



**NORTH PALOS FIRE PROTECTION DISTRICT  
PALOS HILLS, ILLINOIS**

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ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2019



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Prepared by Finance Department

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PALOS HILLS, ILLINOIS  
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**PALOS HILLS, ILLINOIS**  
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**PALOS HILLS, ILLINOIS**  
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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
North Palos Fire Protection District  
Palos Hills, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Palos Fire Protection District, Palos Hills, Illinois (the District), as of and for the year ended December 31, 2019, and the related notes to 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the North Palos Fire Protection District, Palos Hills, Illinois, as of December 31, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Sikich LLP*

Naperville, Illinois  
June 9, 2020

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

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2019**

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As management of the North Palos Fire Protection District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements presented.

**FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of the District exceed its assets and deferred outflows at the close of the most recent fiscal year by (\$19,327,216) (net position). \$89,179 is restricted for Liability Insurance expenses, \$3,072 for Audit, \$32,010 for Emergency Rescue, \$912 for Retirement and \$62,830 for Foreign Fire. (\$21,258,144) is unrestricted. The remaining \$1,742,925 represents the net investment in capital assets.
- The District's total net position decreased by (\$2,786,494). This negative net position results from limited revenue streams and the implementation of GASB 68 and 75, which includes the change in other post-employment and pension liabilities on the District's Statement of Activities.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,017,437, an increase of \$637,697 in comparison with the prior year balance. This increase was mainly attributed to sale of land to the dispatch center and minimal capital spend. A line of credit was needed to sustain cash flow between property tax installments.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$830,585 or 12% of total General Fund expenditures. With the passage of the spring 2019 referendum, a capital fund was created in 2020 for future capital acquisitions.
- The District has \$69,267 of long-term principal outstanding, a decrease of \$452,485 from the prior year (including the pay off of the line of credit). The District has debt service outstanding until 2024.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

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

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

The government-wide financial statements can be found on pages 3 and 4 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains nine individual governmental funds. Information is presented separately for these funds considered major in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The District adopts an annual appropriated budget for all governmental funds. Budgetary comparison statements and schedules have been provided for the budgeted fund to demonstrate compliance with the budget.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. Fiduciary funds are reported using full accrual accounting.

The basic fiduciary fund financial statements for the Firefighter's Pension Fund can be found on pages 9 and 10 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 11 to 42 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 43 to 50 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by (\$19,311,434) at the close of the most recent fiscal year.

### NORTH PALOS FIRE PROTECTION DISTRICT NET POSITION

	For the Year Ended 31-Dec	
	2019	2018
Assets		
Current Assets	\$ 7,161,645	\$ 5,632,628
Capital Assets	1,812,192	2,103,231
Total Assets	8,973,837	7,735,859
Deferred Outflows	14,779,822	9,647,351
Total Assets and Deferred Outflows	23,753,659	17,383,210
Liabilities		
Due Within One Year	1,211,128	1,395,932
Due in More Than One Year	32,649,274	25,182,557
Total Liabilities	33,860,402	26,578,489
Deferred Inflows	9,220,473	7,345,443
Total Liabilities and Deferred Inflows	43,080,875	33,923,932
Net Position		
Net Investment in Capital Assets	1,742,925	1,931,479
Restricted Amounts	188,003	215,621
Unrestricted Amounts	(21,258,144)	(18,687,822)
Total Net Position	\$ (19,327,216)	\$ (16,540,722)

**Governmental Activities.** Governmental activities decreased the District's net position by \$(2,770,712). Key elements of this decrease are as follows:

**NORTH PALOS FIRE PROTECTION DISTRICT  
CHANGE IN NET POSITION**

	For the Year Ended	
	31-Dec	
	2019	2018
Revenues		
Program Revenues		
Charges for Services	\$ 3,373,914	\$ 3,048,311
Operating Grants & Contributions	134,449	19,442
General Revenues		
Property Taxes	4,458,869	4,314,982
Other Taxes	21,392	17,924
Other Income	58,622	62,688
Total Revenues	8,047,246	7,463,347
Expenses		
Public Safety	10,833,740	9,822,675
Total Expenses	10,833,740	9,822,675
Change in Net Position	(2,786,494)	(2,359,328)
Net Position		
Beginning of Year	(16,540,722)	(13,586,667)
Prior Period Adjustment	0	(594,727)
Beginning of Year, Restated	(16,540,722)	(14,181,394)
End of Year	\$ (19,327,216)	\$ (16,540,722)

- Total revenues increased by \$583,899 (8%). Property taxes increased by \$143,887 or 3% from the prior year.
- Charges for services increased by \$325,603 (11%) during the year. The Increase is primarily a result of increased call volume and collections based on the payer make-up for the District.
- Total expenses increased by \$1,011,065 (10%). The increase was primarily due to salaries and benefits in addition to equipment maintenance.

## **FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

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

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,017,437 an increase of \$637,697 in comparison with the prior year balance. This increase is primarily due to increase in ambulance fees and the sale of land to the dispatch center.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$830,585. As a measure of the Fire Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12% of total Fire Fund expenditures.

### **FIRE FUND BUDGETARY HIGHLIGHTS**

During the year, there were no budget amendments.

As a major fund, the General Fund accounts for the fire operations of the District. Revenues in the General Fund were \$7,364,909. Property taxes underperformed its budget by \$143,278 based on poor collections. Charges for services outperformed its budgets by \$358,414.

