

PALATINE RURAL FIRE PROTECTION  
DISTRICT, ILLINOIS

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ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2021

# PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

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## **FINANCIAL SECTION**

This section includes:

Independent Auditors' Report

Managements' Discussion and Analysis

Basic Financial Statements

Other Supplementary Information

Supplemental Schedule

## **INDEPENDENT AUDITORS' REPORT**

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



**INDEPENDENT AUDITORS' REPORT**

May 2, 2022

Board of Trustees  
Palatine Rural Fire Protection District  
Inverness, Illinois

**Opinion**

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Palatine Rural Fire Protection District, Illinois, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with the cash basis of accounting as described in Note 1.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Basis of Accounting**

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

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Palatine Rural Fire Protection District, Illinois' basic financial statements. The other supplementary information and supplemental schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, other supplementary information and supplemental schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Palatine Rural Fire Protection District, Illinois  
May 2, 2022  
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**Other Information**

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Lauterbach & Amen, LLP*

LAUTERBACH & AMEN, LLP



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

## **Management's Discussion and Analysis**

**December 31, 2021**

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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, 2021. 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 \$632,487, resulting in ending net position of \$5,539,040.
- During the fiscal year, the District generated \$237,709 in charges for services, \$4,620,365 in general revenues, and received \$36,332 in operating grants. Entity-wide expenses for the year totaled \$4,261,919, resulting in the increase to net position of \$632,487.
- The General Fund reported an increase for the year of \$146,990, resulting in ending fund balance of \$1,011,420.

### **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.

# PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

## Management's Discussion and Analysis

December 31, 2021

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### 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, 2021**

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**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 \$5,539,040 during the year.

	Net Position	
	12/31/21	12/31/20
Current and Other Assets	\$ 6,548,864	3,701,402
Capital Assets	1,290,676	1,317,651
Total Assets	<u>7,839,540</u>	<u>5,019,053</u>
Long-Term Liabilities	2,097,500	100,000
Other Liabilities	203,000	12,500
Total Liabilities	<u>2,300,500</u>	<u>112,500</u>
Net Position		
Net Investment in Capital Assets	1,160,676	1,205,151
Restricted	1,004,139	976,617
Unrestricted	<u>3,374,225</u>	<u>2,724,785</u>
Total Net Pension	<u>5,539,040</u>	<u>4,906,553</u>

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Management's Discussion and Analysis**

**December 31, 2021**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

	Change in Net Position	
	12/31/21	12/31/20
Revenues		
Program Revenues		
Charges for Services	\$ 237,709	243,022
Operating Grants/Contrib.	36,332	10,448
General Revenues		
Property Taxes	4,384,530	4,250,102
Foreign Fire Insurance Tax	29,731	27,316
Replacement Taxes	73,054	41,652
Investment Income	1,259	65,253
Miscellaneous	131,791	131,597
Total Revenues	4,894,406	4,769,390
Expenses		
Public Safety	4,231,919	4,286,952
Interest on Long-Term Debt	30,000	—
Total Expenses	4,261,919	4,286,952
Change in Net Position	632,487	482,438
Net Position - Beginning	4,906,553	4,424,115
Net Position - Ending	5,539,040	4,906,553

Net position of the District's governmental activities increased by \$632,487. Revenues for the current year of \$4,894,406 increased \$125,016, or 2.6 percent, due primarily to the District collecting higher property taxes in the current fiscal year. Expenses for the current year of \$4,261,919 decreased \$25,033, or 0.6 percent. The decrease in expenses is due to contractual salary decreases.

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Management's Discussion and Analysis**

