

PALATINE RURAL FIRE PROTECTION
DISTRICT, ILLINOIS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

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FINANCIAL SECTION

This section includes:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Other Supplementary Information

INDEPENDENT AUDITORS' REPORT

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



INDEPENDENT AUDITORS' REPORT

April 28, 2020

Board of Trustees
Palatine Rural Fire Protection District
Inverness, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palatine Rural Fire Protection District, Inverness, Illinois, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Palatine Rural Fire Protection District, Inverness, Illinois, as of December 31, 2019, and the respective changes in modified cash basis financial position the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

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

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

The District has not presented a Management's Discussion and Analysis as required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

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 Funds

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, 2019

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Investments	<u>\$ 3,199,313</u>
Noncurrent Assets	
Capital Assets	
Land	365,000
Construction in Progress	3,235,605
Accumulated Depreciation	<u>(2,250,803)</u>
Total Noncurrent Assets	<u>1,349,802</u>
Total Assets	<u>4,549,115</u>
LIABILITIES	
Current Liabilities	
Current Portion of Long-Term Debt	12,500
Noncurrent Liabilities	
Installment Contracts Payable	<u>112,500</u>
Total Liabilities	<u>125,000</u>
NET POSITION	
Net Investment in Capital Assets	1,224,802
Restricted	
Liability Insurance	640,539
Audit	15,291
Emergency and Rescue	267,973
Retirement	47,471
Foreign Fire Insurance	24,747
Unrestricted	<u>2,203,292</u>
Total Net Position	<u>4,424,115</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, 2019**

	Program Revenues			Net (Expenses)/ Revenues
	Charges for Expenses	Operating Grants/ Contributions	Capital Grants/ Contributions	
Governmental Activities				
Public Safety	\$ 4,132,003	234,314	—	(3,897,689)

General Revenues	
Taxes	
Property	4,165,818
Replacement	46,562
Foreign Fire Insurance	21,580
Interest	76,453
Miscellaneous	139,646
	<u>4,450,059</u>
Change in Net Position	552,370
Net Position - Beginning as Restated	<u>3,871,745</u>
Net Position - Ending	<u><u>4,424,115</u></u>

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Balance Sheet - Governmental Funds - Modified Cash Basis

December 31, 2019

See Following Page

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Balance Sheet - Governmental Funds - Modified Cash Basis

December 31, 2019

		<u>Corporate</u>
ASSETS		
Cash and Investments		<u>\$ 767,584</u>
LIABILITIES		
Accounts Payable		<u>—</u>
FUND BALANCES		
Restricted		<u>—</u>
Committed		<u>—</u>
Assigned		191,973
Unassigned		<u>575,611</u>
Total Fund Balances		<u>767,584</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances		<u>767,584</u>

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, 2019**

Total Governmental Fund Balances	\$ 3,199,313
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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.	1,349,802
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Installment Contracts Payable	<u>(125,000)</u>

Net Position of Governmental Activities	<u><u>4,424,115</u></u>
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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, 2019**

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, 2019

	<u>Corporate</u>
Revenues	
Taxes	\$ 2,117,496
Charges for Services	1,123
Investment Income	58,901
Miscellaneous	69,823
Total Revenues	<u>2,247,343</u>
Expenditures	
Current	
Public Safety	
Personnel	1,574,920
Commodities	61,892
Contractual	425,040
Capital Outlay	9,890
Debt Service	
Principal Retirement	—
Total Expenditures	<u>2,071,742</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>175,601</u>
Other Financing Sources (Uses)	
Transfers In	—
Transfers Out	(110,790)
	<u>(110,790)</u>
Net Change in Fund Balances	64,811
Fund Balances - Beginning as Restated	<u>702,773</u>
Fund Balances - Ending	<u><u>767,584</u></u>

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, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$ 584,924
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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	43,580
Depreciation Expense	(88,634)
Disposals - Cost	(54,000)
Disposals - Accumulated Depreciation	54,000

