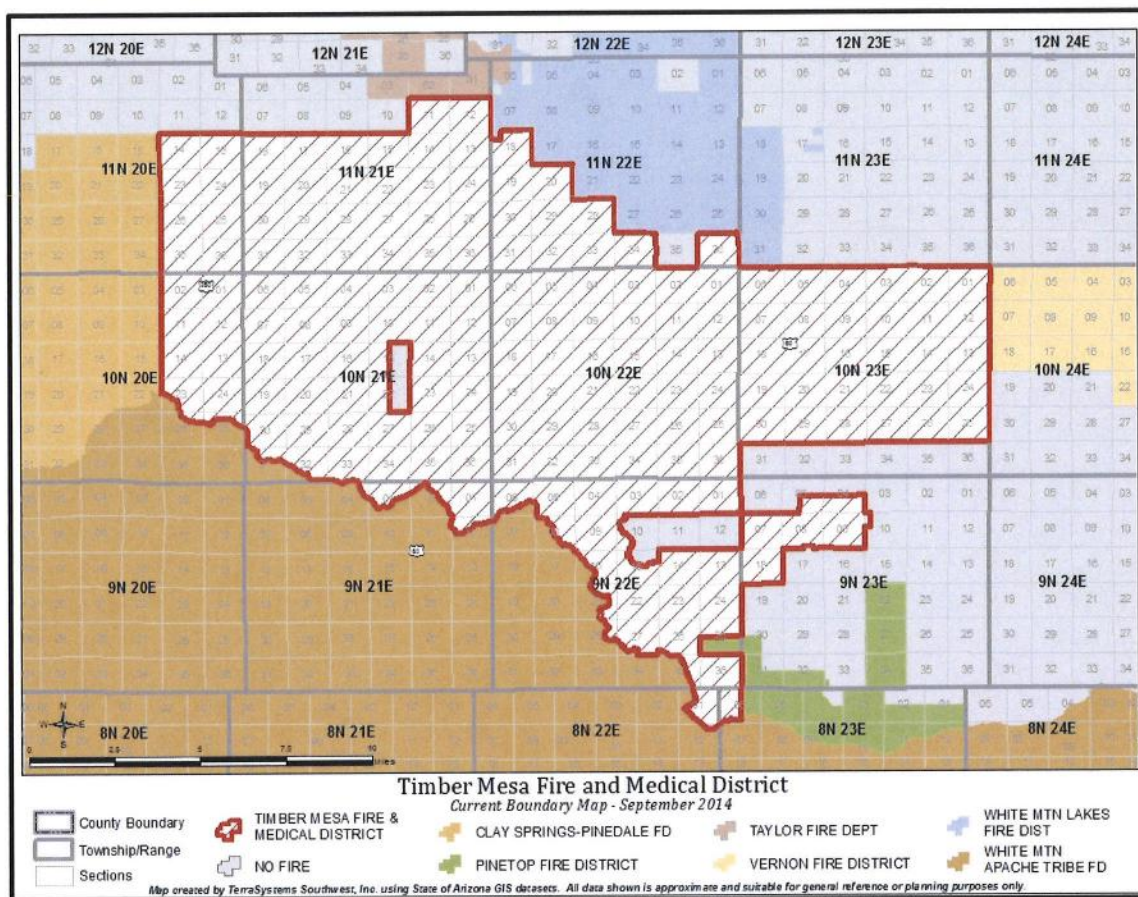
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About the Area

TMFMD serves residents and visitors of the communities of Show Low, Lakeside and Linden who can enjoy the mild four seasons. At an elevation of 6400' the area has an average high temperature of 67 and an average low temp of 39, with average annual rain fall of 16 inches and average snowfall of 22 inches. The area has more than 50 alpine lakes and 800 miles of cold, crystal clear rivers and springs.

Covering 205 square miles with an ambulance transport service area of nearly 400 square miles, the District has grown to serve an estimated 29,500 full time residents and a seasonal population estimated at 50,000. Operating out of four fully staffed fire stations, one administration office, one training facility, and two unstaffed stations, the District provides fire protection and emergency medical services, inter facility ambulance transport, hazardous materials response, technical rescue, public education and fire prevention. Deploying daily staffing of 20 Fire/EMS personnel, TMFMD responds to approximately 4000 calls per year.





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A snapshot of TMFMD demographics and service levels includes:

District Size	205 square miles
Ambulance Transport Service Area	Estimated 400 square miles
Full-time Resident Population	29,500
Part-time, Seasonal Population	50,000
Stations	7 (4 with full-time staffing)
Fire and Rescue Service Staffing	60
Administrative and Support	16
Fire Prevention	2

Budget Overview

The District budgets in accordance with the requirements of state law. The general fund is budgeted on the modified accrual basis of accounting.

The Board of Directors adopts the general fund budget prior to July 1st, the beginning of the fiscal year of the District. Throughout the budget process the Board reviews the budgeted expenses at the object level. This is done to allow the Board, and participating community members, to gain a more detailed understanding of the budget and to be in compliance with Arizona Revised Statute 48-805.02(A) which requires a detailed estimate of expenditures. Although the Board reviews the budget at the object level, the budget is approved at the fund level and sets the level by which actual expenditures should not exceed budgeted expenditures. As outlined in the TMFMD bylaws, the legal level of budgetary control is at the fund level. The Board only approves a general fund budget and is not required to adopt a formal budget for the Capital fund. However, transfers between funds require Board authorization.

Budgeted expenditures lapse at year-end and may not be carried over to subsequent years.

Local Economy and Outlook

The downturn in the local economy corresponded to economic declines at the state and national levels. Though the recession formally ended on a national level in June 2009, local property values have not recovered to their full prerecession amounts. Tourism and recreation are major contributors to the local economy and due to improved job growth, rising personal income, and lower unemployment rate, the local economic activity is improving.

During the past ten years, unemployment has fallen from a high of 16.0% in Navajo County to a low of 7.5%. Much of this decrease is due to the improvements in the local tourism and retail job markets. Economists continue to predict that the recovery will be modest for years to come.



However, the area has seen a significant jump in both residential and commercial construction in recent years, as well as rises in median home prices and median household incomes.

The District's population is expected to continue to grow in the next 20 years, although prior growth estimates have been significantly curtailed. District management and staff are working proactively and cooperatively with other governments, surrounding fire districts, and regional planning groups to ensure continued ability to serve this future population.

Long-term financial planning and major initiatives

The district has been working on a comprehensive five-year capital improvement plan. The capital improvement plan will sustain and enhance emergency response infrastructure by maintaining and replacing aging facilities and capital assets. This capital improvement plan will forecast the life expectancy and replacement and or maintenance costs for each of the District's long-term assets, as well as define the funding levels needed over each of the five years. The District expects to adopt the five-year capital improvement plan with the fiscal year 2020 operating budget.

Relevant Financial Policies

TMFMD has adopted a comprehensive set of financial policies. The policies are constantly evaluated for their effectiveness and how they keep the Governing Board and staff focused on increased internal controls, reporting and long-term sustainability. The policies implemented have been effective in protecting the District and its focus on maintaining service levels while also providing long term sustainability and success.

Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Timber Mesa Fire and Medical District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

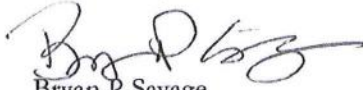



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We would like to express our sincere gratitude to the personnel of the finance department who assisted and contributed to the preparation of this report. Appreciation is also extended to Board Chair Amy Kay, the Board of Directors, the managers, employees and citizens of the District whose continued support is vital to the financial health of Timber Mesa Fire and Medical District.

Respectfully submitted,


Bryan P. Savage
Fire Chief


The James Vincent Group
Finance Director



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Timber Mesa Fire and Medical District
List of Elected and Appointed Officials
June 30, 2018

Elected Board Members

	Term Expires
Board Chair Amy Kay	December 31 2020
Board Clerk Ed Lindquist	December 31 2020
Board Member Lynn Brown	December 31 2018
Board Member Paul Wyatt	December 31 2020
Board Member Dennis Hughes	December 31 2018

Regular meetings of the Fire District's Governing Board are held on the 4th Monday of each month at the administrative offices (address listed below). The Fire District's posting locations are at each of its four staffed fire stations and on the District's website:

Station 13 – 2922 W. White Mountain Blvd. Lakeside, Arizona 85929

Station 14 – 4092 Buckskin Ln. Show Low, Arizona 85901

Station 15 – 60 N. 6th St. Show Low, Arizona 85901

Station 17 – 6884 Arizona Hwy 260 Show Low, 85901

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Administrative Offices

3561 E. Deuce of Clubs, Show Low, AZ 85901

Fire Chief/Administrator

Chief Bryan Savage

Finance Director

The James Vincent Group

Legal Counsel

Bole, Pecharich, Cline, Whittington & Stallings, P.L.L.C



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Timber Mesa Fire and Medical District
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



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Financial Section

Independent Auditors' Report

Governing Board and Management
Timber Mesa Fire and Medical District
Show Low, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of Timber Mesa Fire and Medical District as of and for the year ended June 30, 2018, 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.

Auditors' 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 auditors' 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 and each major fund of Timber Mesa Fire and Medical District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by *GASB Statement No. 85, Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension plan and other postemployment benefit plan (OPEB) information, as listed in the table of contents, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Timber Mesa Fire and Medical District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of Timber Mesa Fire and Medical 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 Timber Mesa Fire and Medical District's internal control over financial reporting and compliance.

Beard Fleischman PC

Tucson, Arizona
December 17, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Management of the Timber Mesa Fire and Medical District (District) presents these financial statements with a narrative overview and analysis of financial activities for the twelve months ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those statements in their understanding of the District's financial position.