General Fund expenditures were \$160,678 under budget mainly due to staffing adjustments. The overall net budget variance in the General Fund was a favorable \$619,862.

The General Fund's surplus of revenues and other financing sources over expenditures and other financing uses was \$633,313. The fund balance increased to \$893,415 at the end of the fiscal year.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The District's investment in capital assets for its governmental activities as of December 31, 2019 was \$1,812,192 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment, vehicles and equipment.

A summary of changes in capital assets follows:

	Capital Assets			Capital Assets
	Beginning Balances	Additions	Dispositions	Ending Balances
<b>Governmental Activities</b>				
Assets Not Subject to Depreciation				
Land	\$ 290,700	\$ -	\$ (144,700)	\$ 146,000
Assets Subject to Depreciation				
Land Improvements	-	-	-	-
Buildings & Improvements	1,299,240	-	-	1,299,240
Apparatus and Vehicles	3,164,821	-	(856,327)	2,308,494
Equipment	279,383	124,467	(28,000)	375,850
	<u>4,743,444</u>	<u>124,467</u>	<u>(884,327)</u>	<u>3,983,584</u>
Less Accumulated Depreciation				
Land Improvements	-	-	-	-
Buildings & Improvements	(914,427)	(30,884)	-	(945,311)
Apparatus and Vehicles	(1,842,805)	(148,030)	788,612	(1,202,223)
Equipment	(173,681)	(24,177)	28,000	(169,858)
	<u>(2,930,913)</u>	<u>(203,091)</u>	<u>816,612</u>	<u>(2,317,392)</u>
	<u>\$ 2,103,231</u>	<u>\$ (78,624)</u>	<u>\$ (212,415)</u>	<u>\$ 1,812,192</u>

There were no major additions during the year. See Note 3 for depreciation information on capital assets.

**Long-term Debt.** As of December 31, 2019, the District has debt outstanding decreased from \$521,752 to \$69,267 (including the line of credit). See Note 4 for additional information.

## ECONOMIC FACTORS

The District's primary revenue sources are property taxes, representing approximately 80 percent of total revenue in the year ended December 31, 2019. The Property Tax Extension Limitation Law allows a taxing district to receive a limited inflationary increase in tax extensions on existing property, plus an additional amount for new construction, and any voter-approved rate increases. In the spring of 2019 the District passed a referendum to increase property taxes by 20% allowing the District to rebuild reserve levels to best practice and provide for deferred fleet and facility projects. Additionally, the coronavirus pandemic that began in March has resulted in slightly reduced ambulance runs in the stay at home period from March to May 2020. The impact on property taxes are uncertain, but delays are expected given penalties have been waived from August installment to October 1, 2020.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the North Palos Fire Protection District finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Palos Fire Protection District, 10629 S. Roberts Road, Palos Hills, Illinois 60465

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

## **BASIC FINANCIAL STATEMENTS**

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

STATEMENT OF NET POSITION

December 31, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 348,550
Receivables (net of allowance for uncollectibles)	
Property taxes	5,830,000
Accounts	976,095
Due from fiduciary fund	7,000
Capital assets not being depreciated	146,000
Capital assets (net of accumulated depreciation)	1,666,192
Total assets	8,973,837
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension items - Firefighters' Pension Fund	13,230,690
Pension items - IMRF	66,056
OPEB	1,483,076
Total deferred outflows of resources	14,779,822
Total assets and deferred outflows of resources	23,753,659
<b>LIABILITIES</b>	
Accounts payable	105,742
Accrued payroll	131,766
Due to fiduciary fund	2,616
Due to other government	74,084
Long-term liabilities	
Due within one year	896,920
Due in more than one year	32,649,274
Total liabilities	33,860,402
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension items - Firefighters' Pension Fund	2,374,581
Pension items - IMRF	122,280
OPEB	893,612
Deferred property tax revenue	5,830,000
Total deferred inflows of resources	9,220,473
Total liabilities and deferred inflows of resources	43,080,875
<b>NET POSITION</b>	
Net investment in capital assets	1,742,925
Restricted for	
Foreign fire insurance	62,830
Liability insurance	89,179
Retirement	912
Audit	3,072
Emergency rescue	32,010
Unrestricted (deficit)	(21,258,144)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (19,327,216)</b>

See accompanying notes to financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Public safety	\$ 10,833,740	\$ 3,373,914	\$ 134,449	\$ -	\$ (7,325,377)
Total governmental activities	10,833,740	3,373,914	134,449	-	(7,325,377)
<b>TOTAL PRIMARY GOVERNMENT</b>	\$ 10,833,740	\$ 3,373,914	\$ 134,449	\$ -	(7,325,377)
		General Revenues			
		Taxes			
		Property		4,458,869	
		Replacement		21,392	
		Foreign Fire		31,625	
		Investment income		577	
		Gain on sale of capital assets		23,792	
		Miscellaneous		2,628	
		Total		4,538,883	
		CHANGE IN NET POSITION			(2,786,494)
		NET POSITION (DEFICIT), JANUARY 1			(16,540,722)
		<b>NET POSITION (DEFICIT), DECEMBER 31</b>			<b>\$ (19,327,216)</b>

See accompanying notes to financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2019

