



TIMBER MESA FIRE and MEDICAL DISTRICT
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TIMBER MESA FIRE and MEDICAL DISTRICT



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017



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Timber Mesa Fire and Medical District



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017

Prepared by:

The James Vincent Group

TIMBER MESA FIRE AND MEDICAL DISTRICT

YEAR ENDED JUNE 30, 2017

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YEAR ENDED JUNE 30, 2017

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Introductory Section



TIMBER MESA FIRE and MEDICAL DISTRICT

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Tuesday, November 28, 2017

To the Honorable Board of Directors and Citizens 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, 2017.

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, 2017.

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 in 2014.

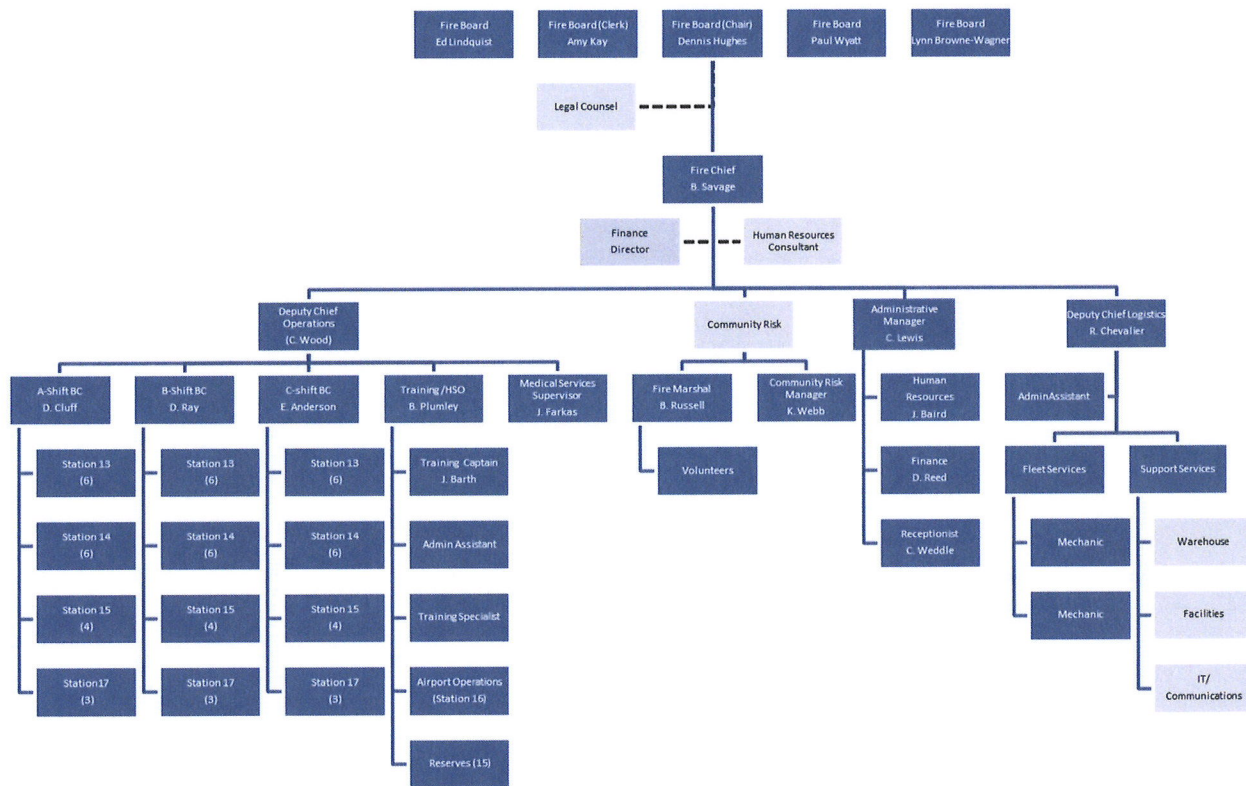
Recognized by the State of Arizona as a special taxing district, TMFMD operates under Arizona Revised Statutes (ARS) Title 48, Chapter 5. The District is a community service organization funded



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through limited assessed value property taxes. It is governed by a five-member Board of Directors elected by the public, comprised of a Board Chair and four Directors, including a Board Clerk. All board members are elected at large and serve staggered four-year terms. The Board hires and has authority over a Fire Chief who is charged with managing day-to-day operations of the District. One of the two Deputy Chiefs, the position of Deputy Chief of Operations will report directly to the Fire Chief with direct supervision of the three shift Battalion Chiefs, a Training Battalion Chief, and the Medical Services Supervisor along with indirect supervision of all operations personnel. The Board of Directors is required to adopt an annual budget which serves as the foundation for financial planning and control. The budget is prepared by fund, function, and department. A current organization chart follows:



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

Current Intergovernmental agreements, state requirements and national standards suggest a staffing level of 4 firefighters for engine companies and 2 firefighters for rescues providing medical transport. This level is maintained to provide safe and effective fire suppression activities and life



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

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

About the Area

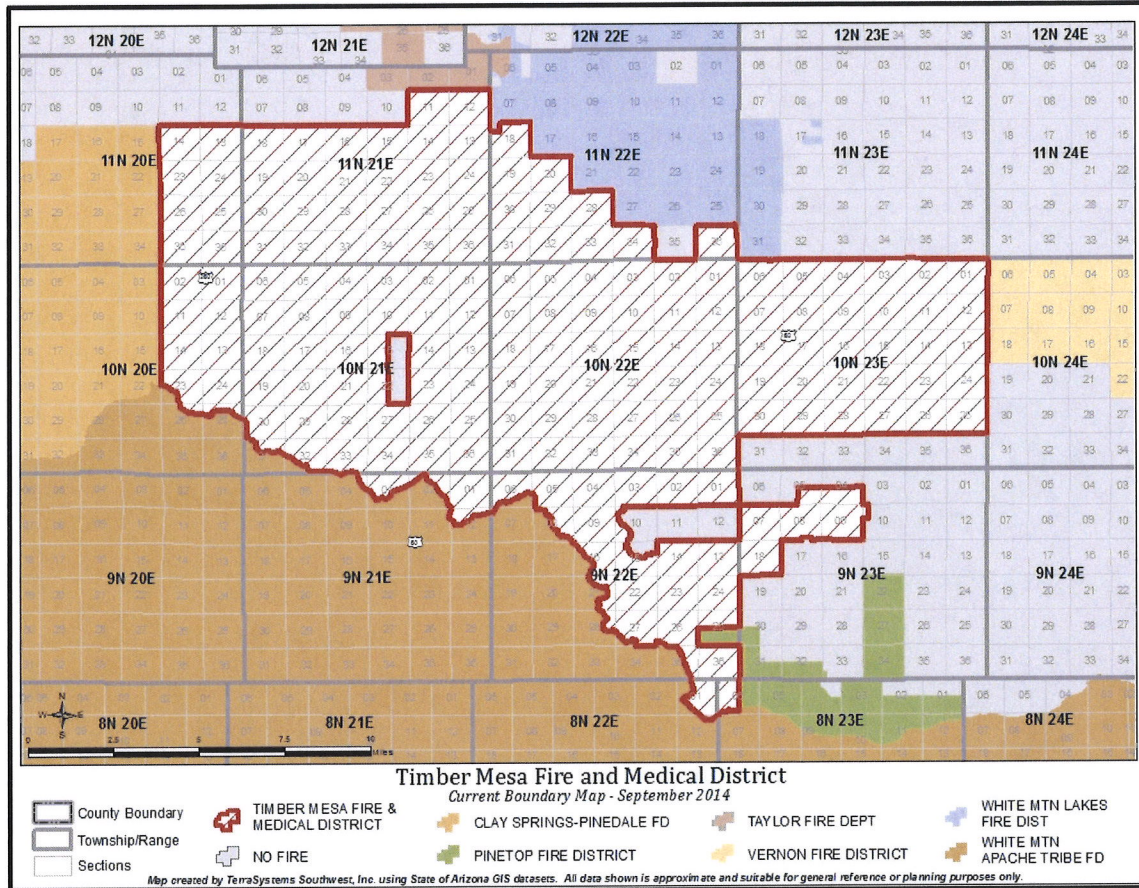
TMFMD serves residents and visitor of the communities of Show Low, Lakeside and Linden who can enjoy the mild four seasons. At an elevation of 6400' the area has an average high temperature of 67 and an average low temp of 39, with average annual rain fall of 16 inches and average snowfall of 22 inches.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

Covering 205 square miles with an ambulance transport service area of 40 square miles, the District has grown to serve an estimated 29,500 full time residents and a seasonal population of 50,000. Operating out of four fully staffed fire stations, one administration office, one training facility, and three unstaffed stations, the District provides fire protection and emergency medical services, inter facility ambulance transport, hazardous materials response, technical rescue, public education and fire prevention. Deploying daily staffing of 20 Fire/EMS personnel, TMFMD responds to approximately 4000 calls per year.



