FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.

COMBINED FINANCIAL STATEMENTS

June 30, 2021

C O N T E N T S

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Fern Creek Fire Protection District and
Fern Creek Fire Protection District
Holding Company, Inc.
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying combined financial statements of the governmental activities and each major fund of the Fern Creek Fire Protection District and the Fern Creek Fire Protection District Holding Company, Inc. (the District), as of and for the year ended June 30, 2021, and the related notes to the combined financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Certified Public Accountants and Advisors
401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fern Creek Fire Protection District and the Fern Creek Fire Protection District Holding Company, Inc., as of June 30, 2021, and the respective changes in financial position and the respective budgetary information for the General Fund and Debt Service Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5, Schedule of District's Proportionate Share of Net Pension Liability and Schedule of District Contributions – Pension Portion on page 30 and 31, and Schedule of District's Proportionate Share of Net OPEB Liability and Schedule of District Contributions – OPEB Portion on page 32 and 33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2021, on our consideration of the Fern Creek Fire Protection District and the Fern Creek Fire Protection District Holding Company, Inc.'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* in considering the District's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
September 7, 2021

FERN CREEK FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

The purpose of the management's discussion and analysis is to provide an overview of the financial activities of the Fern Creek Fire Protection District and Fern Creek Fire Protection District Holding Company, Inc. (collectively the District) based on currently known facts, decisions, or conditions and should be read in conjunction with the District's combined financial statements, which begin on page 6.

Financial Highlights

The combined financial statements included in this report provide insight into the financial status of the District as of and for the year ended June 30, 2021. Effective July 1, 2014, the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The statement requires the liability of employers, such as the District, to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions effective July 1, 2017. The statement requires the liability of employers, such as the District, to employees for other postemployment benefits (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided through the OPEB plan to current active and inactive employees that is attributed to those employee's past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

The District's operations for the year ended June 30, 2021 resulted in a decrease in the District's net position of $266,681. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District depreciates its capital assets resulting in a calculation of total accumulated depreciation in the amount of $7,348,616 as of June 30, 2021. Depreciation expense for the year ended June 30, 2021 was $470,116.

Total expenditures for all governmental funds were $8,037,963 that was $706,253 more than the total revenues of $7,331,710 for the year ended June 30, 2021. Capital asset additions for the current year were $1,773,227 for the current fiscal year and more details can be found in Note 3 of the financial statements.

The District received approval for a certificate of need with the Commonwealth of Kentucky Cabinet for Health and Family Services in 2020 to operate an ambulance service with services commencing April 2020. In February 2021, the District entered into a debt agreement for $445,460 with Park Community Credit Union for the purchase of ambulances. The rate is fixed at 2.75% and is being financed over seven years with payments due monthly. In addition, the District entered into a lease agreement for $1,046,729 with Santander Bank for the purchase of an aerial pumper with equipment. The rate is fixed at 2.73% and is being leased over ten years. The details for long-term debt can be found in Note 4 of the financial statements.

Reporting the District as a Whole

There was an increase of $1,051,147 in cash and investments, from $3,121,653 at June 30, 2020 to $4,172,800 at June 30, 2021. The combined statement of net assets and the combined statement of activities report financial information about the District as a whole and about its activities in a concise form. These combined statements include all assets and liabilities using the full accrual basis of accounting. All of the 2021 fiscal year's revenues and expenses are taken into account when revenue is earned or an expense is incurred.

An accounts receivable reserve for uncollectible EMS billings from uninsured patients and related 3rd party providers is reflected in the financial statements for year ending June 30, 2021. Management estimates that 65% of EMS billings will not be collected based on the outside billing service noted trends from other EMS departments.

Governmental Activities

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. The analysis of governmental funds begins on page 8 of these statements. The General and Debt Service Fund revenues for the fiscal year were more than the amount budgeted by $510,272 and the total expenditures were $979,521 more than the amounts budgeted. The majority of expenditures were less than the amounts budgeted for the fifteenth consecutive year. This was due to a concerted effort by the Trustees, the Chief and the Board of Directors to reduce expenditures in order to preserve the cash reserves for the current economic period.

During the year ended June 30, 2021 the District responded to 5,184 requests for assistance, of which 2,067 of the requests were Fire runs and 3,117 were EMS runs (2,179 attributed to ALS (Advanced Life Support and 938 to BLS (Basic Life Support). The safety needs of our growing community continue to be met especially during the ongoing COVID-19 pandemic.

The District increased the 2020 property tax rate from ten cents ($.10) to seventeen cents ($.17) per hundred dollars ($100) levied on both real and personal property. The District is legally prohibited from assessing a rate, which is higher than twenty ($.20) cents per hundred dollars of valuation. The increase offsets the additional operational expenses incurred by the District adding EMS services and increased run volumes. The District has two stations that are staffed on a 24-hour basis. The total cost including benefits to staff a station with career firefighters, paramedics, and EMTs is approximately $1,888,410 per year. Staff includes fulltime personnel of 27 Fire and 19 EMS with 19 volunteers and 2 non-emergency employees.