	<b>General</b>	<b>Liability Insurance</b>	<b>Nonmajor Governmental</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ 224,869	\$ 89,179	\$ 34,502	\$ 348,550
Receivables (net of allowance for uncollectible)				
Property taxes	4,145,000	1,075,000	610,000	5,830,000
Accounts	976,095	-	-	976,095
Due from fiduciary fund	-	-	7,000	7,000
Due from other funds	3,928	-	-	3,928
<b>TOTAL ASSETS</b>	<b>\$ 5,349,892</b>	<b>\$ 1,164,179</b>	<b>\$ 651,502</b>	<b>\$ 7,165,573</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 105,742	\$ -	\$ -	\$ 105,742
Accrued payroll	129,035	-	2,731	131,766
Due to other funds	-	-	3,928	3,928
Due to fiduciary fund	2,616	-	-	2,616
Due to other governments	74,084	-	-	74,084
Total liabilities	311,477	-	6,659	318,136
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property tax revenue	4,145,000	1,075,000	610,000	5,830,000
Total deferred inflows of resources	4,145,000	1,075,000	610,000	5,830,000
Total liabilities and deferred inflows of resources	4,456,477	1,075,000	616,659	6,148,136
<b>FUND BALANCES</b>				
Restricted				
Foreign fire insurance	62,830	-	-	62,830
Liability insurance	-	89,179	-	89,179
Retirement	-	-	912	912
Audit	-	-	3,072	3,072
Emergency rescue	-	-	32,010	32,010
Unassigned	830,585	-	(1,151)	829,434
Total fund balances	893,415	89,179	34,843	1,017,437
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,349,892</b>	<b>\$ 1,164,179</b>	<b>\$ 651,502</b>	<b>\$ 7,165,573</b>

See accompanying notes to financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

December 31, 2019

<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	\$	1,017,437
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 governmental funds		1,812,192
Net pension liability for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position		(437,246)
Net pension liability for the Firefighters' Pension Fund is shown as a liability on the statement of net position		(27,388,538)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Illinois Municipal Retirement Fund are recognized as deferred outflows of resources on the statement of net position		(56,224)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Firefighters' Pension Fund are recognized as deferred outflows of resources on the statement of net position		10,856,109
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for other postemployment benefits are recognized as deferred outflows of resources on the statement of net position		589,464
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Long-term liabilities at year end consist of:		
Notes payable	\$	69,267
Compensated absences		477,343
Total OPEB liability		5,173,800
		(5,720,410)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>(19,327,216)</b>

See accompanying notes to financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2019

	General	Liability Insurance	Nonmajor Governmental	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 3,800,324	\$ 395,208	\$ 263,337	\$ 4,458,869
Personal property replacement taxes	21,392	-	-	21,392
Charges for services	3,373,914	-	-	3,373,914
Grants	134,449	-	-	134,449
Foreign fire insurance	31,625	-	-	31,625
Investment income	577	-	-	577
Miscellaneous	2,628	-	-	2,628
<b>Total revenues</b>	<b>7,364,909</b>	<b>395,208</b>	<b>263,337</b>	<b>8,023,454</b>
<b>EXPENDITURES</b>				
Current				
Public safety				
Salaries and wages	4,453,446	101,737	138,812	4,693,995
Employee benefits	1,569,374	-	-	1,569,374
Outside services	268,721	3,325	-	272,046
Administrative	59,401	-	-	59,401
Education and training	15,849	-	-	15,849
Buildings and grounds	130,914	-	-	130,914
Equipment maintenance	325,224	-	-	325,224
Insurance	-	294,184	-	294,184
IMRF	-	-	28,687	28,687
Social Security	-	-	105,916	105,916
Audit	-	-	6,500	6,500
Capital outlay	100	-	-	100
Debt service				
Principal retirement	102,485	-	-	102,485
Interest and fiscal charges	17,289	-	-	17,289
<b>Total expenditures</b>	<b>6,942,803</b>	<b>399,246</b>	<b>279,915</b>	<b>7,621,964</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>422,106</b>	<b>(4,038)</b>	<b>(16,578)</b>	<b>401,490</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	25,000	25,000
Transfers (out)	(25,000)	-	-	(25,000)
Proceeds from sale of assets	236,207	-	-	236,207
<b>Total other financing sources (uses)</b>	<b>211,207</b>	<b>-</b>	<b>25,000</b>	<b>236,207</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>633,313</b>	<b>(4,038)</b>	<b>8,422</b>	<b>637,697</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>260,102</b>	<b>93,217</b>	<b>26,421</b>	<b>379,740</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 893,415</b>	<b>\$ 89,179</b>	<b>\$ 34,843</b>	<b>\$ 1,017,437</b>

See accompanying notes to financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$	637,697
Amounts reported for governmental activities in the statement of activities are different because:		
The purchases of capital assets is only reported in the statement of activities		124,467
Proceeds on the sale of capital assets are recognized in the governmental funds but the gain (loss) is recognized on the statement of activities		(212,415)
The change in the net pension liability for the Illinois Municipal Retirement Fund is reported only in the statement of activities		82,045
The change in deferred inflows and outflows of resources for the Illinois Municipal Retirement Fund is reported only in the statement of activities		(89,881)
The change in the net pension liability for the Firefighters' Pension Fund is reported only in the statement of activities		(7,860,143)
The change in deferred inflows and outflows of resources for the Firefighters' Pension Fund is reported only in the statement of activities		4,834,312
Changes in the total OPEB liability are reported only in the statement of activities		100,943
The change in deferred inflows and outflows of resources for the other postemployment benefit are reported only in the statement of activities		(403,990)
The repayment of the principal portion long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding or when incurred in the statement of activities		102,485
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Depreciation		(203,091)
Increase in compensated absences payable		101,077
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(2,786,494)</u></b>