Financial Highlights for The Year

1. The total assets of the Timber Mesa Fire and Medical District were \$15,328,121, including deferred outflows related to pensions at the close of the fiscal year. The total assets and deferred outflows exceeded liabilities and deferred inflows related to pensions by \$2,326,558. Of this amount (\$1,739,701) represents the balance of the unrestricted net position.
2. The District realized a decrease in its net position of \$1,482,901 or 38.93% equal to the excess of expenses over revenues.
3. Cash and investments decreased by \$1,226,289, excluding any amounts held in escrow.
4. The District realized a \$3,743,136 decrease in fund balances during the fiscal year. The decrease is primarily attributable to capital outlay for the rebuild of the station that was completed during 2018.
5. At the end of the current fiscal year, unassigned fund balances for the General Fund was \$1,645,531.
6. The total long-term debt of the District increased by a net amount of \$203,193. New capital lease obligations of \$473,238 and increases in the District's actuarially determined net pension/OPEB liability of \$843,505 contributed to this increase.



Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the District. These 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.

Government-Wide Financial Statements

The *Government-wide financial statements* present the financial picture of the District from the economic measurement resources focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term debt). They are intended to provide a broad overview in a manner similar to a private sector business. Additionally, certain eliminations have occurred as prescribed by Statement No. 34 in regards to interfund activity, payables and receivables.

Statement of Net Position - The *Statement of Net Position (page 23)* presents information of all the assets and deferred outflows and liabilities and deferred inflows of the District, with the difference between the two being 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.

Statement of Activities - The *Statement of Activities (page 24)* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage resources for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the District are considered governmental funds.



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Governmental Funds - Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. All of the basic services of the District are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations and basic services provided to residents. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs of the District. Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the District. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Governmental fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Timber Mesa Fire and Medical District, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,326,558 at the close of the 2018 fiscal year.

The largest portion of net position of the District \$4,066,259 reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



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The remaining balance of unrestricted net position (\$1,739,701), reflects its cash and current account receivable less any current liabilities (e.g. accounts payable, accrued payroll, and compensated absences) and long-term liabilities not associated with capital assets. The District uses the cash balances to pay current and ongoing financial obligations in order to provide services to residents.

At the end of fiscal year 2018, the District has a negative balance in unrestricted net position. In fiscal year 2015, the District adopted Governmental Accounting Standards Board statement No. 68, Accounting and Financial Reporting for Pensions, which requires the District to report a net liability for pensions of \$5,291,795. In fiscal year 2018, the District adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which requires the District to report a net liability for OPEB of \$17,566. The District pays for pensions and OPEB on a pay-as-you go basis with current financial resources each year. However, the net pension/OPEB liability required to be reported is an actuarially determined amount for resources that are required sometime in the future.

The following table reflects the condensed Statement of Net Position:

Timber Mesa Fire District

Condensed Statement of Net Position

As of June 30, 2018

	Governmental Activities		Increase/ Decrease
	2018	2017	
Cash and Investments	\$ 1,751,998	\$ 5,528,287	\$ (3,776,289)
Other Assets	695,801	662,052	33,749
Capital Assets	9,990,317	7,274,561	2,715,756
Total Assets	12,438,116	13,464,900	(1,026,784)
Deferred Outflows of Resources	2,890,005	3,649,919	(759,914)
Other Liabilities	367,356	524,883	(157,527)
Long Term Liabilities	11,706,460	11,503,260	203,200
Total Liabilities	12,073,816	12,028,143	45,673
Deferred Inflows of Resources	927,747	1,226,949	(299,202)
Net Investment in			-
Capital Assets	4,066,259	3,925,410	140,849
Unrestricted	(1,739,701)	(65,683)	(1,674,018)
Total Net Position	\$ 2,326,558	\$ 3,859,727	\$ (1,533,169)



Governmental Activities

The Net Position of the District from governmental activities decreased from \$3,809,459 to \$2,326,558 a change of (38.93%). Key elements of these activities are as follows:

- Unrestricted net position decreased by \$1,674,018 primarily due to an increase in net pension liability.
- Net investment in capital assets increased by \$140,849 primarily due to the acquisition of new capital assets.
- Property taxes increased by \$543,785 as a result of a slight increase in assessed valuation and property tax rates.
- Miscellaneous income decreased by \$750,738 due to a loss of \$232,038 on disposals of assets in fiscal year 2018. In fiscal year 2017 the District had a gain on disposal of assets.
- Expenses for public safety retirement increased reflecting the increase in the actuarial determined pension expense as well as legal fees related to the application for expansion of the District's Certificate of Necessity for ambulance transports.



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The following table reflects the Condensed Statement of Activities:

	Governmental Activities		Increase/ Decrease
	2018	2017	
Timber Mesa Fire District Condensed Statement of Activities For the Years Ended June 30, 2018			
Program Revenues			
Charge for Svcs	\$ 1,689,332	\$ 1,358,247	\$ 331,085
Capital grants and contributions	2,459	-	2,459
General Revenues			
Property Taxes	7,759,831	7,216,046	543,785
Fire District Assistance Tax	446,983	439,280	7,703
Investment Earnings	23,890	18,760	5,130
Miscellaneous	(171,673)	579,065	(750,738)
Total Revenues	9,750,822	9,611,398	865,183
Expenses			
Public Safety	11,076,465	11,500,525	(424,060)
Interest on Long Term Debt	157,258	87,470	69,788
Total Expenses	11,233,723	11,587,995	(354,272)
Extraordinary item	-	(677,434)	677,434
Increase (decrease) in net Assets	(1,482,901)	(2,654,031)	1,896,889
Beginning Net Position	3,809,459	6,463,490	(2,654,031)
Ending Net Position	\$ 2,326,558	\$ 3,809,459	\$ (1,482,901)

- The District implemented GASB Statement No. 75 in fiscal year 2018. The implementation of GASB Statement No. 75 resulted in a restatement of the District's beginning net position from fiscal year 2017 of \$50,268, which is reflected in the comparative table shown above.

District Funds Financial Analysis

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



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As of June 30, 2018, the governmental funds of the District reported combined fund balances of \$1,692,473, which is a decrease of \$3,743,136 compared to the prior period.

General Fund - The General Fund accounts for all the resources retained by the District not accounted for in any other fund. At June 30, 2018 total General Fund balance was \$1,673,538, of which \$28,007 was nonspendable because of prepaid items and \$1,645,531 was unassigned for financial reporting purposes. Total General Fund balance decreased by (\$511,671) due to an increase in public safety retirement costs.

Capital Fund - The Capital Fund accounts for all values associated with fixed assets and financing obligations for the payment for those assets. The decrease in the Capital Fund of \$3,231,465 is primarily due to the remodel of the District's station in Linden which was completed in February 2018.

The following statement provides the detail of the District fund balances:

Timber Mesa Fire District
Governmental Funds – Fund Balances
 As of June 30, 2018

Major Funds	Fiscal Year June 30, 2018		Fiscal Year June 30, 2017	
	Amount	%	Amount	%
General	\$ 1,673,538	98.88%	\$ 2,185,209	40.20%
Capital	18,935	1.12%	3,250,400	59.80%
Total Fund Balance	\$ 1,692,473	100.00%	\$ 5,435,609	100.00%

Budgetary Highlights

There were some variances of note for the fiscal year.

- Revenues were over budget by \$265,633. Increases in wildland revenue, property tax revenue, and in miscellaneous revenue contributed to this increase.



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- Expenses were over budget by \$905,320 mainly due to an increase in professional fees related to the application for expansion of the District's Certificate of Necessity for ambulance transports.

For more detailed information, see budget to actual comparisons at page 59.

Timber Mesa Fire District Condensed Budget to Actual As of June 30, 2018

	General Fund		Variance with budget
	Budget	Actual	
Total Revenues	\$ 9,513,688	\$ 9,824,321	\$ 310,633
Total Expenses	9,558,688	14,055,695	4,497,007
Revenue over (under) expenditures	(45,000)	(4,231,374)	(4,186,374)
Total Other Financing Sources	45,000	488,238	443,238
Net Change in Fund Balance	\$ -	\$ (3,743,136)	\$ (3,743,136)

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the investment in capital assets for governmental activities amounts to \$9,990,317 (net of accumulated depreciation). This investment in capital assets includes land, and improvements, buildings and improvements, vehicles, furniture and equipment. The total increase in capital assets for the current fiscal year was 2,715,756 or 37.33%.

Timber Mesa Fire District Capital Assets as of June 30, 2018 (net of depreciation)

	Governmental Activities		Increase/ (Decrease)
	2018	2017	
Land and Buildings	\$ 9,226,209	\$ 7,073,395	\$ 2,152,814
Equipment	1,687,368	1,831,996	(144,628)
Vehicles	5,219,992	4,585,814	634,178
Accumulated Depreciation	(6,143,252)	(6,216,644)	73,392
Net Capital Assets	\$ 9,990,317	\$ 7,274,561	\$ 2,715,756



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Additional information can be found in the notes to the Financial Statements that follow under note 7 “Capital assets”.

Long Term Liabilities

At the end of the current fiscal year, the District had \$11.7 million in long-term liabilities outstanding.

The District continues to retire and manage debt to fund various capital projects which support program services. As of June 30, 2018, the District had total long-term debt (capital leases) outstanding of \$5.92 million. This debt currently requires annual debt service payments that consist of principal and interest of approximately \$635,336. All debt is backed by the full faith and credit of the District.

In accordance with GASB 68, the District is required to include the net pension liability on the financial statements. The net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. A net pension/OPEB liability is recorded at June 30, 2018 relating to the District’s participation in the Public Safety Personnel Retirement System (PSPRS) and Arizona State Retirement System (ASRS) of \$5.31 million.

The following table shows the District’s Outstanding Debt:

Timber Mesa Fire District
Outstanding Debt
 As of June 30, 2018

	Governmental Activities		Increase/ (Decrease)
	2018	2017	
Compensated Absences	\$ 473,041	\$ 482,456	\$ (9,415)
Capital Leases	5,924,051	5,877,514	46,537
Claims and Judgment Payable	-	677,434	(677,434)
Net Pension/OPEB Liability	5,309,361	4,465,856	843,505
	<u>\$ 11,706,453</u>	<u>\$ 11,503,260</u>	<u>\$ 203,193</u>



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Additional information can be found in the notes to the Financial Statements that follow under notes 8 “Capital leases”, 9 “Changes in noncurrent liabilities”, 10 “Line of credit”, and 14 “Pension and other postemployment benefits”.

