

PALATINE RURAL FIRE PROTECTION
DISTRICT, ILLINOIS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

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FINANCIAL SECTION

This section includes:

Independent Auditors' Report

Basic Financial Statements

Other Supplementary Information

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the District's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

April 28, 2021

Board of Trustees
Palatine Rural Fire Protection District
Inverness, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palatine Rural Fire Protection District, Illinois, as of and for the year ended December 31, 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Palatine Rural Fire Protection District, Inverness, Illinois, as of December 31, 2020, and the respective changes in modified cash basis financial position the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Palatine Rural Fire Protection District, Inverness, Illinois' basic financial statements. The other supplementary information, listed in the table of contents, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Management's Discussion and Analysis

December 31, 2020

Our discussion and analysis of the Palatine Rural Fire Protection District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2020. Please read it in conjunction with District's financial statements, which can be found in the basic financial statement section of this report.

FINANCIAL HIGHLIGHTS

- The District's total net position increased \$482,438, resulting in ending net position of \$4,906,553.
- During the fiscal year, the District generated \$243,022 in charges for services, \$4,515,920 in general revenues, and received \$10,448 in operating grants. Entity-wide expenses for the year totaled \$4,286,952, resulting in the increase to net position of \$482,438.
- The General Fund reported an increase for the year of \$96,846, resulting in ending fund balance of \$864,430.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

The government-wide financial statements provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position reports information on all of the District's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The District's governmental activities are supported by taxes and other general revenues. All governmental activities are reported as public safety activities.

Management's Discussion and Analysis

December 31, 2020

USING THIS ANNUAL REPORT - Continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Ambulance Fund, Liability Insurance Fund, and Capital Improvement Fund, which are considered a major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Budgetary comparison schedules are provided to demonstrate compliance with the budget.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting use for fiduciary funds is much like that used for proprietary funds.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Management's Discussion and Analysis

December 31, 2020

USING THIS ANNUAL REPORT - Continued

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found in the financial section of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the District, assets exceeded liabilities by \$4,906,553 during the year.

	Net Position	
	12/31/20	12/31/19
Current and Other Assets	\$ 3,701,402	3,199,313
Capital Assets	1,317,651	1,349,802
Total Assets	5,019,053	4,549,115
Long-Term Liabilities	100,000	112,500
Other Liabilities	12,500	12,500
Total Liabilities	112,500	125,000
Net Position		
Net Investment in Capital Assets	1,205,151	1,224,802
Restricted	976,617	996,021
Unrestricted	2,724,785	2,203,292
Total Net Pension	4,906,553	4,424,115

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Management's Discussion and Analysis

December 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

	Change in Net Position	
	12/31/20	12/31/19
Revenues		
Program Revenues		
Charges for Services	\$ 243,022	234,314
Operating Grants/Contrib.	10,448	—
General Revenues		
Property Taxes	4,250,102	4,165,818
Foreign Fire Insurance Tax	27,316	21,580
Replacement Taxes	41,652	46,562
Interest Income	65,253	76,453
Miscellaneous	131,597	139,646
Total Revenues	4,769,390	4,684,373
Expenses		
Public Safety	4,286,952	4,132,003
Change in Net Position	482,438	552,370
Net Position - Beginning	4,424,115	3,871,745
Net Position - Ending	4,906,553	4,424,115

Net position of the District's governmental activities increased by \$482,438. Revenues for the current year of \$4,769,390 increased \$85,017, or 1.8 percent, due primarily to the District collecting higher property taxes in the current fiscal year. Expenses for the current year of \$4,286,952 increased \$154,949, or 3.7 percent. The increase in expenses is due to contractual salary increases, higher than anticipated overtime costs, and COVID-19 related costs.

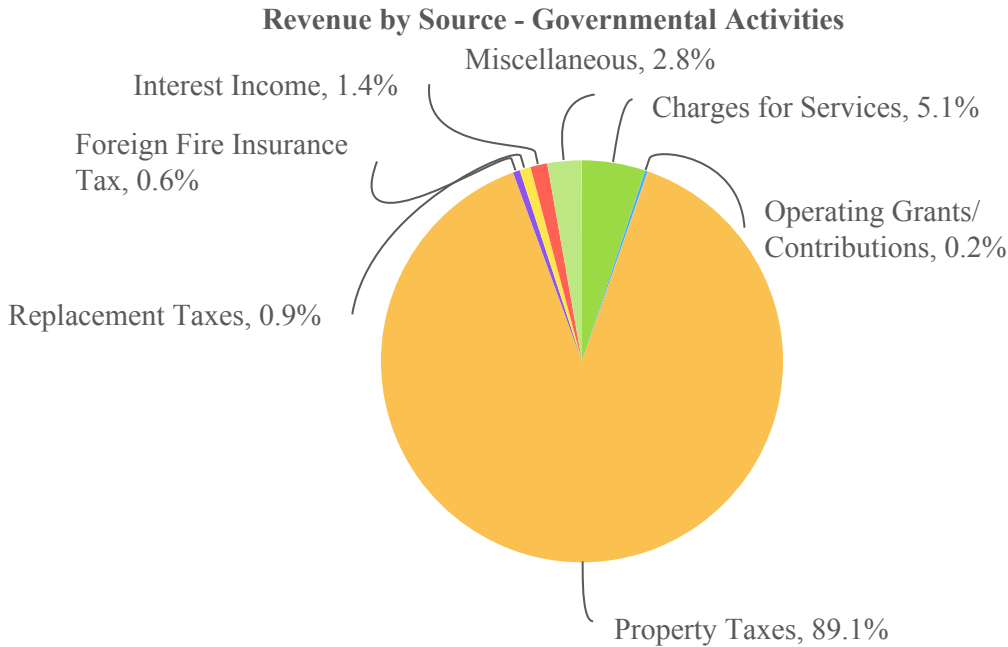
PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Management's Discussion and Analysis

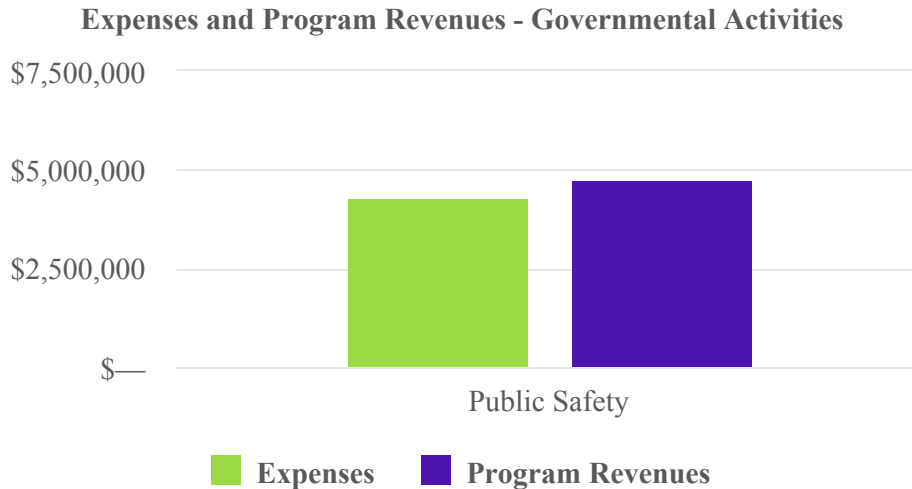
December 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following chart graphically illustrates the District's significant reliance on property taxes to fund operations.



The following 'Expenses and Program Revenues' Tables further illustrates the District's reliance on general revenues to fund operations. Only a small portion of revenues come from public safety charges for services.



PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Management's Discussion and Analysis

December 31, 2020

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Fund

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the General Fund reported ending fund balance of \$864,430, which is \$96,846 higher than beginning fund balance of \$767,584. This is mainly due to an increase in property taxes of \$109,521 from prior year.

The Ambulance Fund reported ending fund balance of \$1,356,270, which is \$264,132 higher than beginning fund balance of \$1,092,138. This is also mainly due to an increase in property taxes of \$120,505.

The Liability Insurance Fund reported ending fund balance of \$543,483, which is \$97,056 lower than beginning fund balance of \$640,539. This is due to an adjustment in the District's levy (decrease) for this fund.

The Capital Improvements Fund reported ending fund balance of \$504,085, which is \$160,515 higher than beginning fund balance of \$343,570. This is due to fund transfers from the General Fund and Ambulance Fund into the Capital Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District Board made no budget amendment to the General Fund budget once it was approved. Actual revenues of \$2,349,593 were \$33,867 higher than final budgeted revenues of \$2,315,726. This was due to interest being higher than budgeted by \$40,922 offset by property taxes being lower than budgeted by \$15,974.

Actual expenditures of \$2,139,089 were \$79,986 lower than the final budgeted expenditures of \$2,219,075. This was due primarily to the District's commodities expenditures being \$108,698 less than what was budgeted, offset by personnel and capital outlay expenditures being over budget by \$23,835 and \$11,218, respectively.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Management's Discussion and Analysis

December 31, 2020

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of December 31, 2020 were \$1,317,651 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, buildings and improvements, equipment, and vehicles.

The total decrease in the District's investment in capital assets for the current fiscal year was \$32,151. This amount consists of \$91,079 in depreciation expense charged for the current year, offset by construction in progress additions of \$32,148 and buildings improvements additions of \$26,780.

	Capital Assets - Net of Depreciation	
	12/31/20	12/31/19
Land	\$ 365,000	365,000
Construction in Progress	32,148	—
Buildings	774,900	817,950
Buildings Improvements	55,612	33,924
Equipment	41,376	56,157
Vehicles	48,615	76,771
	<u>1,317,651</u>	<u>1,349,802</u>

Additional information on the District's capital assets can be found in Note 3 of this report.

DEBT ADMINISTRATION

The District's long-term debt outstanding at December 31, 2020 totaled \$112,500, compared to a beginning balance of \$125,000. The District's long-term debt outstanding is as follows:

	Long-Term Debt Outstanding	
	12/31/20	12/31/19
Installment Contract Payable	<u>\$ 112,500</u>	<u>125,000</u>

Additional information on the District's long-term debt can be found in the Note 3 to the financial statements.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Management's Discussion and Analysis

December 31, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In March 2020, the governor declared a state of emergency due to the COVID-19 virus. The economic impact of the State of Illinois' Executive Order imposing "stay at home" restrictions may be widespread and may last for several years. Management believes that the financial position of the District heading into this event will allow it to adapt to any financial impact in FY2021. Management will continue to carefully monitor the situation and evaluate its options for this and following years' budgetary position as the situation continues to unfold.

In addition, the District's elected officials considered many factors when setting the fiscal-year 2021 budget, tax rates, and fees that will be charged for its governmental activities, including the change in the CPI, unemployment rates and other economic factors.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Palatine Rural Fire Protection District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Fire Chief, Palatine Rural Fire Protection District, 35 North Ela Road, Inverness, Illinois 60067.

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-Wide Financial Statements

Fund Financial Statements

Governmental Funds

Fiduciary Fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Statement of Net Position - Modified Cash Basis

December 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Investments	<u>\$ 3,701,402</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable	397,148
Depreciable	3,262,385
Accumulated Depreciation	<u>(2,341,882)</u>
Total Noncurrent Assets	<u>1,317,651</u>
Total Assets	<u>5,019,053</u>
LIABILITIES	
Current Liabilities	
Installment Contracts Payable	12,500
Noncurrent Liabilities	
Installment Contracts Payable	<u>100,000</u>
Total Liabilities	<u>112,500</u>
NET POSITION	
Net Investment in Capital Assets	1,205,151
Restricted	
Liability Insurance	543,483
Audit	12,561
Emergency and Rescue	340,505
Retirement	29,366
Foreign Fire Insurance	50,702
Unrestricted	<u>2,724,785</u>
Total Net Position	<u><u>4,906,553</u></u>

The notes to the financial statements are an integral part of this statement.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended December 31, 2020**

	Program Revenues			Net (Expenses)/ Revenues
	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
Expenses				
Governmental Activities				
Public Safety	\$ 4,286,952	243,022	10,448	—
				(4,033,482)

General Revenues	
Taxes	
Property Taxes	4,250,102
Foreign Fire Insurance Taxes	27,316
Intergovernmental - Unrestricted	
Replacement Taxes	41,652
Interest	65,253
Miscellaneous	131,597
	<u>4,515,920</u>
Change in Net Position	482,438
Net Position - Beginning	<u>4,424,115</u>
Net Position - Ending	<u><u>4,906,553</u></u>

The notes to the financial statements are an integral part of this statement.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Balance Sheet - Governmental Funds - Modified Cash Basis

December 31, 2020

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PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Balance Sheet - Governmental Funds - Modified Cash Basis

December 31, 2020

	<u>Corporate</u>
ASSETS	
Cash and Investments	<u>\$ 864,430</u>
FUND BALANCES	
Restricted	—
Committed	—
Assigned	220,341
Unassigned	<u>644,089</u>
Total Fund Balances	<u>864,430</u>

The notes to the financial statements are an integral part of this statement.

<u>Special Revenue</u>		<u>Capital Projects</u>		
<u>Ambulance</u>	<u>Liability Insurance</u>	<u>Capital Improvements</u>	<u>Nonmajor</u>	<u>Totals</u>
1,356,270	543,483	504,085	433,134	3,701,402
—	543,483	—	433,134	976,617
—	—	504,085	—	504,085
1,356,270	—	—	—	1,576,611
—	—	—	—	644,089
1,356,270	543,483	504,085	433,134	3,701,402

The notes to the financial statements are an integral part of this statement.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Reconciliation of the Total Governmental Fund Balance to the Statement of Net Position - Governmental Activities - Modified Cash Basis
December 31, 2020**

Total Governmental Fund Balances	\$ 3,701,402
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in Governmental Activities are not financial resources and therefore, are not reported in the funds.	1,317,651
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Installment Contracts Payable	<u>(112,500)</u>
Net Position of Governmental Activities	<u><u>4,906,553</u></u>

The notes to the financial statements are an integral part of this statement.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Modified
Cash Basis**

For the Fiscal Year Ended December 31, 2020

See Following Page

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Modified Cash Basis

For the Fiscal Year Ended December 31, 2020

	<u>Corporate</u>
Revenues	
Taxes	\$ 2,206,604
Intergovernmental	26,050
Charges for Services	906
Investment Income	50,237
Miscellaneous	65,796
Total Revenues	<u>2,349,593</u>
Expenditures	
Current	
Public Safety	
Personnel	1,627,198
Commodities	65,617
Contractual	435,056
Capital Outlay	11,218
Debt Service	
Principal Retirement	—
Total Expenditures	<u>2,139,089</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>210,504</u>
Other Financing Sources (Uses)	
Transfers In	—
Transfers Out	(113,658)
	<u>(113,658)</u>
Net Change in Fund Balances	96,846
Fund Balances - Beginning	<u>767,584</u>
Fund Balances - Ending	<u><u>864,430</u></u>

The notes to the financial statements are an integral part of this statement.