The District has only four (4) stations, and yet is responsible for protecting an area that is approximately the size of the City of Louisville, before the merger of city and county governments. Our average incident response time was 6:39 during the year ended June 30, 2021 (4:04 for Fire, 7:31 for EMS in District and 10:45 Countywide). For response purposes, the suburban fire districts and EMS basically operate as one department so that the closest staffed unit will respond to a call for help even if the call is outside its district boundary. The District also continues to respond to water rescue and medical needs in the Parklands recreational area.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the District's financial position and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the District's Treasurer, Susan Pierce, CPA, Fern Creek Fire Protection District, PO Box 91025, Louisville, KY 40291.

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.

COMBINED STATEMENT OF NET POSITION
June 30, 2021

	2021	
ASSETS		
Current assets:		
Cash	$ 3,546,339	
Restricted cash	626,461	
Accounts receivable, property taxes, and other	50,577	
Accounts receivable, EMS, net	200,713	
Prepaid expenses	14,390	
Total current assets	4,438,480	
Non-current assets:		
Capital assets, net of depreciation	6,476,498	
Total non-current assets	6,476,498	
Total assets	10,914,978	
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	2,257,959	
Deferred outflows related to OPEB	1,123,930	
Total deferred outflows of resources	3,381,889	
TOTAL ASSETS AND DEFERRED OUTFLOWS		$ 14,296,867
LIABILITIES		
Current liabilities:		
Current portion of capital leases	$ 240,986	
Current portion of notes payable	253,348	
Accounts payable	79,764	
Accrued expenses	55,441	
Accrued wages and benefits	321,254	
Accrued interest	6,244	
Total current liabilities	957,037	
Non-current liabilities:		
Capital leases, less current portion	1,708,345	
Notes payable, less current portion	1,295,935	
Net pension liability	7,474,187	
Net OPEB liability	2,291,896	
Total non-current liabilities	12,770,363	
Total liabilities	13,727,400	
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	115,302	
Deferred inflows related to OPEB	302,975	
Total deferred inflows of resources	418,277	
NET POSITION		
Net investment in capital assets	2,977,884	
Restricted	626,461	
Unrestricted (deficit)	(3,453,155)	
Total net position	151,190	
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION		$ 14,296,867

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.

COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	2021
EXPENSES	
Salaries, wages, and benefits	$ 5,716,054
Operating expenses	726,012
Bad debt expense	372,754
Repairs and maintenance expense	222,329
Interest expense	93,886
Depreciation expense	470,116
Total expenses	7,601,151
PROGRAM REVENUES	
Charges for services, EMS income	1,395,479
State aid incentives	119,986
Total program revenues	1,515,465
GENERAL REVENUES	
Property taxes	5,755,222
Other income	42,111
Gain on sale of assets	2,760
Interest earnings	18,912
Total general revenues	5,819,005
Total revenues	7,334,470
Change in net position	(266,681)
Net position, beginning of year	417,871
Net position, end of year	$ 151,190

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash	$ 4,148,401	$ - -	$ 4,148,401
Restricted cash	24,399	602,062	626,461
Accounts receivable, property taxes, and other	50,577	- -	50,577
Accounts receivable, EMS, net	200,713	- -	200,713
Prepaid expenses	14,390	- -	14,390
Total assets	$ 4,438,480	$ 602,062	$ 5,040,542
LIABILITIES			
Accounts payable	$ 79,764	$ - -	$ 79,764
Accrued expenses	55,441	- -	55,441
Accrued interest	6,244	- -	6,244
Accrued wages and benefits	321,254	- -	321,254
Total liabilities	462,703	- -	462,703
FUND BALANCES			
Non spendable	14,390	- -	14,390
Restricted for:			
Debt service	- -	602,062	602,062
Assigned for:			
Vehicle replacement	219,334	- -	219,334
Building maintenance	414,303	- -	414,303
Training	52,953	- -	52,953
Equipment	87,086	- -	87,086
Future payroll costs	251,595	- -	251,595
Volunteer fund	24,509	- -	24,509
Unassigned	2,309,545	- -	2,309,545
Total fund balances	3,373,715	602,062	3,975,777
Total liabilities and fund balances	$ 3,836,418	$ 602,062	$ 4,438,480

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.

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

June 30, 2021

Total fund balances for governmental funds	$ 3,975,777
Total net position reported for governmental activities in the combined statement of net position is different because:	
Land and capital assets, net of depreciation, used in governmental activities are not financial resources, and therefore, not reported in governmental funds.	6,476,498
Liabilities such as notes payable and capital leases are applicable to the District's governmental activities are not reported as liabilities in governmental funds. Such non-current liabilties are reported in the combined statement of net position.	(3,498,614)
Liabilities such as net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. The District's net pension and OPEB liabilities are reported in the combined statement of net position.	(9,766,083)
Deferred outflows and inflows of resources related to pension and OPEB plans are related to future periods and, therefore, are not reported in governmental funds. The District's deferred outflows and inflows are reported in the combined statement of net position.	2,963,612
Total net position of governmental activities	$ 151,190