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A snapshot of TMFMD demographics and service levels includes:

District Size	205 square miles
Ambulance Transport Service Area	40 square miles
Full-time Resident Population	29,500
Part-time, Seasonal Population	50,000
Stations	8 (4 with full-time staffing)
Fire and Rescue Service Staffing	60
Administrative and Support	16
Fire Prevention	2



Budget Overview

The District budgets all funds in accordance with the requirements of state law. All funds are budgeted on the modified accrual basis of accounting.

The Board of Directors adopts the original budget by resolution prior to July 1st, the beginning of the fiscal year of the District. The Board resolution authorizing budgeted expenditures for each fund sets the level by which actual expenditures should not exceed budgeted expenditures. The Board adopts total personnel expenditures, materials and services, capital outlay, and other expenditures when approving the general fund budget. The Board is not required to adopt a formal budget for the Capital fund however transfers between funds require Board authorization, as do any transfers from Contingency.

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

Local Economy and Outlook

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

During the past ten years, unemployment has fallen from a high of 16.0% in Navajo County to a low of 9.4%. Much of this decrease is due to the improvements in the local tourism and retail job markets. Economists continue to predict that the recovery will be modest for years to come. However, fiscal year 2017 saw increases in personal income, wages, and employment. Unemployment is declining as are bankruptcies and residential foreclosures.

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

Long-term financial planning and major initiatives

The district has been working on a comprehensive five-year capital improvement plan. The capital improvement plan will sustain and enhance emergency response infrastructure by maintaining and replacing aging facilities and capital assets. This capital improvement plan will forecast the life



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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 2019 operating budget.

During the fiscal year ending June 30, 2017, the District began construction on the rebuild of one of its stations. The completion of this project is expected to occur during fiscal year 2018. The District also continued to pursue its application for expansion of its certificate of necessity (CON) during the year ending June 30, 2018. The District believes the expansion of its CON will improve the ground ambulance transport services for the residents within its boundaries.

Relevant Financial Policies

TMFMFD 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

This is the first time TMFMFD are submitting their CAFR to the Government Finance Officers Association (GFOA) to receive an award for a Certificate of Achievement for Excellence in Financial Reporting. We believe that our current CAFR, which is enclosed meets the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the 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 Board Chair Dennis Hughes, the Board of Directors, the managers, employees and citizens of the District whose continued support is vital to the financial health of Timber Mesa Fire and Medical District.

Respectfully submitted,

Bryan P Savage
Fire Chief

The James Vincent Group
Finance Director



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Timber Mesa Fire and Medical District
List of Elected and Appointed Officials
June, 30 2017

Elected Board Members

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

Administrative Offices

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

Fire Chief/Administrator

Chief Bryan Savage

Finance Director

The James Vincent Group

Legal Counsel

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



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Financial Section

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Timber Mesa Fire and Medical District as of and for the year ended June 30, 2017, 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, 2017, 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

Auditing standards generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability - cost sharing plan, schedule of changes in the net pension liability and related ratios - agent retirement plan, schedule of pension contributions, and schedule of funding progress - post-retirement health insurance subsidy - agent retirement plan, 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 28, 2017, on our consideration of Timber Mesa Fire and Medical District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Timber Mesa Fire and Medical District's internal control over financial reporting and compliance.

Beach Fleischman PC

Tucson, Arizona
November 28, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Management of the Timber Mesa Fire and Medical District (District) presents these financial statements with a narrative overview and analysis of financial activities for the twelve months ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those statements in their understanding of the District's financial position.

Financial Highlights for The Year

1. The total assets of the Timber Mesa Fire and Medical District were \$17,114,819, including deferred outflows related to pensions at the close of the fiscal year. The total assets exceeded liabilities and deferred inflows related to pensions by \$3,859,727. Of this amount (\$65,683) represents the balance of the unrestricted net position.
2. The District realized a decrease in its net position of \$ 2,603,763 or 40.28% equal to the excess of expenses over revenues.
3. Cash and investments increased by \$2,115,015.
4. The District realized a \$1,975,891 increase in fund balances during the fiscal year. The increase is primarily attributable to proceeds from capital lease obligations, proceeds from the sale of capital assets, and an increase in revenue.
5. At the end of the current fiscal year, unassigned fund balances for the General Fund was \$1,790,939.
6. The total long-term debt of the District increased by a net amount of \$6,269,597. New capital lease obligations of \$2,550,000 and increases in the District's actuarially determined net pension liability of \$3,307,433 contributed to this increase.



Overview of the Financial Statements

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

Government-Wide Financial Statements

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

Statement of Net Position - The *Statement of Net Position (page 19)* presents information of all the assets and deferred outflows and liabilities and deferred inflows of the District, with the difference between the two being reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Activities - The *Statement of Activities (page 20)* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

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



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

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Timber Mesa Fire and Medical District, assets exceeded liabilities by \$3,859,727 at the close of the 2017 fiscal year.

The largest portion of net position of the District \$ 3,925,410 reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



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The remaining balance of unrestricted net position (\$65,683), 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 2017, 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 \$4,465,856. The District pays for pensions on a pay-as-you go basis with current financial resources each year. However, the net liability required to be reported is an actuarially determined amount for resources that are required sometime in the future.

The following table reflects the condensed Statement of Net Position:

Timber Mesa Fire District

Condensed Statement of Net Position

As of June 30, 2017 and 2016

	Governmental Activities		Increase/ Decrease
	2017	2016	
Cash and Investments	\$ 5,528,287	\$ 3,413,272	\$ 2,115,015
Other Assets	662,052	598,441	63,611
Capital Assets	7,274,561	7,499,907	(225,346)
Deferred Outflows of Resources	3,649,919	1,300,482	2,349,437
Total Assets & Deferred Outflows of Resources	17,114,819	12,812,102	4,302,717
Other Liabilities	524,883	936,638	(411,755)
Long Term Liabilities	11,503,260	4,655,571	6,847,689
Deferred Inflows of Resources	1,226,949	756,403	470,546
Total Liabilities & Deferred Inflows of Resources	13,255,092	6,348,612	6,906,480
Net Investment in			-
Capital Assets	3,925,410	3,830,436	94,974
Unrestricted	(65,683)	2,633,054	(2,698,737)
Total Net Position	\$ 3,859,727	\$ 6,463,490	\$ (2,603,763)

Governmental Activities

The Net Position of the District from governmental activities decreased from \$6,463,490 to \$3,859,727 a change of (40.28) %. Key elements of these activities are as follows:



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- Unrestricted net position decreased by \$2,698,737 primarily due to an increase in net pension liability.
- Net investment in capital assets increased by \$94,974 primarily due to the acquisition of new capital assets.
- Property taxes increased by \$317,758 as a result of a slight increase in assessed valuation and property tax rates.
- Miscellaneous income increased by \$398,055 due the gain on the sale of surplus capital assets.
- Expenses for public safety retirement increased reflecting the increase in the actuarial determined pension expense as well as legal fees related to the application for expansion of the District's Certificate of Necessity for ambulance transports.