See accompanying notes to financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2019

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<b>ASSETS</b>	
Cash and cash equivalents	\$ 165,197
Investments	
U.S. Government obligations	726,007
U.S. agency obligations	4,434,570
Corporate bonds	1,813,199
State and local obligations	791,612
Mutual funds	10,526,945
Receivables	
Accrued interest	57,318
Due from district	2,617
Prepays	795
	<hr/>
Total assets	18,518,260
	<hr/>
<b>LIABILITIES</b>	
Due to District	7,000
Accounts payable	9,747
	<hr/>
Total liabilities	16,747
	<hr/>
<b>PLAN NET POSITION RESTRICTED FOR PENSIONS</b>	<u><u>\$ 18,501,513</u></u>

See accompanying notes to financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

For the Year Ended December 31, 2019

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**ADDITIONS**

Contributions

Employer contributions	\$ 714,476
Employee contributions	<u>310,237</u>

Total contributions	<u>1,024,713</u>
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Investment income

Net appreciation in fair value of investments	2,221,471
Interest	<u>568,064</u>

Total investment income	2,789,535
Less investment expense	<u>(41,797)</u>

Net investment income	<u>2,747,738</u>
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Total additions	<u>3,772,451</u>
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**DEDUCTIONS**

Benefits	872,441
Refunds	13,638
Administrative expenses	<u>33,678</u>

Total deductions	<u>919,757</u>
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NET INCREASE	2,852,694
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**PLAN NET POSITION RESTRICTED FOR PENSIONS**

January 1	<u>15,648,819</u>
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December 31	<u><u>\$ 18,501,513</u></u>
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See accompanying notes to financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT  
PALOS HILLS, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the North Palos Fire Protection District, Palos Hills, Illinois (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

a. Reporting Entity

The District is a municipal corporation of the State of Illinois duly chartered pursuant to the Illinois revised statutes Chapter 127-42. The District operates under a Board-Manager form of government encompassing areas in Cook County. The mission of the District is to protect the lives and property within the community in a fiscally sound and responsive manner through fire prevention, public education, fire suppression, emergency medical services and public safety. The District is considered to be a primary government as defined by GASB Statement No. 14 and No. 61, since it is legally separate and fiscally independent. The accompanying financial statements present the District and its blended fiduciary component unit. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was based upon the significance of its operational or financial relationship with the primary government. A blended component unit, although legally separate, is, in substance, part of the District's operations and so data from this unit is combined with the data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column on the government-wide financial statements to emphasize it is legally separate from the District. The District has no discretely presented component units.

The District's financial statements include the Firefighters' Pension Employees Retirement System (FPERS) as a fiduciary component unit reported as a Pension Trust Fund. The District's sworn firefighters participate in FPERS. FPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members of the Board of Trustees are appointed by the District's President, one member is elected by pension beneficiaries and two members are elected by active firefighter employees. The District is obligated to fund all FPERS costs not funded by FPERS participants based upon actuarial valuations, which creates a financial burden on the District. 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 the contribution levels. Accordingly, the Firefighters' Pension Plan is fiscally dependent on the District.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

b. Fund Accounting

The District uses funds to report on its financial position and the changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

Fiduciary funds are used to account for fiduciary activities (e.g., assets held on behalf of outside parties, including other governments). The District utilizes a pension trust fund.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted, committed or assigned monies (special revenue funds), the funds restricted, committed or assigned for the acquisition or construction of capital assets (capital projects funds) and the funds restricted for the servicing of governmental long-term debt (debt service funds). The General Fund (corporate) is used to account for all activities of the government not accounted for in some other fund.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of material interfund activity, other than interfund service transactions, has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

c. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those accounted for in another fund.

The Liability Insurance Fund, a special revenue fund, is used to account for revenue and expenditures related to the District's insurance activities and is funded by a restricted tax levy.

Additionally, the District reports the Firefighters' Pension Fund as a Fiduciary Fund.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities/funds are included on the statement of net position. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Program revenues consist of user fees and other charges for services, operating grants and capital grants.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (60 days).

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)

The District recognizes property taxes when they become both measurable and available in the year intended to finance. Expenditures are recorded when the related liability is incurred. However, debt service expenditures are recorded only when payment is due, unless due the first day of the following fiscal year.

Those revenues susceptible to accrual are property taxes, ambulance fees, interest revenue and charges for services.