Economic Factors and Fiscal Year 2019 Budget & Tax Rate

The District was formed on September 19, 2014 from three other Districts in the area. This was the most feasible method of reducing operational costs while providing the highest level of service to the community. In doing this, the organization not only reduced the tax burden on the area, but enhanced the level of service provided.

For fiscal year 2019 the District realized a 3.93% increase in assessed value and maintained its tax rate at \$2.9997.

Financial Contact

The financial statements of the District are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the finances of the District and to demonstrate accountability. If you have questions regarding the report or need additional financial information, please contact the Finance Director of the District at 3561 E. Deuce of Clubs, Show Low, AZ 85901 or at 928-537-5100.

Basic Financial Statements

TIMBER MESA FIRE AND MEDICAL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental activities</u>
Assets:	
Cash and investments	\$ 1,751,998
Receivables:	
Property taxes, net	275,350
Ambulance, net	108,294
Other	280,650
Prepaid items	28,007
Capital assets, not depreciated	1,321,236
Capital assets, depreciated, net	8,669,081
Net OPEB asset	<u>3,500</u>
Total assets	<u>12,438,116</u>
Deferred outflows of resources:	
Deferred outflows related to pensions/OPEB	<u>2,890,005</u>
	<u>2,890,005</u>
Liabilities:	
Accounts payable	129,419
Accrued payroll and related benefits	212,383
Accrued interest	25,554
Noncurrent liabilities:	
Due within one year	760,665
Due in more than one year	<u>10,945,795</u>
Total liabilities	<u>12,073,816</u>
Deferred inflows of resources:	
Deferred inflows related to pensions/OPEB	<u>927,747</u>
	<u>927,747</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	4,066,259
Unrestricted	<u>(1,739,701)</u>
Total net position	<u>\$ 2,326,558</u>

See notes to financial statements.

TIMBER MESA FIRE AND MEDICAL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	<u>Governmental activities</u>
Expenses:	
Public safety:	
Communications	\$ 281,049
Depreciation	628,893
Insurance	126,751
Managerial	809,850
Meetings and training	139,233
Other	15,810
Payroll taxes and employee benefits	2,996,012
Salaries and wages	5,504,689
Utilities and station expenses	182,841
Vehicles and equipment	391,337
Interest	<u>157,258</u>
Total program expenses	<u>11,233,723</u>
Program revenues:	
Charges for services	1,689,332
Capital grants and contributions	<u>2,459</u>
Total program revenues	<u>1,691,791</u>
Net program expense	<u>9,541,932</u>
General revenues:	
Property taxes	7,759,831
Fire district assistance tax	446,983
Investment earnings	23,890
Other	60,365
Loss on disposal of capital assets	<u>(232,038)</u>
Total general revenues	<u>8,059,031</u>
Change in net position	(1,482,901)
Net position, beginning of year, as restated	<u>3,809,459</u>
Net position, end	<u>\$ 2,326,558</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Assets:			
Cash and investments	\$ 1,733,063	\$ 18,935	\$ 1,751,998
Receivables:			
Property taxes, net	275,350	-	275,350
Ambulance, net	108,294	-	108,294
Other	280,650	-	280,650
Prepaid items	<u>28,007</u>	<u>-</u>	<u>28,007</u>
Total assets	<u>\$ 2,425,364</u>	<u>\$ 18,935</u>	<u>\$ 2,444,299</u>
Liabilities:			
Accounts payable	\$ 129,419	\$ -	\$ 129,419
Accrued payroll and related benefits	<u>212,383</u>	<u>-</u>	<u>212,383</u>
Total liabilities	<u>341,802</u>	<u>-</u>	<u>341,802</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	192,291	-	192,291
Unavailable revenue - ambulance	38,415	-	38,415
Unavailable revenue - wildland	<u>179,318</u>	<u>-</u>	<u>179,318</u>
Total deferred inflows of resources	<u>410,024</u>	<u>-</u>	<u>410,024</u>
Fund balance:			
Nonspendable:			
Prepaid expenses	28,007	-	28,007
Committed to:			
Capital projects	-	18,935	18,935
Unassigned	<u>1,645,531</u>	<u>-</u>	<u>1,645,531</u>
Total fund balance	<u>1,673,538</u>	<u>18,935</u>	<u>1,692,473</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,425,364</u>	<u>\$ 18,935</u>	<u>\$ 2,444,299</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total fund balances - governmental funds	\$	1,692,473
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 funds.		9,990,317
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.		410,024
Net OPEB assets held in trust for future benefits are not available for District operations and, therefore, are not reported in the funds.		3,500
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued interest		(25,554)
Accrued compensated absences		(473,041)
Capital leases payable		(5,924,058)
Net pension/OPEB liability		(5,309,361)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions/OPEB		2,890,005
Deferred inflows of resources related to pensions/OPEB		<u>(927,747)</u>
Net position of governmental activities	\$	<u>2,326,558</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	<u>General fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Revenues:			
Property taxes	\$ 7,740,468	\$ -	\$ 7,740,468
Fire district assistance tax	446,983	-	446,983
Capital grants	2,459	-	2,459
Charges for services	1,550,156	-	1,550,156
Investment earnings	23,890	-	23,890
Other	<u>60,365</u>	<u>-</u>	<u>60,365</u>
Total revenues	<u>9,824,321</u>	<u>-</u>	<u>9,824,321</u>
Expenditures:			
Public safety:			
Emergency operations	6,757,558	-	6,757,558
Administration	3,126,414	-	3,126,414
Capital outlay:			
Buildings and improvements	-	2,710,114	2,710,114
Deposits on capital assets	-	747,771	747,771
Furniture and equipment	-	81,908	81,908
Vehicles	-	51,894	51,894
Debt service:			
Principal	426,694	-	426,694
Interest	<u>153,342</u>	<u>-</u>	<u>153,342</u>
Total expenditures	<u>10,464,008</u>	<u>3,591,687</u>	<u>14,055,695</u>
Revenues under expenditures	(639,687)	(3,591,687)	(4,231,374)
Other financing sources:			
Transfers in (out)	113,016	(113,016)	-
Proceeds from sale of capital assets	15,000	-	15,000
Proceeds from capital lease obligations	<u>-</u>	<u>473,238</u>	<u>473,238</u>
Total other financing sources	<u>128,016</u>	<u>360,222</u>	<u>488,238</u>
Net change in fund balances	(511,671)	(3,231,465)	(3,743,136)
Fund balances, beginning	<u>2,185,209</u>	<u>3,250,400</u>	<u>5,435,609</u>
Fund balances, end	<u>\$ 1,673,538</u>	<u>\$ 18,935</u>	<u>\$ 1,692,473</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2018

Net change in fund balances - governmental funds	\$	(3,743,136)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital outlay		3,591,687
Depreciation expense		(628,893)
<p>In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources.</p>		
Loss on disposal of capital assets		(232,038)
Proceeds from sale of capital assets		(15,000)
<p>Certain revenues relating to property taxes and charges for services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		158,539
<p>District pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.</p>		
Pension/OPEB contributions		317,926
Pension/OPEB expense		(1,568,375)
<p>In the statement of activities, interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expenditure when paid.</p>		
		(3,916)
<p>Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Decrease in compensated absences		9,415
Decrease in claims and judgment expense		677,434
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. In the current period, the amount consists of:</p>		
Capital lease proceeds		(473,238)
Principal paid		426,694
		(47,544)
Change in net position of governmental activities	\$	(1,482,901)

See notes to financial statements.

TIMBER MESA FIRE AND MEDICAL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	<u>Pension Trust Funds</u>
Assets:	
Cash and cash equivalents	\$ 109,036
Investments	<u>23,837</u>
Total assets	<u>132,873</u>
Net position restricted for pensions:	
Held in trust for pension benefits	<u>\$ 132,873</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018

	<u>Pension Trust Funds</u>
Additions:	
Investment income	\$ <u>85</u>
Total additions	<u>85</u>
Deductions:	
Benefits paid	14,430
Investment expense	<u>3,873</u>
Total deductions	<u>18,303</u>
Change in net position restricted for pensions	(18,218)
Net position restricted for pensions, beginning	<u>151,091</u>
Net position restricted for pensions, end	<u><u>\$ 132,873</u></u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies:

The accounting policies of Timber Mesa Fire and Medical District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB).

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

Reporting entity:

The District, established in 2014 pursuant to Arizona Revised Statute Title 48, is a special-purpose local government organized to provide fire protection and other emergency services to residents within the District boundaries. The District formed as the result of a merger between Lakeside Fire District, Linden Fire District, and Show Low Fire District.

The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes and it is not included in any other governmental reporting entity.

Government-wide and fund financial statements:

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

The government-wide financial statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, but do not include fiduciary activities of the District.

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

Program revenues include:

- charges to customers for services provided,
- grants and contributions

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Government-wide and fund financial statements (continued):

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

Fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Measurement focus, basis of accounting and financial statement presentation:

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

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

Real and personal property taxes are levied on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy. All property taxes are billed and collected by Navajo County and remitted to the District. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflows of resources.

Investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

The District reports the following major governmental funds:

The general fund is the primary operating fund of the District. The principal revenue source is property taxes. Primary expenditures are for public safety.

The capital projects fund is used to account for financial resources that are restricted, committed, or assigned for the acquisition or construction of major capital assets.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. The Lakeside Fire District Volunteer Firefighter's Pension Fund, Lakeside Fire District Auxiliary Fund, Linden Fire District Volunteer Firefighter's Pension Fund, and Show Low Volunteer Fire Department Retirement Plan are reported as fiduciary funds. Fiduciary funds are presented on the accrual basis of accounting and have been excluded from the government-wide financial statements because the resources of this fund are not available to support the District's own programs.