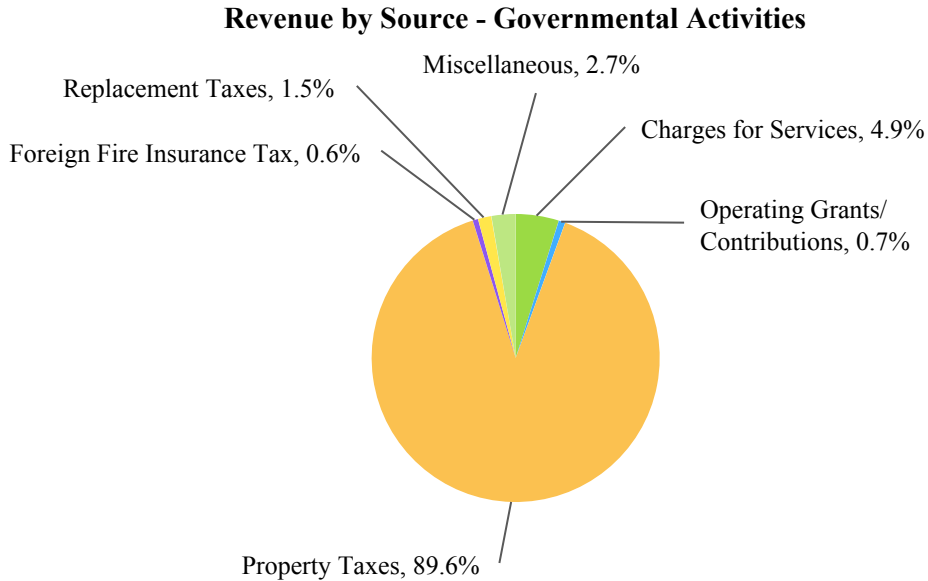
**December 31, 2021**

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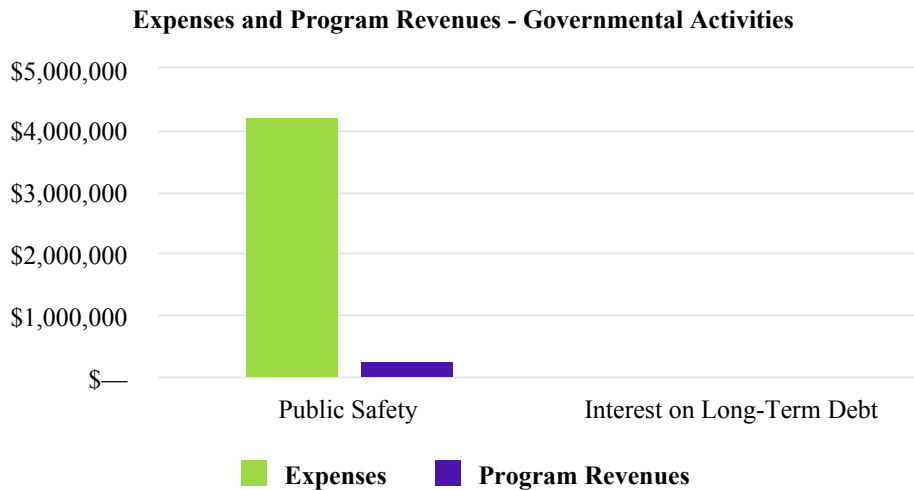
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

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, 2021

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### 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 \$1,011,420, which is \$146,990 higher than beginning fund balance of \$864,430. This is mainly due to an increase in property taxes of \$70,272 from prior year.

The Ambulance Fund reported ending fund balance of \$1,715,781, which is \$359,511 higher than beginning fund balance of \$1,356,270. This is also mainly due to an increase in property taxes of \$39,991.

The Liability Insurance Fund reported ending fund balance of \$479,963, which is \$63,520 lower than beginning fund balance of \$543,483. This is due to an adjustment in the District's levy (decrease) for this fund.

The Capital Improvements Fund reported ending fund balance of \$2,817,024, which is \$2,312,939 higher than beginning fund balance of \$504,085. This is due to fund transfers from the General Fund and Ambulance Fund into the Capital Fund and the issuance of 2,200,000 general obligation bonds.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

The District Board made no budget amendment to the General Fund budget once it was approved. Actual revenues of \$2,384,866 were \$(35,161) lower than final budgeted revenues of \$2,420,027. This was due to property taxes being higher than budgeted by \$32,739.

Actual expenditures of \$2,137,876 were \$211,714 lower than the final budgeted expenditures of \$2,349,590. This was due primarily to the District's personnel expenditures being \$96,247 lower than what was budgeted, coupled with commodities expenditures being lower budget by \$165,298.

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Management's Discussion and Analysis**

**December 31, 2021**

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**CAPITAL ASSETS**

The District's investment in capital assets for its governmental activities as of December 31, 2021 were \$1,290,676 (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 \$26,975. This amount consists of \$86,736 in depreciation expense charged for the current year, offset by equipment additions of \$91,909 offset by construction in progress reduction of \$32,148.

	Capital Assets - Net of Depreciation	
	12/31/21	12/31/20
Land	\$ 365,000	365,000
Construction in Progress	—	32,148
Buildings	731,850	774,900
Buildings and Improvements	50,519	55,612
Equipment	122,848	41,376
Vehicles	20,459	48,615
	<u>1,290,676</u>	<u>1,317,651</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, 2021 totaled \$2,300,000, compared to a beginning balance of \$112,500, an increase of \$2,187,500. The District's long-term debt outstanding is as follows:

	Long-Term Debt Outstanding	
	12/31/21	12/31/20
General Obligation Bonds	\$ 2,200,000	—
Installment Contract Payable	100,000	112,500
	<u>2,300,000</u>	<u>112,500</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, 2021**

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### **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 FY2022. 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 2022 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, 2021**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 6,548,864
Noncurrent Assets	
Capital Assets	
Nondepreciable	365,000
Depreciable	3,354,294
Accumulated Depreciation	<u>(2,428,618)</u>
Total Noncurrent Assets	<u>1,290,676</u>
Total Assets	<u>7,839,540</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	500
Current Portion of Long-Term Debt	<u>202,500</u>
Total Current Assets	<u>203,000</u>
Noncurrent Liabilities	
General Obligation Bonds Payable	2,010,000
Installment Contracts Payable	<u>87,500</u>
Total Noncurrent Liabilities	<u>2,097,500</u>
Total Liabilities	<u>2,300,500</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,160,676
Restricted	
Liability Insurance	479,963
Audit	9,791
Emergency and Rescue	429,241
Retirement	17,259
Foreign Fire Insurance	67,885
Unrestricted	<u>3,374,225</u>
Total Net Position	<u><u>5,539,040</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, 2021**

	Program Revenues			Net (Expenses)/ Revenues
	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
Expenses				
Governmental Activities				
Public Safety	\$ 4,231,919	237,709	36,332	— (3,957,878)
Interest on Long-Term Debt	30,000	—	—	— (30,000)
Total Governmental Activities	4,261,919	237,709	36,332	— (3,987,878)
	General Revenues			
	Taxes			
				4,384,530
				29,731
	Intergovernmental - Unrestricted			
				73,054
				1,259
				131,791
				<u>4,620,365</u>
				632,487
				<u>4,906,553</u>
				<u>5,539,040</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, 2021**

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**See Following Page**

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Balance Sheet - Governmental Funds - Modified Cash Basis**