The District reports deferred/unearned revenue on its financial statements. Deferred/unearned revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period for governmental funds or earned at the government-wide level. Deferred/unearned revenues also arise when resources are received by the District before it has legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the District has a legal claim to the resources by meeting all eligibility requirements, the deferred inflows of resources or liability is removed from the financial statements and revenue is recognized.

e. Cash and Investments

Investments with maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with maturity greater than one year at time of purchase, if any, are stated at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on 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; and Level 3 inputs are significant unobservable inputs. The District held no investments to measure at fair value at December 31, 2019.

f. Prepaid Expenses/Items

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid expenses/items using the consumption method. Such amounts are offset by nonspendable fund balance for prepaid expenses/items in the fund financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, tangible in nature and have an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	50
Apparatus and vehicles	10-25
Equipment	10-40

h. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds 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 expenditures.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

i. Compensated Absences

It is the District's policy to permit employees to accumulate earned, but unused vacation, personal, and sick days. Vacation leave and personal time off are expected to be taken by the end of the calendar year following the year earned and may not be carried forward between calendar years. Accumulated sick leave may be carried forward between calendar years. Accumulated vacation and a portion of accumulated sick leave are paid upon termination of employment. The portion of the liability related to sick leave is recorded on the statement of net position.

j. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year and are payable in two installments, generally in March and September of the following year. Cook County bills and collects all property taxes and remits them to the District. The District has a statutory tax rate limit in various operating funds subject to change only by approval of the voters of the District. Also, the District is subject to the Property Tax Extension Limitation Act, which, in general, limits the amount of taxes to be extended to the lesser of 5% or the percentage increase in the consumer price index for the year preceding the levy. Certain bond issue levies and referendum increases are exempt from this limitation.

k. Net Position/Fund Balances

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact.

Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose or externally imposed by outside entities. None of the restricted fund balance result from enabling legislation adopted by the District.

Committed fund balance is constrained by formal actions of the District's Board of Trustees, which is considered the District's highest level of decision-making authority. Formal actions include ordinances approved by the Board of Trustees. The Board of Trustees would also take action to modify or rescind committed fund balance, if applicable.

Assigned fund balance represents amounts constrained by the District's intent to use them for a specific purpose. The authority to assign fund balance remains with the Board of Trustees.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

k. Net Position/Fund Balances (Continued)

Any residual fund balance in the General Fund is reported as unassigned. Deficit fund balances in other governmental funds are also reported as unassigned.

The District's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the District considers committed funds to be expended first followed by assigned and then unassigned funds.

The District will maintain unassigned fund balance in the General Fund to fund operations for a period of at least three months.

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the District's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

l. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

m. Interfund Transactions

Reciprocal interfund service transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

n. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other fund” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans).

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

The District does not have a formal investment policy. Illinois Compiled Statutes (ILCS) and the authorize the District to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and The Illinois Funds.

The Illinois Public Treasurers’ Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than fair value.

The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer’s Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank’s failure, the District’s deposits may not be returned to it.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**2. DEPOSITS AND INVESTMENTS (Continued)**

Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the District will not be able to recover the value of its investments that are in possession of an outside party.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy does not address concentration of credit risk.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 290,700	\$ -	\$ 144,700	\$ 146,000
Total capital assets not being depreciated	290,700	-	144,700	146,000
Capital assets being depreciated				
Building and improvements	1,299,240	-	-	1,299,240
Apparatus and vehicles	3,164,821	-	856,327	2,308,494
Equipment	279,383	124,467	28,000	375,850
Total capital assets being depreciated	4,743,444	124,467	884,327	3,983,584
Less accumulated depreciation for				
Building and improvements	914,427	30,884	-	945,311
Apparatus and vehicles	1,842,805	148,030	788,612	1,202,223
Equipment	173,681	24,177	28,000	169,858
Total accumulated depreciation	2,930,913	203,091	816,612	2,317,392
Total capital assets being depreciated, net	1,812,531	(78,624)	67,715	1,666,192
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b>\$ 2,103,231</b>	<b>\$ (78,624)</b>	<b>\$ 212,415</b>	<b>\$ 1,812,192</b>

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**3. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the District's governmental activities as follows:

GOVERNMENTAL ACTIVITIES		
Public safety		<u>\$ 203,091</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES		<u>\$ 203,091</u>

**4. LONG-TERM DEBT**

The following is a summary of changes in long-term debt for governmental activities for the year ended December 31, 2019:

	Fund Debt Retired By	Beginning Balances, Restated	Additions	Reductions	Ending Balances	Current Portion
GOVERNMENTAL ACTIVITIES						
Notes payable						
Illinois Finance						
Authority	General	\$ 36,771	\$ -	\$ 6,129	\$ 30,642	\$ 6,129
Standard Bank 2014	General	72,251	-	72,251	-	-
BB&T Leasing	General	62,730	-	24,105	38,625	28,551
Total OPEB liability	General	5,274,743	-	100,943	5,173,800	789,408
Compensated absences	General	578,420	-	101,077	477,343	72,832
Net pension liability - Fire Pension	General	19,528,395	7,860,143	-	27,388,538	-
Net pension liability - IMRF	General	519,291	-	82,045	437,246	-
TOTAL GOVERNMENTAL ACTIVITIES		<u>\$ 26,072,601</u>	<u>\$ 7,860,143</u>	<u>\$ 386,550</u>	<u>\$ 33,546,194</u>	<u>\$ 896,920</u>

Long-term debt at December 31, 2019 is comprised of the following:

A note payable to the State of Illinois for the purchase of a fire truck. The note is non-interest-bearing and due in annual installments of \$6,129 through November 2024.

