

NORTH SHELBY COUNTY FIRE AND
EMERGENCY MEDICAL DISTRICT
Birmingham, Alabama

Financial Statements September 30, 2020

Including Report of
Independent Auditors

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INDEPENDENT AUDITORS' REPORT

Board of Directors
North Shelby County Fire and
Emergency Medical District
Birmingham, Alabama

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the North Shelby County Fire and Emergency Medical District as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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 cash basis financial position of the governmental activities and each major fund of the North Shelby County Fire and Medical Emergency District, as of September 30, 2020, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

North Shelby County Fire and
Emergency Medical District

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Shelby County Fire and Emergency Medical District's basic financial statements. The schedule of changes in net pension liability and schedule of employer contributions on pages 19-20, respectively, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.



Birmingham, Alabama
February 23, 2021

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL
FUND BALANCE SHEET - MODIFIED CASH BASIS
SEPTEMBER 30, 2020

| | General Fund | Adjustments (Note 2) | Statement of Net Position |
|----------------------------------------------------------------------------|---------------------|-------------------------|------------------------------|
| ASSETS | | | |
| Cash | \$ 1,016,261 | \$ - | \$ 1,016,261 |
| Certificates of deposit - nonnegotiable | 323,732 | - | 323,732 |
| Certificates of deposit - negotiable | 707,214 | - | 707,214 |
| Restricted cash | 14,038 | - | 14,038 |
| Non-depreciable capital assets | - | 130,562 | 130,562 |
| Depreciable capital assets, net | - | 2,192,308 | 2,192,308 |
| Total Assets | 2,061,245 | 2,322,870 | 4,384,115 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension | - | 586,873 | 586,873 |
| Total Deferred Outflows of Resources | - | 586,873 | 586,873 |
| LIABILITIES | | | |
| Payroll withholdings payable | 669 | - | 669 |
| Payable from restricted assets: | | | |
| Escrow held | 14,038 | - | 14,038 |
| Noncurrent liabilities: | | | |
| Due within one year | - | 39,008 | 39,008 |
| Due in more than one year | - | 2,500,963 | 2,500,963 |
| Total Liabilities | 14,707 | 2,539,971 | 2,554,678 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension | - | 427,483 | 427,483 |
| Advance revenue | 516,917 | - | 516,917 |
| Total Deferred Inflows of Resources | 516,917 | 427,483 | 944,400 |
| FUND BALANCES / NET POSITION | | | |
| Fund Balances: | | | |
| Committed | 115,129 | (115,129) | - |
| Unassigned | 1,414,492 | (1,414,492) | - |
| Total Fund Balances | 1,529,621 | (1,529,621) | - |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 2,061,245 | | |
| Net Position: | | | |
| Net investment in capital assets | | 2,022,211 | 2,022,211 |
| Unrestricted | | (550,301) | (550,301) |
| TOTAL NET POSITION | | \$ 1,471,910 | \$ 1,471,910 |

The accompanying notes are an integral part of these financial statements.

**NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – MODIFIED CASH BASIS
SEPTEMBER 30, 2020**

| | <u>General Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Activities</u> |
|----------------------------------------------------------------------|----------------------------|---------------------------------|------------------------------------|
| REVENUES: | | | |
| Fire dues | \$ 3,060,322 | \$ - | \$ 3,060,322 |
| Transport services | 316,968 | - | 316,968 |
| Grants | 23,179 | - | 23,179 |
| Interest income | 15,976 | - | 15,976 |
| Other | 36,023 | - | 36,023 |
| Total Revenues | <u>3,452,468</u> | <u>-</u> | <u>3,452,468</u> |
| EXPENDITURES/EXPENSES: | | | |
| Salaries and employee benefits | 2,644,225 | 41,275 | 2,685,500 |
| Insurance | 76,983 | - | 76,983 |
| Depreciation | - | 182,077 | 182,077 |
| Fuel | 21,659 | - | 21,659 |
| Collection costs | 14,937 | - | 14,937 |
| Office expense | 32,658 | - | 32,658 |
| Miscellaneous | 23,681 | - | 23,681 |
| Repairs, maintenance, and small equipment | 133,245 | - | 133,245 |
| Debt service - interest | 13,950 | - | 13,950 |
| Debt service - principal | 136,050 | (136,050) | - |
| Supplies | 40,634 | - | 40,634 |
| Hydrant rental | 59,468 | - | 59,468 |
| Professional fees | 19,756 | - | 19,756 |
| Payroll taxes | 30,406 | - | 30,406 |
| Utilities | 30,933 | - | 30,933 |
| Telephone | 17,190 | - | 17,190 |
| Capital outlay | 88,640 | (88,640) | - |
| Total Expenditures/Expenses | <u>3,384,415</u> | <u>(1,338)</u> | <u>3,383,077</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 68,053 | 1,338 | 69,391 |
| OTHER FINANCING SOURCES (USES) | | | |
| Investment return | 31,917 | - | 31,917 |
| Proceeds from sale of assets/ (Loss) on sale of assets | 40,000 | (27,997) | 12,003 |
| Total Other Financing Sources (Uses) | <u>71,917</u> | <u>(27,997)</u> | <u>43,920</u> |
| EXCESS OF REVENUES AND SOURCES OVER EXPENDITURES AND USES | 139,970 | (139,970) | - |
| CHANGES IN NET POSITION | | 113,311 | 113,311 |
| FUND BALANCE/NET POSITION - BEGINNING | <u>1,389,651</u> | <u>(31,052)</u> | <u>1,358,599</u> |
| FUND BALANCE/NET POSITION - ENDING | \$ <u>1,529,621</u> | \$ <u>(57,711)</u> | \$ <u>1,471,910</u> |