**December 31, 2021**

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	<u>Corporate</u>
<b>ASSETS</b>	
Cash and Investments	<u>\$ 1,011,920</u>
<b>FUND BALANCES</b>	
Restricted	—
Committed	—
Assigned	238,422
Unassigned	<u>772,998</u>
Total Fund Balances	<u><u>1,011,420</u></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>
1,715,781	479,963	2,817,024	524,176	6,548,864
—	479,963	—	524,176	1,004,139
—	—	2,817,024	—	2,817,024
1,715,781	—	—	—	1,954,203
—	—	—	—	772,998
1,715,781	479,963	2,817,024	524,176	6,548,364

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, 2021**

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<b>Total Governmental Fund Balances</b>	\$ 6,548,364
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.	1,290,676
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds Payable	(2,200,000)
Installment Contracts Payable	<u>(100,000)</u>
<b>Net Position of Governmental Activities</b>	<u><u>5,539,040</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, 2021**

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**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, 2021**

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	<u>Corporate</u>
Revenues	
Taxes	\$ 2,263,218
Intergovernmental	54,693
Charges for Services	1,017
Investment Income	42
Miscellaneous	65,896
Total Revenues	<u>2,384,866</u>
Expenditures	
Current	
Public Safety	
Personnel	1,626,333
Commodities	65,908
Contractual	426,715
Capital Outlay	18,920
Debt Service	
Principal Retirement	—
Interest and Fiscal Charges	—
Total Expenditures	<u>2,137,876</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>246,990</u>
Other Financing Sources (Uses)	
Debt Issuance	—
Transfers In	—
Transfers Out	(100,000)
	<u>(100,000)</u>
Net Change in Fund Balances	146,990
Fund Balances - Beginning	<u>864,430</u>
Fund Balances - Ending	<u><u>1,011,420</u></u>

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

Special Revenue		Capital Projects		Nonmajor	Totals
Ambulance	Liability Insurance	Capital Improvements			
1,647,921	211,506	—	291,616	4,414,261	
54,693	—	—	—	109,386	
236,692	—	—	—	237,709	
1,202	—	—	15	1,259	
65,895	—	—	—	131,791	
2,006,403	211,506	—	291,631	4,894,406	
1,011,033	269,575	—	176,626	3,083,567	
61,475	—	—	—	127,383	
461,350	—	—	11,589	899,654	
13,034	5,451	44,561	12,374	94,340	
—	—	12,500	—	12,500	
—	—	30,000	—	30,000	
1,546,892	275,026	87,061	200,589	4,247,444	
459,511	(63,520)	(87,061)	91,042	646,962	
—	—	2,200,000	—	2,200,000	
—	—	200,000	—	200,000	
(100,000)	—	—	—	(200,000)	
(100,000)	—	2,400,000	—	2,200,000	
359,511	(63,520)	2,312,939	91,042	2,846,962	
1,356,270	543,483	504,085	433,134	3,701,402	
1,715,781	479,963	2,817,024	524,176	6,548,364	

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, 2021**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 2,846,962

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	59,761
Depreciation Expense	(86,736)

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.

Issuance of Debt	(2,200,000)
Retirement of Debt	12,500

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**Changes in Net Position of Governmental Activities** 632,487

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Statement of Fiduciary Net Position  
December 31, 2021**

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	<u>Pension Trust</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,018,107
Investments	
U.S. Treasury Obligations	899,386
U.S. Agency Obligations	4,182,476
Corporate Bonds	1,124,559
State and Local Obligations	949,117
Equities	12,765,969
Receivables	
Accrued Interest	38,102
Prepays	795
Total Assets	<u>20,978,511</u>
<b>LIABILITIES</b>	
Accounts Payable	<u>425</u>
<b>NET POSITION</b>	
Net Position Restricted for Pensions	<u><u>20,978,086</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, 2021**

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	Pension Trust
Additions	
Contributions - Employer	\$ 615,298
Contributions - Plan Members	133,138
Total Contributions	<u>748,436</u>
Investment Income	
Interest Earned	2,966
Net Change in Fair Value	2,261,339
	<u>2,264,305</u>
Less Investment Expenses	(43,031)
Net Investment Income	<u>2,221,274</u>
Total Additions	<u>2,969,710</u>
Deductions	
Administration	27,518
Benefits and Refunds	750,736
Total Deductions	<u>778,254</u>
Change in Fiduciary Net Position	2,191,456
Net Position Restricted for Pensions	
Beginning	<u>18,786,630</u>
Ending	<u><u>20,978,086</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, 2021**

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### **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.

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.

The government-wide Statement of Activities reports both the gross and net cost of the District's function. The function is supported by general government revenues (property, foreign fire taxes, replacement taxes, interest, miscellaneous, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

# PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

## Notes to the Financial Statements

December 31, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### BASIS OF PRESENTATION - Continued

##### Government-Wide Statements - Continued

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:

##### 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.



# PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

## Notes to the Financial Statements

December 31, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### BASIS OF PRESENTATION - Continued

##### Governmental Funds - Continued

*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.

#### 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 activities 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.

# **PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

## **Notes to the Financial Statements**

**December 31, 2021**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued**

##### **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.

All pension trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

#### **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.

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

**Capital Assets - Continued**

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.

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, 2021**

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**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 9, 2020. 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.

**EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN AN INDIVIDUAL FUND**

The following fund had an excess of actual expenditures over budget as of the date of this report:

Fund	Excess
Capital Improvements	\$ 1,111

# PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

## Notes to the Financial Statements

December 31, 2021

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### 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.

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.

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued**

**DEPOSITS AND INVESTMENTS - Continued**

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

*Deposits.* At year-end, the carrying amount of the District's deposits for governmental activities totaled \$5,806,603 and the bank balances totaled \$5,817,561.