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	Budget		Actual			
	Original Budget	Amended Budget	General Fund	Debt Service Fund	Total Governmental Funds	Over (Under) Budget
REVENUES						
Property taxes	$ 5,625,000	$ 5,700,300	$ 5,755,222	$ - -	$ 5,755,222	$ 54,922
State aid incentives and other	163,138	163,138	162,097	- -	162,097	(1,041)
EMS income	940,000	940,000	1,395,479	- -	1,395,479	455,479
Interest earnings	18,000	18,000	18,912	- -	18,912	912
Total revenues	6,746,138	6,821,438	7,331,710	- -	7,331,710	510,272
EXPENDITURES						
Property and equipment additions:						
Land and buildings	107,000	113,000	101,774	- -	101,774	(11,226)
Vehicles and fire fighting equipment	576,800	580,200	1,550,049	- -	1,550,049	969,849
Communication and other equipment	25,000	25,000	36,657	- -	36,657	11,657
EMS equipment	110,000	110,000	84,747	- -	84,747	(25,253)
Personnel operating expenses	39,500	33,500	22,168	- -	22,168	(11,332)
Administrative expenses:						
Insurance	77,027	86,500	85,788	- -	85,788	(712)
Retirement costs	1,046,450	1,046,450	1,004,567	- -	1,004,567	(41,883)
Legal and accounting	44,000	44,000	39,460	- -	39,460	(4,540)
Fire prevention	30,500	30,500	3,852	- -	3,852	(26,648)
Treasurer's expenses	600	600	330	- -	330	(270)
Wages, payroll taxes, and insurance	3,684,875	3,697,475	3,559,694	- -	3,559,694	(137,781)
Health and safety programs	45,000	45,000	33,980	- -	33,980	(11,020)
Other supplies and miscellaneous	119,200	119,200	93,597	- -	93,597	(25,603)
Education	50,000	55,000	34,573	- -	34,573	(20,427)
EMS medical supplies	110,000	110,000	108,133	- -	108,133	(1,867)
Bad debt expense - EMS	- -	- -	372,754	- -	372,754	372,754
Operating expenses:						
Utilities	115,000	115,000	118,518	- -	118,518	3,518
Gasoline and oil	80,000	80,000	60,887	- -	60,887	(19,113)
Fire school, fire fighting, and training supplies	10,000	10,000	9,995	- -	9,995	(5)
Other supplies and miscellaneous	132,000	132,000	114,732	- -	114,732	(17,268)
Repairs and maintenance expenses:						
Vehicles	41,000	48,000	74,958	- -	74,958	26,958
Buildings	68,000	61,000	53,881	- -	53,881	(7,119)
Communication equipment	500	500	18,987	- -	18,987	18,487
Fire fighting equipment	111,500	112,500	40,012	- -	40,012	(72,488)
EMS equipment	25,000	29,000	34,490	- -	34,490	5,490
Debt service:						
Principal payments	280,017	280,017	- -	285,494	285,494	5,477
Interest payments	94,000	94,000	- -	93,886	93,886	(114)
Total expenditures	7,022,969	7,058,442	7,658,583	379,380	8,037,963	979,521
Excess (deficiency) of revenues over expenditures	(276,831)	(237,004)	(326,873)	(379,380)	(706,253)	(469,249)
Other financing sources (uses)						
Transfers from other funds	- -	- -	- -	638,408	638,408	638,408
Transfers to other funds	(168,983)	(211,310)	(638,408)	- -	(638,408)	(427,098)
Proceeds from the sale of assets	354	2,854	2,854	- -	2,854	- -
Proceeds from issuance of long-term debt	445,460	445,460	1,492,145	- -	1,492,145	1,046,685
Total other financing sources	276,831	237,004	856,591	638,408	1,494,999	1,257,995
Net change in fund balances	- -	- -	529,718	259,028	788,746	$ 788,746
Fund balances, beginning of year	3,187,031	3,187,031	2,843,997	343,034	3,187,031	
Fund balances, end of year	$ 3,187,031	$ 3,187,031	$ 3,373,715	$ 602,062	$ 3,975,777	

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.

RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE COMBINED STATEMENT OF ACTIVITIES
June 30, 2021

Net change in fund balances - total government funds	$ 788,746
Total net position reported for governmental activities in the combined statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However in the combined statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($1,773,227) exceeded depreciation ($470,116) in the current period.	1,303,111
Debt service principal payments are reported as a reduction in liabilites in the combined statement of net position, but are reported as expenditures in the fund financial statements because they use current financial resources.	285,494
In the combined statement of activities, the net effect of various transactions involving capital assets (sale or disposal) is reported. The change in net assets differs from the change in fund balance by this difference.	(94)
Proceeds from the issuance of long-term debt is reported as an increase in liabilities in the combined statement of net position, but is reported as income in the fund financial statements because they use current financial resources.	(1,492,145)
Governmental funds report the District's pension contributions ($726,782) as expenditures, however, in the combined statement of activities, the cost of pension benefits earned, net of employer contributions, is reported as pension expense ($1,635,736).	(908,954)
Governmental funds report the District's OPEB contributions ($228,769) as expenditures, however, in the combined statement of activities, the cost of OPEB benefits earned, net of employer contributions, is reported as OPEB expense ($471,608).	(242,839)
Change in net position of governmental activities	$ (266,681)

The Notes to Combined Financial Statements are an integral part of this statement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Nature of Operations

The Fern Creek Fire Protection District is a Special Taxing District under Commonwealth of Kentucky law and was established for the purpose of providing fire protection and fire prevention services to the citizens and property owners within its geographic coverage area. The District applied and received approval for a certificate of need with the Commonwealth of Kentucky Cabinet for Health and Family Services in order to operate an ambulance service. The ambulance service was initiated in April 2020. The Fern Creek Fire Protection District Holding Company, Inc. is a non-profit corporation which principally finances property and equipment acquisitions.