The accompanying notes are an integral part of these financial statements.

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements present the activities of the North Shelby County Fire and Emergency Medical District (the "District"). The District is governed by a five-member elected board.

The District presents its financial statements on the modified cash basis of accounting as applied to governmental units, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The more significant of the District's accounting policies are described below.

Basis of Presentation, Measurement Focus, Basis of Accounting

Government-wide Financial Statements: The statement of net position and the statement of activities display overall financial information about the District. The activities of the District are financed primarily from dues as required by law, which are considered nonexchange transactions. The statement of activities presents a comparison between the revenues and the expenses of the District. The *government-wide statements* are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

Governmental Fund Financial Statements: The fund financial statements also present financial information, including revenue and expenses. But the *fund statements* are reported using the current financial resources measurement focus, as applied to the modified cash basis of accounting. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. The governmental fund uses fund balance as the measure of available spendable financial resources at the end of the period. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The *government-wide statements* and the *fund statements* are presented using the modified cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. The District's modifications from the pure cash basis are the recording of investments at fair value, accrued interest related to investments, property and equipment, unavailable revenue, net pension liability, deferred outflows and deferred inflows related to the pension liability, and notes payable, as well as the recording of depreciation expense.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the government-wide financials would be presented on the accrual basis of accounting.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted Assets

Certain cash balances on the general fund are classified as restricted because they are held in an escrow account and can only be used for specified purposes. None of these assets are restricted by enabling legislation. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the *government-wide* financial statements. All capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Repairs and maintenance that do not materially add to the value of the asset or materially extend an asset's life are not capitalized.

Assets capitalized have an original cost of \$2,500 or more and five years or more of useful life. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|--------------------------------|-------|
| Buildings | 15-40 |
| Fire and Rescue Vehicles | 10-30 |
| Equipment | 5-20 |
| Office Furniture and Equipment | 5-15 |

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board currently reports deferred outflows of resources related to deferred charges related to the pension liability, which result from pension contributions related to normal and accrued employer liability subsequent to the measurement date.

Noncurrent Liabilities

In the financial statements, long-term debt and net pension liability are reported as liabilities in the Statement of Net Position.

Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an increase to net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District currently reports deferred inflows of resources related to revenue from fire dues received prior to the period in which they are due and deferred inflows of resources related to the pension liability. The unavailable revenue from fire dues will be recognized in the subsequent year. Deferred inflows of resources related to the pension liability result from the net difference between projected and actual earnings on plan investments. The difference is amortized over five years beginning with the year in which the difference occurred.

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pensions

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Fund Balance

Fund balances are classified as follows:

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

It is the District's policy to use restricted balances first, followed by committed resources, assigned resources, and finally unassigned resources, as needed.