A lease payable to BB&T Leasing, originating in 2017, for the purchase of an ambulance. The note bears interest and requires monthly payments of \$2,564 (principal and interest), with the last payment due on April 1, 2021.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. LONG-TERM DEBT (Continued)**

Debt Service to Maturity

The annual requirements to amortize to maturity serial debt outstanding as of December 31, 2019 are as follows:

Fiscal Year Ending December 31,	Notes Payable	
	Principal	Interest
2020	\$ 34,680	\$ 2,217
2021	16,200	181
2022	6,129	-
2023	6,129	-
2024	6,129	-
<b>TOTAL</b>	<b>\$ 69,267</b>	<b>\$ 2,398</b>

**5. SHORT-TERM DEBT**

During the year ended December 31, 2019, the following changes occurred in short-term liabilities:

	Fund Debt Retired By	Beginning Balances	Additions	Reductions	Ending Balances	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>						
Direct Placement Debt						
Line of credit -						
Bridgeview Bank	General	\$ 350,000	\$ 450,000	\$ 800,000	\$ -	\$ -
Line of credit -						
Republic Bank	General	-	550,000	550,000	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>						
		<b>\$ 350,000</b>	<b>\$1,000,000</b>	<b>\$1,350,000</b>	<b>\$ -</b>	<b>\$ -</b>

A line of credit with Bridgeview Bank, originating in 2017, to assist with cash flows during the year. The line of credit was closed during the year ended December 31, 2019.

A line of credit with Republic Bank, originating in 2019, to assist with cash flows during the year. The balance is due \$0, and interest is charged at 4.75% as of December 31, 2019. The line matures on July 7, 2020.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**6. INDIVIDUAL FUND DISCLOSURES**

a. Interfund Receivables/Payables

	Due to Other Funds	Due from Other Funds
General	\$ 2,616	\$ 3,928
Nonmajor Governmental		
Audit	3,928	7,000
Fiduciary		
Pension	7,000	2,616
	<u>7,000</u>	<u>2,616</u>
<b>TOTAL</b>	<u>\$ 13,544</u>	<u>\$ 13,544</u>

The due to/from other funds in the above table relates to deficit cash balances. The amounts will be repaid within one year.

b. Deficit Fund Balances

The following funds reported a deficit fund balance at December 31, 2019:

Nonmajor Governmental	
Social Security	\$ (1,151)

**7. RISK MANAGEMENT**

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; net income losses; and natural disasters. In order to protect against such losses, the District has joined the Illinois Public Risk Fund. The fund currently operates as a common risk management and insurance program for local governmental entities in the State of Illinois. Employee health insurance is covered by commercial insurance purchased from independent third parties. Additionally, the District pays annual premiums to the fund for its worker's compensation and employer liability insurance coverage. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage in the current year or any of the past three years.

**NORTH PALOS FIRE PROTECTION DISTRICT  
PALOS HILLS, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**8. RETIREMENT FUND COMMITMENTS**

Illinois Municipal Retirement Fund

The District contributes to two defined benefit pension plans: the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system and the Firefighters’ Pension Plan, which is a single-employer pension plan (collectively called the pension plans). The benefits, benefit levels, employee contributions and employer contributions for all plans are governed by ILCS and can only be amended by the Illinois General Assembly. The North Palos Firefighters’ Pension Plan Fund does not issue a separate report. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or at [www.imrf.org](http://www.imrf.org).

a. Plan Descriptions

Illinois Municipal Retirement Fund

*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.

*Plan Membership*

At December 31, 2019 (plan measurement date), IMRF membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>1</u>
<b>TOTAL</b>	<b><u><u>4</u></u></b>

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Benefits Provided* (Continued)

*Benefits Provided*

All employees (other than those covered by the Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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 members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.50% of their annual salary to IMRF. The District is required to contribute the remaining amounts necessary to fund IMRF as specified by statute.

*Contributions*

Participating members are required to contribute 4.50% of their annual salary to IMRF. The District is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The required employer contribution rate for the year ended December 31, 2019 was 31.44% of covered payroll.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions*

The District's net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2019
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.35% to 14.25%
Interest rate	7.25%
Cost of living adjustments	3.25%
Asset valuation method	Market value

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 table 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.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability at December 31, 2019 was 7.25%. The discount rate used to measure the total pension liability at December 31, 2018 was 7.25%. 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 the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The discount rate was unchanged from the prior measurement period.

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2019	\$ 1,314,605	\$ 795,314	\$ 519,291
Changes for the period			
Service cost	9,023	-	9,023
Interest	92,876	-	92,876
Difference between expected and actual experience	4,473	-	4,473
Changes in assumptions	-	-	-
Employer contributions	-	27,990	(27,990)
Employee contributions	-	4,006	(4,006)
Net investment income	-	147,495	(147,495)
Benefit payments and refunds	(76,125)	(76,125)	-
Other (net transfer)	-	8,926	(8,926)
Net changes	30,247	112,292	(82,045)
BALANCES AT DECEMBER 31, 2019	\$ 1,344,852	\$ 907,606	\$ 437,246

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Changes in assumptions related to inflation rates, salary rates, and mortality were made since the prior measurement date.

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended December 31, 2019, the District recognized pension expense of \$36,523.

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>          </u>	<u>          </u>
Difference between expected and actual experience	\$ 37,343	\$ 50,812
Changes in assumption	28,713	32,031
Net difference between projected and actual earnings on pension plan investments	-	39,437
	<u>          </u>	<u>          </u>
<b>TOTAL</b>	<b>\$ 66,056</b>	<b>\$ 122,280</b>
Fiscal Year Ending December 31,		
2020		\$ (12,809)
2021		(19,885)
2022		(2,684)
2023		(19,720)
Thereafter		<u>(1,126)</u>
<b>TOTAL</b>		<b>\$ (56,224)</b>

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*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 net pension liability of the District calculated using the discount rate of 7.25% as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 609,337	\$ 437,246	\$ 297,479

Firefighters' Pension Plan

*Plan Administration*

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and 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 plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the Fire Protection District Board of Trustees, one member is elected by pension beneficiaries and two members are elected by active firefighters.

