



TIMBER MESA

FIRE & MEDICAL DISTRICT

★ ARIZONA ★



COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2020





TIMBER MESA FIRE and MEDICAL DISTRICT
www.TimberMesaFire.org

Timber Mesa Fire and Medical District



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2020

Prepared by:
The James Vincent Group

TIMBER MESA FIRE AND MEDICAL DISTRICT

YEAR ENDED JUNE 30, 2020

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YEAR ENDED JUNE 30, 2020

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INTRODUCTORY SECTION



TIMBER MESA FIRE and MEDICAL DISTRICT

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November 23, 2020

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, 2020. The Government of Finance Officers Association (GFOA) established the Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program) to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. These goals are perfectly aligned with the goals of Timber Mesa Fire and Medical District.

Arizona Revised Statutes Article 9, §48-251 requires that all special districts with annual budgets in excess of \$1,000,000 publish within 240 days of the close of their fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2020.

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.

BeachFleischman PC, a certified public accounting firm, have issued an unmodified (“clean”) opinion on the Timber Mesa Fire and Medical District financial statements for the year ended June 30, 2020.

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 through limited assessed value property taxes. It is governed by a five-member Board elected by the public, comprised of a Board Chair and four members, 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.

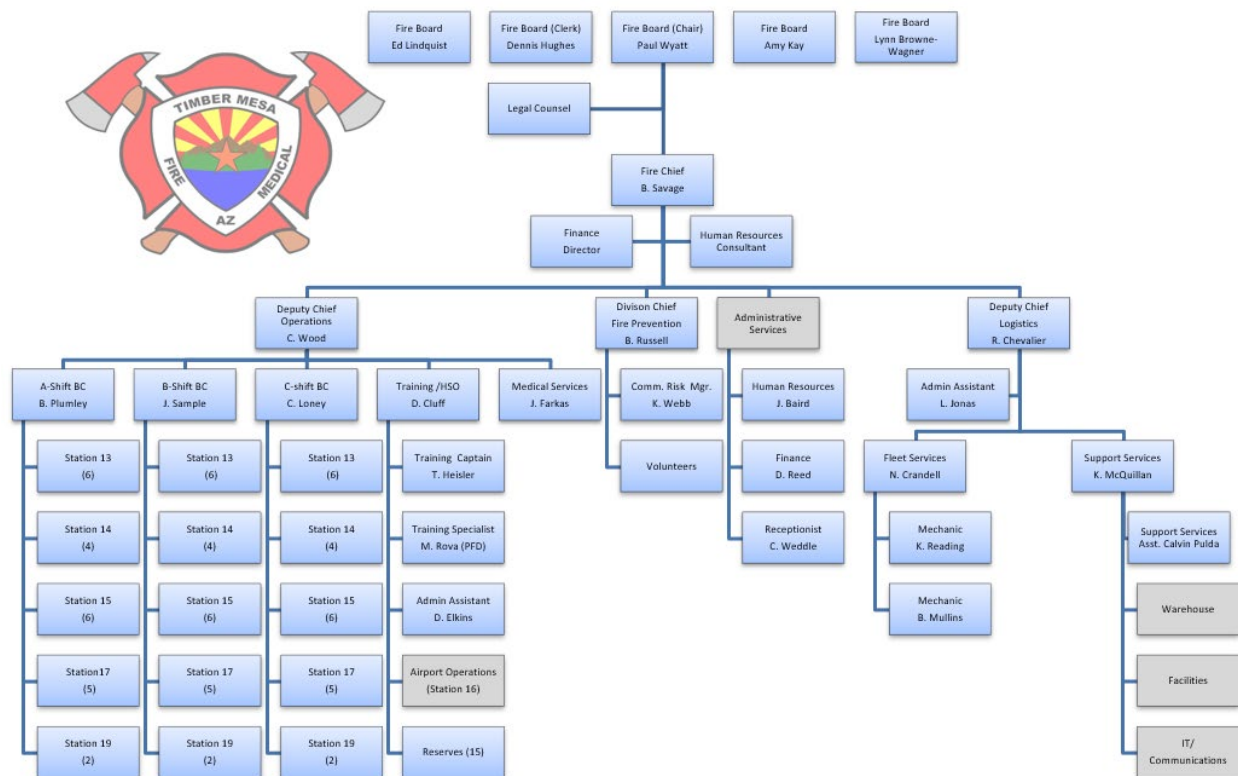
One of the two Deputy Chiefs, the position of Deputy Chief of Operations will report directly to the Fire Chief with direct supervision of the three shift Battalion Chiefs, a Training Battalion Chief, and the Medical Services Supervisor along with indirect supervision of all operations personnel. The 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.

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.

The Board 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 and is approved at the fund level. A current organization chart follows:



Timber Mesa Fire & Medical District



Organizational Chart April 2020

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 72 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



TIMBER MESA FIRE and MEDICAL DISTRICT

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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, 2019, 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 to be performed by the Fire District.

Finally, in October of 2018, the Fire District absorbed (through the legal process of Fire District Consolidation A.R.S. 48-822) the White Mountain Lake Fire District. This former fire district had one station with two personnel assigned for response 12 hours per day. Timber Mesa has been able to improve staffing and response out of that facility by adding a Captain and a firefighter (one of whom is a paramedic), 24 hours per day, 365 days per year assigned to a rescue or ambulance.

About the Area

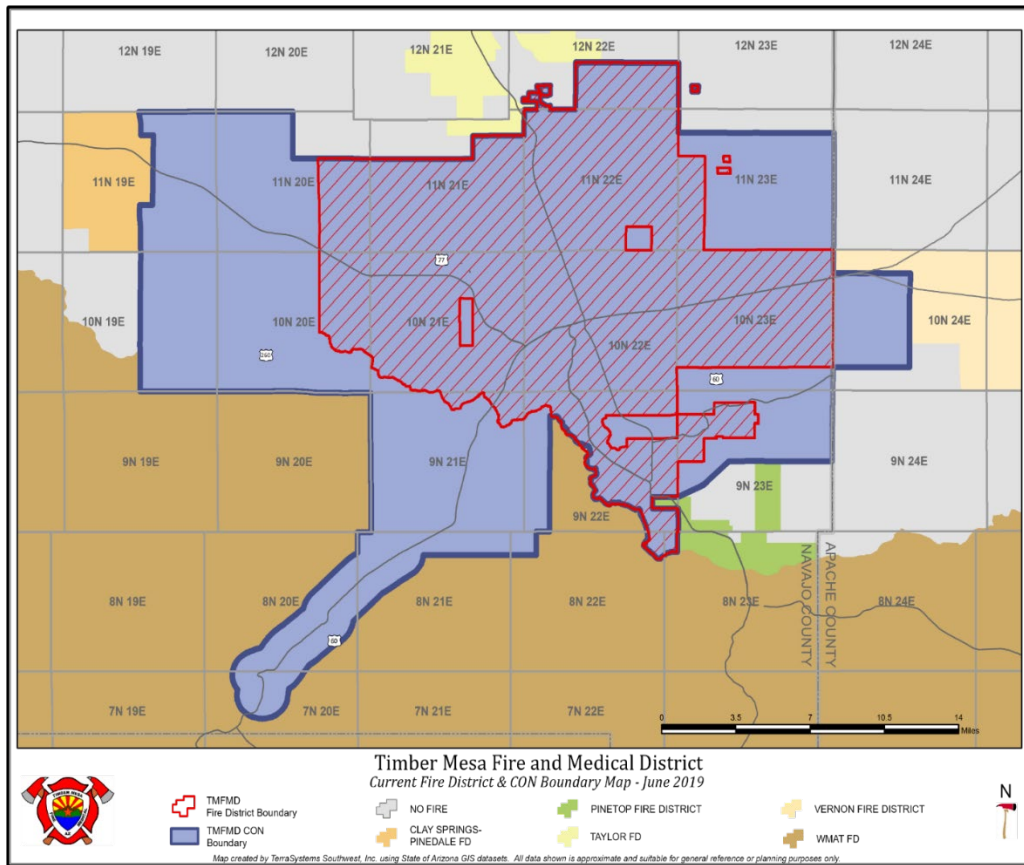
TMFMD serves residents and visitor of the communities of Show Low, Lakeside, Linden and White Mountain Lake who can enjoy the mild four seasons. At an elevation of 6400' the area has an average high temperature of 67 and an average low temp of 39, with average annual rain fall of 16 inches and average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

Covering 216 square miles with an ambulance transport service area of nearly 440 square miles, the District has grown to serve an estimated 34,500 full time residents and a seasonal population estimated at 55,000. Operating out of five fully staffed fire stations, one administration office, one training facility, and one unstaffed station, 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 24 Fire/EMS personnel, TMFMD responds to approximately 6200 calls per year.



