



**Three Points Fire District  
Financial Statements  
June 30, 2020**

**Three Points Fire District  
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June 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Governing Board of  
Three Points Fire District  
Tucson, Arizona

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards* the financial statements of Three Points Fire District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the District's basic financial statements and have issued our report dated December 28, 2020, wherein we noted that the District uses a special purpose framework other than generally accepted accounting principles.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arizona Revised Statutes, Title 48 § 251.A(1), as described in Note 1, to meet the requirements of the state of Arizona. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified accrual basis balance sheet of the general, capital projects, and debt service funds of the District as of June 30, 2020, and the respective revenues collected, expenditures paid and changes in fund balances of the District for the year ended June 30, 2020, in accordance with the financial reporting provisions of Arizona Revised Statutes Title 48 § 251.A(1) described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements are prepared by Three Points Fire District on the basis of the financial reporting provisions of Arizona Revised Statutes, Title 48 § 251.A(1), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Arizona. Our opinion is not modified with respect to this matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue our report at a later date on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## **Restriction on Use**

This report is intended solely for the information and use of the Governing Board, Management, Pima County and the State of Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

*S C Audit & Accounting Solutions, LLC*

Prescott, Arizona  
December 28, 2020

Three Points Fire District  
**BALANCE SHEET - MODIFIED ACCRUAL BASIS**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 676,212	\$ 13,844	\$ 724,202	\$ 1,414,258
Accounts receivable, net	157,211	-	-	157,211
Taxes receivable	314,152	-	138,960	453,112
Prepaid expenses	<u>7,900</u>	<u>-</u>	<u>-</u>	<u>7,900</u>
 Total assets	 <u>\$ 1,155,475</u>	 <u>\$ 13,844</u>	 <u>\$ 863,162</u>	 <u>\$ 2,032,481</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities and deferred inflows of resources:				
Liabilities:				
Accounts payable	\$ 13,143	\$ -	\$ -	\$ 13,143
Accrued payroll	99,913	-	-	99,913
 Deferred inflows:				
Deferred inflows of resources	<u>305,768</u>	<u>-</u>	<u>122,430</u>	<u>428,198</u>
 Total liabilities and deferred inflows of resources	 <u>418,824</u>	 <u>-</u>	 <u>122,430</u>	 <u>541,254</u>
 Fund balances:				
Restricted	-	13,844	740,732	754,576
Unassigned	<u>736,651</u>	<u>-</u>	<u>-</u>	<u>736,651</u>
 Total fund balances	 <u>736,651</u>	 <u>13,844</u>	 <u>740,732</u>	 <u>1,491,227</u>
 Total liabilities and deferred inflows of resources and fund balances	 <u>\$ 1,155,475</u>	 <u>\$ 13,844</u>	 <u>\$ 863,162</u>	 <u>\$ 2,032,481</u>

The accompanying notes are an integral part of this financial statement.

Three Points Fire District  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - MODIFIED ACCRUAL BASIS  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2020**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 1,262,182	\$ -	\$ 583,740	\$ 1,845,922
Fire district assistance taxes	252,146	-	-	252,146
Intergovernmental	165,137	-	-	165,137
Charges for services	448,763	-	-	448,763
Other revenue	7,000	-	-	7,000
Interest income	<u>11,274</u>	<u>353</u>	<u>15,326</u>	<u>26,953</u>
Total revenues	<u>2,146,502</u>	<u>353</u>	<u>599,066</u>	<u>2,745,921</u>
<b>EXPENDITURES</b>				
Current:				
Public safety, fire protection:				
Fire safety and emergency services	1,948,335	-	-	1,948,335
Administrative and support services	144,879	-	-	144,879
Debt service:				
Principal	-	-	350,000	350,000
Interest	-	-	10,026	10,026
Capital outlay	<u>47,924</u>	<u>234,994</u>	<u>-</u>	<u>282,918</u>
Total expenditures	<u>2,141,138</u>	<u>234,994</u>	<u>360,026</u>	<u>2,736,158</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,364</u>	<u>(234,641)</u>	<u>239,040</u>	<u>9,763</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	5,364	(234,641)	239,040	9,763
Fund balances – beginning	<u>731,287</u>	<u>248,485</u>	<u>501,692</u>	<u>1,481,464</u>
Fund balances – ending	<u>\$ 736,651</u>	<u>\$ 13,844</u>	<u>\$ 740,732</u>	<u>\$ 1,491,227</u>

The accompanying notes are an integral part of this financial statement.