At December 31, 2019, membership consisted of:

Inactive plan members currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>31</u>
<b>TOTAL</b>	<u><u>45</u></u>

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Benefits Provided*

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement.

The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit 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% of the original pension, and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the greater of the average monthly salary obtaining by dividing the total salary during the 48 consecutive months of service within the last of 60 months in which the total salary was the highest by the number of months in that period; or 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 pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1<sup>st</sup> after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

**NORTH PALOS FIRE PROTECTION DISTRICT  
PALOS HILLS, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Contributions*

Covered employees are required to contribute 9.46% 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the Firefighters' Pension Plan. The District is required to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. The District has adopted a policy to fund 90% of the past service costs by 2040 using the entry-age normal actuarial cost method. For the year ended December 31, 2019, the District's contribution was 22.33% of covered payroll.

*Investment Policy*

The Firefighters' Pension Fund's (the Fund) investment policy authorizes the Fund to invest in all investments allowed by ILCS. These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, state and municipal obligations, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, Illinois insurance company general and separate accounts, mutual funds, equity securities, short-term commercial paper rated within the three highest classifications by at least two standard rating services and The Illinois Funds. The Fund's investment policy does limit their deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance.

It is the policy of the Fund to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Fund and conforming to all state and local statutes governing the investment of public funds, using the prudent person standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety of principal, liquidity and rate of return.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Investment Policy* (Continued)

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	38.50%	6.10%
Small Cap Domestic Equity	11.00%	7.90%
International Equity	5.50%	6.80%
Fixed Income	45.00%	1.30%

The long-term expected real rates of return are net of a 2.50% factor for inflation and investment expense. ILCS limits 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.

*Concentrations*

Investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments as of December 31, 2019 are as follows:

	Investment Amount	% of Assets
Vanguard 500 Index Fund	\$ 2,456,666	13.32%
T Rowe Price Growth Stock	2,270,007	12.31%
Pioneer Equity Income Y	1,178,818	6.39%

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*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 17.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits with Financial Institutions*

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Fund's deposits may not be returned to it. The Fund's investment policy requires pledging of collateral held by the custodial bank in the Fund's name for all bank balances in excess of federal depository insurance.

*Investments*

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2019:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater Than 10
U.S. Government notes	\$ 726,007	\$ 49,983	\$ 308,133	\$ 367,891	\$ -
U.S. agency obligations	4,434,570	91,191	1,193,247	3,150,132	-
State and local bonds	791,612	51,090	485,106	255,416	-
Corporate bonds	1,813,199	317,620	1,005,558	490,021	-
<b>TOTAL</b>	<b>\$ 7,765,388</b>	<b>\$ 509,884</b>	<b>\$ 2,992,044</b>	<b>\$ 4,263,460</b>	<b>\$ -</b>

The Fund has the following recurring fair value measurements as of December 31, 2019: the equity mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S Treasury securities, U.S. agency obligations and the municipal bonds are valued using quoted matrix pricing models (Level 2 inputs).

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8 RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market.

*Credit Risk*

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in United States Government securities, money market mutual funds and requiring that municipal and corporate bonds must be rated as investment grade by one of the two highest rating services at the time of purchase. The U.S. agency securities are rated between Aaa to not rated by Moody's and between AA+ to not rated by Standard and Poor's. The municipal bonds are rated between Aaa to not rated by Moody's and between AAA to not rated by Standard and Poor's.

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. Money market mutual funds, equity mutual funds and insurance contracts are not subject to custodial credit risk. In accordance with the Fund's investment policy, the Fund limits its exposure to custodial credit risk by utilizing an independent third party institution to act as a custodian for its securities and collateral.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Changes in the Net Pension Liability*

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2019	\$ 35,177,214	\$ 15,648,819	\$ 19,528,395
Changes for the period			
Service cost	1,380,596	-	1,380,596
Interest	1,854,805	-	1,854,805
Difference between expected and actual experience	465,126	-	465,126
Changes in assumptions	7,605,236	-	7,605,236
Changes in benefit terms	293,153	-	293,153
Employer contributions	-	714,476	(714,476)
Employee contributions	-	310,237	(310,237)
Other contributions	-	-	-
Net investment income	-	2,746,738	(2,746,738)
Benefit payments and refunds	(886,079)	(886,079)	-
Administrative expense	-	(32,678)	32,678
Net changes	10,712,837	2,852,694	7,860,143
BALANCES AT DECEMBER 31, 2019	\$ 45,890,051	\$ 18,501,513	\$ 27,388,538

The High-Quality 20 Year Tax-Exempt General Obligation ("G.O.") Bond Rate assumption was changed from 4.10% to 2.74% for the current year. The underlying index used is. The rate has been updated to the current Fiscal Year End based on changes in market conditions as reflected in the Bond Buyer 20-Bond G.O. Index.

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2019 using the actuarial methods and assumptions on the following page.

**NORTH PALOS FIRE PROTECTION DISTRICT  
PALOS HILLS, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

*Actuarial Assumptions*

Actuarial valuation date	December 31, 2019
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	4.00% to 12.89%
Interest rate	6.75%
Cost of living adjustments	3.25%
Asset valuation method	Market Value

Mortality rates were based on RP-2014 Adjusted for Plan Status, Collar and Illinois Public Pension Data, As Appropriate.