TIMBER MESA FIRE and MEDICAL DISTRICT

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A snapshot of TMFMFD demographics and service levels includes:

District Size	216 square miles
Ambulance Transport Service Area	Estimated 440 square miles
Full-time Resident Population	34,500
Part-time, Seasonal Population	55,000
Stations	7 (5 with full-time staffing)
Fire and Rescue Service Staffing (Full-Time)	72
Fire and Rescue Service Staffing (Part-Time)	15
Administrative and Support	6 (Including Chief Officers)
Training Division Staffing	3
Logistics Section Staffing	4
Community Risk Management	2
Fleet Staffing	3

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 fund, function and 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 fund, function and 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

Covid-19 has created many challenges for communities throughout the nation. In a unique situation the local area realized an approximate 20% growth in sales tax receipts. In addition, 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. Real estate within the region has stayed strong through Covid-19, partly due to the historic low interest rates, and that is a strong metric for the District as a significant amount of revenue is based on the assessed value of property.

The area is known for its tourism and recreation and they are therefore major contributors to the local economy. The uncertainty around Covid-19 and its effect on the local tourism economy will take time to understand its full impact on job growth, rising personal income, unemployment rate, the overall local economic activity.

The District's population is expected to continue to grow in the next 20 years and 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 while providing financial long-term sustainability.

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 2021 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, 2019. This was the third 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.

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 the District Board, 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,

Handwritten signature of Bryan P Savage in black ink.

Bryan P Savage
Fire Chief

Handwritten signature of The James Vincent Group in black ink.

The James Vincent Group
Finance Director



Timber Mesa Fire and Medical District

List of Elected and Appointed Officials

June, 30 2020

Elected Board Members

	Term Expires
Board Member Amy Kay	December 31 2020
Board Member Ed Lindquist	December 31 2020
Board Member Lynn Brown	December 31 2022
Board Member Chair Paul Wyatt	December 31 2020
Board Clerk Dennis Hughes	December 31 2022

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 five 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

Station 19 – 1780 Silverlake Blvd., White Mountain Lake, 85912

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TIMBER MESA FIRE and MEDICAL DISTRICT

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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

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
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Presented to

**Timber Mesa Fire and Medical District
Arizona**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



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, 2020, 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, 2020, 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.

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 November 23, 2020, 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 solely 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 the effectiveness of Timber Mesa Fire and Medical District's 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.

Beach Fleishman PC

Tucson, Arizona
November 23, 2020

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2020

INTRODUCTION

The management of Timber Mesa Fire and Medical District (the District) presents these financial statements with a narrative overview and analysis of financial activities for the twelve months ended June 30, 2020. 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

- In the government-wide financial statements, the total assets and deferred outflows of the Timber Mesa Fire and Medical District were \$15,537,202 at the close of the fiscal year. The total assets and deferred outflows exceeded liabilities and deferred inflows by \$2,104,998. Of this amount \$(2,052,704) represents the balance of the unrestricted net position.
- The District realized a decrease in its net position of \$263,091 equal to the excess of expenses over revenues. Legal fees related to an action filed in Superior court by a competing ambulance provider were the predominate reason for this decrease in net position. They are challenging a decision made by the Department of Health Services that expanded the District's current ambulance transportation area to include the entirety of the District boundaries. This expansion will result in an additional \$1.0 million in ambulance revenue annually.
- Cash and investments decreased by \$177,835. The decrease in cash and investments was directly related to the unanticipated legal expenses incurred by the Superior court action.
- As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,621,729, a decrease of \$18,538 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balances for the general fund was \$1,577,392. The change in fund balance for the general fund was a decrease of \$18,906 for the fiscal year. The District Board and Administration are working diligently to enhance the financial position of the organization while still providing a high level of service to the community it serves.
- The total long-term liabilities of the District increased by a net amount of \$302,141. Increases in the District's actuarially determined net pension/OPEB liability of \$676,237 contributed to this increase. There was no new debt issued in the current year.

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 25)* presents information of all District's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the difference 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 26)* 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.

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 maintains three individual government funds: the General Fund, the Capital Projects Fund, and the Debt Service Fund. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds, all of which are considered to be major funds of the District; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB). There are no non-major governmental funds.

The District adopts an annual appropriated budget to levy taxes and provide for its general fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget and is presented on page 63.

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 \$2,104,998 at the close of the 2020 fiscal year.

By far, the largest portion of net position of the District, \$4,157,702, reflects the District's investment in capital assets (land, buildings and improvements, fire equipment and vehicles), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be liquidated to service these liabilities.

The remaining balance of unrestricted net position, \$(2,052,704), 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 2020, 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 \$6,720,480. 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 \$4,098. 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 and Medical District
Condensed Statement of Net Position
As of June 30, 2020 and 2019

	Governmental Activities		Increase (decrease)
	2020	2019	
Cash and investments	\$ 1,768,146	\$ 1,945,981	\$ (177,835)
Other assets	921,377	732,059	189,318
Capital assets	9,115,893	9,706,419	(590,526)
Total assets	<u>11,805,416</u>	<u>12,384,459</u>	<u>(579,043)</u>
Total deferred outflows	<u>3,731,786</u>	<u>3,329,824</u>	<u>401,962</u>
Other liabilities	524,047	651,473	(127,426)
Long-term liabilities	<u>12,294,241</u>	<u>11,992,100</u>	<u>302,141</u>
Total liabilities	<u>12,818,288</u>	<u>12,643,573</u>	<u>174,715</u>
Total deferred inflows	<u>613,916</u>	<u>702,621</u>	<u>(88,705)</u>
Net investment in capital assets	4,157,702	4,259,336	(101,634)
Unrestricted	<u>(2,052,704)</u>	<u>(1,891,247)</u>	<u>(161,457)</u>
Total net position	<u>\$ 2,104,998</u>	<u>\$ 2,368,089</u>	<u>\$ (263,091)</u>

Statement of Activities – The net position of the District from governmental activities decreased \$263,091. Key elements of this increase are as follows:

- Net investment in capital assets decreased by \$101,634 primarily due to the acquisition of new capital assets.
- Property taxes increased by \$744,088 as a result of an increase in assessed valuation.
- Charges for services revenue represented a slight increase of about \$237,888, which includes both ambulance revenue and wildland fire revenue.

- Expenses for the District increased about \$201,454 from the prior year, due mainly to legal fees related to the Superior court action.
- Pension expense for the year ending June 30, 2020 was \$1,302,711, compared with \$1,213,850 in the year ending June 30, 2019.

The following table presents a comparative summary of the District's revenues and expenses for the current and preceding fiscal years.

Timber Mesa Fire and Medical District
Condensed Statement of Activities
For the Years Ended June 30, 2020 and 2019

	Governmental Activities		Increase (decrease)
	2020	2019	
Program revenues:			
Charges for services	\$ 2,327,978	\$ 2,090,090	\$ 237,888
Capital grants and contributions	13,308	333,948	(320,640)
General revenues:			
Property taxes	8,750,112	8,006,024	744,088
Fire District Assistance Tax	473,018	465,107	7,911
Investment earnings	26,511	25,615	896
Miscellaneous	<u>103,029</u>	<u>228,130</u>	<u>(125,101)</u>
Total revenues	<u>11,693,956</u>	<u>11,148,914</u>	<u>545,042</u>
Expenses:			
Public safety	11,810,992	11,597,538	213,454
Interest on long-term debt	<u>146,055</u>	<u>158,055</u>	<u>(12,000)</u>
Total expenses	<u>11,957,047</u>	<u>11,755,593</u>	<u>201,454</u>
Change in net position	(263,091)	(606,679)	343,588
Beginning net position, restated	<u>2,368,089</u>	<u>2,974,768</u>	<u>(606,679)</u>
Ending net position	<u>\$ 2,104,998</u>	<u>\$ 2,368,089</u>	<u>\$ (263,091)</u>

DISTRICT FUNDS FINANCIAL ANALYSIS

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

Governmental Funds - The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the District's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Governing Board.

At June 30, 2020, the governmental funds of the District reported a combined fund balance of \$1,621,729.

General Fund - The general fund accounts for all of the financial resources of the District, which are not accounted for in any other fund. As of June 30, 2020, total fund balance was \$1,602,767, of which \$25,375 was nonspendable because of prepaid items and \$1,577,392 was unassigned for financial reporting purposes. Total General Fund balance decreased by \$18,906 due to an increase in public safety retirement costs.

Capital Projects Fund - The capital projects fund accounts for the accumulation of resources for future construction costs for new and existing facilities and for the purchase of large fire apparatus. As of June 30, 2020, the ending fund balance in the Capital Projects fund was \$18,962.

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

Timber Mesa Fire and Medical District
Governmental Funds – Fund Balances
As of June 30, 2020 and 2019

Major funds	June 30, 2020		June 30, 2019	
	Amount	%	Amount	%
General	\$ 1,602,767	98.8 %	\$ 1,621,673	98.9 %
Capital	18,962	1.2	18,594	1.1
Total fund balance	\$ 1,621,729	100.0 %	\$ 1,640,267	100.0 %

BUDGETARY HIGHLIGHTS

There were some variances of note for the fiscal year.

Revenues were under budget by \$444,941, primarily due lower than expected collections for ambulance response and medical billing.

Expenses were under budget by \$584,617 mainly due to management of operational and administration fees during the fiscal year.