Special Revenue		Capital Projects		Totals
Ambulance	Liability Insurance	Capital Improvements	Nonmajor	
1,621,588	203,706	—	245,520	4,277,418
26,050	—	—	—	52,100
242,116	—	—	—	243,022
15,005	—	—	11	65,253
65,801	—	—	—	131,597
1,970,560	203,706	—	245,531	4,769,390
1,042,180	287,887	—	181,542	3,138,807
69,138	196	—	—	134,951
474,294	—	—	12,372	921,722
7,158	12,679	26,985	1,281	59,321
—	—	12,500	—	12,500
1,592,770	300,762	39,485	195,195	4,267,301
377,790	(97,056)	(39,485)	50,336	502,089
—	—	200,000	27,316	227,316
(113,658)	—	—	—	(227,316)
(113,658)	—	200,000	27,316	—
264,132	(97,056)	160,515	77,652	502,089
1,092,138	640,539	343,570	355,482	3,199,313
1,356,270	543,483	504,085	433,134	3,701,402

The notes to the financial statements are an integral part of this statement.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities - Governmental Activities - Modified Cash For the Fiscal Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 502,089

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	58,928
Depreciation Expense	(91,079)

The issuance of long-term debt provides current financial resources to governmental funds, While the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds.

Retirement of Debt	<u>12,500</u>
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Changes in Net Position of Governmental Activities 482,438

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Statement of Fiduciary Net Position
December 31, 2020**

	<u>Pension Trust</u>
ASSETS	
Cash and Cash Equivalents	\$ 442,453
Investments	
U.S. Treasury Obligations	827,837
U.S. Agency Obligations	4,219,623
Corporate Bonds	1,074,999
Mortgage Pools	1,263
State and Local Obligations	828,760
Equities	11,366,591
Receivables	
Accrued Interest	35,957
Prepays	795
Total Assets	<u>18,798,278</u>
LIABILITIES	
Accounts Payable	<u>11,648</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>18,786,630</u></u>

The notes to the financial statements are an integral part of this statement.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2020**

	<u>Pension Trust</u>
Additions	
Contributions - Employer	\$ 585,016
Contributions - Plan Members	<u>188,664</u>
Total Contributions	<u>773,680</u>
Investment Income	
Interest Earned	427,530
Net Change in Fair Value	<u>2,080,265</u>
	2,507,795
Less Investment Expenses	<u>(35,545)</u>
Net Investment Income	<u>2,472,250</u>
Total Additions	<u>3,245,930</u>
Deductions	
Administration	21,532
Benefits and Refunds	<u>583,468</u>
Total Deductions	<u>605,000</u>
Change in Fiduciary Net Position	2,640,930
Net Position Restricted for Pensions	
Beginning	<u>16,145,700</u>
Ending	<u><u>18,786,630</u></u>

The notes to the financial statements are an integral part of this statement.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Palatine Rural Fire Protection District (District), Illinois was organized in 1995 and operates under a Board of Trustees form of government. The basic financial statements of the District have been presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the District's accounting policies are described below.

REPORTING ENTITY

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 61, "The financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No. 34," and includes all component units that have a significant operational or financial relationship with the District. Based upon the criteria set forth in the GASB Statement No. 61, there are no component units included in the reporting entity.

Firefighters' Pension Employees Retirement System

The District's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a five-member pension board, with two members appointed by the District's President, two elected from active participants of the Fund, and one elected pension beneficiary of the Fund. The participants are required to contribute a percentage of salary as established by state statute and the District is obligated to fund all remaining FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the District is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the District, the FPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the District's sworn firefighters. The FPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the FPERS.

BASIS OF PRESENTATION

Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's public safety function is classified as governmental activities. The District does not have any business-type activities.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

Government-Wide Statements - Continued

In the government-wide Statement of Net Position, the governmental activities are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term debt/deferred inflows and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted, and unrestricted.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets/deferred outflows, liabilities/deferred inflows, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows, liabilities/deferred inflows, revenues or expenditures/expenses) for the determination of major funds. The District may electively add funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

A fund is considered major if it is the primary operating fund of the District or total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 10 percent of the corresponding total for all governmental funds combined.

The various funds are reported by generic classification within the financial statements. The following fund type is used by the District:

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

Corporate Fund is the general operating fund of the District. It accounts for all revenues and expenditures of the District which are not accounted for in other funds. The Corporate Fund is a major fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District maintains two major special revenue funds and four nonmajor special revenue funds. The Ambulance Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Financing is provided by committed user fees and a specific annual tax levy. The Liability Insurance Fund is used to account for general liability, workers' compensation and unemployment compensation insurance expenditures. Financing is provided by an unlimited tax levy.

Capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities. The Capital Improvements Fund is a major fund and accounts for revenues and expenditures relative to the construction of capital improvements or the purchase of vehicles and equipment.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

Pension trust funds are used to account for assets held in a trustee capacity for pension benefit payments. The Firefighters' Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the District's Fire Department.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental funds are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets/deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The accounting objectives of the “economic resources” measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets/deferred outflows, liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the modified cash basis of accounting. This basis recognized revenue when cash is received and expenditures are recorded when payment is made. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These financial statements are modified from the cash basis method because the District records capital assets, depreciation, and long-term debt.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand, demand deposits, cash with fiscal agent.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Capital Assets

Capital assets purchased or acquired with an original cost of \$50,000 for buildings, \$15,000 for vehicles, \$10,000 for building improvements and \$5,000 for equipment or more, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. Infrastructure such as streets and storm sewers are capitalized. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY - Continued

Capital Assets - Continued

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings	10 - 45 Years
Buildings and Improvements	10 - 45 Years
Land Improvements	10 - 45 Years
Equipment	5 - 20 Years
Vehicles	7 - 20 Years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY - Continued

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Appropriated amounts used for comparison in this report are obtained from the Annual Budget and Appropriation Ordinance for the District. The appropriated amounts included in the financial statements are the final adopted appropriations, which was passed on November 11, 2019. All funds of the District are appropriated for annually, except for the Foreign Fire Insurance Fund. Appropriations are prepared on the modified cash basis of accounting. Appropriations lapse at year end. No amendments or supplementary appropriations were adopted during the current fiscal year.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds except the pension trust fund. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the District's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

Permitted Deposits and Investments - Illinois Statutes authorizes the District to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds.

The deposits and investments of the Pension Funds are held separately from those of other District funds. Illinois Statutes authorizes the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Funds Market Fund (Formerly known as IPTIP, Illinois Public Treasurer's Investment Pool), or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's plan net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension Funds with plan net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension Funds with plan net position of at least \$5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the plan net position in common and preferred stocks that meet specific restrictions. In addition, Pension Funds with plan net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty percent of its net position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2011 and up to fifty-five percent effective July 1, 2012.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. The Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are in 2a7-like investment pools that are measured at the net asset value per share determined by the pool.

District - Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration Risk

Deposits. At year-end, the carrying amount of the District's deposits for governmental activities totaled \$3,221,245 and the bank balances totaled \$3,310,325.

Investments. At year-end, the District has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Obligations	\$ 25,703	—	25,703	—	—
U.S. Agency Obligations	75,067	—	75,067	—	—
Municipal Bonds	80,977	15,193	65,784	—	—
Illinois Funds	298,410	298,410	—	—	—
Totals	480,157	313,603	166,554	—	—

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

District - Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration Risk - Continued

The District has the following recurring fair value measurements as of December 31, 2020:

	Totals	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury Obligations	\$ 25,703	25,703	—	—
U.S. Agency Obligations	75,067	—	75,067	—
Municipal Bonds	80,977	—	80,977	—
Total Investments by Fair Value Level	181,747	25,703	156,044	—
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	298,410			
Total Investments Measured at Fair Value	480,157			

Debt Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy attempts to limit the District's exposure to interest rate risk by attempting to match its investments with anticipated cash flow requirements. The maximum maturity should not exceed three years and the portfolio duration should not exceed two.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy further limits its investment choices to ensure that capital loss, whether from credit or market risk, is avoided. The District's investments in U.S. Agency Obligations are all rated not rated or rated Aaa by Moody's and Standard & Poor's, and the District's investment in the municipal bonds are not rated or rated AA+ to AA- by Moody's and Standard & Poor's. The Illinois Funds is rated AAAM by Standard & Poor's.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

District - Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration Risk - Continued

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy limits custodial credit risk by requiring deposits in excess of 10% of the capital and surplus of a financial institution will be collateralized. When collateral is required, 105% of the deposit will be required. At year-end, all of the bank balance of the deposits was covered by federal depository or equivalent insurance, and represents cash at paying agent for debt service payments.