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

Retirement of Debt	<u>12,500</u>
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Changes in Net Position of Governmental Activities	<u>552,370</u>
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PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Statement of Fiduciary Net Position

December 31, 2019

	<u>Pension Trust</u>
ASSETS	
Cash and Cash Equivalents	\$ 97,378
Investments	
Mutual Funds	9,969,912
U.S. Treasuries	592,781
U.S. Agencies	3,885,024
State and Local Obligations	798,688
Corporate Bonds	774,204
Receivables	
Accrued Interest	35,991
Prepays	795
Total Assets	<u>16,154,773</u>
LIABILITIES	
Accounts Payable	<u>9,073</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>16,145,700</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, 2019**

	<u>Pension Trust</u>
Additions	
Contributions - Employer	\$ 596,000
Contributions - Plan Members	<u>145,471</u>
Total Contributions	<u>741,471</u>
Investment Income	
Interest Earned	445,414
Net Change in Fair Value	<u>2,161,789</u>
	2,607,203
Less Investment Expenses	<u>(33,331)</u>
Net Investment Income	<u>2,573,872</u>
Total Additions	<u>3,315,343</u>
Deductions	
Administration	23,536
Benefits and Refunds	<u>441,048</u>
Total Deductions	<u>464,584</u>
Change in Fiduciary Net Position	2,850,759
Net Position Restricted for Pensions	
Beginning	<u>13,294,941</u>
Ending	<u><u>16,145,700</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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

Firefighters' Pension Employees Retirement System

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

BASIS OF PRESENTATION

Government-Wide Statements

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

Government-Wide Statements - Continued

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

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

Fund Financial Statements

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

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

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

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

Governmental Funds

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

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

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

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

Fiduciary Funds

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

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

Basis of Accounting

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Cash and Investments

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

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

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Capital Assets

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

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Capital Assets - Continued

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

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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, 2019

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 12, 2018. All funds of the District are appropriated for annually. 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 INDIVIDUAL FUNDS

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

<u>Fund</u>	<u>Excess</u>
Audit	\$ 100

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

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 funds. 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, Illinois Funds and the Illinois Metropolitan Investment Fund.

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

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

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

Deposits. At year-end, the carrying amount of the District's deposits for governmental activities totaled \$2,683,144 and the bank balances totaled \$2,734,261.

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 Securities \$	75,301	50,211	25,090	—	—
U.S. Agency Securities	145,143	145,143	—	—	—
Municipal Bonds	40,623	25,420	15,203	—	—
Illinois Funds	255,102	255,102	—	—	—
Totals	516,169	475,876	40,293	—	—

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

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

The District has the following recurring fair value measurements as of December 31, 2019:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level	Total			
Debt Securities				
U.S. Treasury Securities	\$ 75,301	75,301	—	—
U.S. Agency Securities	145,143	—	145,143	—
Municipal Bonds	40,623	—	40,623	—
Total Investments by Fair Value Level	261,067	75,301	185,766	—
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	255,102			
Total Investments Measured at Fair Value	516,169			

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

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

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

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

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

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

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

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

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$97,378 and the bank balances totaled \$97,378.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

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

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Securities	\$ 592,781	100,633	332,000	160,148	—
U.S. Agency Securities	3,885,024	—	809,488	2,923,848	151,688
State and Local Obligations	798,688	175,262	518,212	105,214	—
Corporate Bonds	774,204	—	189,076	585,128	—
Totals	6,050,697	275,895	1,848,776	3,774,338	151,688

The Fund has the following recurring fair value measurements as of December 31, 2019:

Investments by Fair Value Level	Total	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 Securities	\$ 592,781	592,781	—	—
U.S. Agency Securities	3,885,024	—	3,885,024	—
State and Local Obligations	798,688	—	798,688	—
Corporate Bonds	774,204	—	774,204	—
Equity Securities				
Mutual Funds	9,969,912	9,969,912	—	—
Total Investments Measured at Fair Value	16,020,609	10,562,693	5,457,916	—