Timber Mesa Fire and Medical District
Condensed Budget to Actual - General Fund
As of June 30, 2020

	Budget	Actual	Variance with budget
Total revenues	\$ 12,062,867	\$ 11,617,926	\$ (444,941)
Total expenditures	<u>12,062,867</u>	<u>11,478,250</u>	<u>(584,617)</u>
Revenue under expenditures	<u>-</u>	<u>139,676</u>	<u>139,676</u>
Total other financing sources (uses)	<u>-</u>	<u>(158,582)</u>	<u>(158,582)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (18,906)</u>	<u>\$ (18,906)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2020 totaled \$9,115,893 (net of accumulated depreciation). These assets include land, construction in progress, buildings and improvements, fire equipment, and vehicles.

During the year, the District purchased or placed in service capital assets of \$631,452. This included a fire engine, a UTV that provides rapid deployment of emergency services in difficult terrain and related emergency equipment.

The District depreciates capital assets, except for land and construction in progress, consistent with generally accepted accounting principles, utilizing the straight-line depreciation method. The cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Major outlays for capital assets and improvements are capitalized as projects are completed and placed into service. Additional information on the District's capital assets can be found in the notes to the financial statements at page 43 of this report.

Timber Mesa Fire and Medical District
Capital Assets (net of depreciation)
As of June 30, 2020 and 2019

	Governmental Activities		Increase (decrease)
	2020	2019	
Land and buildings	\$ 9,298,544	\$ 9,290,209	\$ 8,335
Fire equipment	1,869,533	1,799,336	70,197
Vehicles	5,630,101	5,550,419	79,682
Accumulated depreciation	<u>(7,682,285)</u>	<u>(6,933,545)</u>	<u>(748,740)</u>
	<u>\$ 9,115,893</u>	<u>\$ 9,706,419</u>	<u>\$ (590,526)</u>

Long Term Liabilities

At the end of the current fiscal year, the District had approximately \$12 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, 2020, the District had total long-term debt (capital leases) outstanding of \$4,958,191. This debt currently requires annual debt service payments that consist of principal and interest of approximately \$635,000. All debt is backed by the full faith and credit of the District. The District has adequate funding capacity to support the continued debt services obligations.

In accordance with GASB Statements No. 68 and 75, the District is required to include the net pension/OPEB liability (asset) on the financial statements. The net pension/OPEB liability is measured as the total pension/OPEB liability, less the plan's fiduciary net position. Relating to the District's participation in the Public Safety Personnel Retirement System (PSPRS), a net pension liability is recorded at June 30, 2020 of \$5,819,763 and a net OPEB asset of \$(65,912). Relating to the District's participation in the Arizona State Retirement System (ASRS), a net pension liability is recorded at June 30, 2020 of \$900,717 and a net OPEB asset for health insurance premium OPEB plan of \$(1,755) and a net OPEB liability for the long-term disability OPEB plan of \$4,098.

The following table shows the District's Long-term Liabilities:

Timber Mesa Fire and Medical District
Long-term Liabilities
As of June 30, 2020 and 2019

	Governmental Activities		Increase (decrease)
	2020	2019	
Compensated absences	\$ 611,472	\$ 496,056	\$ 115,416
Capital leases	4,958,191	5,447,083	(488,892)
Net pension/OPEB liability	<u>6,724,578</u>	<u>6,048,961</u>	<u>675,617</u>
Total noncurrent liabilities	<u>\$ 12,294,241</u>	<u>\$ 11,992,100</u>	<u>\$ 302,141</u>

Additional information regarding the long-term debt and noncurrent liabilities of the District can be found in the notes to the financial statements at pages 44 - 45 of this report.

ECONOMIC FACTORS AND FY 2021 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 2021 the District realized a 7.30% increase in assessed value and increased its tax rate to \$2.9964 to ensure funding to financial reserves.

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, 2020

	<u>Governmental activities</u>
Assets:	
Cash and investments	\$ 1,768,146
Receivables:	
Property taxes, net	335,894
Ambulance, net	325,396
Other	155,375
Prepaid items	25,375
Capital assets, not depreciated	602,412
Capital assets, depreciated, net	8,513,481
Net pension/OPEB asset	<u>79,337</u>
Total assets	<u>11,805,416</u>
Deferred outflows of resources:	
Deferred outflows related to pensions/OPEB	<u>3,731,786</u>
	<u>3,731,786</u>
Liabilities:	
Accounts payable	305,361
Accrued payroll and related benefits	199,874
Accrued interest	18,812
Noncurrent liabilities:	
Due within one year	868,130
Due in more than one year	<u>11,426,111</u>
Total liabilities	<u>12,818,288</u>
Deferred inflows of resources:	
Deferred inflows related to pensions/OPEB	<u>613,916</u>
	<u>613,916</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	4,157,702
Unrestricted	<u>(2,052,704)</u>
Total net position	<u>\$ 2,104,998</u>

See notes to financial statements.

TIMBER MESA FIRE AND MEDICAL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<u>Governmental activities</u>
Expenses:	
Public safety:	
Communications	\$ 335,274
Depreciation	748,740
Insurance	124,895
Managerial	397,651
Meetings and training	112,158
Other	4,227
Payroll taxes and employee benefits	2,656,329
Salaries and wages	6,585,628
Utilities and station	187,881
Vehicles and equipment	658,209
Interest	<u>146,055</u>
Total program expenses	<u>11,957,047</u>
Program revenues:	
Charges for services	2,327,978
Capital grants and contributions	<u>13,308</u>
Total program revenues	<u>2,341,286</u>
Net program expense	<u>9,615,761</u>
General revenues:	
Property taxes	8,750,112
Fire district assistance tax	473,018
Investment earnings	26,511
Other	<u>103,029</u>
Total general revenues	<u>9,352,670</u>
Change in net position	(263,091)
Net position, beginning of year	<u>2,368,089</u>
Net position, end	<u><u>\$ 2,104,998</u></u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Assets:			
Cash and investments	\$ 1,749,184	\$ 18,962	\$ 1,768,146
Receivables:			
Property taxes, net	335,894	-	335,894
Ambulance, net	325,396	-	325,396
Other	155,375	-	155,375
Prepaid items	<u>25,375</u>	<u>-</u>	<u>25,375</u>
Total assets	<u>\$ 2,591,224</u>	<u>\$ 18,962</u>	<u>\$ 2,610,186</u>
Liabilities:			
Accounts payable	\$ 305,361	\$ -	\$ 305,361
Accrued payroll and related benefits	<u>199,874</u>	<u>-</u>	<u>199,874</u>
Total liabilities	<u>505,235</u>	<u>-</u>	<u>505,235</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	216,479	-	216,479
Unavailable revenue - ambulance	170,083	-	170,083
Unavailable revenue - wildland	<u>96,660</u>	<u>-</u>	<u>96,660</u>
Total deferred inflows of resources	<u>483,222</u>	<u>-</u>	<u>483,222</u>
Fund balance:			
Nonspendable:			
Prepaid items	25,375	-	25,375
Committed to:			
Capital projects	-	18,962	18,962
Unassigned	<u>1,577,392</u>	<u>-</u>	<u>1,577,392</u>
Total fund balance	<u>1,602,767</u>	<u>18,962</u>	<u>1,621,729</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,591,224</u>	<u>\$ 18,962</u>	<u>\$ 2,610,186</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

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

JUNE 30, 2020

Total fund balances - governmental funds	\$	1,621,729
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.		9,115,893
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.		483,222
Net pension/OPEB assets held in trust for future benefits are not available for District operations and, therefore, are not reported in the funds.		79,337
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued interest		(18,812)
Accrued compensated absences		(611,472)
Capital leases payable		(4,958,191)
Net pension/OPEB liability		(6,724,578)
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		3,731,786
Deferred inflows of resources related to pensions/OPEB		<u>(613,916)</u>
Net position of governmental activities	\$	<u>2,104,998</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

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

YEAR ENDED JUNE 30, 2020

	General fund	Capital projects	Total governmental funds
Revenues:			
Property taxes	\$ 8,769,747	\$ -	\$ 8,769,747
Fire district assistance tax	473,018	-	473,018
Grants and contributions	13,308	-	13,308
Charges for services	2,232,313	-	2,232,313
Investment earnings	26,511	-	26,511
Other	103,029	-	103,029
Total revenues	11,617,926	-	11,617,926
Expenditures:			
Public safety:			
Emergency operations	8,287,289	-	8,287,289
Administration	2,551,633	-	2,551,633
Capital outlay:			
Buildings and improvements	-	8,335	8,335
Fire equipment	-	70,197	70,197
Vehicles	-	79,682	79,682
Debt service:			
Principal	488,892	-	488,892
Interest	150,436	-	150,436
Total expenditures	11,478,250	158,214	11,636,464
Revenues over (under) expenditures	139,676	(158,214)	(18,538)
Other financing sources (uses):			
Transfers in (out)	(158,582)	158,582	-
Total other financing sources (uses)	(158,582)	158,582	-
Net change in fund balances	(18,906)	368	(18,538)
Fund balances, beginning	1,621,673	18,594	1,640,267
Fund balances, end	\$ 1,602,767	\$ 18,962	\$ 1,621,729

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, 2020

Net change in fund balances - governmental funds	\$	(18,538)
<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 year, these amounts are:</p>		
Capital outlay		158,214
Depreciation expense		(748,740)
<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>		
		76,030
<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		1,194,797
Pension/OPEB expense		(1,302,711)
<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>		
		4,381
<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>		
Increase in compensated absences		(115,416)
<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>		
Principal paid		<u>488,892</u>
Change in net position of governmental activities	\$	<u>(263,091)</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	<u>Pension Trust Funds</u>
Assets:	
Cash and cash equivalents	\$ 142,006
Investments	<u>23,837</u>
Total assets	<u>165,843</u>
Net position restricted for pensions	<u>\$ 165,843</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020

	<u>Pension Trust Funds</u>
Additions:	
Investment income	\$ <u>492</u>
Total additions	<u>492</u>
Deductions:	
Investment expense	<u>1,761</u>
Total deductions	<u>1,761</u>
Change in net position restricted for pensions	(1,269)
Net position restricted for pensions, beginning	<u>167,112</u>
Net position restricted for pensions, end	<u>\$ <u>165,843</u></u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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).