Estimates:

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and investments:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and highly liquid investments. Investments are stated at fair value.

Investment earnings are comprised primarily of interest earnings only.

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants in an orderly exchange in the principal or most advantageous market for that asset or liability. Mutual funds are valued at quoted market prices. The fair value for the commingled funds and qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Receivables, unearned revenue and deferred inflows of resources:

All accounts and property tax receivables are shown net of allowance, if any, for uncollectible accounts. Property taxes receivable for the governmental fund types, which have been remitted within 60 days subsequent to period end, are considered measurable and available and recognized as revenues. All other property taxes are offset by unavailable revenue and, accordingly, have not been recorded as revenue.

Revenue from emergency medical and transportation services are recognized as charges for services. These charges for services are reported at their estimated net realizable amounts from patients, third-party payers, and other for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, provisions for bad debt and uncompensated care. Amounts not collected by the District within 60 days subsequent to year-end are recorded as deferred inflows of resources.

Federal and state grants and contracts are recorded as receivables and revenues when the related expenditures are incurred. The portion of reimbursement in excess of expenditures are recorded as unearned revenues and amounts not remitted within 60 days subsequent to period end are recorded as deferred inflows of resources.

Prepaid items:

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded as the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital assets:

Capital assets, which include land, buildings and improvements, fire equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Capital assets (continued):

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land	Not depreciated
Buildings and improvements	27.5 to 40 years
Fire equipment	5 to 10 years
Vehicles	5 to 10 years

Compensated absences:

It is the District's policy to permit employees to accumulate earned but unused paid time off. A liability is reported for paid time off that the District will pay upon termination or retirement. None of the liability for compensated absences is expected to be liquidated with expendable available financial resources. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements. The General Fund has typically been used to liquidate the liability for compensated absences in prior years.

Long-term obligations:

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

In the fund financial statements, proceeds from debt issued are reported as other financing sources and principal and interest payments are recognized as expenditures in the statement of revenues, expenditures and changes in fund balances.

Deferred outflows and inflows of resources:

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

Postemployment benefits:

For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities or assets, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The plan's investments are reported at fair value.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Fund balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- Committed – includes fund balance amounts that can only be used for the specific purposes imposed by formal action (resolution) of the Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those accounts
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Governing Board or District officials delegated the authority by the Governing Board
- Unassigned – includes those fund balances within the general fund, which have not been classified within the above mentioned categories

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position:

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

1. Description of organization and summary of significant accounting policies (continued):

Budgetary information:

The District is required, under Arizona Revised Statutes, to adopt a budget each fiscal year and to submit it to the County Treasurer and the County Board of Supervisors no later than the first day of August each year; under statute only the General Fund must legally adopt an annual budget. The adopted budget is on the modified accrual basis of accounting, which is a legally allowable basis for budgetary purposes. All annual appropriations lapse at fiscal year-end.

2. Change in accounting principle:

Net position as of June 30, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB No. 85, *Omnibus 2017*.

	Governmental activities
Net position, as previously reported, June 30, 2017	\$ 3,859,727
Adjustments - implementation of GASB 75	
Net OPEB liability (measurement date as of June 30, 2016)	(73,317)
Deferred outflows - District contributions made during fiscal year 2017	23,049
	(50,268)
Net position, as restated, June 30, 2017	\$ 3,809,459

3. Cash and investments:

Cash and investments consist of the following:

Deposits:	
Operating accounts	\$ 431,328
Investments:	
Navajo County Treasurer investment pool	1,301,735
Navajo County Treasurer investment pool - segregated for capital outlay	18,935
	\$ 1,751,998

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

3. Cash and investments (continued):

The Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer's investment pool; interest-bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the State of Arizona's counties, cities, towns, school districts and special districts as specified by statute.

Deposits:

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The Arizona Revised Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

At June 30, 2018, deposits with financial institutions have a carrying value \$431,328 and a bank balance of \$438,968. The difference represents deposits in transit, outstanding checks, and other reconciling items at the period end.

Investments:

Currently, monies levied by the District are invested with the Navajo County Treasurer's Office and included in the Local Government Investment Pool (LGIP). The District's investment in the County's LGIP represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments. No oversight is provided for the Navajo County investment pool, nor does the structure of the pool provide for shares. Participation in the pool is involuntary. The fair value of the investment pool is discussed in note 4.

The District's investments at June 30, 2018 were as follows:

	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Navajo County Treasurer's investment pool	Unrated	Not applicable	\$ 1,320,670

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

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

3. Cash and investments (continued):

Investments (continued):

Credit risk - Arizona Revised Statutes have the following requirements for credit risk:

- Commercial Paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency
- Specified bonds, debentures and notes must be rated A or better at the time of purchase by at least two nationally recognized rating agencies
- Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service

Custodial credit risk - the District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of credit risk - The Arizona Revised Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The Arizona Revised Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

The weighted average maturity of the County Treasurer's investment pool varies by type of investment, and averages between 1 and 2 years.

Foreign currency risk - The Arizona Revised Statutes do not allow foreign investments.

4. Fair value:

The District measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs, other than quoted market prices included within Level 1, are observable, either directly or indirectly.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

4. Fair value (continued):

Level 3 - Inputs are unobservable and significant to the fair value measurement.

Other investments at fair value - Investments for which fair value is measured at net asset value per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

At June 30, 2018, the fair value of investments measured on a recurring basis is as follows:

	<u>Fair value</u>	<u>Other investments at fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
External investment pools:					
Navajo County Treasurer	\$ 1,301,735	\$ 1,301,735	\$ -	\$ -	\$ -
Navajo County Treasurer - segregated for capital outlay	<u>18,935</u>	<u>18,935</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,320,670</u>	<u>\$ 1,320,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of a participant's portion in the Navajo County Treasurer's investment pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. The investment pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. There are no unfunded commitments or redemption restrictions related to these investments.

The Navajo County Treasurer's investment pool invests primarily in agency and treasury bonds.

5. Interfund transfers:

Interfund transfers during the fiscal year are to be used to fund capital purchases of the capital projects fund. During the year ended June 30, 2018, the capital projects fund transferred \$113,016 to the general fund.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

6. Receivables:

Property taxes	\$ 275,350
Ambulance receivables	225,062
Other	<u>280,650</u>
	781,062
Less allowance for doubtful accounts and contractual adjustments	<u>116,768</u>
	<u><u>\$ 664,294</u></u>

7. Capital assets:

Capital asset activity for the period ended June 30, 2018 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not depreciated:				
Land	\$ 572,265	\$ -	\$ (24,800)	\$ 547,465
Land held for sale	26,000	-	-	26,000
Construction in progress	163,186	-	(163,186)	-
Deposits on capital assets	<u>-</u>	<u>747,771</u>	<u>-</u>	<u>747,771</u>
Total capital assets, not depreciated	<u>761,451</u>	<u>747,771</u>	<u>(187,986)</u>	<u>1,321,236</u>
Capital assets, depreciated:				
Buildings and improvements	6,311,944	2,873,300	(532,500)	8,652,744
Fire equipment	1,831,996	81,908	(226,535)	1,687,369
Vehicles	<u>4,585,814</u>	<u>51,894</u>	<u>(165,488)</u>	<u>4,472,220</u>
Total capital assets, depreciated	<u>12,729,754</u>	<u>3,007,102</u>	<u>(924,523)</u>	<u>14,812,333</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,828,301)	(229,456)	314,171	(1,743,586)
Fire equipment	(1,395,250)	(134,228)	222,626	(1,306,852)
Vehicles	<u>(2,993,093)</u>	<u>(265,209)</u>	<u>165,488</u>	<u>(3,092,814)</u>
Total accumulated depreciation	<u>(6,216,644)</u>	<u>(628,893)</u>	<u>702,285</u>	<u>(6,143,252)</u>
Total capital assets, depreciated, net	<u>6,513,110</u>	<u>2,378,209</u>	<u>(222,238)</u>	<u>8,669,081</u>
Total capital assets, net	<u><u>\$ 7,274,561</u></u>	<u><u>\$ 3,125,980</u></u>	<u><u>\$ (410,224)</u></u>	<u><u>\$ 9,990,317</u></u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

8. Capital leases:

The District has acquired various capital assets under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund are used to pay the capital lease obligations. Amortization of assets recorded under capital leases is included with depreciation expense.

The assets acquired through capital leases are as follows:

Land	\$ 207,401
Buildings and improvements	4,003,092
Vehicles	<u>1,208,015</u>
	5,418,508
Less accumulated depreciation	<u>1,043,322</u>
	<u>\$ 4,375,186</u>

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

	Year ending <u>June 30,</u>	
	2019	\$ 635,155
	2020	635,155
	2021	635,155
	2022	635,155
	2023	635,155
	2024 - 2028	1,793,173
	2029 - 2033	1,406,249
	2034 - 2038	<u>906,560</u>
Total minimum lease payments		7,281,757
Less amount representing interest		<u>1,357,699</u>
Net present value of minimum lease payments		5,924,058
Less current portion		<u>476,840</u>
		<u>\$ 5,447,218</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

9. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the period ended June 30, 2018 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Compensated absences	\$ 482,456	\$ 421,192	\$ (430,607)	\$ 473,041	\$ 283,825
Capital leases	5,877,514	473,238	(426,694)	5,924,058	476,840
Claims and judgment payable	677,434	-	(677,434)	-	-
Net pension liability	4,465,856	825,939	-	5,291,795	-
Net OPEB liability	-	17,566	-	17,566	-
	<u>\$ 11,503,260</u>	<u>\$ 1,737,935</u>	<u>\$ (1,534,735)</u>	<u>\$ 11,706,460</u>	<u>\$ 760,665</u>

The General Fund has typically been used to liquidate the liability for pensions and OPEB in prior years.