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, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

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

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

Credit Risk. The Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. Other than investing in securities allowed by state statutes, the Fund's investment policy does not further limit exposure to credit risk. As of December 31, 2019, the credit ratings of the Fund's U.S. Agency Securities ranged from AA+ (Standard & Poor's), the state and local agencies ranged from BBB+ - AAA (Standard & Poor's) and the corporate bonds are rated AA - AAA (Standard & Poor'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, 2019, 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, 2019, all U.S. Treasury Obligations and Agency Securities 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 \$9,969,912 invested in mutual funds. At December 31, 2019, the Fund does not have any investments over 5 percent of net position available for benefits (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

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

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

Asset Class	Target	Long-Term Expected Real Rate of
Fixed Income	40%	1.3%
Domestic Equities	54%	6.7% - 7.9%
International Equities	6%	6.8%
Cash and Cash Equivalents	0%	0.0%

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

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in March 2020 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, 2019 are listed in the table above.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements
December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 365,000	—	—	365,000
Depreciable Capital Assets				
Buildings	1,722,000	—	—	1,722,000
Buildings Improvements	37,546	—	—	37,546
Land Improvements	121,361	—	—	121,361
Equipment	298,518	14,525	—	313,043
Vehicles	1,066,600	29,055	54,000	1,041,655
	<u>3,246,025</u>	<u>43,580</u>	<u>54,000</u>	<u>3,235,605</u>
Less Accumulated Depreciation				
Buildings	861,000	43,050	—	904,050
Buildings Improvements	1,207	2,415	—	3,622
Land Improvements	121,361	—	—	121,361
Equipment	241,751	15,135	—	256,886
Vehicles	990,850	28,034	54,000	964,884
	<u>2,216,169</u>	<u>88,634</u>	<u>54,000</u>	<u>2,250,803</u>
Total Net Depreciable Capital Assets	<u>1,029,856</u>	<u>(45,054)</u>	<u>—</u>	<u>984,802</u>
Total Net Capital Assets	<u>1,394,856</u>	<u>(45,054)</u>	<u>—</u>	<u>1,349,802</u>

Depreciation expense was charged to governmental activities as follows:

Public Safety	<u>\$ 88,634</u>
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PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out	Amount
Capital Improvements	Corporate	\$ 100,000 (1)
Capital Improvements	Ambulance	100,000 (1)
Nonmajor Governmental	Corporate	10,790 (2)
Nonmajor Governmental	Ambulance	10,790 (2)
		<u>221,580</u>

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

PROPERTY TAXES

Property taxes for 2018 attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, in May and September. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience.

LONG-TERM DEBT

Installment Contract Payable

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

	Beginning Balances	Issuances	Retirements	Ending Balances
\$250,000 Installment Contract dated April 7, 2009 due in annual installments of \$12,500 interest free through November 1, 2029.	\$ 137,500	—	12,500	125,000

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM DEBT - Continued

Long-Term Liabilities Activity

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

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Installment Contracts Payable	\$ 137,500	—	12,500	125,000	12,500

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

Debt Service Requirements to Maturity

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

Fiscal Year	Installment Contracts Payable	
	Principal	Interest
2020	\$ 12,500	—
2021	12,500	—
2022	12,500	—
2023	12,500	—
2024	12,500	—
2025	12,500	—
2026	12,500	—
2027	12,500	—
2028	12,500	—
2029	12,500	—
Totals	125,000	—

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM DEBT - Continued

Legal Debt Margin

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

Assessed Valuation - 2018	<u><u>\$ 416,226,629</u></u>
Legal Debt Limit - 5.75% of Assessed Value	23,933,031
Amount of Debt Applicable to Limit	<u>—</u>
Legal Debt Margin	<u><u>23,933,031</u></u>