*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	\$ 99,961	25,266	74,695	—	—
U.S. Agency Obligations	98,026	98,026	—	—	—
Municipal Bonds	172,676	20,000	152,676	—	—
Illinois Funds	371,598	371,598	—	—	—
Totals	742,261	514,890	227,371	—	—

The District has the following recurring fair value measurements as of December 31, 2021:

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	\$ 99,961	99,961	—	—
U.S. Agency Obligations	98,026	—	98,026	—
Municipal Bonds	172,676	—	172,676	—
Total Investments by Fair Value Level	370,663	99,961	270,702	—
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	371,598			
Total Investments Measured at Fair Value	742,261			

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, 2021

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### NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

#### DEPOSITS AND INVESTMENTS - Continued

##### **District - Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration of Credit Risk - Continued**

*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 or AA+ by Moody's and Standard & Poor's, respectively, and the District's investment in the municipal bonds are not rated or rated Aa1 to Aa2 or AAA to AA by Moody's and Standard & Poor's, respectively. The Illinois Funds is rated AAAM by Standard & Poor's.

*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 of Credit Risk**

*Deposits.* At year-end, the carrying amount of the Fund's deposits totaled \$1,018,107 and the bank balances totaled \$1,018,107.

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

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**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 of Credit Risk - Continued**

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Obligations	\$ 899,386	—	640,855	258,531	—
U.S. Agency Obligations	4,182,476	10,164	1,785,326	2,386,986	—
Corporate Bonds	1,124,559	50,774	304,498	769,287	—
State and Local Obligations	949,117	70,908	334,899	543,310	—
Totals	7,155,538	131,846	3,065,578	3,958,114	—

The Fund has the following recurring fair value measurements as of December 31, 2021:

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	\$ 899,386	899,386	—	—
U.S. Agency Obligations	4,182,476	—	4,182,476	—
Corporate Bonds	1,124,559	—	1,124,559	—
State and Local Obligations	949,117	—	949,117	—
Equity Securities				
Equities	12,765,969	12,765,969	—	—
Total Investments Measured at Fair Value	19,921,507	13,665,355	6,256,152	—

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.* 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.



**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

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**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 of Credit Risk - Continued**

*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, 2021, the credit ratings of the Fund's U.S. Agency Obligations were not rated or rated Aaa by Moody's, the state and local obligations were not rated or rated Aa2 to Aa1 by Moody's the corporate bonds are rated A3 to Aaa by Moody's.

*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, 2021, 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, 2021, 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 \$12,765,969 invested in equities. At December 31, 2021, 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). The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

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**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**

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, 2021 are listed in the table above.

**Rate of Return**

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**INTERFUND TRANSFERS**

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out	Amount
Capital Improvements	Corporate	\$ 100,000
Capital Improvements	Ambulance	100,000
		<u>200,000</u>

Transfers are used to move unrestricted revenues collected in the Corporate Fund and Ambulance Fund to finance capital projects in accordance with budgetary authorizations.

**PROPERTY TAXES**

Property taxes for 2020 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.

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**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
<b>Nondepreciable Capital Assets</b>				
Land	\$ 365,000	—	—	365,000
Construction in Progress	32,148	—	32,148	—
	<u>397,148</u>	<u>—</u>	<u>32,148</u>	<u>365,000</u>
<b>Depreciable Capital Assets</b>				
Buildings	1,722,000	—	—	1,722,000
Buildings and Improvements	64,326	—	—	64,326
Land Improvements	121,361	—	—	121,361
Equipment	313,043	91,909	—	404,952
Vehicles	1,041,655	—	—	1,041,655
	<u>3,262,385</u>	<u>91,909</u>	<u>—</u>	<u>3,354,294</u>
<b>Less Accumulated Depreciation</b>				
Buildings	947,100	43,050	—	990,150
Buildings and Improvements	8,714	5,093	—	13,807
Land Improvements	121,361	—	—	121,361
Equipment	271,667	10,437	—	282,104
Vehicles	993,040	28,156	—	1,021,196
	<u>2,341,882</u>	<u>86,736</u>	<u>—</u>	<u>2,428,618</u>
<b>Total Net Depreciable Capital Assets</b>	<u>920,503</u>	<u>5,173</u>	<u>—</u>	<u>925,676</u>
<b>Total Net Capital Assets</b>	<u>1,317,651</u>	<u>5,173</u>	<u>32,148</u>	<u>1,290,676</u>

Depreciation expense was charged to governmental activities as follows:

Public Safety	<u>\$ 86,736</u>
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**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued**

**LONG-TERM DEBT**

**General Obligation Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

	Beginning Balances	Issuances	Retirements	Ending Balances
\$2,200,000 General Obligation Bonds of 2021 dated June 1, 2021, due in annual installments of \$190,000 to \$235,000 plus interest at 1.60% to 1.75% through December 1, 2031.	\$ —	2,200,000	—	2,200,000

**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.	\$ 112,500	—	12,500	100,000

**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					
General Obligation Bond	\$ —	2,200,000	—	2,200,000	190,000
Installment Contract Payable	112,500	—	12,500	100,000	12,500
	<u>112,500</u>	<u>2,200,000</u>	<u>12,500</u>	<u>2,300,000</u>	<u>202,500</u>

Payments on the general obligation bonds and the installment contract payable are made by the Capital Improvements Fund.