10. Line of credit:

The Board of Supervisors of Navajo County, on behalf of the District, established a line of credit in the amount of \$1,000,000 with Wells Fargo. In accordance with the Arizona Revised Statutes, the line of credit can only be drawn on by the County Treasurer in order to pay warrants issued by the District to fund operations prior to the collection of the property tax levy in the current year. Interest is payable at the bank's prime rate and the line matures in June 2018. The balance on the line at the beginning and end of the period was \$0. There were no borrowings on the line during the period.

11. Ambulance service revenue:

The District provides emergency medical services within a portion of the geographic region it provides fire prevention and suppression services. Revenue from such emergency medical and transportation services are recognized as charges for services. These charges for services are reported at their estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement allowances with third-party payers, provisions for bad debt and uncompensated care.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

11. Ambulance service revenue (continued):

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, provision for bad debts and uncompensated services for the period ended June 30, 2018 are as follows:

Ambulance service revenues	\$ 1,563,482
Less contractual adjustments, provision for bad debts and uncompensated services	<u>745,395</u>
	<u>\$ 818,087</u>

12. 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 natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Commitments and contingencies:

Intergovernmental agreements:

The District is party to a variety of intergovernmental agreements entered into in the ordinary course of business pursuant to which it may be obligated to provide services outside of its geographic boundaries and/or receive assistance from other parties. As part of these agreements, the District is obligated to indemnify other parties for certain liabilities that arise out of, or relate to, the subject matter of the agreements.

Legal proceedings:

From time to time, the District may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the District's financial statements.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits:

The District contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). These plans are component units of the State of Arizona.

At June 30, 2018, the District reported on the Statement Net Position and Statement of Activities the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

	Governmental Activities
Net OPEB assets	\$ 3,500
Net pension and OPEB liabilities	5,309,361
Deferred outflows of resources related to pensions and OPEB	2,890,005
Deferred inflows of resources related to pensions and OPEB	927,747
Pension and OPEB expense	1,568,375

The District reported \$317,926 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System (ASRS):

Plan description - District employees not covered by the other pension plan described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
* with actuarially reduced benefits		

Retirement benefits for members who joined the ASRS prior to September 13, 2013 are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013 are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50% (11.34% for retirement and 0.16% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.50% (10.90% for retirement, 0.44% for health insurance premium benefit, and 0.16% for long-term disability) of the active members' annual covered payroll.

The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$67,010, \$2,705, and \$984. During fiscal year 2018, the District paid for the ASRS pension and OPEB contributions from the general fund.

Liability - At June 30, 2018, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability:

	<u>Net pension/OPEB (asset) liability</u>
Pension	987,648
Health insurance premium benefit	(3,500)
Long-term disability	2,309

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using updated procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016 were:

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.00634 %	0.00155
Health insurance premium benefit	0.00634 %	-
Long-term disability	0.00637 %	-

Pension expense - For the year ended June 30, 2018, the District recognized the following pension and OPEB expense:

	Pension/OPEB expense
Pension	250,760
Health insurance premium benefit	2,047
Long-term disability	1,231

Deferred outflows/inflows of resources - At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

	<u>Pension</u>		<u>Health insurance premium benefit</u>		<u>Long-term disability</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	7,091	29,615	-	3,941	-	345
Changes in assumptions	42,896	29,532	-	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	494,928	281,441	-	3	-	-
Contributions subsequent to the measurement date	<u>67,010</u>	<u>-</u>	<u>2,705</u>	<u>-</u>	<u>934</u>	<u>-</u>
	<u>\$ 611,925</u>	<u>\$ 340,588</u>	<u>\$ 2,705</u>	<u>\$ 3,944</u>	<u>\$ 934</u>	<u>\$ 345</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

<u>Year ending June 30,</u>	<u>Pension</u>	<u>Health insurance premium benefit</u>	<u>Long-term disability</u>
	2019	\$ 76,659	\$ (986)
2020	122,541	(986)	(86)
2021	27,844	(986)	(86)
2022	<u>(22,717)</u>	<u>(986)</u>	<u>(87)</u>
	<u>\$ 204,327</u>	<u>\$ (3,944)</u>	<u>\$ (345)</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

Actuarial assumptions - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3% - 6.75% for pensions/ not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pension/ not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS plan investments was determined to be 8.7% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected arithmetic real rate of return</u>
Equity	58 %	6.73 %
Fixed Income	25 %	3.70 %
Real estate	10 %	4.25 %
Multi-asset class	5 %	3.41 %
Commodities	2 %	3.84 %
	<u>100 %</u>	

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

Discount rate - The discount rate used to measure the ASRS total pension/OPEB (asset) liability was 8%, which is less than the long-term expected rate of return of 8.7%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB (asset) liability.

Sensitivity of the District's proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate - The following table presents the District's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate:

	1% decrease (7%)	Current discount rate (8%)	1% increase (9%)
Net pension liability	\$ 1,267,664	\$ 987,648	\$ 753,671
Net insurance premium benefit liability (asset)	\$ 5,813	\$ (3,500)	\$ (11,416)
Net long-term disability liability	\$ 2,761	\$ 2,309	\$ 1,926

Plan fiduciary net position - Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS):

Plan descriptions - District employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS website at www.psprs.com.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Benefits provided - The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent:		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit:		
Retired members	80% to 100% of retired member's pension benefit	
Active member	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms - At June 30, 2018, the following employees were covered by the agent pension plan benefit terms:

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	5	5
Inactive employees entitled to but not yet receiving benefits	8	-
Active employees	64	64
	77	69

Contributions and annual OPEB cost - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Rates are a percentage of active members' annual covered payroll.

For the year ended June 30, 2018, active PSPRS members with an initial membership date on or before July 19, 2011 (Tier 1 employees) were required to contribute 7.65%, members with an initial membership date after July 19, 2011 and before July 1, 2017 (Tier 2 employees) were required to contribute 11.65%, and members with an initial membership date after July 1, 2017 (Tier 3 employees) were required to contribute 9.94%. The District was required to contribute 20.40% for pension and 0.41% for health for Tier 1 and 2 employees, and the District was required to contribute 14.86% for pension and 0.26% for the health for Tier 3 employees. Rates are a percentage of active members' annual covered payroll.

In addition, the District is required to contribute at the actuarially determined rate of 5.18% of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the PSPRS would typically fill.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

The District's contributions to the pension plan for the year ended June 30, 2018, were \$242,356, and contributions to the OPEB plan were \$4,871. During fiscal year 2018, the District paid for the pension and OPEB contributions from the General Fund.

Liability - At June 30, 2018, the District reported net pension liability of \$4,304,147 and a net OPEB liability of \$15,257. The net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, decreasing the wage inflation from 4% to 3.5%, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the District's net pension liabilities as a result of the refunds is not known.

Actuarial assumptions - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pension/not applicable for OPEB
Price inflation	2.5% for pension/not applicable for OPEB
Permanent benefit increase	Included for pension/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected geometric real rate of return</u>
U.S. equity	16 %	7.60 %
Non-U.S. equity	14 %	8.70 %
Credit opportunities	16 %	5.83 %
Private credit	12 %	6.75 %
Real estate	10 %	3.75 %
GTAA	10 %	3.96 %
Real assets	9 %	4.52 %
Fixed income	5 %	1.25 %
Absolute return	2 %	3.75 %
Risk parity	4 %	5.00 %
Short-term investments	2 %	0.25 %
	<u>100 %</u>	

Discount rate - At June 30, 2017, the discount rate used to measure the total pension/OPEB liability was 7.40%, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net pension liability -

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at June 30, 2017	\$ 15,469,317	\$ 11,776,615	\$ 3,692,702
Changes for the year:			
Service cost	1,041,409	-	1,041,409
Interest on the total pension liability	1,187,356	-	1,187,356
Changes of benefit terms	254,688	-	254,688
Differences between expected and actual experience in the measurement of the pension liability	106,044	-	106,044
Changes of assumptions or other inputs	558,357	-	558,357
Contributions - employer	-	590,577	(590,577)
Contributions - employee	-	511,035	(511,035)
Net investment income	-	1,437,614	(1,437,614)
Benefit payments, including refunds of employee contributions	(317,221)	(317,221)	-
Administrative expense	-	(13,120)	13,120
Other changes	-	10,303	(10,303)
Net changes	<u>2,830,633</u>	<u>2,219,188</u>	<u>611,445</u>
Balances at June 30, 2018	<u>\$ 18,299,950</u>	<u>\$ 13,995,803</u>	<u>\$ 4,304,147</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Changes in the net OPEB liability -

	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at June 30, 2017	\$ 396,052	\$ 326,883	\$ 69,169
Changes for the year:			
Service cost	15,896	-	15,896
Interest on the total OPEB liability	30,194	-	30,194
Changes of benefit terms	1,237	-	1,237
Differences between expected and actual experience in the measurement of the OPEB liability	(27,093)	-	(27,093)
Changes of assumptions or other inputs	(16,462)	-	(16,462)
Contributions - employer	-	18,721	(18,721)
Net investment income	-	39,311	(39,311)
Benefit payments, including refunds of employee contributions	(2,840)	(2,840)	-
Administrative expense	-	(348)	348
Net changes	<u>932</u>	<u>54,844</u>	<u>(53,912)</u>
Balances at June 30, 2018	<u>\$ 396,984</u>	<u>\$ 381,727</u>	<u>\$ 15,257</u>

Sensitivity of the District's net pension/OPEB (asset) liability to changes in the discount rate - The following table presents the District's net pension/OPEB (assets) liability calculated using the discount rate noted above, as well as what the District's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate:

	1% decrease (6.40%)	Current discount rate (7.40%)	1% increase (8.40%)
	<u> </u>	<u> </u>	<u> </u>
District's net pension liability	\$ 7,615,040	\$ 4,304,147	\$ 1,677,995
District's net OPEB liability (asset)	\$ 82,349	\$ 15,257	\$ (39,254)

Plan fiduciary net position - Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial report.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

14. Pension and other postemployment benefits (continued):

Public Safety Personnel Retirement System (PSPRS) (continued):

Expense - For the year ended June 30, 2018, the District recognized pension expense for PSPRS of \$1,298,358, and OPEB expense of \$15,979.