NET POSITION CLASSIFICATIONS

Net investment in capital assets was comprised of the following as of December 31, 2019:

Governmental Activities	
Capital Assets - Net of Accumulated	\$ 1,349,802
Less Capital Related Debt:	
Tax Increment Revenue Note	<u>(125,000)</u>
Net Investment in Capital Assets	<u><u>1,224,802</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.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

FUND BALANCE CLASSIFICATIONS - Continued

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

	Corporate	Ambulance	Liability Insurance	Capital Improvement	Nonmajor	Totals
Fund Balances						
Restricted						
Property Taxes						
Liability Insurance	\$ —	—	640,539	—	—	640,539
Audit	—	—	—	—	15,291	15,291
Emergency and Rescue	—	—	—	—	267,973	267,973
Retirement	—	—	—	—	47,471	47,471
Foreign Fire Insurance	—	—	—	—	24,747	24,747
	—	—	640,539	—	355,482	996,021
Committed						
Capital Improvements	—	—	—	343,570	—	343,570
Assigned						
Post Employment Healthcare	191,973	191,973	—	—	—	383,946
Ambulance	—	900,165	—	—	—	900,165
	191,973	1,092,138	—	—	—	1,284,111
Unassigned	575,611	—	—	—	—	575,611
Total Fund Balances	767,584	1,092,138	640,539	343,570	355,482	3,199,313

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

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

FUND BALANCE CLASSIFICATIONS - Continued

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

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

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

FUND BALANCE/NET POSITION RESTATEMENT

Beginning fund balance/net position was restated due to the implementation of GASB Statement No. 84 and the Foreign Fire Insurance fund converting from an agency fund to a special revenue fund. The following is a summary of the net position as originally reported and as restated:

<u>Fund Balance/Net Position</u>	<u>As Reported</u>	<u>As Restated</u>	<u>Increase (Decrease)</u>
Governmental Activities	\$ 3,865,611	3,871,745	6,134
Foreign Fire Insurance	—	6,134	6,134

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

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. 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.

NOTE 4 - OTHER INFORMATION

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.

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 \$672,784 during fiscal year 2019.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLANS

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

The aggregate amount of pension expense recognized for the pension plans is:

	Pension Expense	Net Pension Liability	Deferred Outflows	Deferred Inflows
IMRF	\$ 7,745	5,742	25,469	(45,616)
Firefighters' Pension	111,143	3,118,703	186,176	(2,635,319)
	<u>118,888</u>	<u>3,124,445</u>	<u>211,645</u>	<u>(2,680,935)</u>

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).

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements December 31, 2019

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Plan Descriptions - Continued

Benefits Provided - Continued. 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.

Plan Membership. As of December 31, 2019, the measurement date, the following employees were covered by the benefit terms:

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

Contributions. As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. For the year-ended December 31, 2019, the District's contribution was 7.26% of covered payroll.

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Plan Descriptions - Continued

Net Pension Liability. The District's net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability 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, 2019, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.25%
Salary Increases	3.35% to 14.25%
Cost of Living Adjustments	2.50%
Inflation	2.50%

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality tables was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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:

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Plan Descriptions - Continued

Actuarial Assumptions - Continued.

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	28.00%	3.00%
Domestic Equities	37.00%	6.85%
International Equities	18.00%	6.75%
Real Estate	9.00%	5.75%
Blended	7.00%	2.65% - 7.35%
Cash and Cash Equivalents	1.00%	2.25%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%, 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.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate as well as what the District's net pension liability 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)	\$ 79,376	5,742	(55,211)