The following table reflects the Condensed Statement of Activities:

Timber Mesa Fire District
Condensed Statement of Activities
 For the Years Ended June 30, 2017 and 2016

	Governmental Activities		Increase/ Decrease
	2017	2016	
Program Revenues			
Charge for Svcs	\$ 1,358,247	\$ 1,239,532	\$ 118,715
Capital grants and contributions	-	5,982	(5,982)
General Revenues			
Property Taxes	7,216,046	6,898,288	317,758
Fire District Assistance Tax	439,280	400,000	39,280
Investment Earnings	18,760	21,403	(2,643)
Miscellaneous	579,065	181,010	398,055
Total Revenues	<u>9,611,398</u>	<u>8,746,215</u>	<u>865,183</u>
Expenses			
Public Safety	11,450,257	9,008,325	2,441,932
Interest on Long Term Debt	87,470	157,013	(69,543)
Total Expenses	<u>11,537,727</u>	<u>9,165,338</u>	<u>2,372,389</u>
Extraordinary item	(677,434)	-	(677,434)
Increase (decrease) in net Assets	(2,603,763)	(419,123)	(2,184,640)
Beginning Net Position	6,463,490	6,882,613	(419,123)
Ending Net Position	<u>\$ 3,859,727</u>	<u>\$ 6,463,490</u>	<u>\$ (2,603,763)</u>



District Funds Financial Analysis

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

As of June 30, 2017, the governmental funds of the District reported combined fund balances of \$5,435,609, which is an increase of \$1,975,891 compared to the prior period.

General Fund - The General Fund accounts for all the resources retained by the District not accounted for in any other fund. At June 30, 2017 total General Fund balance was \$2,185,209, of which \$173,856 was nonspendable because of prepaid items, \$220,414 was committed to capital projects, and \$1,790,939 was unassigned for financial reporting purposes. Total General Fund balance decreased by (\$1,274,509) due to an increase in public safety retirement costs.

Capital Fund - The Capital Fund accounts for all values associated with fixed assets and financing obligations for the payment for those assets. The increase in the Capital Fund of \$3,250,400 is primarily due to proceeds from a capital lease obligation, held in escrow at June 30, 2017, for the remodel of the District's station in Linden.

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

Timber Mesa Fire District
Governmental Funds – Fund Balances
 As of June 30, 2017 and 2016

Major Funds	Fiscal Year June 30, 2017		Fiscal Year June 30, 2016	
	Amount	%	Amount	%
General	\$ 2,185,209	40.20%	\$ 3,459,718	100.00%
Capital	3,250,400	59.80%	-	0.00%
Total Fund Balance	\$ 5,435,609	100.00%	\$ 3,459,718	100.00%



Budgetary Highlights

There were some variances of note for the fiscal year.

- Revenues were over budget by \$423,958. Increases in wildland revenue, property tax revenue, and in miscellaneous revenue contributed to this increase.
- Expenses were over budget by \$1,305,852 mainly due to increases in personnel costs due to the additional wildland deployments and an increase in professional fees related to the application for expansion of the District's Certificate of Necessity for ambulance transports.

For more detailed information, see budget to actual comparisons at page 53.

Timber Mesa Fire District
Condensed Budget to Actual
 As of June 30, 2017

	General Fund		Variance with budget
	Budget	Actual	
Total Revenues	\$ 8,694,118	\$ 9,118,076	\$ 423,958
Total Expenses	8,869,118	10,174,970	1,305,852
Revenue over (under) expenditures	(175,000)	(1,056,894)	(881,894)
Total Other Financing Sources	175,000	(217,615)	(392,615)
Net Change in Fund Balance	\$ -	\$ (1,274,509)	\$ (1,274,509)

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the investment in capital assets for governmental activities amounts to \$7,274,561 (net of accumulated depreciation). This investment in capital assets includes land, and improvements, buildings and improvements, vehicles, furniture and equipment. The total decrease in capital assets for the current fiscal year was (225,346) or 3 %.



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Timber Mesa Fire District Capital Assets as of June 30, 2017 and 2016 (net of depreciation)

	Governmental Activities		Increase/ (Decrease)
	2017	2016	
Land and Buildings	\$ 7,073,395	\$ 6,781,397	\$ 291,998
Equipment	1,831,996	1,689,712	142,284
Vehicles	4,585,814	5,525,210	(939,396)
Accumulated Depreciation	(6,216,644)	(6,496,412)	279,768
Net Capital Assets	\$ 7,274,561	\$ 7,499,907	\$ (225,346)

Long Term Liabilities

At the end of the current fiscal year, the District had \$11.5 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, 2017, the District had total long-term debt (capital leases) outstanding of \$5.88 million. This debt currently requires annual debt service payments that consist of principal and interest of approximately \$580,000. All debt is backed by the full faith and credit of the District.

As of June 30, 2017, the District had \$677,434 in claims and judgments payable related to the Parker vs. Public Safety Personnel Retirement System plan lawsuit. The District will receive credits provided by the Plan that will offset future contributions to the Plan for the full amount of this payable.

In accordance with GASB 68, the District is required to include the net pension liability on the financial statements. The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. A net pension liability is recorded at June 30, 2017 relating to the District's participation in the Public Safety Personnel Retirement System (PSPRS) of \$4.47 million.



The following table shows the District’s Outstanding Debt:

Timber Mesa Fire District
Outstanding Debt
 As of June 30, 2017 and 2016

	2017	Governmental Activities	2016	Increase/ (Decrease)
Compensated Absences	\$ 482,456		\$ 422,938	\$ 59,518
Capital Leases	5,877,514		3,652,302	2,225,212
Claims and Judgment Payable	677,434		-	677,434
Net Pension Liability	4,465,856		1,158,423	3,307,433
Net Noncurrent Liabilities	\$ 11,503,260		\$ 5,233,663	\$ 6,269,597

Additional information can be found in the notes to the Financial Statements that follow.

Economic Factors and Fiscal Year 2018 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 the District realized a 4.16% increase in assessed value, however, due to increases in public safety retirement costs and the inflation of other operational costs, the District increased its tax rate to \$2.9997.

Financial Contact

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

Basic Financial Statements

TIMBER MESA FIRE AND MEDICAL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental activities</u>
Assets:	
Cash and investments	\$ 5,528,287
Receivables:	
Property taxes, net	268,496
Ambulance, net	60,388
Other	159,312
Prepaid expenses	173,856
Capital assets, not depreciated	761,451
Capital assets, depreciated, net	<u>6,513,110</u>
Total assets	<u>13,464,900</u>
Deferred outflows of resources:	
Deferred outflows related to pensions	<u>3,649,919</u>
	<u>3,649,919</u>
Liabilities:	
Accounts payable	287,463
Accrued payroll and related benefits	215,782
Accrued interest	21,638
Noncurrent liabilities:	
Due within one year	1,391,872
Due in more than one year	<u>10,111,388</u>
Total liabilities	<u>12,028,143</u>
Deferred inflows of resources:	
Deferred inflows related to pensions	<u>1,226,949</u>
	<u>1,226,949</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	3,925,410
Unrestricted	<u>(65,683)</u>
Total net position	<u>\$ 3,859,727</u>

See notes to financial statements.

TIMBER MESA FIRE AND MEDICAL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>Governmental activities</u>
Expenses:	
Public safety:	
Communications	\$ 254,380
Depreciation	678,302
Insurance	87,613
Managerial	1,075,134
Meetings and training	140,705
Other	13,551
Payroll taxes and employee benefits	3,307,571
Salaries and wages	5,341,195
Utilities and station expenses	158,250
Vehicles and equipment	393,556
Interest	<u>87,470</u>
Total program expenses	<u>11,537,727</u>
Program revenues:	
Charges for services	<u>1,358,247</u>
Total program revenues	<u>1,358,247</u>
Net program expense	<u>10,179,480</u>
General revenues:	
Property taxes	7,216,046
Fire district assistance tax	439,280
Investment earnings	18,760
Other	126,610
Gain on sale of capital assets	<u>452,455</u>
Total general revenues	<u>8,253,151</u>
Change in net position before extraordinary item	(1,926,329)
Extraordinary item - claims and judgment expense	<u>(677,434)</u>
Change in net position	(2,603,763)
Net position, beginning	<u>6,463,490</u>
Net position, end	<u>\$ 3,859,727</u>

See notes to financial statements.