Custodial Credit Risk - Investments. In the case of investments, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy attempts to limit the District's custodial credit risk for its investments by requiring that securities be held by a third-party custodian designated by the District and evidenced by safekeeping receipts. The District's investment in Illinois Funds is not subject to custodial credit risk.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy stated that investments will be diversified by security type and institution. At year-end, the District does not have any investments over 5 percent of cash and investments (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

Firefighters' Pension Fund - Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$442,453 and the bank balances totaled \$446,412.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Notes to the Financial Statements
December 31, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Firefighters' Pension Fund - Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration Risk - Continued

Investments. At year-end, the Firefighters' Pension Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Obligations	\$ 827,837	101,118	667,547	59,172	—
U.S. Agency Obligations	4,219,623	50,990	1,991,291	2,177,342	—
Corporate Bonds	1,074,999	50,304	424,836	599,859	—
Mortgage Pools	1,263	1,263	—	—	—
State and Local Obligations	828,760	187,117	464,662	176,981	—
Totals	6,952,482	390,792	3,548,336	3,013,354	—

The Fund has the following recurring fair value measurements as of December 31, 2020:

Investments by Fair Value Level	Totals	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasury Obligations	\$ 827,837	827,837	—	—
U.S. Agency Obligations	4,219,623	—	4,219,623	—
Corporate Bonds	1,074,999	—	1,074,999	—
Mortgage Pools	1,263	—	1,263	—
State and Local Obligations	828,760	—	828,760	—
Equity Securities				
Equities	11,366,591	11,366,591	—	—
Total Investments Measured at Fair Value	18,319,073	12,194,428	6,124,645	—

Debt Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Firefighters' Pension Fund - Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration Risk - Continued

Interest Rate Risk. The Fund's investment policy limits its exposure to interest rate risk by structuring the portfolio based upon the current existing interest rate environment, with an average maturity and duration of approximately five years with an acceptable range of two to seven years.

Credit Risk. The Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. Other than investing in securities allowed by state statutes, the Fund's investment policy does not further limit exposure to credit risk. As of December 31, 2020, the credit ratings of the Fund's U.S. Agency Obligations ranged from Aaa to AA+ (Moody's and Standard & Poor's), the state and local obligations ranged from A3 - Aaa (Moody's and Standard & Poor's) the corporate bonds are rated A3 - BBB+ (Moody's and Standard & Poor's) and the mortgage pools were not rated .

Custodial Credit Risk - Deposits. Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Fund's deposits may not be returned to them. The Fund's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance. Flow-through FDIC insurance is available for the Plan's deposits with financial institutions. At December 31, 2020, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance.

Custodial Credit Risk - Investments. The Fund limits its exposure to custodial risk by requiring third-party safekeeping for all securities owned by the plan. At December 31, 2020, all U.S. Treasury Obligations and Agency Obligations are categorized as insured, registered, or held by the Fund or its agent in the Fund's name.

Concentration of Credit Risk. At year-end the Fund has \$11,366,591 invested in equities. At December 31, 2020, the Fund does not have any investments over 5 percent of net position available for benefits (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Firefighters' Pension Fund - Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration Risk - Continued

Concentration of Credit Risk - Continued. The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	39.0%	1.4%
Domestic Equities	54.0%	5.8% - 7.6%
International Equities	6.0%	7.1%
Cash and Cash Equivalents	1.0%	0.0%

Illinois Compiled Statutes (ILCS) limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in March 2021 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed 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 by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2020 are listed in the table above.

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 365,000	—	—	365,000
Construction in Progress	—	32,148	—	32,148
	<u>365,000</u>	<u>32,148</u>	<u>—</u>	<u>397,148</u>
Depreciable Capital Assets				
Buildings	1,722,000	—	—	1,722,000
Buildings Improvements	37,546	26,780	—	64,326
Land Improvements	121,361	—	—	121,361
Equipment	313,043	—	—	313,043
Vehicles	1,041,655	—	—	1,041,655
	<u>3,235,605</u>	<u>26,780</u>	<u>—</u>	<u>3,262,385</u>
Less Accumulated Depreciation				
Buildings	904,050	43,050	—	947,100
Buildings Improvements	3,622	5,092	—	8,714
Land Improvements	121,361	—	—	121,361
Equipment	256,886	14,781	—	271,667
Vehicles	964,884	28,156	—	993,040
	<u>2,250,803</u>	<u>91,079</u>	<u>—</u>	<u>2,341,882</u>
Total Net Depreciable Capital Assets	<u>984,802</u>	<u>(64,299)</u>	<u>—</u>	<u>920,503</u>
Total Net Capital Assets	<u>1,349,802</u>	<u>(32,151)</u>	<u>—</u>	<u>1,317,651</u>

Depreciation expense was charged to governmental activities as follows:

Public Safety	<u>\$ 91,079</u>
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PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Notes to the Financial Statements
December 31, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out	Amount
Capital Improvements	Corporate	\$ 100,000 (1)
Capital Improvements	Ambulance	100,000 (1)
Nonmajor Governmental	Corporate	13,658 (2)
Nonmajor Governmental	Ambulance	<u>13,658 (2)</u>
		<u><u>227,316</u></u>

Transfers are used to (1) move unrestricted revenues collected in the Corporate Fund and Ambulance Fund to finance capital projects in accordance with budgetary authorizations and to (2) move foreign fire insurance collected in the Corporate Fund and Ambulance Fund to the Foreign Fire Insurance Fund.

PROPERTY TAXES

Property taxes for 2019 attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, in May and September. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience.

LONG-TERM DEBT

Installment Contract Payable

The District issues installment contracts payable to provide funds for the purchase of capital assets. Installment contracts currently outstanding are as follows:

	Beginning Balances	Issuances	Retirements	Ending Balances
\$250,000 Installment Contract dated April 7, 2009 due in annual installments of \$12,500 interest free through November 1, 2029.	\$ 125,000	—	12,500	<u><u>112,500</u></u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Notes to the Financial Statements
December 31, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM DEBT - Continued

Long-Term Liabilities Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Installment Contracts Payable	\$ 125,000	—	12,500	112,500	12,500

Payments on the installment contracts payable are made by the Capital Improvements Funds.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	Installment Contracts Payable	
	Principal	Interest
2021	\$ 12,500	—
2022	12,500	—
2023	12,500	—
2024	12,500	—
2025	12,500	—
2026	12,500	—
2027	12,500	—
2028	12,500	—
2029	12,500	—
Totals	112,500	—

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM DEBT - Continued

Legal Debt Margin

Chapter 70, Section 705/12-32 of the Illinois Compiled Statutes provides, “Any fire protection district incorporated under this Act may borrow money for corporate purposes and may issue bonds therefor, but shall not become indebted in any manner, or for any purpose, to an amount in the aggregate to exceed 5.75% on the valuation of taxable property therein to be ascertained by the last assessment for State and County taxes previous to the incurring of such indebtedness or until January 1, 1983, if greater, the sum that is produced by multiplying the district's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979.”