Financial Statement Estimates

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

NOTE 2: EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS

Explanation of Differences between the Statement of Net Position – Modified Cash Basis and the Governmental Fund Balance Sheet - Modified Cash Basis

Total "Fund Balance" of the District's governmental funds differs from total "Net Position" of governmental activities reported in the statement of net position. This difference primarily results from the long-term economic resources focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

**NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 2: EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS - CONTINUED

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in the governmental fund. However, the statement of net position includes those capital assets among the assets of the District as a whole.

| | | |
|--------------------------|----|--------------------|
| Cost of capital assets | \$ | 4,305,285 |
| Accumulated depreciation | | <u>(1,982,415)</u> |
| | \$ | <u>2,322,870</u> |

All long-term obligations arising from cash basis transactions to be repaid from the governmental resources is reported as liabilities in the statement of net position.

| | | |
|-----------------------|----|------------------|
| Long-term obligations | \$ | <u>(300,659)</u> |
|-----------------------|----|------------------|

Employer pension contributions subsequent to the measurement date are not current financial resources and therefore are not reported in the governmental funds balance sheet.

| | | |
|-------------------------------------------------|----|----------------|
| Contribution subsequent to the measurement date | \$ | <u>238,048</u> |
|-------------------------------------------------|----|----------------|

Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet. Deferred inflows of revenues related to the net difference between projected and actual earnings on pension plan investments are also not reported in the governmental funds balance sheet.

| | | |
|----------------------------------------------------------------------------------|----|--------------------|
| Net pension liability | \$ | (2,239,312) |
| Net difference between projected and actual earnings on pension plan investments | | 66,330 |
| Changes of assumptions | | 255,755 |
| Difference between projected and actual experience | | <u>(400,743)</u> |
| | \$ | <u>(2,317,970)</u> |

Explanation of Differences between the Statement of Activities – Modified Cash Basis and the Governmental Fund Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis

The “Excess Revenues over Expenditures” for the governmental fund differs from the “Change in Net Position” for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the governmental fund. The effect of the differences is illustrated as follows:

**NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 2: EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS – CONTINUED

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

| | |
|----------------|--------------------|
| Depreciation | \$ <u>182,077</u> |
| Capital outlay | \$ <u>(88,640)</u> |

Repayment of debt principal is reported as an expenditure in the governmental fund and, thus, has the effect of reducing fund balance because current financial resources have been used. The principal payments, however, reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

| | |
|--------------------|---------------------|
| Principal payments | \$ <u>(136,050)</u> |
|--------------------|---------------------|

The effect of the net increase (decrease) in deferred outflows of resources, the effect of the net (increase) decrease in the net pension liability, and the effect of the net (increase) decrease in the deferred inflows of resources are not reported in the statements of revenue, expenditures, and changes in fund balance of governmental funds.

| | |
|-----------------------------------|------------------|
| Net increase in deferred outflows | \$ 2,828 |
| Net decrease in pension liability | (29,810) |
| Net increase in deferred inflows | <u>68,257</u> |
| | \$ <u>41,275</u> |

When capital assets are disposed of, the proceeds from disposal are reported as other financing sources in the governmental fund. However, the net book value of the capital assets is removed from the capital asset account in the Statement of Net Position and offset against the disposal proceeds to report a net loss in the Statement of Activities.

| | |
|----------------------------------------|------------------|
| Proceeds from sale of assets | \$ 40,000 |
| Net loss on disposal of capital assets | <u>(12,003)</u> |
| | \$ <u>27,997</u> |

NOTE 3: DEPOSITS WITH FINANCIAL INSTITUTIONS

The District maintains cash balances at local banks that are insured and collateralized in accordance with the Security for Alabama Funds Enhancement (SAFE) Program, which is encompassed in Title 41, Chapter 14A, Code of Alabama 1975, as amended, which is a multiple financial institutions collateral pool. The statute provides for assessments against the members of the pool on a pro rata basis in the event that the collateral pool is insufficient to cover the losses of a member financial institution that fails. As such, all deposits covered by this collateral pool are considered to be fully insured.

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

NOTE 3: DEPOSITS WITH FINANCIAL INSTITUTIONS - CONTINUED

The District maintains nonnegotiable certificates of deposit, with original maturities of more than three months, at local commercial banks and credit unions which, at times, may exceed insured limits. The District has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

The District does not have a formal investment policy; however, all funds are invested in compliance with state statutes. State statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. Corporate equities, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public funds investment accounts.