TIMBER MESA FIRE AND MEDICAL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Assets:			
Cash and investments	\$ 2,277,887	\$ 3,250,400	\$ 5,528,287
Receivables:			
Property taxes, net	268,496	-	268,496
Ambulance, net	60,388	-	60,388
Other	159,312	-	159,312
Prepaid expenses	<u>173,856</u>	<u>-</u>	<u>173,856</u>
Total assets	<u>\$ 2,939,939</u>	<u>\$ 3,250,400</u>	<u>\$ 6,190,339</u>
Liabilities:			
Accounts payable	\$ 287,463	\$ -	\$ 287,463
Accrued payroll and related benefits	<u>215,782</u>	<u>-</u>	<u>215,782</u>
Total liabilities	<u>503,245</u>	<u>-</u>	<u>503,245</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	172,928	-	172,928
Unavailable revenue - ambulance	<u>78,557</u>	<u>-</u>	<u>78,557</u>
Total deferred inflows of resources	<u>251,485</u>	<u>-</u>	<u>251,485</u>
Fund balance:			
Nonspendable:			
Prepaid expenses	173,856	-	173,856
Committed to:			
Capital projects	220,414	3,250,400	3,470,814
Unassigned	<u>1,790,939</u>	<u>-</u>	<u>1,790,939</u>
Total fund balance	<u>2,185,209</u>	<u>3,250,400</u>	<u>5,435,609</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,939,939</u>	<u>\$ 3,250,400</u>	<u>\$ 6,190,339</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

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

JUNE 30, 2017

Total fund balances - governmental funds	\$ 5,435,609
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.	7,274,561
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.	251,485
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest	(21,638)
Accrued compensated absences	(482,456)
Capital leases payable	(5,877,514)
Claims and judgment payable	(677,434)
Net pension liability	(4,465,856)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	3,649,919
Deferred inflows of resources related to pensions	<u>(1,226,949)</u>
Net position of governmental activities	<u>\$ 3,859,727</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

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

YEAR ENDED JUNE 30, 2017

	<u>General fund</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Revenues:			
Property taxes	\$ 7,192,863	\$ -	\$ 7,192,863
Fire district assistance tax	439,280	-	439,280
Charges for services	1,340,563	-	1,340,563
Investment earnings	18,760	-	18,760
Other	<u>126,610</u>	<u>-</u>	<u>126,610</u>
Total revenues	<u>9,118,076</u>	<u>-</u>	<u>9,118,076</u>
Expenditures:			
Public safety:			
Emergency operations	8,037,116	-	8,037,116
Administration	1,246,779	-	1,246,779
Capital outlay:			
Land	25,000	-	25,000
Buildings and improvements	125,262	-	125,262
Construction in progress	148,736	-	148,736
Furniture and equipment	142,284	-	142,284
Vehicles	42,004	-	42,004
Debt service:			
Principal	324,788	-	324,788
Interest	<u>83,001</u>	<u>-</u>	<u>83,001</u>
Total expenditures	<u>10,174,970</u>	<u>-</u>	<u>10,174,970</u>
Revenues under expenditures	(1,056,894)	-	(1,056,894)
Other financing sources:			
Transfers in (out)	(700,400)	700,400	-
Proceeds from sale of capital assets	482,785	-	482,785
Proceeds from capital lease obligations	<u>-</u>	<u>2,550,000</u>	<u>2,550,000</u>
Total other financing sources	<u>(217,615)</u>	<u>3,250,400</u>	<u>3,032,785</u>
Net change in fund balances	(1,274,509)	3,250,400	1,975,891
Fund balances, beginning	<u>3,459,718</u>	<u>-</u>	<u>3,459,718</u>
Fund balances, end	<u>\$ 2,185,209</u>	<u>\$ 3,250,400</u>	<u>\$ 5,435,609</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - governmental funds	\$	1,975,891
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital outlay		483,286
Depreciation expense		(678,302)
<p>In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources.</p>		
Gain on sale of capital assets		452,455
Proceeds from sale of capital assets		(482,785)
<p>Certain revenues relating to property taxes and ambulance services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		40,867
<p>District pension 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 liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.</p>		
Pension contributions		617,351
Pension expense		(2,045,893)
<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>		
		(4,469)
<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		(59,518)
Increase in claims and judgment expense		(677,434)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position. In the current period, the amount consists of:</p>		
Capital lease proceeds		(2,550,000)
Principal paid		324,788
		(2,225,212)
Change in net position of governmental activities	\$	(2,603,763)

See notes to financial statements.

TIMBER MESA FIRE AND MEDICAL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	<u>Pension Trust Funds</u>
Assets:	
Cash and cash equivalents	\$ 127,254
Investments	<u>23,837</u>
Total assets	<u>151,091</u>
Net position:	
Held in trust for pension benefits	<u>\$ 151,091</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017

	<u>Pension Trust Funds</u>
Additions:	
Reimbursements and other additions	\$ 5,744
Investment income	<u>20</u>
Total additions	<u>5,764</u>
Deductions:	
Benefits paid	142,326
Investment expense	<u>5,519</u>
Total deductions	<u>147,845</u>
Change in net position	(142,081)
Net position, beginning	<u>293,172</u>
Net position, end	<u><u>\$ 151,091</u></u>

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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.

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

Government-wide and fund financial statements:

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

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

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

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

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.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

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

Measurement focus, basis of accounting and financial statement presentation:

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

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

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

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

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.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2017

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

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

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

Estimates:

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

Cash and investments:

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

Investment earnings are comprised primarily of interest earnings only.

Fair value measurements:

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

Receivables, unearned revenue and deferred inflows of resources:

All accounts and property tax receivables are shown net of allowance, if any, for uncollectible accounts. Property taxes receivable for the governmental fund types, which have been remitted within 60 days subsequent to period end, are considered measurable and available and recognized as revenues. All other property taxes are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the District and become liens against the property on the first day of January preceding assessment and levy.

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

YEAR ENDED JUNE 30, 2017

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

Receivables, unearned revenue and deferred inflows of resources (continued):

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 expenses:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements.

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 \$1,500 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 estimated fair market value at the date of donation.

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

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.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2017

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

Long-term obligations (continued):

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.

Pensions:

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension 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 are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, the Governing Board
- 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

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

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

Fund balance (continued):

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

Net position:

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

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:

Cash and investments consist of the following:

Deposits:

Operating accounts	\$ 1,064,124
Amounts held in escrow, restricted for capital outlay	<u>2,550,000</u>
	3,614,124

Investments:

Navajo County Treasurer investment pool	1,213,763
Navajo County Treasurer investment pool - segregated for capital outlay	<u>700,400</u>
	<u>\$ 5,528,287</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

2. Cash and investments (continued):

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

Deposits:

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

At June 30, 2017, deposits with financial institutions have a carrying value \$3,614,124 and a bank balance of \$3,623,769. The difference represents deposits in transit, outstanding checks, and other reconciling items at the period end.

Investments:

Currently, monies levied by the District are invested with the Navajo County Treasurer's Office and included in the Local Government Investment Pool (LGIP). The District's investment in the County's LGIP represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments. No oversight is provided for the Navajo County investment pool, nor does the structure of the pool provide for shares. Participation in the pool is involuntary. The fair value of the investment pool is discussed in note 3.

The District's investments at June 30, 2017 were as follows:

	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Navajo County Treasurer's investment pool	Unrated	Not applicable	\$ 1,914,163

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

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

2. Cash and investments (continued):

Investments (continued):

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

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

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

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

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

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

3. Fair value:

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

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

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

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

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

3. Fair value (continued):

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

At June 30, 2017, the fair value of investments measured on a recurring basis is as follows:

	<u>Fair value</u>	<u>Other investments at fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
External investment pools:					
Navajo County Treasurer	\$ 1,213,763	\$ 1,213,763	\$ -	\$ -	\$ -
Navajo County Treasurer - segregated for capital outlay	<u>700,400</u>	<u>700,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,914,163</u>	<u>\$ 1,914,163</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.