Assessed Valuation - 2019	<u>\$ 435,150,946</u>
Legal Debt Limit - 5.75% of Assessed Value	25,021,179
Amount of Debt Applicable to Limit	<u>—</u>
Legal Debt Margin	<u>25,021,179</u>

NET POSITION CLASSIFICATIONS

Net investment in capital assets was comprised of the following as of December 31, 2020:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 1,317,651
Less Capital Related Debt:	
Installment Contract Payable	<u>(112,500)</u>
Net Investment in Capital Assets	<u>1,205,151</u>

FUND BALANCE CLASSIFICATIONS

In the governmental funds financial statements, the District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Notes to the Financial Statements
December 31, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

FUND BALANCE CLASSIFICATIONS - Continued

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	Corporate	Special Revenue		Capital Projects		Totals
		Ambulance	Liability Insurance	Improvement	Nonmajor Capital	
Fund Balances						
Restricted						
Property Taxes						
Liability Insurance	\$ —	—	543,483	—	—	543,483
Audit	—	—	—	—	12,561	12,561
Emergency and Rescue	—	—	—	—	340,505	340,505
Retirement	—	—	—	—	29,366	29,366
Foreign Fire Insurance	—	—	—	—	50,702	50,702
	—	—	543,483	—	433,134	976,617
Committed						
Capital Improvements	—	—	—	504,085	—	504,085
Assigned						
Post Employment Healthcare	220,341	220,341	—	—	—	440,682
Ambulance	—	1,135,929	—	—	—	1,135,929
	220,341	1,356,270	—	—	—	1,576,611
Unassigned	644,089	—	—	—	—	644,089
Total Fund Balances	864,430	1,356,270	543,483	504,085	433,134	3,701,402

Nonspendable Fund Balance. Consists of resources that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

Restricted Fund Balance. Consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

FUND BALANCE CLASSIFICATIONS - Continued

Committed Fund Balance. Consists of resources constrained (issuance of an ordinance) to specific purposes by the government itself, using its highest level of decision-making authority, the Board of Trustees; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance. Consists of amounts that are constrained by the Board of Trustees' intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by a) the Board of Trustees itself or b) a body or official to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. The District's highest level of decision-making authority is the Board of Trustees, who is authorized to assign amounts to a specific purpose.

Unassigned Fund Balance. Consists of residual net resources of a fund that has not been restricted, committed, or assigned within the Corporate Fund and deficit fund balances of other governmental funds.

NOTE 4 - OTHER INFORMATION

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; natural disasters; and injuries to the District's employees. These risks are provided for through insurance from private insurance companies. The District currently reports all its risk management activities in the Corporate Fund and Liability Insurance Fund. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

CONTINGENT LIABILITIES

Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

CONTINGENT LIABILITIES - Continued

Financial Impact from COVID-19

In March 2020, the World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report, the extent of the impact of COVID-19 on the District's operations and financial position cannot be determined.

SIGNIFICANT CONTRACT

The District entered into a contractual agreement with the Village of Palatine (Village) on March 10, 2014. The purpose of the contract is to provide efficient and effective fire protection and emergency service to certain territory that has been annexed to the Village and that remains in the District. The Village shall provide first responder fire and EMS services to all of unincorporated Cook County located within the current boundaries of the District. As consideration for the Village's services the District shall pay a portion of property tax receipts from unincorporated Cook County. Amounts owed shall be paid in two annual installments, the first on June 15th and the second on December 15th each year. The contract runs through March 10, 2024. The amount paid to the Village for these services totaled \$695,054 during fiscal year 2020.

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS

The District contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system, and the Firefighters' Pension Plan which is also a single-employer pension plan. IMRF does issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained on-line at www.imrf.org. The Firefighters' Pension Plans also issue separate reports that may be obtained by writing the District at 35 Ela Rd, Inverness, IL 60067. The benefits, benefit levels, employee contributions and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

The aggregate amounts of pension expense recognized for the pension plans are:

	Net Pension Liability/(Asset)	Deferred Outflows	Deferred Inflows	Pension (Revenue)
IMRF	\$ (30,781)	21,828	(64,739)	(6,741)
Firefighters' Pension	1,239,327	149,598	(3,336,416)	(556,685)
	<u>1,208,546</u>	<u>171,426</u>	<u>(3,401,155)</u>	<u>(563,426)</u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Illinois Municipal Retirement Fund (IMRF)

Plan Descriptions

Plan Administration. All employees (other than those covered by the Firefighters' Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

IMRF provides two tiers of pension benefits. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Plan Descriptions - Continued

Plan Membership. As of December 31, 2020, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	—
Inactive Plan Members Entitled to but not yet Receiving Benefits	—
Active Plan Members	<u>1</u>
Total	<u><u>1</u></u>

Contributions. As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. For the year-ended December 31, 2020, the District's contribution was 8.46% of covered payroll.

Net Pension (Asset). The District's net pension (asset) was measured as of December 31, 2020. The total pension liability used to calculate the net pension (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2020, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.25%
Salary Increases	2.85% to 13.75%
Cost of Living Adjustments	2.25%
Inflation	2.25%

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Plan Descriptions - Continued

Actuarial Assumptions - Continued. For nondisabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	28.00%	3.25%
Domestic Equities	37.00%	5.75%
International Equities	18.00%	6.50%
Real Estate	9.00%	5.20%
Blended	7.00%	3.60% - 7.60%
Cash and Cash Equivalents	1.00%	1.85%

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Plan Descriptions - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.25%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents the net pension liability/(asset) of the District calculated using the discount rate as well as what the District's net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability/(Asset)	43,452	(30,781)	(89,882)

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Changes in the Net Pension Liability/(Asset)

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) - (B)
Balances at December 31, 2019	\$ 449,221	443,479	5,742
Changes for the Year:			
Service Cost	8,057	—	8,057
Interest on the Total Pension Liability	32,861	—	32,861
Changes of Benefit Terms	—	—	—
Difference Between Expected and Actual Experience of the Total Pension Liability	(4,259)	—	(4,259)
Changes of Assumptions	(4,047)	—	(4,047)
Contributions - Employer	—	7,018	(7,018)
Contributions - Employees	—	3,733	(3,733)
Net Investment Income	—	57,664	(57,664)
Benefit Payments, Including Refunds of Employee Contributions	—	—	—
Other (Net Transfer)	—	720	(720)
Net Changes	32,612	69,135	(36,523)
Balances at December 31, 2020	481,833	512,614	(30,781)

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

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

For the year ended December 31, 2020, the District recognized pension revenue of \$6,741. At December 31, 2020, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 7,872	(24,630)	(16,758)
Change in Assumptions	13,956	(10,233)	3,723
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	(29,876)	(29,876)
Total Deferred Amounts Related to IMRF	<u>21,828</u>	<u>(64,739)</u>	<u>(42,911)</u>

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

Fiscal Year	Net Deferred (Inflows) of Resources
2021	\$ (10,952)
2022	(5,845)
2023	(13,774)
2024	(6,925)
2025	(1,988)
Thereafter	<u>(3,427)</u>
Total	<u><u>(42,911)</u></u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Firefighters' Pension Plan

Plan Descriptions

Plan Administration. The Firefighters' Pension Plan is a single-employer defined benefit pension plan that covers all sworn firefighter personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The District accounts for the Fund as a pension trust fund. The Fund is governed by a five-member pension board. Two members of the Board are appointed by the District President, one member is elected by pension beneficiaries and two members are elected by active fire employees.