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.

On October 30, 2018, the District consolidated with a separate neighboring fire district, White Mountain Lake Fire District in order to provide financial stability to that area and greater coordination of resources throughout the region. The 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, the White Mountain Lake Fire District's Board of Directors was dissolved. GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, required that the District assume all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position on the basis of the carrying values reported in the statement of net position of White Mountain Lake Fire District as of the beginning of the reporting period.

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.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

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

Government-wide and fund financial statements (continued):

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

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.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

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

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

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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 and assumptions.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

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

Cash and investments:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the County Treasurer's local government investment pool and highly liquid investments with a maturity of three months or less when purchased. Investments are stated at fair value.

Investment earnings are comprised primarily of interest earnings.

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.

Receivables, unearned revenue and deferred inflows of resources:

All accounts and property tax receivables are shown net of an allowance for doubtful accounts, if any. 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 in the fund financial statements.

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 in the fund financial statements.

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 at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

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

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.

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.

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

YEAR ENDED JUNE 30, 2020

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

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.

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. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

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

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.

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. Cash and investments:

Deposits:

Operating accounts	\$ 820,968
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Investments:

Navajo County Treasurer investment pool	928,216
Navajo County Treasurer investment pool - segregated for capital outlay	<u>18,962</u>
	<u>\$ 1,768,146</u>

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.

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

YEAR ENDED JUNE 30, 2020

2. Cash and investments (continued):

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, 2020, deposits with financial institutions have a carrying value \$820,968 and a bank balance of \$818,676. The difference represents deposits in transit, outstanding checks, and other reconciling items at the year-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 3.

The District's investments at June 30, 2020 were as follows:

	Rating	Rating Agency	Amount
Navajo County Treasurer's investment pool	Unrated	Not applicable	\$ 947,178

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.

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.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

2. Cash and investments (continued):

Investments (continued):

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 unless the investment is denominated in the United States dollars.

3. Fair value:

The District measures and categorizes its investments using fair value measurement guidelines established by GAAP. 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.

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.

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

YEAR ENDED JUNE 30, 2020

3. Fair value (continued):

At June 30, 2020, the fair value of investments measured on a recurring basis is as follows:

	<u>Fair value</u>	Other investments at fair value	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
External investment pools:					
Navajo County Treasurer	\$ 928,216	\$ 928,216	\$ -	\$ -	\$ -
Navajo County Treasurer - segregated for capital outlay	<u>18,962</u>	<u>18,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 947,178</u>	<u>\$ 947,178</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.

4. 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, 2020, the general fund transferred \$158,582 to the capital projects fund.

5. Receivables:

Property taxes	\$ 335,894
Ambulance receivables	774,753
Other	<u>155,375</u>
	1,266,022
Less allowance for doubtful accounts and contractual adjustments	<u>449,357</u>
	<u>\$ 816,665</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

6. Capital assets:

Capital asset activity for the period ended June 30, 2020 was as follows. The beginning balance has been restated to include the capital assets assumed with the consolidation of White Mountain Lake Fire District.

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not depreciated:				
Land	\$ 562,465	\$ -	\$ -	\$ 562,465
Construction in progress	-	8,335	-	8,335
Deposits on capital assets	<u>473,238</u>	<u>31,612</u>	<u>(473,238)</u>	<u>31,612</u>
Total capital assets, not depreciated	<u>1,035,703</u>	<u>39,947</u>	<u>(473,238)</u>	<u>602,412</u>
Capital assets, depreciated:				
Buildings and improvements	8,727,744	-	-	8,727,744
Fire equipment	1,799,336	70,197	-	1,869,533
Vehicles	<u>5,077,181</u>	<u>521,308</u>	<u>-</u>	<u>5,598,489</u>
Total capital assets, depreciated	<u>15,604,261</u>	<u>591,505</u>	<u>-</u>	<u>16,195,766</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,057,590)	(267,317)	-	(2,324,907)
Fire equipment	(1,421,388)	(114,815)	-	(1,536,203)
Vehicles	<u>(3,454,567)</u>	<u>(366,608)</u>	<u>-</u>	<u>(3,821,175)</u>
Total accumulated depreciation	<u>(6,933,545)</u>	<u>(748,740)</u>	<u>-</u>	<u>(7,682,285)</u>
Total capital assets, depreciated, net	<u>8,670,716</u>	<u>(157,235)</u>	<u>-</u>	<u>8,513,481</u>
Total capital assets, net	<u>\$ 9,706,419</u>	<u>\$ (117,288)</u>	<u>\$ (473,238)</u>	<u>\$ 9,115,893</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

7. 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>1,209,758</u>
	5,420,251
Less accumulated depreciation	<u>1,450,974</u>
	<u>\$ 3,969,277</u>

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

	Year ending <u>June 30,</u>	
	2021	\$ 635,156
	2022	635,156
	2023	635,156
	2024	446,830
	2025	336,586
	2026 - 2030	1,572,259
	2031 - 2035	1,406,251
	2036 - 2040	<u>344,060</u>
Total minimum lease payments		6,011,454
Less amount representing interest		<u>1,053,263</u>
Net present value of minimum lease payments		4,958,191
Less current portion		<u>501,130</u>
		<u>\$ 4,457,061</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

8. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the period ended June 30, 2020 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Compensated absences	\$ 496,056	\$ 363,695	\$ (248,279)	\$ 611,472	\$ 367,000
Capital leases	5,447,083	-	(488,892)	4,958,191	501,130
Net pension liability	6,044,243	676,237	-	6,720,480	-
Net OPEB liability	4,718	-	(620)	4,098	-
	<u>\$ 11,992,100</u>	<u>\$ 1,039,932</u>	<u>\$ (737,791)</u>	<u>\$ 12,294,241</u>	<u>\$ 868,130</u>

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

9. Line of credit:

The Board of Supervisors of Navajo County, on behalf of the District, established a line of credit in the amount of \$2,000,000 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 2021. The balance on the line at the beginning and end of the period was \$0.

10. 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.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

11. 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.

COVID-19:

The COVID-19 outbreak in the United States has caused business disruption. The extent of the COVID-19 impact on operational and financial performance will depend on certain developments, including duration and spread of the outbreak, impact on District residents, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial statements is uncertain.

12. 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, 2020, the District reported on the Statement of 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:

	<u>Governmental Activities</u>
Net pension and OPEB assets	\$ 79,337
Net pension and OPEB liabilities	6,724,578
Deferred outflows of resources related to pensions and OPEB	3,731,786
Deferred inflows of resources related to pensions and OPEB	613,916
Pension and OPEB expense	1,302,711

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

YEAR ENDED JUNE 30, 2020

12. Pension and other postemployment benefits (continued):

The District's accrued payroll and related benefits includes \$73,329 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2020.

The District reported \$1,194,797 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:

	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%

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.

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

YEAR ENDED JUNE 30, 2020

12. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

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 \$100 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.

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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11% (11.94% for retirement and 0.17% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.11% (11.45% for retirement, 0.49% for health insurance premium benefit, and 0.17% 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, 2020, were \$75,558, \$3,233, and \$1,122. During fiscal year 2020, the District paid for the ASRS pension and OPEB contributions from the general fund.