Deferred outflows/inflows of resources - At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 559,707	\$ 543,070	\$ -	\$ 24,757
Changes in assumptions	1,329,274	-	-	15,043
Net difference between projected and actual earnings on plan investments	149,553	-	(11,370)	-
Contributions subsequent to the measurement date	242,356	-	4,871	-
	<u>\$ 2,280,890</u>	<u>\$ 543,070</u>	<u>\$ (6,499)</u>	<u>\$ 39,800</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending <u>June 30,</u>	Pension	Health
2019	\$ 191,269	\$ (6,597)
2020	284,357	(6,597)
2021	198,989	(6,597)
2022	35,006	(6,599)
2023	140,017	(3,755)
Thereafter	645,826	(21,025)
	<u>\$ 1,495,464</u>	<u>\$ (51,170)</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

15. Pension trust funds:

Pursuant to Arizona Revised Statutes, the District contributes to pension funds for volunteer firefighters. The pension funds are 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.

16. Subsequent event:

In May 2018, an Administrative Law Judge denied the District's application to expand the service area covered by their Certificate of Necessity (CON). The District had the CON to cover Lakeside, and had applied to increase the CON to cover the entire area of the District, including Show Low and Linden. In June 2018, the Director of Arizona Department of Health Services overturned the Judge's decision, which awarded the District with an expanded CON area. The Director's decision was appealed, and on August 16, 2018, the Director decision was upheld, and the District received the expanded service area. The District began providing services to the expanded area on August 21, 2018.

On October 30, 2018, White Mountain Lake Fire District consolidated with Timber Mesa Fire and Medical District. This consolidation resulted in the full operational absorption of White Mountain Lake Fire District into Timber Mesa Fire and Medical District. Upon resolution to accept the consolidation, White Mountain Lake Fire District's Board of Directors was dissolved. Timber Mesa Fire and Medical District assumed all assets, liabilities and contractual obligations of the White Mountain Lake Fire District.

Required Supplementary Information

TIMBER MESA FIRE AND MEDICAL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2018

	Budgeted amounts		Actual	Variance with final budget
	Original	Final		
Revenues:				
Property taxes	\$ 7,763,338	\$ 7,763,338	\$ 7,740,468	\$ (22,870)
Fire district assistance tax	449,150	449,150	446,983	(2,167)
Grants and contributions	1,346,200	1,346,200	2,459	(1,343,741)
Charges for services	-	-	1,550,156	1,550,156
Investment earnings	-	-	23,890	23,890
Other	-	-	60,365	60,365
Total revenues	9,558,688	9,558,688	9,824,321	265,633
Expenditures:				
Public safety:				
Emergency operations	7,924,097	7,924,097	6,757,558	(1,166,539)
Administration	1,634,591	1,634,591	3,126,414	1,491,823
Debt service	-	-	580,036	580,036
Total expenditures	9,558,688	9,558,688	10,464,008	905,320
Revenues under expenditures	-	-	(639,687)	(639,687)
Other financing sources (uses):				
Transfers out	-	-	113,016	113,016
Proceeds from sale of capital assets	-	-	15,000	15,000
Total other financing sources	-	-	128,016	128,016
Net change in fund balance	-	-	(511,671)	(511,671)
Fund balance, beginning of year	-	-	2,185,209	2,185,209
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,673,538</u>	<u>\$ 1,673,538</u>

NOTE TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary basis of accounting:

The District prepares its annual budget on the modified accrual basis of accounting. The level of budgetary control is at the fund level. A budgetary comparison schedule for the General Fund is included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis.

TIMBER MESA FIRE AND MEDICAL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COST SHARING PLAN (ASRS)

YEAR ENDED JUNE 30, 2018

ASRS Pension (schedule to be built prospectively from 2015; 2014 - 2009 information not available)

Reporting date (Measurement date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)
District's proportion of the net pension liability	0.006340 %	0.004790 %	0.004590 %	0.002283 %	- %	- %	- %	- %	- %	- %
District's proportionate share of the net pension liability	987,648	773,154	714,460	337,767	-	-	-	-	-	-
District's covered employee payroll	451,809	424,027	202,185	185,000	-	-	-	-	-	-
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	219 %	182 %	353 %	183 %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total pension liability	70 %	67 %	68 %	69 %	- %	- %	- %	- %	- %	- %

ASRS Health insurance premium benefit (schedule to be built prospectively from 2018; 2017 - 2009 information not available)

Reporting date (Measurement date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)
District's proportion of the net OPEB (asset)	0.006340 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
District's proportionate share of the net OPEB (asset)	(3,500)	-	-	-	-	-	-	-	-	-
District's covered payroll	451,809	-	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	(0.77)%	- %	- %	- %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total OPEB (asset)	104 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

See accompanying notes to pension/OPEB plan schedules

TIMBER MESA FIRE AND MEDICAL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION/OPEB LIABILITY - COST SHARING PLAN (ASRS) (CONTINUED)

YEAR ENDED JUNE 30, 2018

ASRS Long-term disability (schedule to be built prospectively from 2018; 2017 - 2009 information not available)

Reporting date (Measurement date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)
District's proportion of the net OPEB liability	0.006370 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
District's proportionate share of the net OPEB liability	2,309	-	-	-	-	-	-	-	-	-
District's covered payroll	451,809	-	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.51 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total OPEB liability	84 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

TIMBER MESA FIRE AND MEDICAL DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - AGENT RETIREMENT PLAN (PSPRS)

YEAR ENDED JUNE 30, 2018

(schedule to be built prospectively from 2015; 2014 - 2009 information not available)

Reporting date (Measurement date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)
Total pension liability										
Service cost	\$ 1,041,409	\$ 840,308	\$ 774,187	\$ 770,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,187,356	907,545	855,470	728,385	-	-	-	-	-	-
Benefit changes	254,688	1,457,993	-	25,804	-	-	-	-	-	-
Difference between expected and actual experience	106,044	561,388	(691,884)	(52,069)	-	-	-	-	-	-
Assumption changes	558,357	703,722	-	376,185	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(317,221)	(285,139)	(329,770)	(133,428)	-	-	-	-	-	-
Net change in total pension liability	2,830,633	4,185,817	608,003	1,715,105	-	-	-	-	-	-
Total pension liability, beginning	15,469,317	11,283,500	10,675,497	8,960,392	-	-	-	-	-	-
Total pension liability, ending (a)	\$ 18,299,950	\$ 15,469,317	\$ 11,283,500	\$ 10,675,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 590,577	\$ 610,185	\$ 476,770	\$ 545,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	511,035	515,430	451,335	422,123	-	-	-	-	-	-
Pension plan net investment income	1,437,614	65,212	372,057	1,129,216	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(317,221)	(285,139)	(329,770)	(133,428)	-	-	-	-	-	-
Administrative expenses	(13,120)	(9,784)	(10,226)	-	-	-	-	-	-	-
Other	10,303	41,174	(7,371)	(10,756)	-	-	-	-	-	-
Net change in fiduciary net position	2,219,188	937,078	952,795	1,952,456	-	-	-	-	-	-
Plan fiduciary net position, beginning	11,776,615	10,839,537	9,886,742	7,934,286	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	\$ 13,995,803	\$ 11,776,615	\$ 10,839,537	\$ 9,886,742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability, ending (a) - (b)	\$ 4,304,147	\$ 3,692,702	\$ 443,963	\$ 788,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	76.48 %	76.13 %	96.07 %	92.61 %	- %	- %	- %	- %	- %	- %
Covered valuation payroll	\$ 4,541,687	\$ 4,356,185	\$ 3,870,372	\$ 3,922,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered valuation payroll	94.77 %	84.77 %	11.47 %	20.11 %	- %	- %	- %	- %	- %	- %

TIMBER MESA FIRE AND MEDICAL DISTRICT

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - AGENT RETIREMENT PLAN (PSPRS)

YEAR ENDED JUNE 30, 2018

(schedule to be built prospectively from 2018; 2014 - 2009 information not available)

Reporting date (Measurement date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)
Total OPEB liability										
Service cost	\$ 15,896	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total OPEB liability	30,194	-	-	-	-	-	-	-	-	-
Benefit changes	1,237	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(27,093)	-	-	-	-	-	-	-	-	-
Assumption changes	(16,462)	-	-	-	-	-	-	-	-	-
Benefit payments	(2,840)	-	-	-	-	-	-	-	-	-
Net change in total OPEB liability	932	-	-	-	-	-	-	-	-	-
Total OPEB liability, beginning	396,052	-	-	-	-	-	-	-	-	-
Total OPEB liability, ending (a)	\$ 396,984	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 18,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Net investment income	39,311	-	-	-	-	-	-	-	-	-
Benefit payments	(2,840)	-	-	-	-	-	-	-	-	-
Administrative expenses	(348)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in fiduciary net position	54,844	-	-	-	-	-	-	-	-	-
Plan fiduciary net position, beginning	326,883	-	-	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	\$ 381,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ 15,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total OPEB liability	96.16 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Covered valuation payroll	\$ 4,541,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a percentage of covered valuation payroll	0.34 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

See accompanying notes to pension/OPEB plan schedules

TIMBER MESA FIRE AND MEDICAL DISTRICT
SCHEDULE OF PENSION/OPEB CONTRIBUTIONS

YEAR ENDED JUNE 30, 2018

ASRS Pension (schedule to be built prospectively from 2015; 2014 - 2009 information not available)