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued**

**LONG-TERM DEBT - Continued**

**Debt Service Requirements to Maturity**

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

Fiscal Year	General Obligation Bonds		Installment Contract Payable	
	Principal	Interest	Principal	Interest
2022	\$ 190,000	54,375	12,500	—
2023	210,000	33,210	12,500	—
2024	215,000	29,850	12,500	—
2025	215,000	26,410	12,500	—
2026	220,000	22,970	12,500	—
2027	225,000	19,450	12,500	—
2028	225,000	15,850	12,500	—
2029	230,000	12,250	12,500	—
2030	235,000	8,225	—	—
2031	235,000	4,112	—	—
Totals	<u>2,200,000</u>	<u>226,702</u>	<u>100,000</u>	<u>—</u>

**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 - 2020	<u>\$ 419,575,905</u>
Legal Debt Limit - 5.75% of Assessed Value	24,125,615
Amount of Debt Applicable to Limit	<u>2,200,000</u>
Legal Debt Margin	<u>21,925,615</u>

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

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**NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued**

**NET POSITION CLASSIFICATIONS**

Net investment in capital assets was comprised of the following as of December 31, 2021:

Governmental Activities		
Capital Assets - Net of Accumulated Depreciation	\$	1,290,676
Plus: Unspent Bond Proceeds		2,170,000
Less Capital Related Debt:		
General Obligation Bond		(2,200,000)
Installment Contract Payable		<u>(100,000)</u>
Net Investment in Capital Assets		<u><u>1,160,676</u></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.

*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.

*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.

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**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:

	Special Revenue			Capital Projects		Totals
	Corporate	Ambulance	Liability Insurance	Capital Improvement	Nonmajor	
Fund Balances						
Restricted						
Property Taxes						
Liability Insurance	\$ —	—	479,963	—	—	479,963
Audit	—	—	—	—	9,791	9,791
Emergency and Rescue	—	—	—	—	429,241	429,241
Retirement	—	—	—	—	17,259	17,259
Foreign Fire Insurance	—	—	—	—	67,885	67,885
	—	—	479,963	—	524,176	1,004,139
Committed						
Capital Improvements	—	—	—	2,817,024	—	2,817,024
Assigned						
Post Employment Healthcare	238,422	238,422	—	—	—	476,844
Ambulance	—	1,477,359	—	—	—	1,477,359
	238,422	1,715,781	—	—	—	1,954,203
Unassigned	772,998	—	—	—	—	772,998
Total Fund Balances	1,011,420	1,715,781	479,963	2,817,024	524,176	6,548,364

**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.

# **PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

## **Notes to the Financial Statements**

**December 31, 2021**

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### **NOTE 4 - OTHER INFORMATION - Continued**

#### **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.

##### **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 \$708,470 during fiscal year 2021.

#### **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 online at [www.imrf.org](http://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.



**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**NOTE 4 - OTHER INFORMATION - Continued**

**EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued**

The aggregate amounts that would be recognized for the pension plans on a GAAP basis are:

	Net Pension Liability/(Asset)	Deferred Outflows	Deferred Inflows	Pension (Revenue)
IMRF	\$ (76,666)	18,187	(84,468)	(14,641)
Firefighters' Pension	31,781	164,428	(3,092,107)	(851,387)
	(44,885)	182,615	(3,176,575)	(866,028)

**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, 2021**

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**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, 2021, 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 4.50% 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, 2021, the District's contribution was 9.19% of covered payroll.

*Net Pension (Asset).* The District's net pension (asset) was measured as of December 31, 2021. 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, 2021, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
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, 2021**

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**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	25.00%	2.00%
Domestic Equities	39.00%	5.00%
International Equities	15.00%	5.75%
Real Estate	10.00%	5.90%
Blended	10.00%	4.30% - 8.10%
Cash and Cash Equivalents	1.00%	1.70%

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

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**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)	477	(76,666)	(138,173)

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**NOTE 4 - OTHER INFORMATION - Continued**

**EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS - Continued**

**Illinois Municipal Retirement Fund (IMRF) - Continued**

**Changes in the Net Pension (Asset)**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension (Asset) (A) - (B)
Balances at December 31, 2020	\$ 481,833	512,614	(30,781)
Changes for the Year:			
Service Cost	7,752	—	7,752
Interest on the Total Pension Liability	35,214	—	35,214
Changes of Benefit Terms	—	—	—
Difference Between Expected and Actual Experience of the Total Pension Liability	(2,519)	—	(2,519)
Changes of Assumptions	—	—	—
Contributions - Employer	—	7,874	(7,874)
Contributions - Employees	—	3,856	(3,856)
Net Investment Income	—	77,662	(77,662)
Benefit Payments, Including Refunds of Employee Contributions	—	—	—
Other (Net Transfer)	—	(3,060)	3,060
Net Changes	40,447	86,332	(45,885)
Balances at December 31, 2021	522,280	598,946	(76,666)

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**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, 2021, the District would have recognized pension revenue of \$14,641 on a GAAP basis. At December 31, 2021, the District would report 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	\$ 6,583	(22,821)	(16,238)
Change in Assumptions	11,604	(8,672)	2,932
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	(52,975)	(52,975)
Total Deferred Amounts Related to IMRF	<u>18,187</u>	<u>(84,468)</u>	<u>(66,281)</u>

Amounts that would be reported on a GAAP basis as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense in future periods as follows:

Fiscal Year	Net Deferred (Inflows) of Resources
2022	\$ (14,225)
2023	(22,154)
2024	(15,305)
2025	(10,366)
2026	(2,210)
Thereafter	<u>(2,021)</u>
Total	<u><u>(66,281)</u></u>

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

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**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, 2021, 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	15
Active Plan Members	<u>17</u>
Total	<u><u>41</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, 2021**

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**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 1<sup>st</sup> 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 preceding 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, 2021, the District's contribution was 47.04% 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, 2021**

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**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, 2021, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Market
Actuarial Assumptions	
Interest Rate	6.50%
Salary Increases	3.75% - 10.25%
Cost of Living Adjustments	2.25%
Inflation	2.25%

Mortality rates follows the sex distinct raw rates as developed in the PubS-2010(A) study, improved using MP-2019 improvement rates applied generationally.