Three Points Fire District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

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

**Nature of Operations and Financial Reporting Entity**

The District, established pursuant to Arizona Revised Statute Title 48, is a special purpose local government that is governed by an elected governing body, a legally separate entity, and is fiscally independent of other state and local governments. The District has no discrete or blended component units.

**Fund Accounting**

The accounts of the District are organized on the basis of fund accounting, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District reports the following major governmental funds:

*General Fund* – This fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Capital Projects Fund* – This fund is used to account for funds received and expended for the construction of buildings and improvements as well as for the acquisition of apparatus and major equipment for use by the District.

*Debt Service Fund* – This fund is used to account for funds received which are legally restricted for the repayment of long-term debt.

**Measurement focus, basis of accounting, and financial statement presentation**

As required under Arizona Revised Statutes, Title 48 § 251.A(1), the District has prepared these financial statements in a manner sufficient to report beginning and ending fund balances and all revenues and expenditures for the year ending June 30, 2020. The Statement of Revenues, Expenses and Changes in Fund Balance is presented on the modified accrual basis of accounting which is a comprehensive basis other than accounting principles generally accepted in the United States.

This basis of accounting is also referred to as the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Three Points Fire District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

The major departure from accounting principles generally accepted in the United States is that there are generally no accruals made for long-term assets and liabilities using the modified accrual basis of accounting. Specifically, there were no accruals made for capital assets or long-term liabilities such as bonds payable and compensated absences. However, accruals were made for payroll related liabilities in which the district acts as a fiduciary. Furthermore, these financial statements do not include government-wide financial statements which are required by accounting principles generally accepted in the United States. Additionally, the District has also elected not to present Management's Discussion and Analysis or the Budgetary Comparison Schedules that accounting principles generally accepted in the United States have determined are necessary to supplement, although not required to be part of, the basic financial statements.

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral.

**Fund Equity**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

**Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

**Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed fund balance** - amounts that can only be used for specific purposes determined by formal action of the District's decision making authority (the governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**Assigned fund balance** - amounts that are constrained by the District's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or an official designated for that purpose.

**Unassigned fund balance** - the residual classification for the District's General Fund that includes amounts not contained in other classifications.



Three Points Fire District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**Budgetary accounting**

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. The adopted budget is on the modified cash basis of accounting, which is an acceptable basis for budgetary purposes. All annual appropriations lapse at fiscal year end. The District is subject to expenditure limitations under Arizona Revised Statutes. This law does not permit the District to spend more than the budgeted revenues plus the prior year's carry-over of unrestricted cash. The limitation is applied to the total of the combined unrestricted funds.

**NOTE 2 – CASH AND INVESTMENTS**

Arizona Revised Statutes authorize special districts to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices.

**District's Cash and Cash Equivalents Deposits**

As of June 30, 2020 the District had \$1,327,807 on deposit with the Pima County Treasurer's investment pool (PCTIP) in the governmental funds. The Pima County Treasurer invests the cash in a pool under policy guidelines established by the Pima County Treasurers' Office (the County). The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the PCTIP is included in the Comprehensive Annual Financial Report of Pima County. The fair value of each participant's position in the PCTIP approximates the value of the participant's shares in the pool. The District also maintains a checking account with a local financial institution; the amount on deposit as of June 30, 2020 was \$86,451.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. State law limits deposits and investments of the PCTIP to the Arizona State Treasurer's local government investment pool (LGIP); interest bearing savings accounts, certificates of deposit; United States Treasury Bills, notes or bonds which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices. The Pima County Treasurer's Investment Pool is an external investment pool with no regulatory oversight. The PCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2020 the PCTIP had not received a credit quality rating from a national rating agency.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have a formal policy for custodial credit. However, all investments are held in safekeeping by either Pima County or are in the District's name, and collateralized by pledged securities, with further insurance provided by the Securities Investor Protection Corporation (SIPC). For demand deposits with local financial institutions, all monies on deposit were fully insured by the Federal Deposit Insurance Corp.

Three Points Fire District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**NOTE 3 – TRANSFERS AND DESIGNATIONS OF FUND BALANCE**

The District has adopted a policy whereby it will transfer budgeted and/or unused appropriations to the capital projects fund to provide for planned future acquisitions of apparatus, vehicles, buildings and improvements. Such transfers are not restricted by statute and can be transferred back to the general fund upon board approved changes to the District's policies. No such transfers were made during the year.