Reporting fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 67,010	\$ 48,705	\$ 46,007	\$ 22,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>67,010</u>	<u>48,705</u>	<u>46,007</u>	<u>22,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 614,771	\$ 451,809	\$ 424,027	\$ 202,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	10.90 %	10.78 %	10.85 %	10.89 %	- %	- %	- %	- %	- %	- %

ASRS Health insurance premium benefit (schedule to be built prospectively from 2018; 2017 - 2009 information not available)

Reporting fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 2,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>2,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 614,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.44 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

ASRS Long-term disability (schedule to be built prospectively from 2018; 2017 - 2009 information not available)

Reporting fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 984	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 614,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.16 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

See accompanying notes to pension/OPEB plan schedules

TIMBER MESA FIRE AND MEDICAL DISTRICT

SCHEDULE OF PENSION/OPEB CONTRIBUTIONS (CONTINUED)

YEAR ENDED JUNE 30, 2018

PSPRS Pension (schedule to be built prospectively from 2015; 2014 - 2009 information not available)

Reporting fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 933,082	\$ 610,185	\$ 476,770	\$ 545,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>242,356</u>	<u>610,185</u>	<u>476,770</u>	<u>545,301</u>	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ 690,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	5,642,856	4,541,687	4,356,185	3,870,372	-	-	-	-	-	-
Contributions as a percentage of covered payroll	4.29 %	14.01 %	12.32 %	13.90 %	- %	- %	- %	- %	- %	- %

PSPRS Health (schedule to be built prospectively from 2018; 2017 - 2009 information not available)

Reporting fiscal year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 4,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>4,871</u>	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,642,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.09 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO SCHEDULE OF PENSION/OPEB CONTRIBUTIONS

YEAR ENDED JUNE 30, 2018

1. Actuarially determined contribution rates:

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Remaining amortization period as of the 2016 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7 year smoothed market; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Salary increase	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% – 8.5% to 4.0% – 8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% – 9.0% to 4.5% – 8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females).

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO SCHEDULE OF PENSION/OPEB CONTRIBUTIONS (CONTINUED)

YEAR ENDED JUNE 30, 2018

2. Factors that affect trends:

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the District refunded excess employee contributions to PSPRS members. PSPRS allowed the District to reduce its actual employer contributions for the refund amounts. As a result, the District's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

Report of Internal Control and on Compliance

**Independent Auditors' 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***

Governing Board and Management
Timber Mesa Fire and Medical District
Show Low, 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 and each major fund of Timber Mesa Fire and Medical District, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2018.

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 opinion 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.

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*.

Report on Compliance with State of Arizona Regulatory Requirements

In connection with our audit, nothing contrary came to our attention that caused us to believe that Timber Mesa Fire and Medical District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District's general fund, except for those liabilities as prescribed in Arizona Revised Statutes section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with Arizona Revised Statutes section 48-805.02, subsection F. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. This report is supplemental reporting as required by Arizona statutes intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

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.



Tucson, Arizona
December 17, 2018



TIMBER MESA FIRE and MEDICAL DISTRICT

www.TimberMesaFire.org



Statistical Section



Statistical Section

This part of the comprehensive annual financial report of the District presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health of the District.

This section contains the following tables and information:

- **Financial Trends** – These schedules contain trend information to help the reader understand how the financial performance and well-being of the District have changed over time.
- **Revenue Capacity** - These schedules contain information to help the reader assess the most significant local revenue source of the District – the property tax.
- **Debt Capacity** - These schedules present information to help the reader assess the affordability of the current levels of outstanding debt of the District and its ability to issue additional debt in the future.
- **Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the financial activities of the District take place.
- **Operating Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the financial report of the District relates to the services the District provides and the activities it performs.

Timber Mesa Fire and Medical District

Net Position By Component

Last ten fiscal years

(accrual basis of accounting)

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Net investments in capital assets	\$ 4,066,259	\$ 3,925,410	\$ 3,830,436	\$ 3,768,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>(1,739,701)</u>	<u>(65,683)</u>	<u>2,633,054</u>	<u>3,114,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities net position	<u>\$ 2,326,558</u>	<u>\$ 3,859,727</u>	<u>\$ 6,463,490</u>	<u>\$ 6,882,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Timber Mesa Fire and Medical District
Changes in Net Position
Last ten fiscal years
(accrual basis of accounting)
(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities										
Public safety	\$ 11,076,465	\$ 11,450,257	\$ 9,008,325	\$ 6,567,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on long-term debt	157,258	87,470	157,013	72,933	-	-	-	-	-	-
Total primary government expenses	11,233,723	11,537,727	9,165,338	6,640,726	-	-	-	-	-	-
Program revenues										
Governmental activities										
Charges for services	1,689,332	1,358,247	1,239,532	508,134	-	-	-	-	-	-
Capital grants and operations	2,459	-	5,982	37,695	-	-	-	-	-	-
Total primary government program revenues	1,691,791	1,358,247	1,245,514	545,829	-	-	-	-	-	-
Net(expense)/revenue:										
Total primary government net expense	<u>(9,541,932)</u>	<u>\$ (10,179,480)</u>	<u>\$ (7,919,824)</u>	<u>\$ (6,094,897)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenue and Other Changes in Net position										
Governmental activities:										
Property taxes	\$ 7,759,831	\$ 7,216,046	\$ 6,898,288	5,765,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire district assistance tax	446,983	439,280	400,000	379,631	-	-	-	-	-	-
Investment earnings	23,890	18,760	21,403	27,283	-	-	-	-	-	-
Other	60,365	126,610	60,760	53,910	-	-	-	-	-	-
Gain (loss) on sale of capital assets	(232,038)	452,455	70,250	87,810	-	-	-	-	-	-
Total primary government	8,059,031	8,253,151	7,450,701	6,314,345	-	-	-	-	-	-
Extraordinary item		(677,434)								
Change in Net Position										
Total primary government	<u>\$ (1,482,901)</u>	<u>\$ (2,603,763)</u>	<u>\$ (469,123)</u>	<u>\$ 219,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Timber Mesa Fire and Medical District
Fund balances of Governmental Funds
Last ten fiscal years
(modified accrual basis of accounting)

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	28,007	173,856	100,561	26,437	-	-	-	-	-	-
Committed	-	220,414	-	-	-	-	-	-	-	-
Assigned	-	-	78,838	161,657	-	-	-	-	-	-
Unassigned	1,645,531	1,790,939	3,280,319	3,833,047	-	-	-	-	-	-
Total general fund	<u>\$ 1,673,538</u>	<u>\$ 2,185,209</u>	<u>\$ 3,459,718</u>	<u>\$ 4,021,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	18,935	3,250,400	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 18,935</u>	<u>\$ 3,250,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Timber Mesa Fire and Medical District
Statement of Changes in Fund Balances
Last ten fiscal years
(modified accrual basis of accounting)

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Taxes	\$ 7,740,468	\$ 7,192,863	\$ 6,962,934	\$ 5,677,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire district assistance tax	446,983	439,280	400,000	379,631	-	-	-	-	-	-
Capital grants	2,459	-	5,982	37,695	-	-	-	-	-	-
Charges for services	1,550,156	1,340,563	1,326,760	451,151	-	-	-	-	-	-
Investment earnings	23,890	18,760	21,403	27,283	-	-	-	-	-	-
Other	60,365	126,610	60,760	53,910	-	-	-	-	-	-
Total Revenues	<u>9,824,321</u>	<u>9,118,076</u>	<u>8,777,839</u>	<u>6,626,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures										
Public safety	9,883,972	9,283,895	8,627,541	6,316,678	-	-	-	-	-	-
Capital outlay	3,592,687	483,286	1,293,653	2,244,281	-	-	-	-	-	-
Debt Service										
Principal	426,694	324,788	178,561	773,758	-	-	-	-	-	-
Interest	153,342	83,001	159,757	72,603	-	-	-	-	-	-
Total Expenditures	<u>14,056,695</u>	<u>10,174,970</u>	<u>10,259,512</u>	<u>9,407,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	(4,232,374)	(1,056,894)	(1,481,673)	(2,780,620)	-	-	-	-	-	-
Other financing sources (uses)										
Proceeds from sale of capital assets	15,000	482,785	70,250	87,810	-	-	-	-	-	-
Proceeds from capital lease obligation	473,238	2,550,000	2,061,168	1,700,000	-	-	-	-	-	-
Payment to refunded bond agent	-	-	-	-	-	-	-	-	-	-
Payment on refinanced capital leases	-	-	(1,261,168)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>488,238</u>	<u>3,032,785</u>	<u>870,250</u>	<u>1,787,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special item	-	-	50,000	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ (3,744,136)</u>	<u>\$ 1,975,891</u>	<u>\$ (561,423)</u>	<u>\$ (992,810)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service as a percentage of noncapital expenditures	13.90%	45.76%	20.73%	27.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Timber Mesa Fire and Medical District
 Assessed and Estimated Actual Value of Taxable Property
 Last ten fiscal years

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

Fiscal year ended June 30,	Real Property		Personal Property	Public Utility Property	Less: Tax Exempt Real property	Total		Estimated Real Market Value	Assessed value as a % of actual Value
	Residential & Commercial Property	Assessed Value	Assessed Value	Taxable Assessed Value		Direct Tax Rate			
2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2010	-	-	-	-	-	-	-	-	0%
2011	-	-	-	-	-	-	-	-	0%
2012	-	-	-	-	-	-	-	-	0%
2013	-	-	-	-	-	-	-	-	0%
2014	-	-	-	-	-	-	-	-	0%
2015	222,346,147	6,686,863	15,692,856	14,146,142	230,579,724	2.9285	1,921,497,700	0%	
2016	227,891,747	6,439,217	14,131,373	13,454,424	235,007,913	2.8488	2,136,435,573	11%	
2017	237,422,539	7,044,368	14,339,469	13,675,930	245,130,446	2.8901	2,228,458,600	11%	
2018	259,409,779	6,886,569	14,843,063	13,450,403	267,689,008	2.9997	2,419,192,315	11%	