Plan Membership. At December 31, 2020, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	9
Inactive Plan Members Entitled to but not yet Receiving Benefits	6
Active Plan Members	<u>16</u>
Total	<u><u>31</u></u>

Benefits Provided. The following is a summary of the Firefighters' Pension Plan as provided for in Illinois State Statutes.

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3percent compounded annually thereafter.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Firefighters' Pension Plan - Continued

Plan Descriptions - Continued

Benefits Provided - Continued. Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 48 consecutive months of service within the last 60 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent of ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions. Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The District is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the District to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended December 31, 2020, the District's contribution was 39.08% of covered payroll.

Concentrations. At year end, the Pension Plan does not have any investments over 5 percent of net plan position available for retirement benefits (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Notes to the Financial Statements
December 31, 2020**

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Firefighters' Pension Plan - Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of December 31, 2020, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	6.50%
Salary Increases	3.75% - 11.77%
Cost of Living Adjustments	2.25%
Inflation	2.25%

Mortality rates follow the independent actuary assumption study for Firefighters 2020. These rates are experience weighted with the raw rates as developed in the PupS-2010(A) study, improved to 2017 using MP-2019 Improved Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates.

Discount Rate

The discount rate used to measure the total pension liability was 6.50%, the same as the prior year. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Firefighters' Pension Plan - Continued

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents the net pension liability/(asset) of the District calculated using the discount rate as well as what the District's net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability/(Asset)	4,867,585	1,239,327	(1,642,128)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2019	\$ 19,264,403	16,145,700	3,118,703
Changes for the Year:			
Service Cost	475,514	—	475,514
Interest on the Total Pension Liability	1,210,568	—	1,210,568
Changes of Benefit Terms	(65,886)	—	(65,886)
Difference Between Expected and Actual Experience of the Total Pension Liability	(275,174)	—	(275,174)
Changes of Assumptions		—	—
Contributions - Employer	—	585,016	(585,016)
Contributions - Employees	—	188,664	(188,664)
Net Investment Income	—	2,472,250	(2,472,250)
Benefit Payments, Including Refunds of Employee Contributions	(583,468)	(583,468)	—
Other (Net Transfer)	—	(21,532)	21,532
Net Changes	761,554	2,640,930	(1,879,376)
Balances at December 31, 2020	20,025,957	18,786,630	1,239,327

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued

Firefighters' Pension Plan - Continued

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

For the year ended December 31, 2020, the District recognized pension revenue of \$556,685. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ —	(503,053)	(503,053)
Change in Assumptions	149,598	(1,118,195)	(968,597)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	(1,715,168)	(1,715,168)
Total Deferred Amounts Related to Firefighters' Pension	<u>149,598</u>	<u>(3,336,416)</u>	<u>(3,186,818)</u>

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

Fiscal Year	Net Deferred (Inflows) of Resources
2021	\$ (1,008,620)
2022	(833,947)
2023	(1,015,631)
2024	(328,546)
2025	(74)
Thereafter	<u> </u>
Total	<u><u>(3,186,818)</u></u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description. The District's defined benefit OPEB plan, Retiree Benefits Plan (RBP), provides OPEB for all permanent full-time general and public safety employees of the District. RBP is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided. RBP provides healthcare, dental, and vision benefits for retirees and their dependents. The benefit terms provide the District to pay the costs of HMO coverage for participants, but if the retiree chooses PPO the retiree is responsible for the difference in cost. Coverage continues until Medicare eligibility. For dental and vision the retiree pays the full cost of the coverage.

Plan Membership. As of December 31, 2020, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	3
Inactive Plan Members Entitled to but not yet Receiving Benefits	—
Active Plan Members	<u>15</u>
Total	<u><u>18</u></u>

Total OPEB Liability

The District's total OPEB liability was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

Total OPEB Liability - Continued

Actuarial Assumptions and Other Inputs - Continued.

Inflation	3.00%
Salary Increases	4.00%
Discount Rate	1.93%
Healthcare Cost Trend Rates	7.70% (PPO) and 6.60% (HMO) for 2021, Decreasing to an Ultimate Rate of 4.50% for 2035 and Later Years
Retirees' Share of Benefit-Related Costs	100% of projected health insurance premiums for retirees

The discount rate was based on the S&P Municipal Bond 20 Year High-Grade Rate Index as of Decemeber 31, 2020.

Active Mortality rates were based on the PubS.H-20102 Mortality Table - Safety for fire and PubG.H-2010 Mortality Table - General for all others.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2019	\$ 717,635
Changes for the Year:	
Service Cost	3,493
Interest on the Total OPEB Liability	22,791
Changes of Benefit Terms	—
Difference Between Expected and Actual Experience	(24,945)
Changes of Assumptions or Other Inputs	143,482
Benefit Payments	(37,089)
Other Changes	(8,533)
Net Changes	99,199
Balance at December 31, 2020	816,834

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The discount rate used to measure the total pension liability was 1.93%%, while the prior valuation used 3.26%%. The following presents the total OPEB liability, calculated using the discount rate, as well as what the total OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point lower or one percentage point higher:

		1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total OPEB Liability	\$	920,910	816,834	732,457

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, calculated using a variable Healthcare Trend Rate, as well as what the total OPEB liability would be if it were calculated using a Healthcare Trend Rate that is one percentage point lower or one percentage point higher:

		1% Decrease (Varies)	Healthcare Cost Trend Rates (Varies)	1% Increase (Varies)
Total OPEB Liability	\$	750,050	816,834	891,156

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2020

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the District recognized OPEB expense of \$97,243. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ —	(57,585)	(57,585)
Change in Assumptions	420,134	(67,563)	352,571
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	—	—
Total Deferred Amounts Related to OPEB	<u>420,134</u>	<u>(125,148)</u>	<u>294,986</u>

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

Fiscal Year	Net Deferred Outflow of Resources
2021	\$ 70,957
2022	70,957
2023	70,957
2024	53,052
2025	17,937
Thereafter	<u>11,126</u>
Total	<u><u>294,986</u></u>

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedule - Major Governmental Funds
- Combining Statements - Nonmajor Governmental Funds
- Budgetary Comparison Schedules - Nonmajor Governmental Funds
- Schedule Employer Contributions
 - Illinois Municipal Retirement Fund
 - Firefighters' Pension Fund
- Schedule of Changes in the Employer's Net Pension Liability
 - Illinois Municipal Retirement Fund
 - Firefighters' Pension Fund
- Schedule of Investment Returns
 - Firefighters' Pension Fund
- Schedule of Changes in the Employer's Total OPEB Liability
 - Retiree Benefit Plan

INDIVIDUAL FUND DESCRIPTIONS

CORPORATE FUND

The Corporate Fund is used to account for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources (other than fiduciary funds or capital project funds) that are legally restricted to expenditure for specified purposes.

Ambulance Fund

The Ambulance Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Liability Insurance Fund

The Liability Insurance Fund is used to account for general liability, workers' compensation and unemployment compensation insurance expenditures. Financing is provided by an unlimited tax levy.

Audit Fund

The Audit Fund is used to account for the expenditures related to the annual audit of the District's books, records and accounts. Financing is provided by an unlimited tax levy.

Emergency and Rescue Fund

The Emergency and Rescue Fund is used to account for the proceeds and expenditures of specific revenue sources that are legally restricted to pay for the costs of emergency and rescue crews and equipment.

IMRF/Social Security/Medicare Fund

The IMRF/Social Security/Medicare Fund is used to account for non-firemen pension and social security expenditures. Financing is provided by an unlimited tax levy.

Foreign Fire Insurance Fund

The Foreign Fire Insurance Fund is used to account for money paid to the District for foreign fire insurance taxes.

INDIVIDUAL FUND DESCRIPTIONS

CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital assets.