**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, 2021**

**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)	3,352,562	31,781	(2,648,191)

**Changes in the Net Pension Liability**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2020	\$ 20,025,957	18,786,630	1,239,327
Changes for the Year:			
Service Cost	379,968	—	379,968
Interest on the Total Pension Liability	1,281,937	—	1,281,937
Changes of Benefit Terms	—	—	—
Difference Between Expected and Actual Experience of the Total Pension Liability	65,443	—	65,443
Changes of Assumptions	7,298	—	7,298
Contributions - Employer	—	615,298	(615,298)
Contributions - Employees	—	133,138	(133,138)
Contributions - Other	—	—	—
Net Investment Income	—	2,221,274	(2,221,274)
Benefit Payments, Including Refunds of Employee Contributions	(750,736)	(750,736)	—
Other (Net Transfer)	—	(27,518)	27,518
Net Changes	983,910	2,191,456	(1,207,546)
Balances at December 31, 2021	21,009,867	20,978,086	31,781

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**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, 2021, the District would have recognized pension revenue of \$851,387 on a GAAP basis. At December 31, 2021, the District would report 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	\$ 46,251	(354,867)	(308,616)
Change in Assumptions	118,177	(712,576)	(594,399)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	(2,024,664)	(2,024,664)
Total Deferred Amounts Related to Firefighters' Pension	<u>164,428</u>	<u>(3,092,107)</u>	<u>(2,927,679)</u>

Amounts that would be reported on a GAAP basis as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense in future periods as follows:

Fiscal Year	Net Deferred (Inflows) of Resources
2022	\$ (1,012,837)
2023	(1,194,521)
2024	(520,027)
2025	(200,294)
2026	—
Thereafter	<u>                    </u>
Total	<u>(2,927,679)</u>

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

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**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, 2021, 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, 2021, and was determined by an actuarial valuation as December 31, 2020.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the December 31, 2021 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, 2021**

**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	2.25%
Healthcare Cost Trend Rates	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, 2021.

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**

	<u>Total OPEB Liability</u>
Balance at December 31, 2020	<u>\$ 816,834</u>
Changes for the Year:	
Service Cost	5,807
Interest on the Total OPEB Liability	15,378
Changes of Benefit Terms	—
Difference Between Expected and Actual Experience	—
Changes of Assumptions or Other Inputs	(27,420)
Benefit Payments	(40,053)
Other Changes	—
Net Changes	<u>(46,288)</u>
Balance at December 31, 2021	<u><u>770,546</u></u>

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

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**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 2.25%, while the prior valuation used 1.93%. 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:

		Current Discount Rate (2.25%)	1% Increase (3.25%)
		1% Decrease (1.25%)	
Total OPEB Liability	\$	695,388	770,546
			862,738

**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:

		Healthcare Cost Trend Rates (Varies)	1% Increase (Varies)
		1% Decrease (Varies)	
Total OPEB Liability	\$	838,415	770,546
			709,499

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2021**

**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, 2021, the District would have recognized OPEB expense of \$87,776 on a GAAP basis. At December 31, 2021, the District would report 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	\$ —	(43,787)	(43,787)
Change in Assumptions	317,421	(72,659)	244,762
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	—	—
Total Deferred Amounts Related to OPEB	<u>317,421</u>	<u>(116,446)</u>	<u>200,975</u>

Amounts that would be reported on a GAAP basis as deferred outflows of resources and deferred inflows of resources related to OPEB would be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows/ (Inflows) of Resources
2022	\$ 66,591
2023	66,591
2024	48,686
2025	13,571
2026	6,761
Thereafter	<u>(1,225)</u>
Total	<u>200,975</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/(Asset)
  - 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**

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### **CORPORATE FUND**

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

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### **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.

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## **INDIVIDUAL FUND DESCRIPTIONS**

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### **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.

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### **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.