NOTE 4: INVESTMENTS

Investments are stated at fair value. Fair values at September 30, 2020 are summarized as follows:

Negotiable Certificates of Deposit:

| | <u>Fair Value</u> | | <u>Quantity</u> | <u>Maturity</u> |
|----------------------|-------------------|-------------|-----------------|-----------------|
| HSBC Bank | \$ 220,174 | 31% | \$ 203,000 | 5/30/2028 |
| JP Morgan Chase Bank | 233,575 | 33% | \$ 250,000 | 5/30/2028 |
| Goldman Sachs Bank | <u>253,465</u> | <u>36%</u> | \$ 250,000 | 4/28/2022 |
| | <u>\$ 707,214</u> | <u>100%</u> | | |

NOTE 5: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at September 30, 2020 are as follows:

| | <u>Fair Value Measurements at Reporting Date Using:</u> | |
|------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------|
| | <u>Fair Value</u> | <u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u> |
| Negotiable Certificates of Deposit | \$ <u>707,214</u> | \$ <u>707,214</u> |
| Total | \$ <u><u>707,214</u></u> | \$ <u><u>707,214</u></u> |

Investments in negotiable certificates of deposit with readily determinable fair values are carried at fair value based on quoted prices in active markets (all Level 1 measurements).

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

NOTE 6: CAPITAL ASSETS

| | October 1 | Additions | Retirements | September 30 |
|----------------------------------------------|--------------|------------|-------------|--------------|
| Non-Depreciable Assets: | | | | |
| Land | \$ 130,562 | \$ - | \$ - | \$ 130,562 |
| Fire truck | 436,709 | - | 436,709 | - |
| Total non-depreciable assets | 567,271 | - | 436,709 | 130,562 |
| Depreciable Assets: | | | | |
| Buildings | 1,011,619 | - | - | 1,011,619 |
| Fire and rescue vehicles | 2,102,637 | 492,010 | 354,094 | 2,240,553 |
| Transport vehicles | 221,223 | - | - | 221,223 |
| Equipment | 569,037 | 15,273 | 13,194 | 571,116 |
| Transport equipment | 63,848 | 18,066 | - | 81,914 |
| Office furniture and equipment | 51,574 | - | 3,276 | 48,298 |
| Total Capital Assets being Depreciated | 4,019,938 | 525,349 | 370,564 | 4,174,723 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 763,361 | 18,240 | - | 781,601 |
| Fire and rescue vehicles | 753,020 | 115,001 | 327,854 | 540,167 |
| Transport vehicles | 152,830 | 12,732 | - | 165,562 |
| Equipment | 380,480 | 30,555 | 11,436 | 399,599 |
| Transport equipment | 61,082 | 2,034 | - | 63,116 |
| Office furniture and equipment | 32,132 | 3,515 | 3,277 | 32,370 |
| Total accumulated depreciation | 2,142,905 | 182,077 | 342,567 | 1,982,415 |
| Total capital assets, being depreciated, net | 1,877,033 | 343,272 | 27,997 | 2,192,308 |
| Governmental Activities Capital Assets, net | \$ 2,444,304 | \$ 343,272 | \$ 464,706 | \$ 2,322,870 |

Depreciation expense for the year was \$182,077.

NOTE 7: LONG-TERM DEBT

A summary of long-term liability activity for the year ended September 30, 2020 is as follows:

| | Balance October 1, 2019 | Increases | Decreases | Balance September 30, 2020 | Due within one year |
|-----------------------|-------------------------------|------------|------------|----------------------------------|------------------------|
| Net Pension Liability | \$ 2,269,122 | \$ 732,782 | \$ 762,592 | \$ 2,239,312 | \$ - |

**NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 8: CAPITAL LEASES

The District has entered into an agreement to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported at fair market value of the leased asset at inception of the lease.

The following presents future minimum lease payments as of September 30, 2020:

Year Ending September 30,

| | | |
|------------|----|----------------|
| 2020 | \$ | 39,008 |
| 2021 | | 40,254 |
| 2022 | | 41,540 |
| 2023 | | 42,867 |
| 2024 | | 44,236 |
| Thereafter | | 92,754 |
| | \$ | <u>300,659</u> |

NOTE 9: PENSION PLAN

Plan Description

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

NOTE 9: PENSION PLAN - CONTINUED

The ERS District of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a) Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a District, county, or a public agency each of whom is an active beneficiary of ERS.
 - b) Two vested active state employees.
 - c) Two vested active employees of an employer participating in ERS pursuant to §36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

**NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 9: PENSION PLAN - CONTINUED

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

| | |
|-----------------------------------------------------------------|--------|
| Retirees and beneficiaries currently receiving benefits | 25,871 |
| Terminated employees entitled to but not yet receiving benefits | 1,794 |
| Terminated employees not entitled to a benefit | 11,001 |
| Active members | 55,222 |
| Post-DROP participants who are still in active service | 98 |
| Total | 93,986 |

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the District's active employee contribution rate was 11.79% of covered employee payroll, and the District's average contribution rate to fund the normal and accrued liability costs was 12.61% of covered payroll for Tier 1 employees and 6.88% of covered payroll for Tier 2 employees.