The combined financial statements include the accounts of the Fern Creek Fire Protection District and the Fern Creek Fire Protection District Holding Company, Inc. (collectively, the District). The District is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the District. The District is exempt from income taxes. Any significant intercompany transactions and balances have been eliminated in combination.

Management's Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Combined Government-Wide Financial Statements

In accordance with GASB, the District has presented a combined statement of net position and a combined statement of activities for the District as a whole. These statements include the primary government and its component units, if applicable. Government-wide accounting is designed to provide a more comprehensive view of the District's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business type activities. Governmental-type activities are those financed through intergovernmental revenues, taxes, and other non-exchange revenues and are usually reported in governmental and internal service funds. The District has no business-type activities.

Policies specific to the government-wide statements are as follows:

Capitalizing Assets – Tangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the combined statements of net position.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Combined Fund Financial Statements

The District uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds – Governmental funds account for all or most of the District's general activities, including the collection of legally restricted monies, administrative expenses, and the acquisition or construction of capital assets. Governmental funds include:

General Fund – The general operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on general long-term debt associated with capital assets of the District.

Measurement Focus and Basis of Accounting

The accounting and financial treatment applied to a fund is determined by the type of financial statement presentation.

The combined government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows in the statement of activities. In these combined financial statements, capital assets are reported and depreciated in each fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated.

Note 1. Nature of Operations Significant Accounting Policies (Continued)

Budgetary Accounting

The budget information reflected in the combined financial statements is the annual budget adopted by the District in accordance with the provisions of the Commonwealth of Kentucky law. The budget is prepared on a basis consistent with U.S. GAAP.

Cash

Cash include cash and highly liquid investments with an original maturity date of three months or less from the date of acquisition.

Restricted Cash

Restricted cash in the debt service reserve fund will be used to pay base rentals due on the Kentucky Bond Corporation lease from February 1, 2023 to January 1, 2024.

Account Receivable

Accounts receivable consist mainly of property taxes and other taxes due to the District as well as receivables related to EMS services provided to the District. An allowance for doubtful accounts related to the EMS receivables balance is based on the estimated uncollectible balance of the revenues earned or accrued based on historical bad debt experience. The allowance for bad debt related to EMS receivables was $372,754 as of June 30, 2021.

Capital Assets and Land

Capital assets and land, including buildings and improvements, and equipment, are reported in the governmental activity column in the combined government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

All capital assets are depreciated using the straight-line depreciation method over the following estimated useful lives:

Buildings and improvements	50 years
Light duty apparatus	10 to 25 years
Major fire fighting apparatus	25 years
Vehicles	10 years
Equipment	5 to 15 years

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Net Position/Fund Balances

In the combined statement of net position, the difference between the District's assets and liabilities is recorded as net position. Three components of net position are as follows:

Net Investment in Capital Assets – This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowing attributable to the acquisition, construction, or improvement of capital assets.

Restricted– Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted – This category represents net position not appropriated for expenditures or legally segregated for a specific future use.

In the combined balance sheet of governmental funds the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into the following classifications, as applicable:

Nonspendable – These resources include amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact. The District's non-spendable funds consisted of prepaid expenses as of June 30, 2021.

Restricted – Amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation. The District had funds restricted for debt service as of June 30, 2021.

Committed – Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority. 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 – Includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Board of Trustees or the member from the Board of Trustees given authority to assign amounts. The District had assigned funds for vehicle replacement, building maintenance, training, equipment, volunteer fund and future payroll costs as of June 30, 2021.

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

It is policy of the District to spend restricted funds first when both restricted and unrestricted are available. Once restricted funds are spent then committed, assigned and unassigned funds are spent in that order.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Compensated Absences

All unpaid, compensated absences that will be liquidated with expendable available resources have been accrued as a liability in the general fund. In the combined government-wide statement of net position, the total amount of unpaid, compensated absences is reported in accrued wages and benefits. Earned vacation pay may be paid upon termination of employment.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future years and will not be recognized as an expense or expenditure until then. The District has various items that meet this criterion, including contributions made to the pension plan and OPEB plan during the year ended June 30, 2021 as well as other outflows (see Notes 5 and 6). Deferred inflows of resources represent an acquisition of net position that applies to future years and will not be recognized until then.

Pensions and Other Postemployment Benefits

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

Revenue Recognition – Property Taxes

The District determines the property tax rate by September 1 of each year. The Jefferson County Sheriff collects substantially all real estate property tax revenues and remits monthly to the District its portion, less applicable discounts and collection fees.