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements
December 31, 2019

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2018	\$ 411,039	373,697	37,342
Changes for the Year:			
Service Cost	7,897	—	7,897
Interest on the Total Pension Liability	30,087	—	30,087
Changes of Benefit Terms	—	—	—
Difference Between Expected and Actual Experience of the Total Pension Liability	198	—	198
Changes of Assumptions	—	—	—
Contributions - Employer	—	5,842	(5,842)
Contributions - Employees	—	3,622	(3,622)
Net Investment Income	—	61,646	(61,646)
Benefit Payments, Including Refunds of Employee Contributions	—	—	—
Other (Net Transfer)	—	(1,328)	1,328
Net Changes	38,182	69,782	(31,600)
Balances at December 31, 2019	449,221	443,479	5,742

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - 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, 2019, the District recognized pension expense of \$7,745. At December 31, 2019, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 9,161	(24,356)	(15,195)
Change in Assumptions	16,308	(7,747)	8,561
Net Difference Between Projected and Actual			
Earnings on Pension Plan Investments	—	(13,513)	(13,513)
Total Deferred Amounts Related to IMRF	25,469	(45,616)	(20,147)

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

Fiscal Year	Net Deferred Outflows/(Inflows) of Resources
2020	\$ (4,572)
2021	(4,886)
2022	221
2023	(7,708)
2024	(858)
Thereafter	(2,344)
Total	(20,147)

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

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, 2019, the measurement date, membership consisted of the following:

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

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

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ 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, 2019

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 96 consecutive months of service within the last 120 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 $\frac{1}{2}$ 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., $\frac{1}{2}$ percent for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent of $\frac{1}{2}$ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions. Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The District is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the District to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended December 31, 2019, the District's contribution was 38.99% 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, 2019

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, 2019, using the following actuarial methods and assumptions:

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

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

Discount Rate

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

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 to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate as well as what the District's net pension liability 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	\$	6,445,172	3,118,703	467,602

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2018	\$ 18,060,053	13,294,941	4,765,112
Changes for the Year:			
Service Cost	438,302	—	438,302
Interest on the Total Pension Liability	1,159,569	—	1,159,569
Changes of Benefit Terms	52,221	—	52,221
Difference Between Expected and Actual Experience of the Total Pension Liability	(227,448)	—	(227,448)
Changes of Assumptions	222,754	—	222,754
Contributions - Employer	—	596,000	(596,000)
Contributions - Employees	—	145,471	(145,471)
Net Investment Income	—	2,573,872	(2,573,872)
Benefit Payments, Including Refunds of Employee Contributions	(441,048)	(441,048)	—
Other (Net Transfer)	—	(23,536)	23,536
Net Changes	1,204,350	2,850,759	(1,646,409)
Balances at December 31, 2019	19,264,403	16,145,700	3,118,703

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

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, 2019, the District recognized pension expense of \$111,143. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ —	(376,065)	(376,065)
Change in Assumptions	186,176	(1,457,928)	(1,271,752)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	(801,326)	(801,326)
Total Deferred Amounts Related to Firefighters' Pension	186,176	(2,635,319)	(2,449,143)

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

Fiscal Year	Net Deferred (Inflows) of Resources
2020	\$ (661,262)
2021	(649,200)
2022	(474,527)
2023	(656,211)
2024	(7,869)
Thereafter	(74)
Total	(2,449,143)

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements December 31, 2019

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, 2019, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	2
Inactive Plan Members Entitled to but not yet Receiving Benefits	—
Active Plan Members	<u>17</u>
Total	<u><u>19</u></u>

Total OPEB Liability

The District's total OPEB liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 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, 2019

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

Total OPEB Liability - Continued

Actuarial assumptions and other inputs - Continued.

Inflation	2.50%
Salary Increases	4.00%
Discount Rate	3.26%
Healthcare Cost Trend Rates	6.87% for 2020, decreasing to an ultimate rate of 5.0% for 2028 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 Hig-Grade Rate Index as of Decemeber 31, 2019.