Liability - At June 30, 2020, 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	900,717
Health insurance premium benefit	(1,755)
Long-term disability	4,098

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

YEAR ENDED JUNE 30, 2020

12. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

The net asset and net liabilities were measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. 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, 2019. The District's proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018 were:

	<u>Proportion June 30, 2019</u>	<u>Increase (decrease) from June 30, 2018</u>
Pension	0.00619 %	(0.00008)
Health insurance premium benefit	0.00635 %	(0.00004)
Long-term disability	0.00629 %	-

Pension/OPEB expense - For the year ended June 30, 2020, the District recognized the following pension and OPEB expense:

	<u>Pension/OPEB expense</u>
Pension	164,926
Health insurance premium benefit	2,197
Long-term disability	1,319

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

12. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

Deferred outflows/inflows of resources - At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit		Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 16,272	\$ 169	\$ -	\$ 2,098	\$ 484	\$ -
Net difference between projected and actual earnings on pension plan investments	-	20,245	-	2,282	-	87
Changes in assumptions	3,807	35,868	3,451	-	613	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,742	11,528	-	8	-	25
Contributions subsequent to the measurement date	<u>75,558</u>	<u>-</u>	<u>3,233</u>	<u>-</u>	<u>1,122</u>	<u>-</u>
	<u>\$ 111,379</u>	<u>\$ 67,810</u>	<u>\$ 6,684</u>	<u>\$ 4,388</u>	<u>\$ 2,219</u>	<u>\$ 112</u>

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

YEAR ENDED JUNE 30, 2020

12. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

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, 2021. 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>	<u>Pension</u>	<u>Health insurance premium benefit</u>	<u>Long-term disability</u>
2021	\$ (5,819)	\$ (764)	\$ 95
2022	(27,704)	(762)	94
2023	(3,888)	213	180
2024	5,422	426	195
2025	-	(50)	163
Thereafter	-	-	258
	<u>\$ (31,989)</u>	<u>\$ (937)</u>	<u>\$ 985</u>

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7% - 7.2% for pensions/ not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pension/ not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

YEAR ENDED JUNE 30, 2020

12. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

The long-term expected rate of return on ASRS plan investments was determined to be 7.5% 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 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>
Equity	50 %	6.09 %
Credit	20 %	5.36 %
Interest rate sensitive bonds	10 %	1.62 %
Real estate	20 %	5.85 %
	<u>100 %</u>	

Discount rate - The discount rate used to measure the ASRS total pension/OPEB (asset) liability was 7.5%. 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 7.5%, as well as what the District's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

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

YEAR ENDED JUNE 30, 2020

12. Pension and other postemployment benefits (continued):

Arizona State Retirement System (ASRS) (continued):

	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
Net pension liability	\$ 1,281,929	\$ 900,717	\$ 582,122
Net insurance premium benefit liability (asset)	\$ 8,889	\$ (1,755)	\$ (10,824)
Net long-term disability liability	\$ 4,535	\$ 4,098	\$ 3,674

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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. 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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool), which are not further disclosed because of their relative insignificance to the District's financial statements.

The PSPRS issues a publicly available financial report that include financial statements and required supplementary information. The reports is available on the PSPRS website at www.psprs.com.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

12. 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	On or after 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	15 years of credited service, age 52.5, 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 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, 2020

12. 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. 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 \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms - At June 30, 2020, the following employees were covered by the agent pension plan benefit terms:

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	6	6
Inactive employees entitled to but not yet receiving benefits	4	-
Active employees	63	63
	73	69

Contributions - 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. Contribution rates are a percentage of active members’ annual covered payroll.

Active members - pension	7.65% - 11.65%
District:	
Pension	19.86 %
Health insurance	0.33 %

In addition, the District is required to contribute at the actuarially determined rate of 5.47% 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 and of employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the District’s required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

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

YEAR ENDED JUNE 30, 2020

12. 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, 2020 were \$1,040,441, and contributions to the OPEB plan were \$17,288. During fiscal year 2020, the District paid for the pension and OPEB contributions from the general fund.

Liability (asset) - At June 30, 2020, the District reported net pension liability of \$5,819,763 and a net OPEB liability (asset) of \$(65,912). The net liabilities were measured as of June 30, 2019 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, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4% to 7.3% and update the mortality rates.

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

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pension/not applicable for OPEB
Price inflation	2.5% for pension/not applicable for OPEB
Cost-of-living adjustment	1.75% for pension/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019 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 7.3% 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, 2020

12. 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 %	4.75 %
Private credit	16 %	5.36 %
Non-U.S. equity	14 %	5.00 %
Private equity	12 %	8.40 %
GTS	12 %	4.01 %
Real estate	10 %	4.50 %
Real assets	9 %	6.75 %
Fixed income	5 %	3.00 %
Risk parity	4 %	4.01 %
Short-term investments	2 %	0.25 %
	<u>100 %</u>	

Discount rate - At June 30, 2019, the discount rate used to measure the total pension/OPEB liability was 7.30%, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the 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 plan's 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, 2020

12. 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, 2019	\$ 20,297,913	\$ 15,128,114	\$ 5,169,799
Adjustment to beginning of year	-	(5,177)	5,177
Changes for the year:			
Service cost	1,124,509	-	1,124,509
Interest on the total pension liability	1,565,178	-	1,565,178
Differences between expected and actual experience in the measurement of the pension liability	(440,112)	-	(440,112)
Changes of assumptions or other inputs	664,775	-	664,775
Contributions - employer	-	1,016,092	(1,016,092)
Contributions - employee	-	433,247	(433,247)
Net investment income	-	835,742	(835,742)
Benefit payments, including refunds of employee contributions	(542,745)	(542,745)	-
Administrative expense	<u> </u>	<u>(15,518)</u>	<u>15,518</u>
Net changes	<u>2,371,605</u>	<u>1,726,818</u>	<u>644,787</u>
Balances at June 30, 2020	<u>\$ 22,669,518</u>	<u>\$ 16,849,755</u>	<u>\$ 5,819,763</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

12. 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, 2019	\$ 422,714	\$ 421,283	\$ 1,431
Adjustment to beginning of year	-	5,177	(5,177)
Changes for the year:			
Service cost	15,852	-	15,852
Interest on the total OPEB liability	32,387	-	32,387
Differences between expected and actual experience in the measurement of the OPEB liability	(77,730)	-	(77,730)
Changes of assumptions or other inputs	7,877	-	7,877
Contributions - employer	-	17,733	(17,733)
Net investment income	-	23,220	(23,220)
Benefit payments, including refunds of employee contributions	(1,800)	(1,800)	-
Administrative expense	<u> -</u>	<u> (401)</u>	<u> 401</u>
Net changes	<u> (23,414)</u>	<u> 38,752</u>	<u> (62,166)</u>
Balances at June 30, 2020	<u>\$ 399,300</u>	<u>\$ 465,212</u>	<u>\$ (65,912)</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) liabilities 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 (6.3%) or 1 percentage point higher (8.3%) than the current rate:

	1% decrease (6.3%)	Current discount rate (7.3%)	1% increase (8.3%)
	<u> </u>	<u> </u>	<u> </u>
District's net pension liability	\$ 9,907,450	\$ 5,819,763	\$ 2,561,441
District's net OPEB liability (asset)	\$ (7,946)	\$ (65,912)	\$ (114,178)

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, 2020

12. Pension and other postemployment benefits (continued):

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

Expense - For the year ended June 30, 2020, the District recognized pension expense for PSPRS of \$1,169,648 and OPEB expense of \$1,109.

Deferred outflows/inflows of resources - At June 30, 2020, 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	\$ 578,187	\$ 420,124	\$ -	\$ 105,517
Changes in assumptions	1,633,576	-	7,092	12,205
Net difference between projected and actual earnings on plan investments	249,236	-	2,169	-
Contributions subsequent to the measurement date	<u>1,040,441</u>	<u>-</u>	<u>17,288</u>	<u>-</u>
	<u><u>\$ 3,501,440</u></u>	<u><u>\$ 420,124</u></u>	<u><u>\$ 26,549</u></u>	<u><u>\$ 117,722</u></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, 2021. 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
2021	\$ 378,475	\$ (13,403)
2022	214,492	(13,405)
2023	319,503	(10,559)
2024	305,534	(10,904)
2025	242,192	(12,610)
Thereafter	<u>580,679</u>	<u>(47,580)</u>
	<u><u>\$ 2,040,875</u></u>	<u><u>\$ (108,461)</u></u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

13. 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.

14. Subsequent event:

In October 2020, the District entered into an agreement to purchase a Certificate of Necessity (CON) relating to providing emergency medical services and ambulance transportation from an unrelated third party for \$500,000. The purchase is pending approval by the Arizona Department of Health Services.