The Jefferson County Clerk collects substantially all motor vehicle and delinquent real estate taxes and remits them monthly to the District.

Recently Issued Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. This pronouncement increases the usefulness of governments financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement is effective for the fiscal year ending June 30, 2023.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (continued)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This pronouncement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred before the end of a construction period. This statement is effective for the fiscal year ending June 30, 2022.

Management is currently in the process of evaluating the impact of the adoption of these statements on the District's combined financial statements.

Note 2. Deposits

Deposits

The District maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a written deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2021, all deposits were covered by FDIC insurance or properly executed security agreement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Total assets not being depreciated:					
Land	$ 191,141	$ - -	$ - -	$ - -	$ 191,141
Fire truck apparatus in process	- -	1,004,819	- -		1,004,819
	191,141	1,004,819	- -	- -	1,195,960
Total assets being depreciated:					
Buildings	4,372,643	101,773	- -	- -	4,474,416
Vehicles and fire fighting equipment	5,319,377	91,825	(42,468)		5,368,734
EMS equipment	1,022,403	529,273	- -	- -	1,551,676
Communications and other equipment	1,207,052	45,537	(18,261)	- -	1,234,328
Total cost	12,112,616	1,773,227	(60,729)	- -	13,825,114
Less accumulated depreciation for:					
Buildings	(2,350,700)	(127,375)	- -	- -	(2,478,075)
Vehicles and fire fighting equipment	(3,470,484)	(217,321)	42,468	- -	(3,645,338)
EMS equipment	(13,713)	(78,142)	- -	- -	(91,855)
Communications and other equipment	(1,104,237)	(47,278)	18,167	- -	(1,133,348)
Total accumulated depreciation	(6,939,134)	(470,116)	60,635	- -	(7,348,616)
Net book value	$ 5,173,482	$ 1,303,111	$ (94)	$ - -	$ 6,476,498

The net book value of capital assets financed through capital leases was $2,206,768 as of June 30, 2021.

Note 4. Long-Term Debt

Notes Payable

The District entered into a debt agreement for $1,250,000 on October 25, 2019 to finance certain equipment, vehicles and ambulances related to its ambulance service. The note is due in monthly installments of $19,387 at a fixed interest rate of 3.65% with a maturity date of October 26, 2026.

The District entered into a debt agreement for $445,460 on February 17, 2021 to finance two ambulances related to its ambulance service. The note is due in monthly installments of $5,835 at a fixed interest rate of 2.75% with a maturity date of February 17, 2028.

Note 4. Long-Term Debt (Continued)

Notes Payable (continued)

The following is the summary of the District's notes payable (principal and interest) as of June 30, 2021:

	Commonwealth Bank and Trust Company Note Dated October 25, 2019, Interest Rate 3.65%		Park Community Credit Union Note Dated February 17, 2021, Interest Rate 2.75%		Totals - Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 194,346	$ 38,301	$ 59,002	$ 11,022	$ 253,348	$ 49,323
2023	201,662	30,985	60,690	9,334	262,352	40,319
2024	209,192	23,455	62,370	7,654	271,562	31,109
2025	217,126	15,521	64,127	5,897	281,253	21,418
2026	225,299	7,348	65,903	4,121	291,202	11,469
2027-2028	75,623	1,926	113,943	2,764	189,566	4,690
Total	$ 1,123,248	$ 117,536	$ 426,035	$ 40,792	$ 1,549,283	$ 158,328

Capital Lease Obligations

The District finances certain buildings and firefighting equipment acquisitions under capital lease agreements expiring through 2031. The assets and liabilities on the capital lease are recorded at the fair value of the assets and are depreciated over the estimated productive life of the asset which is generally longer than the lease term.

A summary of the District's capital lease payments (principal, interest and fees) as of June 30, 2021, is as follows:

	Kentucky Bond Corp Lease Dated November 18, 2012 Interest Rate 2.00% - 2.25%	U.S. Bancorp Lease Dated October 30, 2017 Interest Rate 2.89%	U.S. Bancorp Lease Dated December 24, 2018 Interest Rate 3.77%	Santander Bank Lease Dated May 5, 2021 Interest Rate 2.73%	Total	Less: Interest and Fees
2022	$ 58,046	$ 34,759	$ 86,268	$ 121,036	$ 300,109	$ 59,123
2023	42,169	34,758	86,268	121,036	284,231	51,920
2024	12,222	34,758	86,268	121,036	254,284	44,705
2025	- -	34,759	86,268	121,036	242,063	37,937
2026	- -	34,758	86,268	121,036	242,062	31,525
2027-2031	- -	52,137	258,804	605,180	916,121	64,329
Total	$ 112,437	$ 225,929	$ 690,144	$ 1,210,360	$ 2,238,870	$ 289,539

The present value of the minimum debt service payments on the remaining $1,949,331 capital lease obligations as of June 30, 2021, is summarized as follows:

Minimum debt service payments	$ 2,238,870
Less interest	(289,539)
Present value, debt service payment	$ 1,949,331

Note 4. Long-Term Debt (Continued)

A summary of the District's long-term debt activity is as follows:

	June 30, 2020	Increases	Decreases	June 30, 2021	Current
Notes payable	$ 1,243,943	$ 445,416	$ (140,076)	$ 1,549,283	$ 253,348
Capital lease obligations	1,048,020	1,046,729	(145,418)	1,949,331	240,986
Total long-term debt	$ 2,291,963	$ 1,492,145	$ (285,494)	$ 3,498,614	$ 494,334

Note 5. Retirement Plans

Pension Plan

Plan Description: The District has elected to participate in the County Employees Retirement System (CERS), pursuant to Kentucky Revised Statute 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Historical trend information showing CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at 502-696-8800.