Capital Improvements Fund

The Capital Improvements Fund is used to account for revenues and expenditures relative to the construction of capital improvements or the purchase of vehicles and equipment.

PENSION TRUST FUND

Firefighters' Pension Fund

The Firefighters' Pension Fund is used to account for the accumulation of resources to be used for retirement annuity payments to employees of the District at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the District at amounts determined by an annual actuarial study.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Corporate Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Modified Cash Basis

For the Fiscal Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 2,208,920	2,208,920	2,192,946
Foreign Fire Insurance Taxes	—	—	13,658
Intergovernmental			
Replacement Taxes	17,500	17,500	20,826
Grants	—	—	5,224
Charges for Services	2,650	2,650	906
Investment Income	9,315	9,315	50,237
Miscellaneous	77,341	77,341	65,796
Total Revenues	<u>2,315,726</u>	<u>2,315,726</u>	<u>2,349,593</u>
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	824,052	824,052	792,145
Employee Benefits	192,781	192,781	250,037
Pension Contribution	586,530	586,530	585,016
Commodities			
Supplies	75,200	75,200	19,861
Repairs and Maintenance	99,115	99,115	45,756
Contractual			
Professional Services	441,397	441,397	420,047
Buildings and Grounds	—	—	15,009
Capital Outlay	—	—	11,218
Total Expenditures	<u>2,219,075</u>	<u>2,219,075</u>	<u>2,139,089</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,651	96,651	210,504
Other Financing (Uses)			
Transfers Out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(113,658)</u>
Net Change in Fund Balance	<u>(103,349)</u>	<u>(103,349)</u>	96,846
Fund Balance - Beginning			<u>767,584</u>
Fund Balance - Ending			<u><u>864,430</u></u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Ambulance - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Modified Cash Basis

For the Fiscal Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 1,625,000	1,625,000	1,607,930
Foreign Fire Insurance Taxes	24,000	24,000	13,658
Intergovernmental			
Replacement Taxes	17,500	17,500	20,826
Grants	—	—	5,224
Charges for Services	190,000	190,000	242,116
Investment Income	9,315	9,315	15,005
Miscellaneous	77,341	77,341	65,801
Total Revenues	<u>1,943,156</u>	<u>1,943,156</u>	<u>1,970,560</u>
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	824,052	824,052	792,144
Employee Benefits	392,781	392,781	250,036
Commodities			
Supplies	—	—	21,053
Repairs and Maintenance	99,115	99,115	48,085
Contractual			
Professional Services	470,872	470,872	447,649
Buildings and Grounds	45,725	45,725	26,645
Capital Outlay	—	—	7,158
Total Expenditures	<u>1,832,545</u>	<u>1,832,545</u>	<u>1,592,770</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>110,611</u>	<u>110,611</u>	<u>377,790</u>
Other Financing Sources (Uses)			
Transfers In	100,000	100,000	—
Transfers Out	(124,000)	(124,000)	(113,658)
	<u>(24,000)</u>	<u>(24,000)</u>	<u>(113,658)</u>
Net Change in Fund Balance	<u>86,611</u>	<u>86,611</u>	264,132
Fund Balance - Beginning			<u>1,092,138</u>
Fund Balance - Ending			<u>1,356,270</u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Liability Insurance - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Modified Cash Basis

For the Fiscal Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 207,546	207,546	203,706
Investment Income	1,035	1,035	—
Total Revenues	<u>208,581</u>	<u>208,581</u>	<u>203,706</u>
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	128,255	128,255	119,726
Liability and Workers' Compensation	166,000	166,000	141,871
Legal Fees	10,000	10,000	4,078
Compliance, Health and Safety	24,990	24,990	22,212
Commodities			
Supplies	—	—	196
Capital Outlay	17,600	17,600	12,679
Total Expenditures	<u>346,845</u>	<u>346,845</u>	<u>300,762</u>
Net Change in Fund Balance	<u>(138,264)</u>	<u>(138,264)</u>	(97,056)
Fund Balance - Beginning			<u>640,539</u>
Fund Balance - Ending			<u><u>543,483</u></u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Capital Improvements - Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Modified Cash Basis

For the Fiscal Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Intergovernmental	\$ 35,000	35,000	—
Expenditures			
Capital Projects	102,000	102,000	26,985
Debt Service			
Principal	12,500	12,500	12,500
Total Expenditures	114,500	114,500	39,485
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,500)	(79,500)	(39,485)
Other Financing Sources			
Transfers In	200,000	200,000	200,000
Net Change in Fund Balance	120,500	120,500	160,515
Fund Balance - Beginning			343,570
Fund Balance - Ending			504,085

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet - Modified Cash Basis

December 31, 2020

	Special Revenue				
	Audit	Emergency and Rescue	IMRF/Social Security/Medicare	Foreign Fire Insurance	Totals
ASSETS					
Cash and Investments	\$ 12,561	340,505	29,366	50,702	433,134
FUND BALANCES					
Restricted	12,561	340,505	29,366	50,702	433,134

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Nonmajor Governmental Funds

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the Fiscal Year Ended December 31, 2020**

	Special Revenue				Totals
	Audit	Emergency and Rescue	IMRF/Social Security/Medicare	Foreign Fire Insurance	
Revenues					
Taxes	\$ 5,890	219,384	20,246	—	245,520
Investment Income	—	—	—	11	11
Total Revenues	5,890	219,384	20,246	11	245,531
Expenditures					
Current					
Public Safety					
Personnel	—	143,191	38,351	—	181,542
Contractual	8,620	3,661	—	91	12,372
Capital Outlay	—	—	—	1,281	1,281
Total Expenditures	8,620	146,852	38,351	1,372	195,195
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,730)	72,532	(18,105)	(1,361)	50,336
Other Financing Sources					
Transfers In	—	—	—	27,316	27,316
Net Change in Fund Balances	(2,730)	72,532	(18,105)	25,955	77,652
Fund Balances - Beginning	15,291	267,973	47,471	24,747	355,482
Fund Balances - Ending	12,561	340,505	29,366	50,702	433,134

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Audit - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Modified Cash Basis

For the Fiscal Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 6,000	6,000	5,890
Expenditures			
Public Safety			
Contractual			
Professional Services	11,000	11,000	8,620
Net Change in Fund Balance	<u>(5,000)</u>	<u>(5,000)</u>	(2,730)
Fund Balance - Beginning			<u>15,291</u>
Fund Balance - Ending			<u><u>12,561</u></u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Emergency and Rescue - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Modified Cash Basis

For the Fiscal Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 223,500	223,500	219,384
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	177,105	177,105	143,191
Contractual			
Professional Services	13,261	13,261	3,661
Total Expenditures	190,366	190,366	146,852
Net Change in Fund Balance	33,134	33,134	72,532
Fund Balance - Beginning			267,973
Fund Balance - Ending			340,505

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

IMRF/Social Security/Medicare - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Modified Cash Basis

For the Fiscal Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 20,627	20,627	20,246
Expenditures			
Public Safety			
Personnel			
Employee Benefits	38,392	38,392	38,351
Net Change in Fund Balance	<u>(17,765)</u>	<u>(17,765)</u>	(18,105)
Fund Balance - Beginning			<u>47,471</u>
Fund Balance - Ending			<u><u>29,366</u></u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Illinois Municipal Retirement Fund
Schedule of Employer Contributions
December 31, 2020**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 6,345	\$ 6,345	\$ —	\$ 71,371	8.89%
2015	6,613	6,613	—	71,717	9.22%
2016	7,011	7,011	—	77,539	9.04%
2017	7,111	7,111	—	76,050	9.35%
2018	8,139	8,139	—	77,663	10.48%
2019	5,842	5,842	—	80,477	7.26%
2020	7,018	7,018	—	82,953	8.46%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	23 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	3.35% - 14.25%
Investment Rate of Return	7.25%
Retirement Age	See the Notes to the Financial Statements
Mortality	IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015).