**NOTE 4 – GENERAL OBLIGATION BONDS**

Series 2017 Bonds - During a prior fiscal year, the District issued \$1,745,000 in general obligation bonds to construct and furnish a new fire station. The Series 2017 General Obligation Bonds carry interest rates not to exceed 1.64%; maturing July 1, 2018 through July 1, 2021. The final principal payment on the Series 2017 Bonds is \$240,000 due July 1, 2021.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

**Inter-governmental agreements and indemnifications**

The District is party to a variety of inter-governmental 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.

**Risk management**

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. No provision has been made in the financial statements for possible losses of this nature.

**Contingencies**

On January 30, 2020 the World Health Organization (WHO) announced a global health emergency because of a new strain of Coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operation, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**NOTE 6 – EMPLOYEE RETIREMENT SYSTEMS AND POST EMPLOYMENT PLANS**

The District contributes to multiple plans as described below. Benefits for non-public safety personnel and for public safety personnel are established by state statutes which regulate retirement, death, long-term disability, and survivor insurance premium benefits.

Three Points Fire District  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

As of June 30, 2020, the District reported \$278,203 of pension expenditures in the governmental funds for all plans to which it contributes.

**Arizona State Retirement System (ASRS)**

Plan Description: Eligible employees of the District not covered by the other pension plans 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 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](http://www.azasrs.gov). The OPEB plans as it relates to ASRS are insignificant to the district as a whole and are excluded from the financial statements.

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:

<b>Retirement and Disability</b>	<b>Initial Membership Date:</b>	
	<b>Before July 1, 2011</b>	<b>On or After July 1, 2011</b>
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 an initial 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 survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Three Points Fire District  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

service on record as of the effective disability date if their service is greater than 30 years.

Contributions: In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent 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 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent for long-term disability) of the members' annual covered payroll.

The District's ASRS contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020 totaled \$4,076, which were equal to the required contributions for the year then ended. During fiscal year 2020, 100% of all ASRS and OPEB contributions were paid from the General Fund.

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Discount rate	7.5%
Projected salary increases	2.7% - 7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Pension liability: At June 30, 2020 the District reported a liability of \$45,109 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The District's proportion of the net 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, 2019. The District's proportion measured as of June 30, 2019 was 0.00031%.

**Public Safety Personnel Retirement System**

Plan Description: The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. District public safety employees participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool), which are not further disclosed because of their relative insignificance to the District's financial statements.

Three Points Fire District  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits Provided:** The *Public Safety Personnel Retirement System* 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.

Retirement and Disability	Initial Membership Date:	
	Before January 1, 2012	On or after Jan.1,2012 & before July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years.
<b>Benefit Percent</b>		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5 % per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months, then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% of retired member's pension benefit	
Active Members	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 inflation. PSPRS also provides temporary disability benefits of fifty percent (50%) of the member's compensation up to twelve (12) months.

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

Three Points Fire District  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

Employees Covered by Benefit Terms: At June 30, 2020, the following employees were covered by the agent plans' benefit terms:

	Pension	Health
Retirees and beneficiaries currently receiving benefits	3	2
Inactive, non-retired members	2	0
Active members	15	15
Total	20	17

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 and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2020 are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member - Pension	District Pension
Contribution rate - Tier 1	7.65% to 11.65%	28.23%
Contribution rate -Tier 2	11.65% to 14.65%	28.23% - 32.23%
Contribution rate - Tier 3 Risk Pool	9.94% to 12.94%	23.99% - 26.99%

For this agent plan, the District's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2020 were:

**Pension**

Contributions made \$ 274,127

During the year ended June 30, 2020, the District paid all PSPRS pension and OPEB contributions from the General Fund.

Pension Liability: At June 30, 2020, the District had a net pension liability of \$717,726. The funding ratio for the plan is 84.07%.

Three Points Fire District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

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

Actuarial valuation date	June 30, 2019
Actuarial funding method	Cost method
Investment rate of return	7.3%
Wage inflation	3.5%
Price inflation	2.5%
Cost of living adjustment	1.75%
Mortality rates	

**Active Lives:**

PubS-2010 Employee mortality, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2018. 100% of active deaths are assumed to be in the line of duty.