Benefits Provided: Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit, or at least 10 years of service and 60 years old. Nonhazardous employees who begin participation after December 31, 2013 must meet the rule of 87 (members age plus years of service credit must equal 87, and member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months of service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. Hazardous employees who begin participation on or after September 1, 2008 receive benefits when they have 25 years of service or the member is age 60, with a minimum of 60 months of service credit. Hazardous employees who begin participation after December 31, 2013 must have 25 years of service or age 60 with at least 60 months of service credit.

Contributions: Nonhazardous covered employees are required to contribute 5.00% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the plan. The District's pension contribution rate for nonhazardous employees was 19.30%, 19.30%, and 16.22% for the years ended June 30, 2021, 2020 and 2019, respectively.

Note 5. Retirement Plans (Continued)

Pension Plan (continued)

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9.00% of their salary to be allocated as follows: 8.00% will go to the member's account and 1.00% will go to the Kentucky Retirement Systems insurance fund. The District's pension contribution rate for hazardous employees was 30.06%, 30.06%, and 24.86% for the years ended June 30, 2021, 2020 and 2019, respectively.

Contributions to the KRS Pension Fund from the District were $726,782, $459,940, and $316,915 for the years ended June 30, 2021, 2020 and 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2021, the District reported a liability of $7,474,187 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.240785% for hazardous covered employees and 0.002796% for nonhazardous covered employees.

Pension expense totaled $1,635,736 for the year ended June 30, 2021. As of June 30, 2021, the District had deferred outflows and inflows of resources related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 283,704	$ - -
Net differences between projected and actual earnings on investments	284,213	115,302
Differences between actual and expected experience	230,501	- -
Changes in proportion and differences between District's contributions and proportionate share of contributions	732,759	- -
District contributions subsequent to the measurement date	726,782	- -
	$ 2,257,959	$ 115,302

Note 5. Retirement Plans (Continued)

Pension Plan (continued)

The District's deferred outflows of resources of $726,782 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ending June 30, 2022. Other amounts reported as deferred outflows of resources as of June 30, 2021 will be recognized into pension expense (income) as follows:

Year Ending June 30:		
2022	$	644,999
2023		383,623
2024		251,484
2025		135,769
	$	1,415,875

Actuarial assumptions: The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to years included in the measurement:

Inflation:	2.30%
Payroll growth rate:	2.00%
Salary increases:	3.30% to 10.30%, varies by service for nonhazardous; 3.55% to 19.05% varies by service for hazardous
Investment rate of return:	6.25%

The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date to the measurement date at June 30, 2020, using generally accepted actuarial principles.

The Mortality Table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four years for males) is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 5. Retirement Plans (Continued)

Pension Plan (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Speciality Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Comprehensive Annual Financial Report (CAFR).

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease - 5.25%	Current Discount Rate - 6.25%	1% Increase - 7.25%
Net Pension Liability - Hazardous	$ 8,972,000	$ 7,259,736	$ 5,862,076
Net Pension Liability - Nonhazardous	264,465	214,451	173,038
Total Net Pension Liability	$ 9,236,465	$ 7,474,187	$ 6,035,114

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

Deferred Compensation Plans

The District’s employees may elect to participate in two deferred compensation plans offered by the Kentucky Public Employees Deferred Compensation Authority under sections 401(k) and 457 of the Internal Revenue Code. Under these plans, employees may defer up to 100% of their compensation after deducting required contributions to the CERS plan. The District does not make matching contributions to these plans.

Note 6. Other Postemployment Benefits Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The District participates in both the nonhazardous and hazardous plan.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
< 4 Years	0.00%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. There was no legislation enacted during the 2019 legislative session that had a material change in benefit provisions for either system.

Note 6. Other Postemployment Benefits Plan (Continued)

Contributions: Nonhazardous covered employees are required to contribute 5.00% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the plan. The District's contribution rate to the KRS Insurance Fund for nonhazardous employees was 4.76%, 4.76%, and 5.26% for the years ended June 30, 2021, 2020 and 2019, respectively.

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9.00% of their salary. The District's pension contribution rate for hazardous employees was 9.52%, 9.52%, and 10.48% for the years ended June 30, 2021, 2020 and 2019, respectively. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation.

Contributions to the KRS Insurance Fund from the District were $228,769, $144,694, and $132,591 for the years ended June 30, 2021, 2020 and 2019, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, the District reported a liability of $2,291,896 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2020, the District's proportion was 0.240709% for hazardous covered employees and 0.002795% for nonhazardous covered employees.