5. Receivables:

Property taxes	\$ 268,496
Ambulance receivables	135,704
Other	<u>159,312</u>
	563,512
Less allowance for doubtful accounts and contractual adjustments	<u>75,316</u>
	<u>\$ 488,196</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

6. Capital assets:

Capital asset activity for the period ended June 30, 2017 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not depreciated:				
Land	\$ 547,265	\$ 25,000	\$ -	\$ 572,265
Land held for sale	33,000	-	(7,000)	26,000
Construction in progress	<u>14,450</u>	<u>148,736</u>	<u>-</u>	<u>163,186</u>
Total capital assets, not depreciated	<u>594,715</u>	<u>173,736</u>	<u>(7,000)</u>	<u>761,451</u>
Capital assets, depreciated:				
Buildings and improvements	6,186,682	125,262	-	6,311,944
Fire equipment	1,689,712	142,284	-	1,831,996
Vehicles	<u>5,525,210</u>	<u>42,004</u>	<u>(981,400)</u>	<u>4,585,814</u>
Total capital assets, depreciated	<u>13,401,604</u>	<u>309,550</u>	<u>(981,400)</u>	<u>12,729,754</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,644,949)	(183,352)	-	(1,828,301)
Fire equipment	(1,797,736)	(95,864)	-	(1,893,600)
Vehicles	<u>(3,053,727)</u>	<u>(399,086)</u>	<u>958,070</u>	<u>(2,494,743)</u>
Total accumulated depreciation	<u>(6,496,412)</u>	<u>(678,302)</u>	<u>958,070</u>	<u>(6,216,644)</u>
Total capital assets, depreciated, net	<u>6,905,192</u>	<u>(368,752)</u>	<u>(23,330)</u>	<u>6,513,110</u>
Total capital assets, net	<u>\$ 7,499,907</u>	<u>\$ (195,016)</u>	<u>\$ (30,330)</u>	<u>\$ 7,274,561</u>

7. Capital leases:

The assets acquired through capital leases are as follows:

Land	\$ 207,401
Buildings and improvements	4,003,092
Vehicles	<u>729,402</u>
	4,939,895
Less accumulated depreciation	<u>860,004</u>
	<u>\$ 4,079,891</u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

7. Capital leases (continued):

The future minimum lease payments under the capital leases and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

Year ending <u>June 30,</u>	
2018	\$ 582,729
2019	579,819
2020	579,819
2021	579,819
2022	579,819
2023 - 2027	1,815,063
2028 - 2032	1,406,249
2033 - 2037	<u>1,187,811</u>
Total minimum lease payments	7,311,128
Less amount representing interest	<u>1,433,614</u>
Net present value of minimum lease payments	5,877,514
Less current portion	<u>424,964</u>
	<u><u>\$ 5,452,550</u></u>

8. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the period ended June 30, 2017 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Compensated absences	\$ 422,938	\$ 529,323	\$ (469,805)	\$ 482,456	\$ 289,474
Capital leases	3,652,302	2,550,000	(324,788)	5,877,514	424,964
Claims and judgment payable	-	677,434	-	677,434	677,434
Net pension liability	<u>1,158,423</u>	<u>3,307,433</u>	<u>-</u>	<u>4,465,856</u>	<u>-</u>
	<u><u>\$ 5,233,663</u></u>	<u><u>\$ 7,064,190</u></u>	<u><u>\$ (794,593)</u></u>	<u><u>\$ 11,503,260</u></u>	<u><u>\$ 1,391,872</u></u>

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

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

10. Ambulance service revenue:

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

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, provision for bad debts and uncompensated services for the period ended June 30, 2017 are as follows:

Ambulance service revenues	\$ 1,179,290
Less contractual adjustments, provision for bad debts and uncompensated services	<u>569,230</u>
	<u><u>\$ 610,060</u></u>

11. 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, 2017

12. Commitments and contingencies:

Claims and judgment payable:

During 2017, as a result of the Parker v. Public Safety Personnel Retirement System plan (PSPRS or the Plan) lawsuit, the courts found that recent increases in employee contribution rates for members hired prior to July 2011 were unconstitutional. Therefore, those members of the Plan are entitled to refunds of the excess employee contributions, plus interest. The District is required to provide the refunds to the employees, as IRS regulations prevent PSPRS from issuing the refunds from the Plan's trusts. The excess employee contributions to be refunded to the employees totaled \$612,434, which the District paid to employees in July 2017. The estimated interest due to employees is \$65,000. At June 30, 2017, the District recorded a claims and judgment payable of \$677,434.

The District has classified the estimated pay back to employees and related interest as an extraordinary item on the statement of activities. Management of the District believes the transaction is both unusual in nature and infrequent in occurrence. No expenditure was recorded in the governmental funds at June 30, 2017 as the amounts were not due and payable as of that date.

The District expects to recover the full amount of excess contribution paid, and interest, through credits provided by the Plan that will offset future employer contributions to the Plan. The credits are expected to be fully utilized during the fiscal year ending June 30, 2018.

Intergovernmental agreements:

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

Legal proceedings:

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

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

13. Pension plans:

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, 2017, the District reported on the Statement Net Position and Statement of Activities the following aggregate amounts related to pensions for all plans to which it contributes:

	Governmental Activities
Net pension liabilities	\$ 4,465,856
Deferred outflows of resources	3,649,919
Deferred inflows of resources	1,226,949
Pension expense	2,045,893

The District reported \$617,351 of pension contributions as expenditures in the governmental funds related to all pension 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.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

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%
* with actuarially reduced benefits		

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

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, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48% (11.34% for retirement and 0.14% for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.48% (10.78% for retirement, 0.56% for health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

The District's contributions to the pension plan for the year ended June 30, 2017, were \$70,978, which included the required contributions for the health insurance premium benefit and long-term disability. During fiscal year 2017, the District paid for the ASRS pension and OPEB contributions from the General Fund.

Pension liability - At June 30, 2017, the District reported a liability of \$773,154 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases. The District's proportion of the net pension 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, 2016. The District's proportion measured as of June 30, 2016, was 0.00479%, which was an increase of 0.0002% from its proportion measured as of June 30, 2015.

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2017, the District recognized pension expense for ASRS of \$181,325. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 4,698	\$ 53,187
Net difference between projected and actual earnings on pension plan investments	83,784	-
Changes in assumptions	-	40,906
Changes in proportion and differences between employer contributions and proportionate share of contributions	699,609	524,383
Contributions subsequent to the measurement date	70,978	-
	\$ 859,069	\$ 618,476

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

The \$70,978 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending <u>June 30,</u>	
2018	\$ 98,525
2019	10,727
2020	36,870
2021	<u>23,493</u>
	<u>\$ 169,615</u>

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3% - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

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

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

Discount rate - The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.75%. 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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% decrease (7%)</u>	<u>Current discount rate (8%)</u>	<u>1% increase (9%)</u>
District's proportionate share of the net pension liability	\$ 985,830	\$ 773,154	\$ 602,634

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

Public Safety Personnel Retirement System (PSPRS):

Plan description - District employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent 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. The PSPRS issues publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS website at www.psprs.com.

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
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent per year of service:		
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%	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	

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

Employees covered by benefit terms - At June 30, 2017, the following employees were covered by the agent pension plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	5
Active employees	64
	74

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

For the year ended June 30, 2017, active PSPRS members with an initial membership date on or before July 19, 2011 were required to contribute 11.65% for the period July 2016 through March 2017, and 7.65% for the period April 2017 through June 2017. PSPRS members with an initial membership date after July 19, 2011 were required to contribute 11.65% throughout the entire year. The District was required to contribute 13.08%. The health insurance premium portion of the contribution rate was actuarially set at 0.41% of covered payroll.

The District's contributions to the pension plan for the year ended June 30, 2017, were \$546,373, which included the required contributions for the health insurance premium benefit. During fiscal year 2017, the District paid for the PSPRS pension and OPEB contributions from the General Fund.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

Pension liability - At June 30, 2017, the District reported net pension liability of \$3,692,702. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects the following changes of benefit terms and actuarial assumptions:

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent.

The net pension liability measured as of June 30, 2017 will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the District's net pension liability as a result of these changes is not known.