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, 2020

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 8,762,921	\$ 8,762,921	\$ 8,769,747	\$ 6,826
Fire district assistance tax	472,696	472,696	473,018	322
Grants and contributions	100,000	100,000	13,308	(86,692)
Charges for services	2,585,000	2,585,000	2,232,313	(352,687)
Investment earnings	20,750	20,750	26,511	5,761
Other	<u>121,500</u>	<u>121,500</u>	<u>103,029</u>	<u>(18,471)</u>
Total revenues	<u>12,062,867</u>	<u>12,062,867</u>	<u>11,617,926</u>	<u>(444,941)</u>
Expenditures:				
Public safety:				
Emergency operations	8,632,289	8,632,289	8,287,289	(345,000)
Administration	2,799,866	2,799,866	2,551,633	(248,233)
Debt service	<u>630,712</u>	<u>630,712</u>	<u>639,328</u>	<u>8,616</u>
Total expenditures	<u>12,062,867</u>	<u>12,062,867</u>	<u>11,478,250</u>	<u>(584,617)</u>
Revenues over expenditures	-	-	139,676	139,676
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(158,582)</u>	<u>(158,582)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(158,582)</u>	<u>(158,582)</u>
Net change in fund balance	-	-	(18,906)	(18,906)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>1,621,673</u>	<u>1,621,673</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,602,767</u>	<u>\$ 1,602,767</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

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

YEAR ENDED JUNE 30, 2020

ASRS Pension (schedule to be built prospectively from 2015; 2014 - 2011 information not available)

Reporting date (Measurement date)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)
District's proportion of the net pension liability	0.006190 %	0.006270 %	0.006340 %	0.004790 %	0.004590 %	0.002283 %	- %	- %	- %	- %
District's proportionate share of the net pension liability	\$ 900,717	\$ 874,444	\$ 987,648	\$ 773,154	\$ 714,460	\$ 337,767	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 639,209	\$ 614,771	\$ 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	141 %	142 %	219 %	182 %	353 %	183 %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total pension liability	73 %	73 %	70 %	67 %	68 %	69 %	- %	- %	- %	- %

ASRS Health insurance premium benefit (schedule to be built prospectively from 2018; 2017 - 2011 information not available)

Reporting date (Measurement date)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)
District's proportion of the net OPEB (asset)	0.006350 %	0.006390 %	0.006340 %	- %	- %	- %	- %	- %	- %	- %
District's proportionate share of the net OPEB (asset)	\$ (1,755)	\$ (2,301)	\$ (3,500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 639,209	\$ 614,771	\$ 451,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	(0.27)%	(0.37)%	(0.77)%	- %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total OPEB (asset)	102 %	102 %	104 %	- %	- %	- %	- %	- %	- %	- %

See accompanying notes to required supplementary information

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, 2020

ASRS Long-term disability (schedule to be built prospectively from 2018; 2017 - 2011 information not available)

Reporting date (Measurement date)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)
District's proportion of the net OPEB liability	0.006290 %	0.006290 %	0.006370 %	- %	- %	- %	- %	- %	- %	- %
District's proportionate share of the net OPEB liability	\$ 4,098	\$ 3,287	\$ 2,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 639,209	\$ 614,771	\$ 451,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.64 %	0.53 %	0.51 %	- %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total OPEB liability	78 %	78 %	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, 2020

(schedule to be built prospectively from 2015; 2014 - 2011 information not available)

Reporting date (Measurement date)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)
Total pension liability										
Service cost	\$ 1,124,509	\$ 1,063,071	\$ 1,041,409	\$ 840,308	\$ 774,187	\$ 770,228	\$ -	\$ -	\$ -	\$ -
Interest	1,565,178	1,370,967	1,187,356	907,545	855,470	728,385	-	-	-	-
Benefit changes	-	-	254,688	1,457,993	-	25,804	-	-	-	-
Difference between expected and actual experience	(440,112)	173,738	106,044	561,388	(691,884)	(52,069)	-	-	-	-
Assumption changes	664,775	-	558,357	703,722	-	376,185	-	-	-	-
Benefit payments, including refunds of employee contributions	(542,745)	(609,813)	(317,221)	(285,139)	(329,770)	(133,428)	-	-	-	-
Net change in total pension liability	2,371,605	1,997,963	2,830,633	4,185,817	608,003	1,715,105	-	-	-	-
Total pension liability, beginning	20,297,913	18,299,950	15,469,317	11,283,500	10,675,497	8,960,392	-	-	-	-
Total pension liability, ending (a)	\$ 22,669,518	\$ 20,297,913	\$ 18,299,950	\$ 15,469,317	\$ 11,283,500	\$ 10,675,497	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Adjustment to beginning of year	\$ (5,177)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employer	1,016,092	1,070,486	590,577	610,185	476,770	545,301	-	-	-	-
Contributions - employee	433,247	400,610	511,035	515,430	451,335	422,123	-	-	-	-
Pension plan net investment income	835,742	971,784	1,437,614	65,212	372,057	1,129,216	-	-	-	-
Benefit payments, including refunds of employee contributions	(542,745)	(609,813)	(317,221)	(285,139)	(329,770)	(133,428)	-	-	-	-
Hall/Parker settlement	-	(690,726)	-	-	-	-	-	-	-	-
Administrative expenses	(15,518)	(15,490)	(13,120)	(9,784)	(10,226)	-	-	-	-	-
Other	-	5,460	10,303	41,174	(7,371)	(10,756)	-	-	-	-
Net change in fiduciary net position	1,721,641	1,132,311	2,219,188	937,078	952,795	1,952,456	-	-	-	-
Plan fiduciary net position, beginning	15,128,114	13,995,803	11,776,615	10,839,537	9,886,742	7,934,286	-	-	-	-
Plan fiduciary net position, ending (b)	\$ 16,849,755	\$ 15,128,114	\$ 13,995,803	\$ 11,776,615	\$ 10,839,537	\$ 9,886,742	\$ -	\$ -	\$ -	\$ -
Net pension liability, ending (a) - (b)	\$ 5,819,763	\$ 5,169,799	\$ 4,304,147	\$ 3,692,702	\$ 443,963	\$ 788,755	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	74.33 %	74.53 %	76.48 %	76.13 %	96.07 %	92.61 %	- %	- %	- %	- %
Covered valuation payroll	\$ 5,043,650	\$ 5,642,856	\$ 4,541,687	\$ 4,356,185	\$ 3,870,372	\$ 3,922,070	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered valuation payroll	115.39 %	91.62 %	94.77 %	84.77 %	11.47 %	20.11 %	- %	- %	- %	- %

See accompanying notes to required supplementary information

TIMBER MESA FIRE AND MEDICAL DISTRICT

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

YEAR ENDED JUNE 30, 2020

(schedule to be built prospectively from 2018; 2017 - 2011 information not available)

Reporting date (Measurement date)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)
Total OPEB liability										
Service cost	\$ 15,852	\$ 16,813	\$ 15,896	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total OPEB liability	32,387	29,932	30,194	-	-	-	-	-	-	-
Benefit changes	-	-	1,237	-	-	-	-	-	-	-
Difference between expected and actual experience	(77,730)	(19,215)	(27,093)	-	-	-	-	-	-	-
Assumption changes	7,877	-	(16,462)	-	-	-	-	-	-	-
Benefit payments	(1,800)	(1,800)	(2,840)	-	-	-	-	-	-	-
Net change in total OPEB liability	(23,414)	25,730	932	-	-	-	-	-	-	-
Total OPEB liability, beginning	422,714	396,984	396,052	-	-	-	-	-	-	-
Total OPEB liability, ending (a)	\$ 399,300	\$ 422,714	\$ 396,984	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Adjustment to beginning of year	\$ 5,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employer	17,733	14,770	18,721	-	-	-	-	-	-	-
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Net investment income	23,220	26,996	39,311	-	-	-	-	-	-	-
Benefit payments	(1,800)	(1,800)	(2,840)	-	-	-	-	-	-	-
Administrative expenses	(401)	(411)	(348)	-	-	-	-	-	-	-
Other	-	1	-	-	-	-	-	-	-	-
Net change in fiduciary net position	43,929	39,556	54,844	-	-	-	-	-	-	-
Plan fiduciary net position, beginning	421,283	381,727	326,883	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	\$ 465,212	\$ 421,283	\$ 381,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ (65,912)	\$ 1,431	\$ 15,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total OPEB liability	116.51 %	99.66 %	96.16 %	- %	- %	- %	- %	- %	- %	- %
Covered valuation payroll	\$ 5,043,650	\$ 5,642,856	\$ 4,541,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a percentage of covered valuation payroll	(1.31)%	0.03 %	0.34 %	- %	- %	- %	- %	- %	- %	- %

See accompanying notes to required supplementary information

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

YEAR ENDED JUNE 30, 2020

ASRS Pension (schedule to be built prospectively from 2015; 2014 - 2011 information not available)

Reporting fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 75,558	\$ 73,016	\$ 67,010	\$ 48,705	\$ 46,007	\$ 22,018	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>75,558</u>	<u>73,016</u>	<u>67,010</u>	<u>48,705</u>	<u>46,007</u>	<u>22,018</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	\$ 612,249	\$ 639,209	\$ 614,771	\$ 451,809	\$ 424,027	\$ 202,185	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	12.34 %	11.42 %	10.90 %	10.78 %	10.85 %	10.89 %	- %	- %	- %	- %

ASRS Health insurance premium benefit (schedule to be built prospectively from 2018; 2017 - 2011 information not available)

Reporting fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 3,233	\$ 3,004	\$ 2,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>3,233</u>	<u>3,004</u>	<u>2,705</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	\$ 612,249	\$ 639,209	\$ 614,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.53 %	0.47 %	0.44 %	- %	- %	- %	- %	- %	- %	- %

ASRS Long-term disability (schedule to be built prospectively from 2018; 2017 - 2011 information not available)