For the year ended June 30, 2021, the District recognized OPEB expense of $471,608. As of June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 6. Other Postemployment Benefits Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 374,624	$ 2,121
Net differences between projected and actual earnings on investments	168,331	67,347
Differences between actual and expected experiences	87,609	233,416
Changes in proportion and differences between District's contributions and proportionate share of contributions	264,597	91
District contributions subsequent to the measurement date	228,769	- -
	$ 1,123,930	$ 302,975

The District's deferred outflows of resources of $228,769 related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources as of June 30, 2021 will be recognized into OPEB expense as follows:

Year Ending June 30:	
2022	$ 181,893
2023	116,792
2024	131,095
2025	105,231
2026	57,175
	$ 592,186

Actuarial assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period	25 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized

Note 6. Other Postemployment Benefits Plan (Continued)

Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service for nonhazardous; 3.05% to 18.55% varies by service for hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.00% at 1/1/2020 and gradually decreasing to an ultimate trend rate of 4.05% over 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.00% at 1/1/2020 and gradually decreasing to an ultimate trend rate of 4.05% over 10 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined Rate in accordance with HB 362 enacted in 2018.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Speciality Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	100.00%	

Note 6. Other Postemployment Benefits Plan (Continued)

Discount rate: The discount rate used to measure the total OPEB liability was 5.34% for nonhazardous and 5.30% for hazardous. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Comprehensive Annual Financial Report (CAFR).

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.34% for nonhazardous and 5.30% for hazardous, 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 (4.34% for nonhazardous and 4.30% for hazardous) or 1-percentage-point higher (6.34% for nonhazardous and 6.30% for hazardous) than the current rate:

	1% Decrease - 4.34% Nonhazardous, 4.30% Hazardous	Current Discount Rate - 5.34% Nonhazardous, 5.30% Hazardous	1% Increase - 6.34% Nonhazardous, 6.30% Hazardous
Net OPEB Liability - Hazardous	$ 3,019,572	$ 2,224,405	$ 1,583,662
Net OPEB Liability - Nonhazardous	86,706	67,491	51,709
Total Net OPEB Liability	$ 3,106,278	$ 2,291,896	$ 1,635,371

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability - Hazardous	$ 1,589,625	$ 2,224,405	$ 3,004,813
Net OPEB Liability - Nonhazardous	52,255	67,491	85,980
Total Net OPEB Liability	$ 1,641,880	$ 2,291,896	$ 3,090,793

Note 6. Other Postemployment Benefits Plan (Continued)

Changes of assumptions: The KRS Board of Trustees adopted updated actuarial assumptions which was used in performing the actuarial valuation as of June 30, 2020. Specifically, total OPEB liability as of June 30, 2020 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

Note 7. District Revenue Profile

An eight year summary of the District's assessed property and revenue collected is as follows:

Fiscal Year	Tax Rate	Real Estate Assessed Valuation	Motor Vehicle Assessed Valuation	Boat Assessed Valuation	Tax Revenue Budgeted	Tax Revenue Collected	Tax Collection Percentage
2013-2014	0.10	2,392,780,857	224,847,872	4,707,811	2,645,000	2,646,408	1.00
2014-2015	0.10	2,438,782,312	235,174,822	4,684,657	2,665,000	2,711,820	1.02
2015-2016	0.10	2,499,414,920	241,371,693	4,861,541	2,748,000	2,766,126	1.01
2016-2017	0.10	2,640,643,010	250,428,599	4,942,639	2,810,000	2,897,116	1.03
2017-2018	0.10	2,822,920,830	256,125,031	4,956,196	3,079,000	3,121,742	1.01
2018-2019	0.10	2,928,574,700	272,987,658	5,045,526	3,228,000	3,247,689	1.01
2019-2020	0.10	3,026,151,250	286,054,972	5,328,056	3,268,013	3,307,884	1.01
2020-2021	0.17	3,123,909,895	290,907,920	6,850,505	5,700,300	5,755,222	1.01

Fiscal Year	Real Estate Assessed Valuation	Number of Taxpayer Accounts	Average Assessment
2013-2014	2,392,780,857	13,960	171,403
2014-2015	2,438,782,312	14,021	173,938
2015-2016	2,499,414,920	14,136	176,812
2016-2017	2,640,643,010	14,267	185,087
2017-2018	2,822,920,830	14,510	194,550
2018-2019	2,928,574,700	14,744	198,628
2019-2020	3,026,151,250	14,818	204,221
2020-2021	3,123,909,895	15,029	207,859