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2017, the District recognized pension expense for PSPRS of \$1,864,568. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 512,428	\$ 608,473
Changes in assumptions or other inputs	917,572	-
Net difference between projected and actual earnings on pension plan investments	725,862	-
Contributions subsequent to the measurement date	634,988	-
	\$ 2,790,850	\$ 608,473

The \$634,988 reported as deferred outflows of resources related to PSPRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year ending <u>June 30,</u>	
2018	\$ 234,846
2019	234,848
2020	327,936
2021	242,568
2022	78,584
Thereafter	<u>428,607</u>
	<u>\$ 1,547,389</u>

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.0% - 8.0%
Inflation	3.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50% 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, 2017

13. Pension Plans (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 real rate of return</u>
U.S. equity	16 %	6.23 %
Non-U.S. equity	14 %	8.25 %
Credit opportunities	11 %	9.50 %
Private equity	7 %	2.92 %
Real estate	13 %	7.08 %
GTAA	5 %	4.11 %
Real assets	10 %	4.38 %
Fixed income	8 %	4.77 %
Absolute return	10 %	4.48 %
Risk parity	4 %	5.13 %
Short-term investments	2 %	0.75 %
	<u>100 %</u>	

Discount rate - At June 30, 2016, the discount rate used to measure the total pension liability was 7.50%, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TIMBER MESA FIRE AND MEDICAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

Changes in the net pension liability:

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at June 30, 2016	\$ 11,283,500	\$ 10,839,537	\$ 443,963
Changes for the year:			
Service cost	840,308	-	840,308
Interest on the total pension liability	907,545	-	907,545
Changes of benefit terms	1,457,993	-	1,457,993
Differences between expected and actual experience in the measurement of the pension liability	561,388	-	561,388
Changes of assumptions or other inputs	703,722	-	703,722
Contributions - employer	-	610,185	(610,185)
Contributions - employee	-	515,430	(515,430)
Net investment income	-	65,212	(65,212)
Benefit payments, including refunds of employee contributions	(285,139)	(285,139)	-
Administrative expense	-	(9,784)	9,784
Other changes	-	41,174	(41,174)
Net changes	<u>4,185,817</u>	<u>937,078</u>	<u>3,248,739</u>
Balances at June 30, 2017	\$ <u>15,469,317</u>	\$ <u>11,776,615</u>	\$ <u>3,692,702</u>

Sensitivity of the District's net pension liability to changes in the discount rate - The following table presents the District's net pension liability (asset) calculated using the discount rate noted above, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% decrease (6.50%)	Current discount rate (7.50%)	1% increase (8.50%)
	<u> </u>	<u> </u>	<u> </u>
District's net pension liability (asset)	\$ 6,432,628	\$ 3,692,702	\$ 1,488,469

Pension plan fiduciary net position - Detailed information about the pension plan's 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, 2017

13. Pension Plans (continued):

Agent plan OPEB actuarial assumptions - The health insurance premium benefit contribution requirements for the year ended June 30, 2017 were established by the June 30, 2015 actuarial valuations.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the District and plans' members understand it and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	21 years for unfunded 20 years for overfunded
Asset valuation method	7-year smoothed market value 80%/120% market
Investment rate of return	7.85%
Projected salary increases	4.0% - 8.0%
Wage growth	4.0%

Agent plan OPEB trend information - Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows:

Year ending June 30	Annual OPEB cost	Percentage of annual cost contributed	Net OPEB obligation
2016	\$ 19,318	100%	\$ -
2015	17,163	100%	-
2014	14,729	100%	-

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

13. Pension Plans (continued):

Agent plan OPEB funded status - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, follow.

	Health insurance
Actuarial value of assets (a)	\$ 354,490
Actuarial accrued liability (b)	\$ 396,052
Unfunded actuarial accrued liability (b) - (a)	\$ 41,562
Funded ratio (a) / (b)	90%
Covered payroll (c)	\$ 4,356,185
Unfunded actuarial accrued liability as a percentage of covered payroll ((b) - (a) / (c))	1%

The actuarial methods and assumptions used for the PSPRS health insurance premium benefit plan and for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded 20 years for overfunded
Asset valuation method	7-year smoothed market value 80%/120% market
Investment rate of return	7.50%
Projected salary increases	4% - 8%
Wage growth	4%

14. 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.

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, 2017

	Budgeted amounts			
	Original	Final	Actual	Variance with final budget
Revenues:				
Property taxes	\$ 7,180,930	\$ 7,180,930	\$ 7,192,863	\$ 11,933
Fire district assistance tax	442,788	442,788	439,280	(3,508)
Grants and contributions	30,000	30,000	-	(30,000)
Charges for services	1,023,900	1,023,900	1,340,563	316,663
Investment earnings	16,500	16,500	18,760	2,260
Other	-	-	126,610	126,610
Total revenues	8,694,118	8,694,118	9,118,076	423,958
Expenditures:				
Public safety:				
Emergency operations	7,015,469	7,015,469	8,037,116	1,021,647
Administration	1,715,648	1,715,648	1,246,779	(468,869)
Capital outlay	55,000	55,000	483,286	428,286
Debt service	83,001	83,001	407,789	324,788
Total expenditures	8,869,118	8,869,118	10,174,970	1,305,852
Revenues under expenditures	(175,000)	(175,000)	(1,056,894)	(881,894)
Other financing sources (uses):				
Transfers out	-	-	(700,400)	(700,400)
Proceeds from sale of capital assets	175,000	175,000	482,785	307,785
Total other financing sources	175,000	175,000	(217,615)	(392,615)
Net change in fund balance	-	-	(1,274,509)	(1,274,509)
Fund balance, beginning of year	-	-	3,459,718	3,459,718
Fund balance, end of year	\$ -	\$ -	\$ 2,185,209	\$ 2,185,209

NOTE TO BUDGETARY COMPARISON SCHEDULE

1. Budgetary basis of accounting:

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

TIMBER MESA FIRE AND MEDICAL DISTRICT

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

YEAR ENDED JUNE 30, 2017

(schedule to be built prospectively from 2014; 2013 - 2007 information not available)

Reporting date (Measurement date)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)	2008 (2007)
District's proportion of the net pension liability	0.004790 %	0.004590 %	0.002283 %	- %	- %	- %	- %	- %	- %	- %
District's proportionate share of the net pension liability	773,154	714,460	337,767	-	-	-	-	-	-	-
District's covered employee payroll	451,809	424,027	202,185	-	-	-	-	-	-	-
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	171 %	168 %	167 %	- %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total pension liability	67 %	68 %	69 %	- %	- %	- %	- %	- %	- %	- %

TIMBER MESA FIRE AND MEDICAL DISTRICT

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

YEAR ENDED JUNE 30, 2017

(schedule to be built prospectively from 2014; 2013 - 2007 information not available)

Reporting date (Measurement date)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)	2008 (2007)
Total pension liability										
Service cost	\$ 840,308	\$ 774,187	\$ 770,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	907,545	855,470	728,385	-	-	-	-	-	-	-
Benefit changes	1,457,993	-	25,804	-	-	-	-	-	-	-
Difference between expected and actual experience	561,388	(691,884)	(52,069)	-	-	-	-	-	-	-
Assumption changes	703,722	-	376,185	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(285,139)	(329,770)	(133,428)	-	-	-	-	-	-	-
Net change in total pension liability	4,185,817	608,003	1,715,105	-	-	-	-	-	-	-
Total pension liability, beginning	11,283,500	10,675,497	8,960,392	-	-	-	-	-	-	-
Total pension liability, ending (a)	\$ 15,469,317	\$ 11,283,500	\$ 10,675,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 610,185	\$ 476,770	\$ 545,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	515,430	451,335	422,123	-	-	-	-	-	-	-
Pension plan net investment income	65,212	372,057	1,129,216	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(285,139)	(329,770)	(133,428)	-	-	-	-	-	-	-
Administrative expenses	(9,784)	(10,226)	-	-	-	-	-	-	-	-
Other	41,174	(7,371)	(10,756)	-	-	-	-	-	-	-
Net change in fiduciary net position	937,078	952,795	1,952,456	-	-	-	-	-	-	-
Plan fiduciary net position, beginning	10,839,537	9,886,742	7,934,286	-	-	-	-	-	-	-
Plan fiduciary net position, ending (b)	\$ 11,776,615	\$ 10,839,537	\$ 9,886,742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability, ending (a) - (b)	\$ 3,692,702	\$ 443,963	\$ 788,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of total pension liability	76.13 %	96.07 %	92.61 %	- %	- %	- %	- %	- %	- %	- %
Covered valuation payroll	\$ 4,356,185	\$ 3,870,372	\$ 3,922,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered valuation payroll	84.77 %	11.47 %	20.11 %	- %	- %	- %	- %	- %	- %	- %

TIMBER MESA FIRE AND MEDICAL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

YEAR ENDED JUNE 30, 2017

(schedule to be built prospectively from 2014; 2013 - 2007 information not available)

Reporting date (Measurement date)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)	2008 (2007)
Arizona State Retirement System (ASRS)										
Statutorily required contribution	\$ 48,705	\$ 46,007	\$ 22,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>48,705</u>	<u>46,007</u>	<u>22,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 451,809	\$ 424,027	\$ 202,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	10.78 %	10.85 %	10.89 %	- %	- %	- %	- %	- %	- %	- %
Public Safety Personnel Retirement System (PSPRS)										
Actuarially determined contribution	\$ 610,185	\$ 476,770	\$ 545,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>610,185</u>	<u>476,770</u>	<u>545,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	4,356,185	3,870,372	3,922,070	-	-	-	-	-	-	-
Contributions as a percentage of covered employee payroll	14.01 %	12.32 %	13.90 %	- %	- %	- %	- %	- %	- %	- %

TIMBER MESA FIRE AND MEDICAL DISTRICT
NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2017

1. Actuarially determined contribution rates:

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

Actuarial cost method	Entry age normal
Remaining amortization period as of the 2015 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7 year smoothed market; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Salary increase	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% – 8.5% to 4.0% – 8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% – 9.0% to 4.5% – 8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females).