Source: Navajo County Tax Assessor

Timber Mesa Fire and Medical District
Property Tax Rates - All Direct and Overlapping Governments
Last ten fiscal years
(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

Fiscal year ended June 30,	Timber Mesa Fire and Medical District	Overlapping Rates					Pinetop-Lakeside Sanitary District	Show Low Bullf Community Facilities District	Total Direct and overlapping rates
		Navajo County	Show Low Unified School District	Blue Ridge Unified School District	City of Show Low Street Light District				
2009	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -	
2010	-	-	-			-	-	-	
2011	-	-	-			-	-	-	
2012	-	-	-			-	-	-	
2013	-	-	-			-	-	-	
2014	-	-	-			-	-	-	
2015	2.9286	2.9884	3.7136	5.2569	0.1291	0.2890	3.5500	21.7842	
2016	2.8488	3.0894	4.2625	5.2154	0.1401	0.2890	3.5500	22.2440	
2017	2.8901	3.1365	4.7800	5.4904	0.1401	0.2795	3.5500	23.1567	
2018	2.9997	3.9145	4.2377	6.1809	0.1401	0.2727	3.5500	24.2953	

Source: Navajo County Tax Assessor

Timber Mesa Fire and Medical District
Principal Property Taxpayers
Current and Nine Years Ago

June 30, 2018

% of Total Assessed

Taxpayer	Type of Business	Assessed Value	Value
NAVOPACHE ELECTRIC CO-OP INC (T&D)	Utility	3,354,282	1.30%
SMITH BAGLEY INC	Telecommunications	3,163,466	1.22%
ARIZONA PUBLIC SERVICE COMPANY	Utility	2,774,522	1.07%
UNISOURCE ENERGY CORPORATION	Telecommunications	2,084,767	0.81%
CITIZENS TELECOMM OF WHITE MTNS	Utility	2,077,427	0.80%
WAL-MART STORES INC	Retail	2,068,008	0.80%
LOWES HIW INC	Retail	1,386,736	0.54%
TORREON GOLF CLUB LLC	Recreation	1,042,487	0.40%
HOME DEPOT USA INC	Retail	1,010,359	0.39%
ELK RIDGE APARTMENTS	Housing	771,750	0.30%
		\$ 19,733,804	7.62%
Total Assessed Value		\$ 258,806,376	

6/30/2009 *

% of Total Assessed

Taxpayer	Type of Business	Assessed Value	Value
		\$ -	0.00%
		-	0.00%
		-	0.00%
		-	0.00%
		-	0.00%
		-	0.00%
		-	0.00%
		\$ -	0
Total Assessed Value		\$ -	

Source: Navajo County Assessor

* District was established in 2015, therefore information regarding the top 10 tax payers within their boundaries is not available for this date.

Timber Mesa Fire and Medical District
 Property Tax Levies and Collections
 Last ten fiscal years

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

Fiscal year ended June 30,	Original Property Tax Levy	Tax Roll Corrections	Property Tax Levy (Adjusted)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Amount	% of Levy
				Amount	% of Levy			
2009	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	#DIV/0!
2010	-	-	-	-	0.00%	-	-	#DIV/0!
2011	-	-	-	-	0.00%	-	-	#DIV/0!
2012	-	-	-	-	0.00%	-	-	#DIV/0!
2013	-	-	-	-	0.00%	-	-	#DIV/0!
2014	-	-	-	-	0.00%	-	-	#DIV/0!
2015	7,246,652	1,797	7,248,449	6,931,912	95.63%	409	6,932,321	95.64%
2016	6,948,589	2,998	6,951,587	6,665,357	95.88%	266,963	6,932,320	99.72%
2017	7,175,543	(14,331)	7,161,212	6,943,248	96.96%	206,508	7,149,756	99.84%
2018	7,751,281	(1,826)	7,749,455	7,474,105	96.45%	60,846	7,534,951	97.23%
			7753588.25					

Source: Navajo County Treasurer

Timber Mesa Fire and Medical District
 Ratios of General Bonded Debt Outstanding
 Last ten fiscal years
 (District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

Fiscal year ended June 30,	Capital Lease Debt	General Obligation Bond		Total Outstanding Debt		
		Outstanding	Legal Limit	Amount	% of Personal Income	Debt Per Capita
2009	\$ -	\$ -	\$ -	-	0.00%	-
2010	-	-	-	-	0.00%	-
2011	-	-	-	-	0.00%	-
2012	-	-	-	-	0.00%	-
2013	-	-	-	-	0.00%	-
2014	-	-	-	-	0.00%	-
2015	3,030,863	-	14,601,307	3,030,863	0.10%	27.76
2016	3,652,302	-	14,683,552	3,652,302	0.12%	33.30
2017	5,877,514	-	14,907,740	5,877,514	0.19%	53.23
2018	5,924,058	-	15,528,383	5,924,058	0.18%	53.24

Source: Personal income and population information can be found in the Demographic and Economic Statistics.

Timber Mesa Fire and Medical District
Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding at 6/30/17 *	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Navajo County	\$ 15,556,238	30.76%	\$ 4,784,811
Show Low Bluff Community Facilities District	1,840,000	100.00%	1,840,000
Blue Ridge Unified School District	49,901,960	75.00%	37,426,470
City of Show Low	17,911,738	100.00%	17,911,738
Pinetop-Lakeside Sanitary District	11,618	50.00%	5,809
Town of Pinetop-Lakeside	801,723	50.00%	400,862
Subtotal, overlapping debt			62,369,690
Timber Mesa Fire and Medical District Direct Debt			5,924,058
Total Direct and overlapping debt			\$ 68,293,748

Note: Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the District. This Schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the District. The process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Arizona Department of Administration

* Outstanding debt as of June 30, 2017 is the most recent information available.

Timber Mesa Fire and Medical District
 Legal Debt Margin Information
 Last ten fiscal years

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Assessed Value	\$ 258,806,376	\$ 248,462,337	\$ 244,725,866	\$ 243,355,121						
Debt limit rate	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Debt Limit	15,528,383	14,907,740	14,683,552	14,601,307	-	-	-	-	-	-
Less bond and lease obligations	(5,924,058)	(5,877,514)	(3,652,302)	(3,030,863)						
Legal debt margin	\$ 9,604,325	\$ 9,030,226	\$ 11,031,250	\$ 11,570,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total net debt applicable to the limit as a percentage of debt limit	38.15%	39.43%	24.87%	20.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Timber Mesa Fire and Medical District
 Demographic and Economic Statistics
 Last ten fiscal years

Fiscal year ended June 30,	Population (Navajo County)	Personal Income (thousands of dollars)	Per Capita Income (Navajo County)	Unemployment Rate (Navajo County)
2009	112,348	2,539,509	22,604	9.7%
2010	112,975	2,634,137	23,316	14.9%
2011	107,449	2,742,716	25,526	16.0%
2012	107,174	2,780,847	25,947	15.8%
2013	107,094	2,826,523	26,393	15.2%
2014	108,694	2,869,655	26,401	13.1%
2015	109,185	2,965,679	27,162	11.2%
2016	109,671	2,991,865	27,280	9.6%
2017	110,413	3,154,284	28,568	9.4%
2018	111,266	3,272,111	29,408	7.5%

Sources of information:

- 1) Navajo County Finance Department
- 2) Office of Economic Opportunity - Arizona Labor Statistics

Timber Mesa Fire and Medical District
Principal Employers
Current and Nine Years Ago

June 30, 2018

Employer	Employees	Rank
Summit Regional Medical Center	922	1
Navajo County	648	2
Walmart	498	3
Show Low Unified School District	306	4
Blue Ridge Unified School District	291	5
Arizona Public Service	224	6
Cellular One	191	7
City of Show Low	160	8
Frontier	127	9
Northland Pioneer College	112	10
Total	3,479	

June 30, 2009

Employer	Employees	Rank
Walmart	755	1
Summit Regional Medical Center	496	2
Navajo County	422	3
Arizona Public Service	285	4
Show Low Unified School District	223	5
Blue Ridge Unified School District	193	6
Northland Pioneer College	174	7
City of Show Low	153	8
Frontier	141	9
Cellular One	139	10
Total	2,981	

Source: Estimate of various employers and sources

Note: Percentage of employees employed by principal employers to the total employed District-wide is not available

Timber Mesa Fire and Medical District
Operating Indicators by Function
 Last ten fiscal years
 (District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Fire prevention inspections	404	269	95	265	-	-	-	-	-	-
Emergency medical service calls	3,158	2,821	2,682	2,048	-	-	-	-	-	-
Fire responses	126	129	101	69	-	-	-	-	-	-
Other responses - including hazardous materials, mutual aid, public service	636	901	513	635	-	-	-	-	-	-
Miscellaneous - including false alarms, good intent	2,001	1,757	1,766	623	-	-	-	-	-	-

Source: Various District departments

Timber Mesa Fire and Medical District
 Full-Time Equivalent Employees by Function
 Last ten fiscal years

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Fire and rescue service	60	60	60	60	-	-	-	-	-	-
Fire Prevention	2	2	2	2	-	-	-	-	-	-
Administrative and support	16	16	16	14	-	-	-	-	-	-
Total	<u>78</u>	<u>78</u>	<u>78</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: District HR department

Timber Mesa Fire and Medical District
 Capital Asset Statistics by Function
 Last ten fiscal years

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2009 information not available)

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Stations	4	4	4	4	-	-	-	-	-	-
Equipment:										
Engines	4	4	5	6	-	-	-	-	-	-
Ladder Trucks	1	1	2	1	-	-	-	-	-	-
Brush rigs	4	4	7	8	-	-	-	-	-	-
Rescue units	5	5	5	4	-	-	-	-	-	-
Tenders	3	3	3	5	-	-	-	-	-	-
Hazmat squad	-	-	-	1	-	-	-	-	-	-
Squad/support units	19	19	18	22	-	-	-	-	-	-

Source: District logistics department