Note:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Firefighters' Pension Fund
Schedule of Employer Contributions
December 31, 2020**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 481,827	\$ 487,385	\$ 5,558	\$ 1,845,432	26.41%
2015	558,023	554,905	(3,118)	1,717,198	32.31%
2016	606,400	606,363	(37)	1,479,865	40.97%
2017	586,864	628,091	41,227	1,531,660	41.01%
2018	563,830	654,642	90,812	1,480,308	44.22%
2019	532,527	596,000	63,473	1,528,418	38.99%
2020	529,631	585,016	55,385	1,496,810	39.08%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	100% Funded over 22 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	4.00% - 12.02%
Investment Rate of Return	6.50%
Retirement Age	100% of Independent Actuary Retirement Rates Capped at Age 65
Mortality	RP-2014 Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as Appropriate

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Illinois Municipal Retirement Fund
Schedule of Changes in the Employer's Net Pension Liability
December 31, 2020**

	<u>12/31/2014</u>
Total Pension Liability	
Service Cost	\$ 7,753
Interest	19,919
Changes in Benefit Terms	—
Differences Between Expected and Actual Experience	(3,172)
Change of Assumptions	7,001
Benefit Payments, Including Refunds of Member Contributions	—
Net Change in Total Pension Liability	<u>31,501</u>
Total Pension Liability - Beginning	<u>261,709</u>
 Total Pension Liability - Ending	 <u><u>293,210</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 6,345
Contributions - Members	3,212
Net Investment Income	16,555
Benefit Payments, Including Refunds of Member Contributions	—
Other (Net Transfer)	213
Net Change in Plan Fiduciary Net Position	<u>26,325</u>
Plan Net Position - Beginning	<u>266,611</u>
 Plan Net Position - Ending	 <u><u>292,936</u></u>
 Employer's Net Pension Liability/(Asset)	 <u><u>\$ 274</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 99.91%
 Covered Payroll	 \$ 71,371
 Employer's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	 0.38%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
7,386	7,465	8,013	7,343	7,897	8,057
22,268	23,892	27,288	27,693	30,087	32,861
—	—	—	—	—	—
(8,322)	14,050	(19,806)	(5,123)	198	(4,259)
1,138	(1,254)	(9,759)	15,557	—	(4,047)
—	—	—	—	—	—
22,470	44,153	5,736	45,470	38,182	32,612
293,210	315,680	359,833	365,569	411,039	449,221
315,680	359,833	365,569	411,039	449,221	481,833
6,613	7,011	7,111	8,139	5,842	7,018
3,227	3,489	3,422	3,495	3,622	3,733
1,489	20,097	49,424	(11,232)	61,646	57,664
—	—	—	—	—	—
(20,688)	(39)	(1,284)	487	(1,328)	720
(9,359)	30,558	58,673	889	69,782	69,135
292,936	283,577	314,135	372,808	373,697	443,479
283,577	314,135	372,808	373,697	443,479	512,614
32,103	45,698	(7,239)	37,342	5,742	(30,781)
89.83%	87.30%	101.98 %	90.92%	98.72%	106.39%
71,717	77,539	76,050	77,663	80,477	82,953
44.76%	58.94%	(9.52%)	48.08%	7.13%	(37.11%)

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Firefighter's Pension Fund
Schedule of Changes in the Employer's Net Pension Liability
December 31, 2020**

	<u>12/31/2014</u>
Total Pension Liability	
Service Cost	\$ 836,115
Interest	770,860
Changes in Benefit Terms	—
Differences Between Expected and Actual Experience	—
Change of Assumptions	—
Benefit Payments, Including Refunds of Member Contributions	(134,237)
Net Change in Total Pension Liability	<u>1,472,738</u>
Total Pension Liability - Beginning	<u>15,577,383</u>
 Total Pension Liability - Ending	 <u><u>17,050,121</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 487,385
Contributions - Members	169,316
Contributions - Other	—
Net Investment Income	563,042
Benefit Payments, Including Refunds of Member Contributions	(134,237)
Administrative Expenses	(33,035)
Net Change in Plan Fiduciary Net Position	<u>1,052,471</u>
Plan Net Position - Beginning	<u>8,844,667</u>
 Plan Net Position - Ending	 <u><u>9,897,138</u></u>
 Employer's Net Pension Liability	 <u><u>\$ 7,152,983</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 58.05%
 Covered Payroll	 \$ 1,845,432
 Employer's Net Pension Liability as a Percentage of Covered Payroll	 387.60%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
513,123	452,631	481,282	422,683	438,302	475,514
1,051,142	986,298	1,026,556	1,094,257	1,159,569	1,210,568
—	—	—	—	52,221	—
(228,823)	(58,291)	(22,558)	(73,299)	(227,448)	(275,174)
(2,383,726)	(383,151)	(461,538)	—	222,754	(65,886)
(247,039)	(346,944)	(376,060)	(436,611)	(441,048)	(583,468)
(1,295,323)	650,543	647,682	1,007,030	1,204,350	761,554
17,050,121	15,754,798	16,405,341	17,053,023	18,060,053	19,264,403
15,754,798	16,405,341	17,053,023	18,060,053	19,264,403	20,025,957
554,905	606,363	628,091	654,642	596,000	585,016
162,429	179,078	140,973	139,655	145,471	188,664
—	—	—	28,247	—	—
70,754	750,320	1,637,202	(640,432)	2,573,872	2,472,250
(247,039)	(346,944)	(376,060)	(436,611)	(441,048)	(583,468)
(22,510)	(38,974)	(23,997)	(22,289)	(23,536)	(21,532)
518,539	1,149,843	2,006,209	(276,788)	2,850,759	2,640,930
9,897,138	10,415,677	11,565,520	13,571,729	13,294,941	16,145,700
10,415,677	11,565,520	13,571,729	13,294,941	16,145,700	18,786,630
5,339,121	4,839,821	3,481,294	4,765,112	3,118,703	1,239,327
66.11%	70.50%	79.59%	73.62%	83.81%	93.81%
1,717,198	1,479,865	1,531,660	1,480,308	1,528,418	1,496,810
310.92%	327.04%	227.29%	321.90%	204.05%	82.80%

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Firefighters' Pension Fund
Schedule of Investment Returns
December 31, 2020**

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2014	N/A
2015	N/A
2016	N/A
2017	N/A
2018	N/A
2019	19.03%
2020	15.15%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Retiree Benefit Plan

Schedule of Changes in the Employer's Total OPEB Liability

December 31, 2020

	12/31/2018	12/31/2019	12/30/2020
Total OPEB Liability			
Service Cost	\$ 3,561	4,027	3,493
Interest	11,718	23,735	22,791
Changes in Benefit Terms	—	—	—
Differences Between Expected and Actual Experience	(66,559)	—	(24,945)
Change of Assumptions or Other Inputs	(110,348)	48,347	143,482
Benefit Payments	(20,542)	(21,943)	(37,089)
Other Changes	485,140	429	(8,533)
Net Change in Total OPEB Liability	302,970	54,595	99,199
Total OPEB Liability - Beginning	360,070	663,040	717,635
Total OPEB Liability - Ending	663,040	717,635	816,834
Covered Payroll	\$ 1,318,362	N/A	1,208,055
Total OPEB Liability as a Percentage of Covered Payroll	50.29%	N/A	67.62%

N/A - Not Available

Notes:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

Changes of Assumptions. Changes of assumptions related to the discount rate were made in 2018, 2019 and 2020.