TIMBER MESA FIRE AND MEDICAL DISTRICT

**SCHEDULE OF FUNDING PROGRESS - POST-RETIREMENT HEALTH INSURANCE SUBSIDY - AGENT RETIREMENT PLAN
(PSPRS)**

YEAR ENDED JUNE 30, 2017

Health Insurance Subsidy:

<u>Valuation Date June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funding Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as % of Covered Payroll</u>
2016	\$ 354,490	\$ 396,052	\$ 41,562	90 %	\$ 4,356,185	1.0 %
2015	342,622	352,853	10,231	97 %	3,870,372	0.3 %
2014	279,496	283,231	3,735	99 %	3,922,070	0.1 %

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*

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, 2017 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 28, 2017.

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 28, 2017



TIMBER MESA FIRE and MEDICAL DISTRICT

www.TimberMesaFire.org



Statistical Section



Statistical Section

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

This section contains the following tables and information:

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

Timber Mesa Fire and Medical District
 Net Position By Component
 Last ten fiscal years
 (accrual basis of accounting)
 (District was established in 2015 - schedule to be built prospectively from 2015; 2014-2008 information not available)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net investments in capital assets	\$ 3,925,410	\$ 3,830,436	\$ 3,768,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>(65,683)</u>	<u>2,633,054</u>	<u>3,114,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities net position	<u>\$ 3,859,727</u>	<u>\$ 6,463,490</u>	<u>\$ 6,882,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Timber Mesa Fire and Medical District
Changes in Net Position
Last ten fiscal years
(accrual basis of accounting)
(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2008 information not available)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities										
Public safety	\$ 11,450,257	\$ 9,008,325	\$ 6,567,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on long-term debt	87,470	157,013	72,933	-	-	-	-	-	-	-
Total primary government expenses	<u>11,537,727</u>	<u>9,165,338</u>	<u>6,640,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program revenues										
Governmental activities										
Charges for services	1,358,247	1,239,532	508,134	-	-	-	-	-	-	-
Capital grants and operations	-	5,982	37,695	-	-	-	-	-	-	-
Total primary government program revenues	<u>1,358,247</u>	<u>1,245,514</u>	<u>545,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net(expense)/revenue:										
Total primary government net expense	<u>(10,179,480)</u>	<u>\$ (7,919,824)</u>	<u>\$ (6,094,897)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenue and Other Changes in Net position										
Governmental activities:										
Property taxes	\$ 7,216,046	\$ 6,898,288	\$ 5,765,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire district assistance tax	439,280	400,000	379,631	-	-	-	-	-	-	-
Investment earnings	18,760	21,403	27,283	-	-	-	-	-	-	-
Other	126,610	60,760	53,910	-	-	-	-	-	-	-
Gain on sale of capital assets	452,455	70,250	87,810	-	-	-	-	-	-	-
Total primary government	<u>8,253,151</u>	<u>7,450,701</u>	<u>6,314,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary item	(677,434)									
Change in Net Position	<u>\$ (2,603,763)</u>	<u>\$ (469,123)</u>	<u>\$ 219,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ (2,603,763)</u>	<u>\$ (469,123)</u>	<u>\$ 219,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2008 information not available)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	173,856	100,561	26,437	-	-	-	-	-	-	-
Committed	220,414	-	-	-	-	-	-	-	-	-
Assigned	-	78,838	161,657	-	-	-	-	-	-	-
Unassigned	1,790,939	3,280,319	3,833,047	-	-	-	-	-	-	-
Total general fund	<u>\$ 2,185,209</u>	<u>\$ 3,459,718</u>	<u>\$ 4,021,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	3,250,400	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 3,250,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2008 information not available)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 7,192,863	\$ 6,962,934	\$ 5,677,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire district assistance tax	439,280	400,000	379,631	-	-	-	-	-	-	-
Capital grants	-	5,982	37,695	-	-	-	-	-	-	-
Charges for services	1,340,563	1,326,760	451,151	-	-	-	-	-	-	-
Investment earnings	18,760	21,403	27,283	-	-	-	-	-	-	-
Other	126,610	60,760	53,910	-	-	-	-	-	-	-
Total Revenues	<u>9,118,076</u>	<u>8,777,839</u>	<u>6,626,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures										
Public safety	9,283,895	8,627,541	6,316,678	-	-	-	-	-	-	-
Capital outlay	483,286	1,293,653	2,244,281	-	-	-	-	-	-	-
Debt Service										
Principal	324,788	178,561	773,758	-	-	-	-	-	-	-
Interest	83,001	159,757	72,603	-	-	-	-	-	-	-
Total Expenditures	<u>10,174,970</u>	<u>10,259,512</u>	<u>9,407,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	(1,056,894)	(1,481,673)	(2,780,620)	-	-	-	-	-	-	-
Other financing sources (uses)										
Proceeds from sale of capital assets	482,785	70,250	87,810	-	-	-	-	-	-	-
Proceeds from capital lease obligation	2,550,000	2,061,168	1,700,000	-	-	-	-	-	-	-
Payment to refunded bond agent	-	-	-	-	-	-	-	-	-	-
Payment on refinanced capital leases	-	(1,261,168)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>3,032,785</u>	<u>870,250</u>	<u>1,787,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special item	-	50,000	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ 1,975,891</u>	<u>\$ (561,423)</u>	<u>\$ (992,810)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service as a percentage of noncapital expenditures	45.76%	20.73%	27.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Timber Mesa Fire and Medical District
 Assessed and Estimated Actual Value of Taxable Property
 Last ten fiscal years
 (District was established in 2015 - schedule to be built prospectively from 2015; 2014-2008 information not available)

Fiscal year ended June 30,	Real Property	Personal Property	Public Utility Property	Less: Tax Exempt Real property	Total		Estimated Real Market Value	Assessed value as a % of actual Value
	Residential & Commercial Property	Assessed Value	Asses Value		Taxable Assessed Value	Direct Tax Rate		
2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
2009	-	-	-	-	-	-	-	0%
2010	-	-	-	-	-	-	-	0%
2011	-	-	-	-	-	-	-	0%
2012	-	-	-	-	-	-	-	0%
2013	-	-	-	-	-	-	-	0%
2014	-	-	-	-	-	-	-	0%
2015	222,346,147	6,686,863	15,692,856	14,146,142	230,579,724	2.9286	1,921,497,700	12%
2016	227,891,747	6,439,217	14,131,373	13,454,424	235,007,913	2.8488	2,136,435,573	11%
2017	237,422,539	7,044,368	14,339,469	13,675,930	245,130,446	2.8901	2,228,458,600	11%

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; 2014-2008 information not available)

Fiscal year ended June 30,	Timber Mesa Fire and Medical District	Overlapping Rates					Pinetop-Lakeside Sanitary District	Show Low Bulff Community Facilities District	Total Direct and Overlapping Rates
		Navajo County	Show Low Unified School District	Blue Ridge Unified School District	City of Show Low Street Light District				
2008	\$ -	\$ -	\$ -			\$ -	\$ -	\$ -	
2009	-	-	-			-	-	-	
2010	-	-	-			-	-	-	
2011	-	-	-			-	-	-	
2012	-	-	-			-	-	-	
2013	-	-	-			-	-	-	
2014	-	-	-			-	-	-	
2015	2.9286	2.9884	3.7136	5.2569	0.1291	0.2890	3.5500	21.7842	
2016	2.8488	3.0894	4.2625	5.2154	0.1401	0.2890	3.5500	22.2440	
2017	2.8901	3.1365	4.7800	5.4904	0.1401	0.2795	3.5500	23.1567	