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**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, 2021**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 2,295,957	2,295,957	2,263,218
Intergovernmental			
Replacement Taxes	17,500	17,500	36,527
Grants	—	—	18,166
Charges for Services	5,700	5,700	1,017
Investment Income	23,400	23,400	42
Miscellaneous	77,470	77,470	65,896
Total Revenues	<u>2,420,027</u>	<u>2,420,027</u>	<u>2,384,866</u>
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	806,435	806,435	761,585
Employee Benefits	308,145	308,145	249,450
Pension Contribution	608,000	608,000	615,298
Commodities			
Supplies	87,980	87,980	16,647
Repairs and Maintenance	143,226	143,226	49,261
Contractual			
Professional Services	395,804	395,804	411,076
Buildings and Grounds	—	—	15,639
Capital Outlay	—	—	18,920
Total Expenditures	<u>2,349,590</u>	<u>2,349,590</u>	<u>2,137,876</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	70,437	70,437	246,990
Other Financing (Uses)			
Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net Change in Fund Balance	<u>(29,563)</u>	<u>(29,563)</u>	146,990
Fund Balance - Beginning			<u>864,430</u>
Fund Balance - Ending			<u><u>1,011,420</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, 2021**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 1,687,957	1,687,957	1,647,921
Intergovernmental			
Replacement Taxes	17,500	17,500	36,527
Grants	—	—	18,166
Charges for Services	190,000	190,000	236,692
Investment Income	23,400	23,400	1,202
Miscellaneous	77,470	77,470	65,895
Total Revenues	<u>1,996,327</u>	<u>1,996,327</u>	<u>2,006,403</u>
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	806,435	806,435	761,583
Employee Benefits	308,145	308,145	249,450
Commodities			
Supplies	36,585	36,585	11,812
Repairs and Maintenance	143,226	143,226	49,663
Contractual			
Professional Services	395,804	395,804	436,271
Buildings and Grounds	51,395	51,395	25,079
Capital Outlay	—	—	13,034
Total Expenditures	<u>1,741,590</u>	<u>1,741,590</u>	<u>1,546,892</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	254,737	254,737	459,511
Other Financing (Uses)			
Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net Change in Fund Balance	<u>154,737</u>	<u>154,737</u>	359,511
Fund Balance - Beginning			<u>1,356,270</u>
Fund Balance - Ending			<u>1,715,781</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, 2021**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 213,670	213,670	211,506
Investment Income	2,600	2,600	—
Total Revenues	<u>216,270</u>	<u>216,270</u>	<u>211,506</u>
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	127,090	127,090	103,279
Liability and Workers' Compensation	173,050	173,050	148,641
Legal Fees	10,000	10,000	3,636
Compliance, Health and Safety	24,910	24,910	14,019
Capital Outlay	33,400	33,400	5,451
Total Expenditures	<u>368,450</u>	<u>368,450</u>	<u>275,026</u>
Net Change in Fund Balance	<u>(152,180)</u>	<u>(152,180)</u>	(63,520)
Fund Balance - Beginning			<u>543,483</u>
Fund Balance - Ending			<u><u>479,963</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, 2021**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Intergovernmental	\$ —	—	—
Expenditures			
Capital Projects	73,450	73,450	44,561
Debt Service			
Principal Retirement	12,500	12,500	12,500
Interest and Fiscal Charges	—	—	30,000
Total Expenditures	85,950	85,950	87,061
Excess (Deficiency) of Revenues Over (Under) Expenditures	(85,950)	(85,950)	(87,061)
Other Financing Sources			
Debt Issuance	—	—	2,200,000
Transfers In	200,000	200,000	200,000
	200,000	200,000	2,400,000
Net Change in Fund Balance	114,050	114,050	2,312,939
Fund Balance - Beginning			504,085
Fund Balance - Ending			2,817,024

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Nonmajor Governmental Funds**

**Combining Balance Sheet - Modified Cash Basis**

**December 31, 2021**

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	Special Revenue				
	Audit	Emergency and Rescue	IMRF/Social Security/Medicare	Foreign Fire Insurance	Totals
<b>ASSETS</b>					
Cash and Investments	\$ 9,791	429,241	17,259	67,885	524,176
<b>FUND BALANCES</b>					
Restricted	9,791	429,241	17,259	67,885	524,176

**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, 2021**

	Special Revenue				Totals
	Audit	Emergency and Rescue	IMRF/Social Security/Medicare	Foreign Fire Insurance	
Revenues					
Taxes	\$ 7,910	227,745	26,230	29,731	291,616
Investment Income	—	—	—	15	15
Total Revenues	7,910	227,745	26,230	29,746	291,631
Expenditures					
Current					
Public Safety					
Personnel	—	138,289	38,337	—	176,626
Contractual	10,680	—	—	909	11,589
Capital Outlay	—	720	—	11,654	12,374
Total Expenditures	10,680	139,009	38,337	12,563	200,589
Net Change in Fund Balances	(2,770)	88,736	(12,107)	17,183	91,042
Fund Balances - Beginning	12,561	340,505	29,366	50,702	433,134
Fund Balances - Ending	9,791	429,241	17,259	67,885	524,176



**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, 2021**

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	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 8,000	8,000	7,910
Expenditures			
Public Safety			
Contractual			
Professional Services	11,000	11,000	10,680
Net Change in Fund Balance	<u>(3,000)</u>	<u>(3,000)</u>	(2,770)
Fund Balance - Beginning			<u>12,561</u>
Fund Balance - Ending			<u><u>9,791</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, 2021**

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 230,115	230,115	227,745
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	172,092	172,092	138,289
Capital Outlay	16,750	16,750	720
Total Expenditures	188,842	188,842	139,009
Net Change in Fund Balance	41,273	41,273	88,736
Fund Balance - Beginning			340,505
Fund Balance - Ending			429,241

**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, 2021**

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	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 26,236	26,236	26,230
Expenditures			
Public Safety			
Personnel			
Employee Benefits	38,790	38,790	38,337
Net Change in Fund Balance	<u>(12,554)</u>	<u>(12,554)</u>	(12,107)
Fund Balance - Beginning			<u>29,366</u>
Fund Balance - Ending			<u><u>17,259</u></u>

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Illinois Municipal Retirement Fund  
Schedule of Employer Contributions  
December 31, 2021**

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%
2021	7,874	7,874	—	85,685	9.19%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	22 Years
Asset Valuation Method	5-Year Smoothed Fair Value
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, 2021**

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%
2021	551,353	615,298	63,945	1,307,899	47.04%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	100% Funded over 21 Years
Asset Valuation Method	5-Year Smoothed Fair Value
Inflation	2.25%
Salary Increases	3.75% - 11.77%
Investment Rate of Return	6.50%
Retirement Age	100% of Independent Actuary Illinois Firefighters Retirement Rates Capped at Age 65
Mortality	Pub-2010 Adjusted for Plan Status, Demographics, and Illinois Public Pension Data