The District's contractually required contribution rate for the year ended September 30, 2020 was 12.98% of pensionable pay for Tier 1 employees, and 7.25% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$238,048 for the year ended September 30, 2020.

**NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 9: PENSION PLAN - CONTINUED

Net Pension Liability

The District's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

| | |
|---------------------------------------------------------------------------------------------------------|------------------|
| Total Pension Liability as of September 30, 2018 (a) | \$ 6,927,106 |
| Entry Age Normal Cost for October 1, 2018--September 30, 2019 (b) | 190,578 |
| Transfers Among Employers (c) | (118,989) |
| Actual Benefit Payments and Refunds for October 1, 2018-- September 30, 2019 (d) | (281,368) |
| Total Pension Liability as of September 30, 2019 [(a) x (1.0775)] + (b) + (c) - [d x (1.03875)] | \$ 7,239,881 |

Actuarial assumptions

The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

| | |
|----------------------------|---------------|
| Inflation | 2.75% |
| Projected Salary increases | 3.25% - 5.00% |
| Investment rate of return* | 7.70% |

*Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

NOTE 9: PENSION PLAN - CONTINUED

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

| | Target Allocation | Long -Term Expected Rate of Return* |
|----------------------------|----------------------|-------------------------------------------|
| Fixed Income | 17.00% | 4.4% |
| US Large Stocks | 32.00% | 8.0% |
| US Mid Stocks | 9.00% | 10.0% |
| US Small Stocks | 4.00% | 11.0% |
| Int'l Developed Mkt Stocks | 12.00% | 9.5% |
| Int'l Emerging Mkt Stocks | 3.00% | 11.0% |
| Alternatives | 10.00% | 10.1% |
| Real Estate | 10.00% | 7.5% |
| Cash Equivalents | 3.00% | 1.5% |
| | <u>100.00%</u> | |

*Includes assumed rate of inflation of 2.50%

Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan 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.

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

NOTE 9: PENSION PLAN - CONTINUED

Changes in Net Pension Liability

| | Increase/Decrease | | |
|------------------------------------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at September 30, 2018 | \$ 7,182,288 | \$ 4,913,165 | \$ 2,269,123 |
| Changes for the year: | | | |
| Service cost | 190,578 | - | 190,578 |
| Interest | 542,204 | - | 542,204 |
| Changes of assumptions | - | - | - |
| Difference between expected and actual experience | (274,832) | - | (274,832) |
| Contributions - employer | - | 241,503 | (241,503) |
| Contributions - employee | - | 120,588 | (120,588) |
| Net investment income | - | 125,670 | (125,670) |
| Benefit payments, including refunds of employee contributions | (281,368) | (281,368) | - |
| Administrative expense | - | - | - |
| Transfers among employers | (118,989) | (118,989) | - |
| Net changes | 57,593 | 87,404 | (29,811) |
| Balances at September 30, 2019 | \$ 7,239,881 | \$ 5,000,569 | \$ 2,239,312 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's net pension liability calculated using the discount rate of 7.70%, 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 (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

| | 1% Decrease | Current Rate | 1% Increase |
|----------------------------------|----------------|----------------|----------------|
| | <u>(6.70%)</u> | <u>(7.70%)</u> | <u>(8.70%)</u> |
| District's net pension liability | \$3,236,473 | \$2,239,312 | \$1,407,999 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at www.rsa-al.gov.

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

NOTE 9: PENSION PLAN - CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the District recognized pension expense of \$279,322. At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ 26,740 | \$ 427,483 |
| Changes of assumptions | 255,755 | - |
| Net difference between projected and actual earnings on pension plan investments | 66,330 | - |
| Employer contributions subsequent to the measurement date | <u>238,048</u> | <u>-</u> |
| Total | <u>\$ 586,873</u> | <u>\$ 427,483</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

| Year Ended September 30, | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--------------------------|-------------------------------------------|------------------------------------------|
| 2021 | \$ 277,936 | \$ 56,967 |
| 2022 | 56,255 | 56,967 |
| 2023 | 95,261 | 56,967 |
| 2024 | 108,670 | 54,868 |
| 2025 | 33,433 | 49,970 |
| Thereafter | <u>15,318</u> | <u>151,744</u> |
| Total | <u>\$ 586,873</u> | <u>\$ 427,483</u> |

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters for which the District purchases commercial insurance.

NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
YEAR ENDED SEPTEMBER 30, 2020

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | |
| Service cost | \$ 190,578 | \$ 193,479 | \$ 184,165 | \$ 181,052 | \$ 251,447 | \$ 183,355 |
| Interest | 542,204 | 523,305 | 485,317 | 490,715 | 455,761 | 420,303 |
| Changes of benefit terms | - | - | - | - | - | - |
| Differences between expected and actual experience | (274,832) | (197,772) | 34,439 | 6,902 | (60,874) | - |
| Changes of assumptions | - | 43,688 | - | 418,131 | - | - |
| Benefit payments, including refunds of employee contributions | (281,368) | (228,414) | (216,486) | (249,577) | (169,262) | (151,598) |
| Transfers among employers | (118,989) | (18,523) | 8,689 | (735,543) | - | - |
| Net Change in total pension liability | 57,593 | 315,763 | 496,124 | 111,680 | 477,072 | 452,060 |
| Total pension liability - beginning | <u>7,182,288</u> | <u>6,866,525</u> | <u>6,370,401</u> | <u>6,258,721</u> | <u>5,781,649</u> | <u>5,329,589</u> |
| Total pension liability - ending (a) | <u>\$ 7,239,881</u> | <u>\$ 7,182,288</u> | <u>\$ 6,866,525</u> | <u>\$ 6,370,401</u> | <u>\$ 6,258,721</u> | <u>\$ 5,781,649</u> |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - employer | \$ 241,503 | \$ 216,269 | \$ 208,933 | \$ 214,001 | \$ 183,700 | \$ 184,551 |
| Contributions - member | 120,588 | 119,822 | 116,467 | 113,733 | 103,232 | 102,537 |
| Net investment income | 125,670 | 412,407 | 494,075 | 381,600 | 46,823 | 406,905 |
| Benefit payments, including refunds of employee contributions | (281,368) | (228,414) | (216,486) | (249,577) | (169,262) | (151,598) |
| Transfers among employers | (118,989) | (18,523) | 8,689 | (735,543) | 46,695 | (2,754) |
| Net change in plan fiduciary net position | 87,404 | 501,561 | 611,678 | (275,786) | 211,188 | 539,641 |
| Plan net position - beginning | <u>4,913,165</u> | <u>4,411,604</u> | <u>3,799,926</u> | <u>4,075,712</u> | <u>3,864,524</u> | <u>3,324,883</u> |
| Plan net position - ending (b) | <u>\$ 5,000,569</u> | <u>\$ 4,913,165</u> | <u>\$ 4,411,604</u> | <u>\$ 3,799,926</u> | <u>\$ 4,075,712</u> | <u>\$ 3,864,524</u> |
| Net pension liability (asset) - ending (a) - (b) | \$ 2,239,312 | \$ 2,269,123 | \$ 2,454,921 | \$ 2,570,475 | \$ 2,183,009 | \$ 1,917,125 |
| Plan fiduciary net position as a percentage of the total pension liability | 69.07% | 68.41% | 64.25% | 59.65% | 65.12% | 66.84% |
| Covered-employee payroll | \$ 1,963,897 | \$ 1,955,277 | \$ 1,903,472 | \$ 1,866,355 | \$ 1,662,209 | \$ 1,643,992 |
| Net pension liability (asset) as a percentage of covered-employee payroll | 114.02% | 116.05% | 128.97% | 137.73% | 131.33% | 116.61% |

*Only six years of historical data was available for presentation at September 30, 2020.

See independent auditors' report.

**NORTH SHELBY COUNTY FIRE AND EMERGENCY MEDICAL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution** | \$ 238,048 | \$ 248,770 | \$ 223,504 | \$ 215,975 | \$ 220,910 | \$ 189,695 |
| Contributions in relation to the actuarially determined contribution** | <u>238,048</u> | <u>248,770</u> | <u>223,504</u> | <u>215,975</u> | <u>220,910</u> | <u>189,695</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered-employee payroll*** | \$ 2,018,880 | \$ 1,963,897 | \$ 1,955,277 | \$ 1,903,472 | \$ 1,866,355 | \$ 1,662,209 |
| Contributions as a percentage of covered-employee payroll | 11.79% | 12.67% | 11.43% | 11.35% | 11.84% | 11.41% |

**The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

***Employer's covered payroll for FY2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30th three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--------------------------------------------------------------------|
| Actuarial Cost Method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 25.7 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 2.750% |
| Salary increases | 3.25 - 5.00 %, including inflation |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |

*Only six years of historical data was available for presentation at September 30, 2020.

See independent auditors' report.