Source: Navajo County Tax Assessor

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

June 30, 2017

Taxpayer	Type of Business	Assessed Value	% of Total Assessed Value
NAVOPACHE ELECTRIC CO-OP INC (T&D)	Utility	3,099,480	1.25%
SMITH BAGLEY INC	Telecommunications	2,871,590	1.16%
ARIZONA PUBLIC SERVICE COMPANY	Utility	2,721,709	1.10%
UNISOURCE ENERGY CORPORATION	Utility	2,386,967	0.96%
CITIZENS TELECOMM OF WHITE MTNS	Telecommunications	1,963,197	0.79%
WAL-MART STORES INC	Retail	1,973,951	0.79%
LOWES HIW INC	Retail	1,363,686	0.55%
TORREON GOLF CLUB LLC	Recreation	1,094,271	0.44%
ELK RIDGE APARTMENTS	Housing	1,052,563	0.42%
HOME DEPOT USA INC	Retail	983,609	0.40%
		<u>\$ 19,511,023</u>	<u>7.85%</u>
Total Assessed Value		<u>\$ 248,462,337</u>	

6/30/2008 *

Taxpayer	Type of Business	Assessed Value	% of Total Assessed Value
		\$ -	0.00%
		-	0.00%
		-	0.00%
		-	0.00%
		-	0.00%
		-	0.00%
		-	0.00%
		<u>\$ -</u>	<u>0</u>
Total Assessed Value		<u>\$ -</u>	

Source: Navajo County Assessor

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

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

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2008 information not available)

Fiscal year ended June 30,	Original Property Tax Levy	Tax Roll Corrections	Property Tax Levy (Adjusted)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Amount	% of Levy
				Amount	% of Levy			
2008	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	#DIV/0!
2009	-	-	-	-	0.00%	-	-	#DIV/0!
2010	-	-	-	-	0.00%	-	-	#DIV/0!
2011	-	-	-	-	0.00%	-	-	#DIV/0!
2012	-	-	-	-	0.00%	-	-	#DIV/0!
2013	-	-	-	-	0.00%	-	-	#DIV/0!
2014	-	-	-	-	0.00%	-	-	#DIV/0!
2015	7,246,652	1,797	7,248,449	6,931,912	95.63%	409	6,932,321	95.64%
2016	6,948,589	2,998	6,951,587	6,665,357	95.88%	266,963	6,932,320	99.72%
2017	7,175,543	(14,331)	7,161,212	6,943,248	96.96%	-	6,943,248	96.96%

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; 2014-2008 information not available)

Fiscal year ended June 30,	Capital Lease Debt	General Obligation Bond		Total Outstanding Debt		
		Outstanding	Legal Limit	Amount	% of Personal Income	Debt Per Capita
2008	\$ -	\$ -	\$ -	-	0.00%	-
2009	-	-	-	-	0.00%	-
2010	-	-	-	-	0.00%	-
2011	-	-	-	-	0.00%	-
2012	-	-	-	-	0.00%	-
2013	-	-	-	-	0.00%	-
2014	-	-	-	-	0.00%	-
2015	3,030,863	-	14,601,307	3,030,863	0.10%	27.76
2016	3,652,302	-	14,683,552	3,652,302	0.12%	33.30
2017	5,877,514	-	14,907,740	5,877,514	0.19%	53.23

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

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

Governmental Unit	Debt Outstanding at 6/30/16 *	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Navajo County	\$ 15,862,822	29.53%	\$ 4,684,101
Show Low Bluff Community Facilities District	2,275,000	100.00%	2,275,000
Show Low Unified School District	1,431,241	100.00%	1,431,241
Blue Ridge Unified School District	20,747,030	75.00%	15,560,273
City of Show Low	18,770,768	100.00%	18,770,768
Pinetop-Lakeside Sanitary District	22,670	50.00%	11,335
Town of Pinetop-Lakeside	910,902	50.00%	455,451
Subtotal, overlapping debt			43,188,169
Timber Mesa Fire and Medical District Direct Debt			5,877,514
Total Direct and overlapping debt			\$ 49,065,683

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

Source: Arizona Department of Administration

* Outstanding debt as of June 30, 2016 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; 2014-2008 information not available)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assessed Value	\$ 248,462,337	\$ 244,725,866	\$ 243,355,121							
Debt limit rate	6%	6%	6%	0%	0%	0%	0%	0%	0%	0%
Debt Limit	14,907,740	14,683,552	14,601,307	-	-	-	-	-	-	-
Less bond and lease obligations	(5,877,514)	(3,652,302)	(3,030,863)							
Legal debt margin	<u>\$ 9,030,226</u>	<u>\$ 11,031,250</u>	<u>\$ 11,570,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net debt applicable to the limit as a percentage of debt limit	39.43%	24.87%	20.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal year ended June 30,	Population (Navajo County)	Personal Income (thousands of dollars)	Per Capita income (Navajo County)	Unemployment Rate (Navajo County)
2008	\$ 108,573	\$ 2,583,202	\$ 23,792	10.1%
2009	112,348	2,539,509	22,604	9.7%
2010	112,975	2,634,137	23,316	14.9%
2011	107,449	2,742,716	25,526	16.0%
2012	107,174	2,780,847	25,947	15.8%
2013	107,094	2,826,523	26,393	15.2%
2014	108,694	2,869,655	26,401	13.1%
2015	109,185	2,965,679	27,162	11.2%
2016	109,671	2,991,865	27,280	9.6%
2017	110,413	3,154,284	28,568	9.4%

Sources of information:

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

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

June 30, 2017

Employer	Employees	Rank
Summit Regional Medical Center	900	1
Navajo County	638	2
Walmart	490	3
Show Low Unified School District	300	4
Blue Ridge Unified School District	285	5
Arizona Public Service	220	6
Cellular One	187	7
City of Show Low	156	8
Frontier	125	9
Northland Pioneer College	110	10
Total	3,411	

June 30, 2008

Employer	Employees	Rank
Walmart	761	1
Summit Regional Medical Center	500	2
Navajo County	425	3
Arizona Public Service	287	4
Show Low Unified School District	225	5
Blue Ridge Unified School District	195	6
Northland Pioneer College	175	7
City of Show Low	154	8
Frontier	142	9
Cellular One	140	10
Total	3,004	

Source: Estimate of various employers and sources

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

Timber Mesa Fire and Medical District
 Operating Indicators by Function
 Last ten fiscal years

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2008 information not available)

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety										
Fire prevention inspections	269	95	265	-	-	-	-	-	-	-
Emergency medical service calls	2,821	2,682	2,048	-	-	-	-	-	-	-
Fire responses	129	101	69	-	-	-	-	-	-	-
Other responses - including hazardous materials, mutual aid, public service	901	513	635	-	-	-	-	-	-	-
Miscellaneous - including false alarms, good intent	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; 2014-2008 information not available)

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety										
Fire and rescue service	60	60	60	-	-	-	-	-	-	-
Fire Prevention	2	2	2	-	-	-	-	-	-	-
Administrative and support	16	16	14	-	-	-	-	-	-	-
Total	<u>78</u>	<u>78</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: District HR department

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

(District was established in 2015 - schedule to be built prospectively from 2015; 2014-2008 information not available)

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety										
Stations	4	4	4	-	-	-	-	-	-	-
Equipment:										
Engines	4	5	6	-	-	-	-	-	-	-
Ladder Trucks	1	2	1	-	-	-	-	-	-	-
Brush rigs	4	7	8	-	-	-	-	-	-	-
Rescue units	5	5	4	-	-	-	-	-	-	-
Tenders	3	3	5	-	-	-	-	-	-	-
Hazmat squad	-	-	1	-	-	-	-	-	-	-
Squad/support units	19	18	22	-	-	-	-	-	-	-

Source: District logistics department