Active Mortality rates were based on RP-2014 combined Annuitant Mortality Table for males and females. The Mortality Table reflects recent rates developed by the Society of Actuaries.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2018	<u>\$ 663,040</u>
Changes for the Year:	
Service Cost	4,027
Interest on the Total OPEB Liability	23,735
Changes of Benefit Terms	—
Difference Between Expected and Actual Experience	—
Changes of Assumptions or Other Inputs	48,347
Benefit Payments	(21,943)
Other Changes	429
Net Changes	<u>54,595</u>
Balance at December 31, 2019	<u><u>717,635</u></u>

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

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

The following presents the total OPEB liability, calculated using a Single Discount Rate of 3.26%, as well as what the total OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point lower or one percentage point higher:

		1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB Liability	\$	853,218	717,635	614,994

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

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

		1% Decrease (Varies)	Healthcare Cost Trend Rates (Varies)	1% Increase (Varies)
Total OPEB Liability	\$	613,582	717,635	852,078

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

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, 2019, the District recognized OPEB expense of \$82,239. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ —	(46,437)	(46,437)
Change in Assumptions	379,366	(76,988)	302,378
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	—	—
Total Deferred Amounts Related to OPEB	379,366	(123,425)	255,941

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

Fiscal Year	Net Deferred Outflow of Resources
2020	\$ 54,478
2021	54,478
2022	54,478
2023	54,478
2024	36,572
Thereafter	1,457
Total	255,941

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Notes to the Financial Statements

December 31, 2019

NOTE 4 - OTHER INFORMATION - Continued

SUBSEQUENT EVENT

Subsequent to the date of the financial statements and prior to the audit opinion date, 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.

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

INDIVIDUAL FUND DESCRIPTIONS

CORPORATE FUND

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

SPECIAL REVENUE FUNDS

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

Ambulance Fund

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

Liability Insurance Fund

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

Audit Fund

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

Emergency and Rescue Fund

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

IMRF/Social Security/Medicare Fund

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

Foreign Fire Insurance Fund

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

INDIVIDUAL FUND DESCRIPTIONS

CAPITAL IMPROVEMENTS FUND

The Capital Improvements Fund is used to account for the acquisition and improvement of District property including infrastructure and general capital assets.

PENSION TRUST FUND

Firefighters' Pension Fund

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Corporate Fund

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

For the Fiscal Year Ended December 31, 2019

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Taxes			
Property Taxes	\$ 1,500,370	1,500,370	2,083,425
Replacement Taxes	17,500	17,500	23,281
Foreign Fire Insurance	5,500	5,500	10,790
Charges for Services	5,650	5,650	1,123
Investment Income	9,315	9,315	58,901
Miscellaneous	78,368	78,368	69,823
Total Revenues	1,616,703	1,616,703	2,247,343
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	790,973	790,973	785,678
Employee Benefits	214,042	214,042	192,820
Pension Contribution	586,530	586,530	596,000
Compliance, Health and Safety	—	—	422
Commodities			
Supplies	20,925	20,925	6,804
Repairs and Maintenance	88,803	88,803	55,088
Contractual			
Professional Services	414,351	414,351	395,987
Buildings and Grounds	42,563	42,563	29,053
Capital Outlay	—	—	9,890
Total Expenditures	2,158,187	2,158,187	2,071,742
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(541,484)	(541,484)	175,601
Other Financing (Uses)			
Transfers Out	(100,000)	(100,000)	(110,790)
Net Change In Fund Balance	(641,484)	(641,484)	64,811
Fund Balance - Beginning			702,773
Fund Balance - Ending			767,584