**Inactive Lives:**

PubS-2010 Healthy Retiree mortality, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2018. The District contributes to multiple plans as described above. Benefits for non-public safety personnel and for public safety personnel are established by state statutes which regulate retirement, death, long-term disability, and survivor insurance premium benefits.

**NOTE 7 – SUBSEQUENT EVENTS**

The District has evaluated events and transactions for potential disclosure from June 30, 2020 through December 28, 2020, the date the financial statements were available to be issued.



Audit & Accounting  
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**INDEPENDENT ACCOUNTANTS' REPORT  
ON COMPLIANCE WITH SPECIFIED REQUIREMENTS  
APPLICABLE TO ARIZONA FIRE DISTRICTS AS REQUIRED  
UNDER ARIZONA REVISED STATUTE TITLE 48 § 805.02(G)**

To the Governing Board of  
Three Points Fire District  
Tucson, Arizona

Arizona Revised Statute, Title 48 § 805.02 relates to the budgetary and financial requirements for fire districts. This statute concerns the specific compliance requirements regarding budget adoption, issuance of warrants, expenditure limitation, line of credit, and debt and liability limits. The governing board and management are responsible for the District's compliance with such requirements.

Our responsibility, under A.R.S. § 805.02(G), is to attest to the District's compliance based on our examination. Accordingly, we have examined management's assertions included in its representation letter dated December 28, 2020, that Three Points Fire District (the District) complied with those requirements. The following is our opinion, based on the relevant attestation standards, as to the Districts' compliance.

**Opinion, Compliance and Other Matters**

Our examination was made in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America, attestation standards established by the American Institute of Certified Public Accountants, and Arizona Revised Statute, Title 48 § 805.02(G)(1)-(3). Our examination of evidence relating to the compliance of the District with the statutory provisions, cited below, was based on the aforementioned standards and was conducted on a test basis. We have performed such actions, using such procedures as we considered necessary under the circumstances so that our examination provides a reasonable basis for our opinion. We hereby attest as follows:

1. That, based on the information obtained during our engagement, and to extent that we have information relating to such matters, we are not aware of anything to indicate that the District has not incurred any debts or liability in excess of taxes levied and to be collected and that the monies were actually available and unencumbered at the time in the district general fund except for those liabilities as prescribed in A.R.S. § 48-805(B)(2), and A.R.S. §§ 48-806 & 48-807.
2. That, based on the information obtained during our engagement, and to extent that we have information relating to such matters, we are not aware of anything to indicate that the District has failed to comply with A.R.S. § 48-805.02(F).
3. And that, based on the information obtained during our engagement, and to extent that we have information relating to such matters, that there is no information to contradict the certification made by the Chairman and Clerk, under A.R.S. § 48-805.02(D)(1).



Our opinion is not based on a thorough or exhaustive investigation, and to the extent that we may have formed an opinion on these matters, our opinion does not constitute a legal determination of the District's compliance with the specified requirements.

Our opinion is based only on the evidence that was obtained during the course of our audit engagement; and, in our opinion, Three Points Fire District has complied, in all material aspects, with the aforementioned requirements for the year ended June 30, 2020.

**Purpose of this Report**

This report is intended solely for the information of and use of management, the Governing Board, Pima County and the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

*S C Audit & Accounting Solutions, LLC*

Prescott, Arizona  
December 28, 2020

**Three Points Fire District**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

**June 30, 2020**

**Three Points Fire District**  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Governing Board of  
Three Points Fire District  
Tucson, 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 Three Points Fire District (the District), which comprise the Balance Sheet as of June 30, 2020, and the related Statement of Revenues, Expenditures and Changes in Fund Balances for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 28, 2020, wherein we noted that the District uses a special purpose framework other than generally accepted accounting principles.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Three Points Fire 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 an opinion on the financial statements, but not for the purpose of expressing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 to those charged with governance.

Our consideration of the 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 Three Points Fire District's financial statements are free of 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*.

#### **PURPOSE OF THIS REPORT**

This report is intended 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 of 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.

*S C Audit & Accounting Solutions, LLC*

Prescott, Arizona  
January 5, 2021

**Three Points Fire District**

**INDEPENDENT AUDITOR'S COMMUNICATION TO  
THOSE CHARGED WITH GOVERNANCE**

**June 30, 2020**

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## INDEPENDENT AUDITOR'S COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

To the Governing Board of  
Three Points Fire District  
Tucson, Arizona

We have audited the basic financial statements of Three Points Fire District (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 28, 2020, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. Professional standards require that we advise you of the following matters relating to our audit.