Reporting fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 1,122	\$ 1,045	\$ 984	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>1,122</u>	<u>1,045</u>	<u>984</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	\$ 612,249	\$ 639,209	\$ 614,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.18 %	0.16 %	0.16 %	- %	- %	- %	- %	- %	- %	- %

See accompanying notes to required supplementary information

TIMBER MESA FIRE AND MEDICAL DISTRICT

SCHEDULE OF PENSION/OPEB CONTRIBUTIONS (CONTINUED)

YEAR ENDED JUNE 30, 2020

PSPRS Pension (schedule to be built prospectively from 2015; 2014 - 2011 information not available)

Reporting fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 1,040,441	\$ 1,045,614	\$ 933,082	\$ 610,185	\$ 476,770	\$ 545,301	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>1,040,441</u>	<u>1,045,614</u>	<u>242,356</u>	<u>610,185</u>	<u>476,770</u>	<u>545,301</u>	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 690,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,488,954	\$ 5,043,650	\$ 5,642,856	\$ 4,541,687	\$ 4,356,185	\$ 3,870,372	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	18.96 %	20.73 %	4.29 %	14.01 %	12.32 %	13.90 %	- %	- %	- %	- %

PSPRS Health (schedule to be built prospectively from 2018; 2017 - 2011 information not available)

Reporting fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 17,288	\$ 18,317	\$ 4,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>17,288</u>	<u>18,317</u>	<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	\$ 5,488,954	\$ 5,043,650	\$ 5,642,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.31 %	0.36 %	0.09 %	- %	- %	- %	- %	- %	- %	- %

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

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.

2. Pension and OPEB plan schedules:

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
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	19 years for unfunded, 20 years for overfunded
Asset valuation method	7 year smoothed market; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	PSPRS members with initial membership date before July 1, 2017: In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. PSPRS members with initial membership on or after July 1, 2017: 7%
Salary increase	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5%. 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%.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

YEAR ENDED JUNE 30, 2020

2. Pension and OPEB plan schedules (continued):

Actuarially determined contribution rates (continued):

Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. 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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

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 increased 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 on 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* and Report on Compliance with State of Arizona Regulatory Requirements

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, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2020.

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.

Beach Fleischman PC

Tucson, Arizona
November 23, 2020



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 - 2011 information not available)

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities										
Net investments in capital assets	\$ 4,157,702	\$ 4,259,336	\$ 4,066,259	\$ 3,925,410	\$ 3,830,436	\$ 3,768,360	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(2,052,704)	(1,891,247)	(1,739,701)	(65,683)	2,633,054	3,114,253	-	-	-	-
Total governmental activities net position	<u>\$ 2,104,998</u>	<u>\$ 2,368,089</u>	<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>

Source: District financial records.

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 - 2011 information not available)

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities:										
Public Safety	\$ 11,810,992	\$ 11,597,538	\$ 11,076,465	\$ 11,450,257	\$ 9,008,325	\$ 6,567,793	\$ -	\$ -	\$ -	\$ -
Interest	146,055	158,055	157,258	87,470	157,013	72,933	-	-	-	-
Total primary government expenses	<u>11,957,047</u>	<u>11,755,593</u>	<u>11,233,723</u>	<u>11,537,727</u>	<u>9,165,338</u>	<u>6,640,726</u>	-	-	-	-
Program revenues										
Governmental activities:										
Charges for services	2,327,978	2,090,090	1,689,332	1,358,247	1,239,532	508,134	-	-	-	-
Capital grants and contributions	13,308	333,948	2,459	-	5,982	37,695	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Total primary government revenues	<u>2,341,286</u>	<u>2,424,038</u>	<u>1,691,791</u>	<u>1,358,247</u>	<u>1,245,514</u>	<u>545,829</u>	-	-	-	-
Total primary government net expenses	<u>(9,615,761)</u>	<u>(9,331,555)</u>	<u>(9,541,932)</u>	<u>(10,179,480)</u>	<u>(7,919,824)</u>	<u>(6,094,897)</u>	-	-	-	-
General revenues and other changes in net position										
Property taxes	8,750,112	8,006,024	7,759,831	7,216,046	6,898,288	5,765,711	-	-	-	-
Fire district assistance tax	473,018	465,107	446,983	439,280	400,000	379,631	-	-	-	-
Investment earnings	26,511	25,615	23,890	18,760	21,403	27,283	-	-	-	-
Other	103,029	91,128	60,365	126,610	60,760	53,910	-	-	-	-
Gain (loss) on sale of capital assets	-	137,002	(232,038)	452,455	70,250	87,810	-	-	-	-
Total primary government	<u>9,352,670</u>	<u>8,724,876</u>	<u>8,059,031</u>	<u>8,253,151</u>	<u>7,450,701</u>	<u>6,314,345</u>	-	-	-	-
Extraordinary item	-	-	-	(677,434)	-	-	-	-	-	-
Change in net position										
Total primary government	<u>\$ (263,091)</u>	<u>\$ (606,679)</u>	<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>

Source: District financial records.

TIMBER MESA FIRE AND MEDICAL DISTRICT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

(District was established in 2015 - schedule to be built prospectively from 2015; 2014 - 2011 information not available)

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General fund										
Nonspendable	\$ 25,375	\$ 32,850	\$ 28,007	\$ 173,856	\$ 100,561	\$ 26,437	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	220,414	-	-	-	-	-	-
Assigned	-	-	-	-	78,838	161,657	-	-	-	-
Unassigned	<u>1,577,392</u>	<u>1,588,823</u>	<u>1,645,531</u>	<u>1,790,939</u>	<u>3,280,319</u>	<u>3,833,047</u>	-	-	-	-
Total general fund	<u>\$ 1,602,767</u>	<u>\$ 1,621,673</u>	<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>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	18,962	18,594	18,935	3,250,400	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 18,962</u>	<u>\$ 18,594</u>	<u>\$ 18,935</u>	<u>\$ 3,250,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: District financial records.

TIMBER MESA FIRE AND MEDICAL DISTRICT

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS AND DEBT SERVICE RATIO

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(District was established in 2015 - schedule to be built prospectively from 2015; 2014 - 2011 information not available)

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Taxes	\$ 8,769,747	\$ 8,142,520	\$ 7,740,468	\$ 7,192,863	\$ 6,962,934	\$ 5,677,030	\$ -	\$ -	\$ -	\$ -
Fire district assistance tax	473,018	465,107	446,983	439,280	400,000	379,631	-	-	-	-
Grants and contributions	13,308	333,948	2,459	-	5,982	37,695	-	-	-	-
Charges for services	2,232,313	2,136,745	1,550,156	1,340,563	1,326,760	451,151	-	-	-	-
Investment earnings	26,511	25,615	23,890	18,760	21,403	27,283	-	-	-	-
Other	103,029	91,128	60,365	126,610	60,760	53,910	-	-	-	-
Total revenues	11,617,926	11,195,063	9,824,321	9,118,076	8,777,839	6,626,700	-	-	-	-
Expenditures										
Public Safety	10,838,922	10,816,222	9,883,972	9,283,895	8,627,541	6,316,678	-	-	-	-
Capital outlay	158,214	359,746	3,592,687	483,286	1,293,653	2,244,281	-	-	-	-
Debt service:										
Principal	488,892	476,975	426,694	324,788	178,561	773,758	-	-	-	-
Interest	150,436	160,416	153,342	83,001	159,757	72,603	-	-	-	-
Total expenditures	11,636,464	11,813,359	14,056,695	10,174,970	10,259,512	9,407,320	-	-	-	-
Revenues under expenditures	(18,538)	(618,296)	(4,232,374)	(1,056,894)	(1,481,673)	(2,780,620)	-	-	-	-
Other financing sources (uses)										
Proceeds from sale of capital assets	-	166,537	15,000	482,785	70,250	87,810	-	-	-	-
Issuance of capital lease obligations	-	-	473,238	2,550,000	2,061,168	1,700,000	-	-	-	-
Payment on refinanced capital leases	-	-	-	-	(1,261,168)	-	-	-	-	-
Total other financing sources (uses)	-	166,537	488,238	3,032,785	870,250	1,787,810	-	-	-	-
Special item	-	-	-	-	50,000	-	-	-	-	-
Net change in fund balances	\$ (18,538)	\$ (451,759)	\$ (3,744,136)	\$ 1,975,891	\$ (561,423)	\$ (992,810)	\$ -	\$ -	\$ -	\$ -
Debt service as a percentage of noncapital expenditures	5.57 %	5.56 %	5.54 %	4.21 %	3.77 %	11.82 %	- %	- %	- %	- %

Source: District financial records.