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, 2019

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Taxes			
Property Taxes	\$ 1,500,370	1,500,370	1,487,425
Replacement Taxes	17,500	17,500	23,281
Foreign Fire Insurance	—	—	10,790
Charges for Services	190,000	190,000	233,191
Investment Income	9,315	9,315	17,545
Miscellaneous	78,368	78,368	69,823
Total Revenues	1,795,553	1,795,553	1,842,055
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	790,973	790,973	785,678
Employee Benefits	214,072	214,072	192,820
Compliance, Health and Safety	—	—	422
Commodities			
Supplies	20,925	20,925	17,956
Repairs and Maintenance	88,803	88,803	61,485
Contractual			
Professional Services	414,351	414,351	417,585
Buildings and Grounds	42,563	42,563	29,050
Capital Outlay	—	—	8,788
Total Expenditures	1,571,687	1,571,687	1,513,784
Excess (Deficiency) of Revenues Over (Under) Expenditures	223,866	223,866	328,271
Other Financing (Uses)			
Transfers Out	(100,000)	(100,000)	(110,790)
Net Change In Fund Balance	123,866	123,866	217,481
Fund Balance - Beginning			874,657
Fund Balance - Ending			1,092,138

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, 2019

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Taxes			
Property Taxes	\$ 350,122	350,122	344,005
Interest	1,035	1,035	—
Total Revenues	351,157	351,157	344,005
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	122,451	122,451	121,310
Liability and Workers' Compensation	195,000	195,000	136,092
Legal Fees	10,000	10,000	6,728
Compliance, Health and Safety	18,075	18,075	16,426
Capital Outlay	15,440	15,440	8,561
Total Expenditures	360,966	360,966	289,117
Net Change in Fund Balance	(9,809)	(9,809)	54,888
Fund Balance - Beginning			585,651
Fund Balance - Ending			640,539

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, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Intergovernmental	\$ 27,000	27,000	—
Expenditures			
Capital Projects	104,000	104,000	33,364
Debt Service			
Principal	—	—	12,500
Total Expenditures	104,000	104,000	45,864
Excess (Deficiency) of Revenues Over (Under) Expenditures	(77,000)	(77,000)	(45,864)
Other Financing Sources			
Transfers In	200,000	200,000	200,000
Net Change in Fund Balance	123,000	123,000	154,136
Fund Balance - Beginning			189,434
Fund Balance - Ending			343,570

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet - Modified Cash Basis

December 31, 2019

	Audit	Emergency and Rescue	IMRF/Social Security/Medicare	Foreign Fire Insurance	Totals
ASSETS					
Cash and Investments	\$ 15,291	267,973	47,471	24,747	355,482
LIABILITIES					
Accounts Payable	—	—	—	—	—
FUND BALANCES					
Fund Balances					
Restricted	15,291	267,973	47,471	24,747	355,482
Total Liabilities and Fund	15,291	267,973	47,471	24,747	355,482

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, 2019**

	Audit	Emergency and Rescue	IMRF/Social Security/Medicare	Foreign Fire Insurance	Totals
Revenues					
Taxes	\$ 1,631	215,054	34,278	—	250,963
Investment Income	—	—	—	7	7
Total Revenues	1,631	215,054	34,278	7	250,970
Expenditures					
Current					
Public Safety					
Personnel	—	129,778	36,981	—	166,759
Commodities	—	—	—	111	111
Contractual	9,100	—	—	1,605	10,705
Capital Outlay	—	109	—	1,258	1,367
Total Expenditures	9,100	129,887	36,981	2,974	178,942
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,469)	85,167	(2,703)	(2,967)	72,028
Other Financing Sources					
Transfers In	—	—	—	21,580	21,580
Net Change in Fund Balances	(7,469)	85,167	(2,703)	18,613	93,608
Fund Balances - Beginning as Restated	22,760	182,806	50,174	6,134	261,874
Fund Balances - Ending	15,291	267,973	47,471	24,747	355,482

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, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 2,000	2,000	1,631
Expenditures			
Public Safety			
Contractual			
Professional Services	9,000	9,000	9,100
Net Change in Fund Balance	(7,000)	(7,000)	(7,469)
Fund Balance - Beginning			22,760
Fund Balance - Ending			15,291