### OUR RESPONSIBILITIES UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As communicated in our engagement letter dated May 18, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with the reporting requirements as prescribed by the State of Arizona, and when applicable, *Government Auditing Standards*. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you. Any communication of significant matters is included in the report described in the following paragraph.



## **OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, as we are not aware of any other documents containing the District's audited financial statements, we have not performed any additional procedures in accordance with such standards.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2021 on our consideration of the District's internal control over financial reporting and on our tests of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. We have provided our comments regarding significant control deficiencies, and material weaknesses, if applicable, and other matters noted during our audit in a separate letter to you dated January 5, 2021.

## **PLANNED SCOPE AND TIMING OF THE AUDIT**

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter.

## **COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE**

The engagement team, others in our firm, as appropriate, our firm and any related firms have completed with all relevant ethical requirements regarding independence. As part of our nonattest services related to preparing the financial statements, management was responsible for validating the completeness and accuracy of the financial statements, and all entries to present the financial statements using a special purpose framework other than generally accepted accounting principles. Management performed their responsibility accordingly and approved the financial statements on December 28, 2020.

## **QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no changes in significant accounting policies or their application during the year ended June 30, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. However, as the financial statements were prepared on the modified accrual basis, which is sufficient to meet the reporting requirement of the State of Arizona, no such estimates were needed.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- Cash and Investments, and
- Ambulance Revenues and Receivables
- Pension and post-employment retirement plans

### *Significant Difficulties Encountered during the Audit*

We are pleased to report that we encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. However, we did not identify any uncorrected misstatements.

The attached schedule of misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by management; schedule CJE 2020 is for adjusting journal entries.

### **Disagreement with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which were included in the letter from management on or before December 28, 2020.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing, accounting and financial reporting matters. Based on management's representations, and consistent with our understanding of the District's activities, there were no consultations with other accountants regarding auditing, accounting and financial reporting matters.

### **Other Significant Findings or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

### **Restriction on Use**

This report is intended solely for the information and use of the Board of Directors, Management, Pima County and the State of Arizona and is and is not intended to be, and should not be, used by anyone other than these specified parties.

*S C Audit & Accounting Solutions, LLC*

Prescott, Arizona  
January 5, 2021

Year End: June 30, 2020  
 Adjusting Journal Entries  
 Date: 7/1/2019 To 6/30/2020