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

	June 30,						
	2020	2019	2018	2017	2016	2015	2014
NON-HAZARDOUS							
District's proportion of the net pension liability	0.002796%	0.002533%	0.002420%	0.002364%	0.002363%	0.002304%	0.002300%
District's proportionate share of net pension liability	$ 214,451	$ 178,147	$ 147,385	$ 138,372	$ 116,344	$ 99,069	$ 73,000
District's covered-employee payroll in year of measurement	$ 71,614	$ 63,894	$ 59,988	$ 57,548	$ 56,369	$ 53,760	$ 51,805
District's proportionate share of the net pension liability as a percentage of its employee-covered payroll	299.45%	278.82%	245.69%	240.45%	206.40%	184.28%	140.91%
Plan Fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
HAZARDOUS							
District's proportion of the net pension liability	0.240785%	0.216519%	0.191107%	0.171812%	0.169330%	0.167054%	0.170000%
District's proportionate share of net pension liability	$ 7,259,736	$ 5,980,894	$ 4,621,840	$ 3,843,913	$ 2,905,610	$ 2,564,450	$ 1,984,000
District's covered-employee payroll in year of measurement	$ 1,484,093	$ 1,233,111	$ 1,087,229	$ 943,151	$ 916,514	$ 892,260	$ 871,354
District's proportionate share of the net pension liability as a percentage of its employee-covered payroll	489.17%	485.02%	425.10%	407.56%	317.03%	287.41%	227.69%
Plan Fiduciary net position as a percentage of the total pension liability	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.50%

* June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 reflect dates of the actuarial valuation.

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK
FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION

	June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
NON-HAZARDOUS								
Contractually required contribution	$ 20,018	$ 13,822	$ 10,364	$ 8,686	$ 8,028	$ 7,001	$ 6,854	$ 7,118
Actual contributions	(20,018)	(13,822)	(10,364)	(8,686)	(8,028)	(7,001)	(6,854)	(7,118)
Contribution deficiency (excess)	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
District's covered employee-payroll	$ 103,718	$ 71,614	$ 63,894	$ 59,988	$ 57,548	$ 56,369	$ 53,760	$ 51,805
Contributions as a percentage of covered payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
HAZARDOUS								
Contractually required contribution	$ 706,764	$ 446,118	$ 306,551	$ 241,365	$ 204,758	$ 185,686	$ 184,966	$ 189,694
Actual contributions	(706,764)	(446,118)	(306,551)	(241,365)	(204,758)	(185,686)	(184,966)	(189,694)
Contribution deficiency (excess)	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
District's covered employee-payroll	$ 2,351,179	$ 1,484,093	$ 1,233,111	$ 1,087,229	$ 943,151	$ 916,514	$ 892,260	$ 871,354
Contributions as a percentage of covered-employee payroll	30.06%	30.06%	24.86%	22.20%	21.71%	20.26%	20.73%	21.77%

* June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 reflect financial reporting dates.

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY

	June 30,			
	2020	2019	2018	2017
NON-HAZARDOUS				
District's proportion of the OPEB liability	0.002795%	0.002532%	0.002420%	0.002364%
District's proportionate share of net OPEB liability	$ 67,491	$ 42,587	$ 42,967	$ 47,524
District's covered-employee payroll in year of measurement	$ 71,614	$ 63,894	$ 59,988	$ 57,548
District's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	94.24%	66.65%	71.63%	82.58%
Plan Fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.40%
HAZARDOUS				
District's proportion of the OPEB liability	0.240709%	0.216519%	0.191117%	0.171812%
District's proportionate share of OPEB liability	$ 2,224,405	$ 1,601,626	$ 1,362,587	$ 1,420,321
District's covered-employee payroll in year of measurement	$ 1,484,093	$ 1,233,111	$ 1,087,229	$ 943,151
District's proportionate share of the OPEB liability as a percentage of its employee-covered payroll	149.88%	129.88%	125.33%	150.59%
Plan Fiduciary net position as a percentage of the total OPEB liability	58.84%	64.44%	64.24%	59.00%

* June 30, 2020, 2019, 2018, and 2017 reflects the date of the actuarial valuation.

FERN CREEK FIRE PROTECTION DISTRICT AND FERN CREEK FIRE PROTECTION DISTRICT HOLDING COMPANY, INC.
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) OPEB

	June 30,				
	2021	2020	2019	2018	2017
NON-HAZARDOUS					
Contractually required contribution	$ 4,937	$ 3,409	$ 3,361	$ 2,819	$ 2,722
Actual contributions	(4,937)	(3,409)	(3,361)	(2,819)	(2,722)
Contribution deficiency (excess)	$ - -	$ - -	$ - -	$ - -	$ - -
District's covered employee-payroll	$ 103,718	$ 71,614	$ 63,894	$ 59,988	$ 57,548
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%
HAZARDOUS					
Contractually required contribution	$ 223,832	$ 141,285	$ 129,230	$ 101,656	$ 88,185
Actual contributions	(223,832)	(141,285)	(129,230)	(101,656)	(88,185)
Contribution deficiency (excess)	$ - -	$ - -	$ - -	$ - -	$ - -
District's covered employee-payroll	$ 2,351,179	$ 1,484,093	$ 1,233,111	$ 1,087,229	$ 943,151
Contributions as a percentage of covered-employee payroll	9.52%	9.52%	10.48%	9.35%	9.35%

* June 30, 2021, 2020, 2019, 2018 and 2017 reflect financial reporting dates.

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 Board of Trustees
Fern Creek Fire Protection District and
Fern Creek Fire Protection District
Holding Company, Inc.
Louisville, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Fern Creek Fire Protection District and Fern Creek Fire Protection District Holding Company, Inc. (the District), as of and for the year ended June 30, 2021, and the related notes to the combined financial statements, and have issued our report thereon dated September 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Certified Public Accountants and Advisors
401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
September 7, 2021