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, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 210,820	210,820	215,054
Expenditures			
Public Safety			
Personnel			
Compensation and Salaries	139,534	139,534	129,778
Capital Outlay	1,000	1,000	109
Total Expenditures	140,534	140,534	129,887
Net Change in Fund Balance	70,286	70,286	85,167
Fund Balance - Beginning			182,806
Fund Balance - Ending			267,973

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, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 34,235	34,235	34,278
Expenditures			
Public Safety			
Personnel			
Employee Benefits	38,706	38,706	36,981
Net Change in Fund Balance	(4,471)	(4,471)	(2,703)
Fund Balance - Beginning			50,174
Fund Balance - Ending			47,471

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Illinois Municipal Retirement Fund
Schedule of Employer Contributions
December 31, 2019**

Calendar 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%

Notes to the Required Supplementary

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization	24 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	3.35% - 14.25%
Investment Rate of Return	7.50%
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, 2019

Calendar 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%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	100% Funded over 23 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	4.00% - 12.02%
Investment Rate of Return	6.50%
Retirement Age	100% of independent actuary retirement rates capped at age 65
Mortality	RP-2014 Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as Appropriate

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Illinois Municipal Retirement Fund

Schedule of Changes in the Employer's Net Pension Liability

December 31, 2019

	<u>12/31/14</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	 <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 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.

12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
7,386	7,465	8,013	7,343	7,897
22,268	23,892	27,288	27,693	30,087
—	—	—	—	—
(8,322)	14,050	(19,806)	(5,123)	198
1,138	(1,254)	(9,759)	15,557	—
—	—	—	—	—
22,470	44,153	5,736	45,470	38,182
293,210	315,680	359,833	365,569	411,039
315,680	359,833	365,569	411,039	449,221
6,613	7,011	7,111	8,139	5,842
3,227	3,489	3,422	3,495	3,622
1,489	20,097	49,424	(11,232)	61,646
—	—	—	—	—
(20,688)	(39)	(1,284)	487	(1,328)
(9,359)	30,558	58,673	889	69,782
292,936	283,577	314,135	372,808	373,697
283,577	314,135	372,808	373,697	443,479
32,103	45,698	(7,239)	37,342	5,742
89.83%	87.30%	101.98 %	90.92%	98.72%
71,717	77,539	76,050	77,663	80,477
44.76%	58.94%	(9.52)%	48.08%	7.13%

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

Firefighter's Pension Fund

Schedule of Changes in the Employer's Net Pension Liability

December 31, 2019

	<u>12/31/14</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	1,472,738
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	1,052,471
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.

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

PALATINE RURAL FIRE PROTECTION DISTRICT, ILLINOIS

**Firefighters' Pension Fund
Schedule of Investment Returns
December 31, 2019**

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

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, 2019

	12/31/2018	12/31/2019
Total OPEB Liability		
Service Cost	\$ 3,561	4,027
Interest	11,718	23,735
Changes in Benefit Terms	—	—
Differences Between Expected and Actual Experience	(66,559)	—
Change of Assumptions or Other Inputs	(110,348)	48,347
Benefit Payments	(20,542)	(21,943)
Other Changes	485,140	429
Net Change in Total OPEB Liability	302,970	54,595
Total OPEB Liability - Beginning	360,070	663,040
Total OPEB Liability - Ending	663,040	717,635
Covered Payroll	\$ 1,318,362	N/A
Total OPEB Liability as a Percentage of Covered Payroll	50.29%	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.

Changes of Benefit Term. There was no change in the retirees' share of health insurance

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the trend rate each period. The following are the trend rates used in each period:

Fiscal Year	PPO	HMO
2020	6.87%	6.42%
2021	6.63%	6.24%
2022	6.40%	6.07%
2023	6.17%	5.89%
2024	5.93%	5.71%
2025	5.70%	5.53%
2026	5.47%	5.36%
2027	5.23%	5.18%
2028	5.00%	5.00%
Ultimate	5.00%	5.00%

In 2019, there was no change in the healthcare trend rates from the prior year.