Non-Tech KG 12/22/2020	Prepared KG 12/22/2020	Detail
Release	QC	

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
CJE 001	6/30/2020	Property Taxes Receivable	150 DS	4720A		232,005.00			
CJE 001	6/30/2020	Deferred Taxes	200 DS	4720A			217,827.00		
CJE 001	6/30/2020	Fund Balance	300 DS	4720A			14,178.00		
		To adjust beginning DS Fund balance to tie to PY Audited FS							
CJE 002	6/30/2020	0130 Ambulance Receivables	1130 GF	4720A		190,054.00			
CJE 002	6/30/2020	0139 Allowance for Ambulance Receivables	1139 GF	4720A			98,828.00		
CJE 002	6/30/2020	Wildland Revenue Receivable	1140 GF	4720A		1,759.00			
CJE 002	6/30/2020	0141 Property Taxes Receivable	1141 GF	4720A		516,770.00			
CJE 002	6/30/2020	Prepaid Expenses	1160 GF	4720A			2,856.00		
CJE 002	6/30/2020	Undeposited Funds	1200 GF	4720A			977.00		
CJE 002	6/30/2020	Accounts Payable	2200 GF	4720A			24,897.00		
CJE 002	6/30/2020	0200 Current Liabilities:0201 Payroll Taxes	2201 GF	4720A			86,919.00		
CJE 002	6/30/2020	0200 Current Liabilities:0203 Payroll Liabi	2203 GF	4720A			33,807.00		
CJE 002	6/30/2020	0200 Deferred Taxes	2501 GF	4720A			483,621.00		
CJE 002	6/30/2020	0200 Deferred Ambulance Revenues	2511 GF	4720A			35,711.00		
CJE 002	6/30/2020	3900 Retained Earnings	3900 GF	4720A		59,033.00			
		To adjust beginning GF balances to tie to PY Audited F/S.							
CJE 003	6/30/2020	Prepaid Expenses	1160 GF			7,900.00			
CJE 003	6/30/2020	200 Insurance for District	5200 GF				7,900.00		
		To reclassify WC insurance FYE 6/21.							
CJE 004	6/30/2020	0130 Ambulance Receivables	1130 GF	3050			7,716.00		
CJE 004	6/30/2020	0139 Allowance for Ambulance Receivables	1139 GF	3050		2,189.00			
CJE 004	6/30/2020	0200 Deferred Ambulance Revenues	2511 GF	3050		8,306.00			
CJE 004	6/30/2020	2000 Intergovernmental & COS:2000.1 Ambulan	4201 GF	3050			2,779.00		
		To adjust Ambulance receivable, allowance and deferred revenue.							
CJE 005	6/30/2020	Wildland Revenue Receivable	1140 GF	3040		69,753.00			
CJE 005	6/30/2020	2000 Intergovernmental & COS:2000.2 Wildland	4202 GF	3040			69,753.00		
		To adjust WL AR and CY WL Revenue							
CJE 006	6/30/2020	Property Taxes Receivable	150 DS	3020			93,045.00		
CJE 006	6/30/2020	Deferred Taxes	200 DS	3020		95,397.00			
CJE 006	6/30/2020	Real Estate Taxes	400 DS	3020			2,352.00		
		To adjust DS AR and deferral							
CJE 007	6/30/2020	0141 Property Taxes Receivable	1141 GF	3020			202,618.00		
CJE 007	6/30/2020	0200 Deferred Taxes	2501 GF	3020		205,258.00			
CJE 007	6/30/2020	1000 Tax Revenue:1000.1 Real Estate	4101 GF	3020			2,640.00		
		To adjust property tax AR and deferral							
CJE 008	6/30/2020	0200 Current Liabilities:0201 Payroll Taxes	2201 GF	4130		46,605.00			
CJE 008	6/30/2020	0200 Current Liabilities:0203 Payroll Liabi	2203 GF	4130			94,272.00		
CJE 008	6/30/2020	150 Employer Benefits - PSPRS	5150 GF	4130		47,667.00			
		To adjust accrued payroll and payroll liabilities							
CJE 009	6/30/2020	Accounts Payable	2200 GF	3125		11,754.00			
CJE 009	6/30/2020	600 Utilities	5600 GF	3125			6,254.00		
CJE 009	6/30/2020	970 Contengency (Operations)	5970 GF	3125			5,500.00		
		To adjust CY AP							
						1,494,450.00	1,494,450.00		
		<b>Net Income (Loss)</b>							<b>9,763.00</b>

**Three Points Fire District**  
**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**  
**June 30, 2020**



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## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

To the Management and Governing Board  
Three Points Fire District  
Tucson, Arizona

We have audited the basic financial statements of Three Points Fire District (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 28, 2020 and have also issued our report on Internal Controls over Financial Reporting and on Compliance dated January 5, 2021.

We observed the following matters during the course of our audit that represent opportunities for strengthening internal controls and operating efficiency. We offer the following comments and suggestions with respect to these matters.

### **ACCOUNTS PAYABLE PROCESS**

While auditing the internal controls, we obtained an understanding of the accounting process regarding the preparation and review of the monthly and annual financial reports and reconciliations. We noted for the year ending June 30, 2020, there was not a schedule of accounts payable. We recommend that an accounts payable schedule be prepared within the QuickBooks accounting system so that the District is aware of all outstanding bills on a monthly and annual basis.

### **WILDLAND BILLING PROCESS**

While auditing the internal controls surrounding the wildland billing process, we noted that there were no charges on the billing forms for administration costs. We recommend that the District make inquiries to see if a percentage of the total billing amount can be charged for administration when preparing billing to the Arizona Department of Forestry & Fire Management on the State Form 122 Invoice Format.

### **CAPITAL ASSET TRACKING PROCESS**

Management has stewardship responsibility to maintain a list of all of its capital assets over a certain dollar amount (most Arizona fire districts use a capital asset threshold of \$5,000). This list should include description of the asset, date placed in service and estimated cost. We recommend that the District inventory its capital assets and prepare such a list.

### **RESTRICTION ON USE**

This report is intended solely for the information and use of the Management and Governing Board of Three Points Fire District and is and is not intended to be, and should not be, used by anyone other than these specified parties.

*S C Audit & Accounting Solutions, LLC*

Prescott, Arizona  
January 5, 2021