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 - 2011 information not available)

Fiscal year	Real property	Personal property	Public utility property	Total				Assessed value as a % of actual value
	Residential & commercial property	Assessed value	Assessed value	Less: Tax exempt real property	Taxable assessed value	Direct tax rate	Estimated real market value	
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- %
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	222,346,147	6,686,863	15,692,856	14,146,142	230,579,724	2.93	1,921,497,700	12
2016	227,891,747	6,439,217	14,131,373	13,454,424	235,007,913	2.85	2,136,436,673	11
2017	237,422,539	7,044,368	14,339,469	13,672,930	245,130,446	2.89	2,228,458,600	11
2018	259,409,779	6,886,569	14,843,063	13,450,403	267,689,008	3.00	2,419,192,315	11
2019	273,280,746	3,364,993	17,330,340	14,182,902	279,793,177	3.00	2,544,341,153	11
2020	307,019,702	4,101,936	19,491,677	14,965,475	315,647,840	2.98	2,882,667,226	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 - 2011 information not available)

Overlapping Rates

Fiscal year	Timber Mesa Fire and Medical District	Overlapping Rates						Total direct and overlapping rates
	Navajo County	Show Low Unified School District	Blue Ridge Unified School District	City of Show Low Street Light District	Pinetop-Lakeside Sanitary District	Show Low Bluff Community Facilities District		
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	2.9286	2.9884	3.7136	5.2569	0.1291	0.2890	3.5500	18.8556
2016	2.8488	3.0894	4.2625	5.2154	0.1401	0.2890	3.5500	19.3952
2017	2.8901	3.1365	4.7800	5.4904	0.1401	0.2795	3.5500	20.2666
2018	2.9997	3.9145	4.2377	6.1809	0.1401	0.2727	3.5500	21.2956
2019	2.9997	3.9128	4.5940	6.0160	0.1401	0.2642	3.5500	21.4768
2020	2.9789	3.8707	4.6385	5.9954	0.1401	0.2531	-	17.8767

Source: Navajo County Tax Assessor

TIMBER MESA FIRE AND MEDICAL DISTRICT

PRINCIPAL PROPERTY TAXPAYERS

CURRENT AND NINE YEARS AGO

Taxpayer	Type of business	June 30, 2020	
		Assessed value	Percent of total assessed valuation
Arizona Public Service Company	Utility	\$ 4,056,772	1.45 %
Navopache Electric Co-Op	Utility	3,774,295	1.35
Smith Bagley Inc	Telecommunications	3,005,124	1.07
Unisource Energy Corporation	Utility	2,285,555	0.82
Walmart Stores Inc	Retail	2,129,492	0.76
Citizens Telecomm of White Mountains	Telecommunications	2,047,430	0.73
Lowe's HIW Inc	Retail	1,342,672	0.48
Home Depot USA Inc	Retail	1,043,769	0.37
Elk Ridge Apartments	Housing	850,854	0.30
Show Low Yale Casitas LLC	Hospitality	277,076	0.10
		<u>\$ 20,813,039</u>	<u>7.43 %</u>
Total assessed value		<u>\$ 279,793,177</u>	

Taxpayer	Type of business	June 30, 2011 *	
		Assessed value	Percent of total assessed valuation
		\$ -	- %
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		<u>\$ -</u>	<u>%</u>
Total assessed value		<u>\$ -</u>	

Source: Navajo County Assessor

* District was established in 2015; therefore, information regarding the top 10 taxpayers 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 - 2011 information not available)

Fiscal year	Operating property tax levy	Tax roll corrections	Property tax levy (adjusted)	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
				Amount	% of levy		Amount	% of levy
2011	\$ -	\$ -	\$ -	\$ -	- %	\$ -	\$ -	- %
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	7,681,297	1,797	7,683,094	6,931,912	90.2	744,078	7,675,990	99.9
2016	7,160,329	2,998	7,163,327	6,665,357	93.1	276,010	6,941,367	96.9
2017	7,182,975	2,998	7,185,973	6,943,248	96.7	239,098	7,182,346	100.0
2018	7,766,430	(14,331)	7,752,099	7,476,749	96.3	269,009	7,745,758	99.7
2019	8,037,330	(1,826)	8,035,504	7,574,302	94.2	442,858	8,017,160	99.7
2020	8,323,359	649	8,324,008	8,058,823	96.8	-	8,058,823	96.8

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 - 2011 information not available)

Fiscal year	General obligation bonds		Capital lease debt	Total outstanding debt		
	Outstanding	Legal limit		Amount	Debt per capita	Percentage of personal income
2011	\$ -	\$ -	\$ -	\$ -	-	- %
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	14,601,307	3,030,863	3,030,863	27.76	0.10
2016	-	14,863,552	3,652,302	3,652,302	33.30	0.12
2017	-	14,907,740	5,877,514	5,877,514	53.23	0.19
2018	-	15,528,383	5,924,058	5,924,058	53.24	0.18
2019	-	16,787,591	5,447,083	5,447,083	48.31	0.15
2020	-	16,787,591	4,958,191	4,958,191	43.95	0.14

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 June 30, 2019 *	Estimated percentage applicable	Estimated share of overlapping debt
Debt repaid with property taxes:			
Navajo County	\$ 112,905,315	33.25 %	\$ 37,543,674
Show Low Bluff Community Facilities District	-	100.00	-
Blue Ridge Unified School District	24,930,000	75.00	18,697,500
City of Show Low	16,152,976	100.00	16,152,976
Pinetop-Lakeside Sanitary District	-	50.00	-
Town of Pinetop-Lakeside	2,717,511	50.00	<u>1,358,756</u>
Subtotal, overlapping debt			73,752,906
 Timber Mesa Fire and Medical District direct debt			 <u>4,958,191</u>
Total direct and overlapping debt			<u><u>\$ 78,711,097</u></u>

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 businesses 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, 2019 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 - 2011 information not available)

	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net assessed value	\$ 279,793,177	\$ 267,679,008	\$ 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	16,787,591	16,060,740	15,528,383	14,907,740	14,683,552	14,601,307	-	-	-	-
Less bond and lease obligations	(4,958,191)	(5,447,083)	(5,924,058)	(5,877,514)	(3,652,302)	(3,030,863)	-	-	-	-
Legal debt margin	<u>\$ 11,829,400</u>	<u>\$ 10,613,657</u>	<u>\$ 9,604,325</u>	<u>\$ 9,030,226</u>	<u>\$ 11,031,250</u>	<u>\$ 11,570,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net debt applicable to the limit as a percentage of debt limit	29.53 %	33.92 %	38.15 %	39.43 %	24.87 %	20.76 %	%	%	%	%

TIMBER MESA FIRE AND MEDICAL DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Fiscal year</u>	<u>Population (Navajo County)</u>	<u>Personal income (thousands of dollars)</u>	<u>Per capita income (Navajo County)</u>	<u>Unemployment rate (Navajo County)</u>
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
2019	112,746	3,521,607	31,235	6.8
2020	112,825	3,552,491	31,487	4.2

Sources: Navajo County Finance Department and Office of Economic Opportunity - Arizona Labor Statistics

TIMBER MESA FIRE AND MEDICAL DISTRICT

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	June 30, 2020	
	Employees	Rank
Government	9,897	1
Trade, Transportation, Utilities	4,810	2
Education & Health Services	4,586	3
Leisure & Hospitality	3,824	4
Mining & Construction	1,164	5
Professional & Business Services	1,094	6
Financial Activities	640	7
Other Services	595	8
Manufacturing	333	9
Information	92	10
Total	27,035	

Employer	June 30, 2011	
	Employees	Rank
Government	9,500	1
Trade, Transportation, Utilities	5,025	2
Leisure & Hospitality	3,625	3
Education & Health Services	3,200	4
Mining & Construction	1,325	5
Information	1,150	6
Professional & Business Services	1,025	7
Manufacturing	525	8
Other Services	525	9
Financial Activities	425	10
Total	26,325	

Source: Estimate of various employers and sources

Note: The best available resource is principal employment sectors for Navajo County as principal employers within district boundaries was not available. The most recent year available is June 30, 2019.

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 - 2011 information not available)

Function	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public safety										
Fire prevention inspections	272	453	404	269	95	265	-	-	-	-
Emergency medical service calls	3,908	2,678	3,158	2,821	2,682	2,048	-	-	-	-
Fire responses	253	492	126	129	101	69	-	-	-	-
Other responses - including hazardous materials, mutual aid, public service	617	416	636	901	513	635	-	-	-	-
Miscellaneous - including false alarms, good intent	457	1,795	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 - 2011 information not available)

Function	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety										
Fire and rescue service	70	72	60	60	60	60	-	-	-	-
Fire prevention	2	2	2	2	2	2	-	-	-	-
Administrative and support	16	16	16	16	16	14	-	-	-	-
Total	88	90	78	78	78	76	-	-	-	-

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 - 2011 information not available)

Function	Fiscal year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public safety										
Number of Stations	5	5	4	4	4	4	-	-	-	-
Equipment:										
Engines	4	4	4	4	5	6	-	-	-	-
Ladder trucks	1	1	1	1	2	1	-	-	-	-
Brush rigs	3	3	4	4	7	8	-	-	-	-
Rescue units	6	6	5	5	5	4	-	-	-	-
Tenders	4	3	3	3	3	5	-	-	-	-
Hazmat squad	-	-	-	-	-	1	-	-	-	-
Squad/support units	20	19	19	19	18	22	-	-	-	-

Source: District logistics department