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/(Asset)**

**December 31, 2021**

	<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	12/31/2021
7,386	7,465	8,013	7,343	7,897	8,057	7,752
22,268	23,892	27,288	27,693	30,087	32,861	35,214
—	—	—	—	—	—	—
(8,322)	14,050	(19,806)	(5,123)	198	(4,259)	(2,519)
1,138	(1,254)	(9,759)	15,557	—	(4,047)	—
—	—	—	—	—	—	—
22,470	44,153	5,736	45,470	38,182	32,612	40,447
293,210	315,680	359,833	365,569	411,039	449,221	481,833
315,680	359,833	365,569	411,039	449,221	481,833	522,280
6,613	7,011	7,111	8,139	5,842	7,018	7,874
3,227	3,489	3,422	3,495	3,622	3,733	3,856
1,489	20,097	49,424	(11,232)	61,646	57,664	77,662
—	—	—	—	—	—	—
(20,688)	(39)	(1,284)	487	(1,328)	720	(3,060)
(9,359)	30,558	58,673	889	69,782	69,135	86,332
292,936	283,577	314,135	372,808	373,697	443,479	512,614
283,577	314,135	372,808	373,697	443,479	512,614	598,946
32,103	45,698	(7,239)	37,342	5,742	(30,781)	(76,666)
89.83%	87.30%	101.98%	90.92%	98.72%	106.39%	114.68%
71,717	77,539	76,050	77,663	80,477	82,953	85,685
44.76%	58.94%	(9.52%)	48.08%	7.13%	(37.11%)	(89.47%)

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Firefighter's Pension Fund  
Schedule of Changes in the Employer's Net Pension Liability  
December 31, 2021**

	<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	12/31/2021
513,123	452,631	481,282	422,683	438,302	475,514	379,968
1,051,142	986,298	1,026,556	1,094,257	1,159,569	1,210,568	1,281,937
—	—	—	—	52,221	—	—
(228,823)	(58,291)	(22,558)	(73,299)	(227,448)	(275,174)	65,443
(2,383,726)	(383,151)	(461,538)	—	222,754	(65,886)	7,298
(247,039)	(346,944)	(376,060)	(436,611)	(441,048)	(583,468)	(750,736)
(1,295,323)	650,543	647,682	1,007,030	1,204,350	761,554	983,910
17,050,121	15,754,798	16,405,341	17,053,023	18,060,053	19,264,403	20,025,957
15,754,798	16,405,341	17,053,023	18,060,053	19,264,403	20,025,957	21,009,867
554,905	606,363	628,091	654,642	596,000	585,016	615,298
162,429	179,078	140,973	139,655	145,471	188,664	133,138
—	—	—	28,247	—	—	—
70,754	750,320	1,637,202	(640,432)	2,573,872	2,472,250	2,221,274
(247,039)	(346,944)	(376,060)	(436,611)	(441,048)	(583,468)	(750,736)
(22,510)	(38,974)	(23,997)	(22,289)	(23,536)	(21,532)	(27,518)
518,539	1,149,843	2,006,209	(276,788)	2,850,759	2,640,930	2,191,456
9,897,138	10,415,677	11,565,520	13,571,729	13,294,941	16,145,700	18,786,630
10,415,677	11,565,520	13,571,729	13,294,941	16,145,700	18,786,630	20,978,086
5,339,121	4,839,821	3,481,294	4,765,112	3,118,703	1,239,327	31,781
66.11%	70.50%	79.59%	73.62%	83.81%	93.81%	99.85%
1,717,198	1,479,865	1,531,660	1,480,308	1,528,418	1,496,810	1,307,899
310.92%	327.04%	227.29%	321.90%	204.05%	82.80%	2.43%

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Firefighters' Pension Fund  
Schedule of Investment Returns  
December 31, 2021**

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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%
2021	11.70%

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, 2021**

	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Total OPEB Liability				
Service Cost	\$ 3,561	4,027	3,493	5,807
Interest	11,718	23,735	22,791	15,378
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	(27,420)
Benefit Payments	(20,542)	(21,943)	(37,089)	(40,053)
Other Changes	485,140	429	(8,533)	—
Net Change in Total OPEB Liability	302,970	54,595	99,199	(46,288)
Total OPEB Liability - Beginning	360,070	663,040	717,635	816,834
Total OPEB Liability - Ending	663,040	717,635	816,834	770,546
Covered-Employee Payroll	\$ 1,318,362	N/A	1,208,055	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	50.29 %	N/A	67.62%	N/A

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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Changes of Assumptions.* Changes of assumptions related to the discount rate were made in 2018 through 2021.

## **SUPPLEMENTAL SCHEDULE**

**PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS**

**Long-Term Debt Requirements  
General Obligation Bonds of 2021  
December 31, 2021**

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Date of Issue	June 1, 2021
Date of Maturity	December 1, 2031
Authorized Issue	\$2,200,000
Denomination of Bonds	\$5,000
Interest Rates	1.60% to 1.75%
Interest Dates	June 1st and December 1st
Principal Maturity Date	December 1st
Payable at	Cornerstone Bank, Palatine, Illinois

**CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS**

Fiscal Year	Principal	Interest	Totals
2022	\$ 190,000	54,375	244,375
2023	210,000	33,210	243,210
2024	215,000	29,850	244,850
2025	215,000	26,410	241,410
2026	220,000	22,970	242,970
2027	225,000	19,450	244,450
2028	225,000	15,850	240,850
2029	230,000	12,250	242,250
2030	235,000	8,225	243,225
2031	235,000	4,112	239,112
	2,200,000	226,702	2,426,702