*Discount Rate*

The discount rate used to measure the total pension liability was 4.38%. 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 the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments of 6.75% was blended with the index rate of 2.74% for tax exempt general obligation bonds rated AA or better at December 31, 2019 to arrive at a discount rate of 4.38% used to determine the total pension liability. The discount rate used to measure the total pension liability as of December 31, 2018 was 5.34%.

**NORTH PALOS FIRE PROTECTION DISTRICT  
PALOS HILLS, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Fund (Continued)

*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 Firefighters' Pension Plan calculated using the discount rate of 4.38% as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.38%) or 1 percentage point higher (5.38%) than the current rate:

	1% Decrease (3.38%)	Current Discount Rate (4.38%)	1% Increase (5.38%)
Net pension liability	\$ 36,989,225	\$ 27,388,538	\$ 19,966,990

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended December 31, 2019, the District recognized pension expense of \$3,724,525.

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the Firefighters' Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,861,796	\$ 139,573
Changes in assumptions	11,368,894	1,700,739
Net difference between projected and actual earnings on pension plan investments	-	534,269
<b>TOTAL</b>	<b>\$ 13,230,690</b>	<b>\$ 2,374,581</b>

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. RETIREMENT FUND COMMITMENTS (Continued)**

a. Plan Descriptions (Continued)

Firefighters' Pension Fund (Continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources* (Continued)

Changes in the net pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the plan. Differences in projected and actual earnings over the measurement period are recognized over a five-year period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the firefighters' pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2020	\$ 1,375,617
2021	1,331,998
2022	1,495,524
2023	1,129,308
Thereafter	<u>5,523,662</u>
<b>TOTAL</b>	<b><u>\$ 10,856,109</u></b>

**9. OTHER POSTEMPLOYMENT BENEFITS**

a. Plan Description

In addition to providing the pension benefits described, the District provides other postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through its personnel manual.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a separate report. The activity of the plan is reported in the District's governmental activities.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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**9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

b. Benefits Provided

The District provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the District’s retirement plan. In addition, the District has an explicit benefit as retired firefighters are required to pay 25% of the premiums; all other employees pay 60% of the premiums for such coverage and the District pays the balance of the costs. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but the retiree can purchase a Medicare supplement plan from the District’s insurance provider. For certain disabled employees who qualify for health insurance benefits under the Public Safety Employee Benefits Act (PSEBA), the District is required to pay 100% of the cost of basic health insurance for the employee and their dependents for their lifetime.

c. Membership

At December 31, 2019 (plan measurement date), membership consisted of:

Inactive fund members or beneficiaries currently receiving benefits payments	8
Inactive fund members entitled to but not yet receiving benefit payments	-
Active fund members	<u>32</u>
 TOTAL	 <u>40</u>

**NORTH PALOS FIRE PROTECTION DISTRICT  
PALOS HILLS, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)**

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**9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

d. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2019
Actuarial cost method	Entry-age normal
Inflation	3.00%
Discount rate	3.26%
Healthcare cost trend rates	4.50% to 6.50% in Fiscal 2019 based on type of plan, to an ultimate trend rate of 4.50%
Asset valuation method	N/A
Mortality rates	PubS H-2010 General Mortality Table for IMRF participants and PubS.H-2010 Safety Mortality Table for Police participants.

e. Discount Rate

The discount rate was based on the S&P Municipal Bond 20-year high-grade rate index rate for tax exempt general obligation municipal bonds rated AA or better at December 31, 2019.

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

f. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
BALANCES AT JANUARY 1, 2019	<u>\$ 5,274,743</u>
Changes for the period	
Service cost	249,191
Interest	187,741
Difference between expected & actual experience	(268,756)
Changes in assumptions	(64,227)
Benefit payments	(234,072)
Other changes	<u>29,180</u>
Net changes	<u>(100,943)</u>
BALANCES AT DECEMBER 31, 2019	<u>\$ 5,173,800</u>

g. Rate Sensitivity

The following is a sensitive analysis of total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the District calculated using the discount rate of 3.26% as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.26%) or 1 percentage point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB liability	\$ 4,719,506	\$ 5,173,800	\$ 5,677,648

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

g. Rate Sensitivity (Continued)

The table below presents the total OPEB liability of the District calculated using the healthcare rate of 4.50% to 6.50% as well as what the District's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (3.50% to 5.50%) or 1 percentage point higher (5.50% to 7.50%) than the current rate:

	1% Decrease (3.50% to 5.50%)	Current Healthcare Rate (4.50% to 6.50%)	1% Increase (5.50% to 7.50%)
Total OPEB liability	\$ 5,872,895	\$ 5,173,800	\$ 4,582,789

h. 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 \$303,047. At December 31, 2019, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 630,255	\$ 241,511
Changes in assumptions	852,821	652,101
Net difference between projected and actual earnings on pension plan investments	-	-
<b>TOTAL</b>	<u>\$ 1,483,076</u>	<u>\$ 893,612</u>

**NORTH PALOS FIRE PROTECTION DISTRICT**  
**PALOS HILLS, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**9. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

- h. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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 Ending December 31,	
2020	\$ 100,187
2021	100,187
2022	100,187
2023	100,187
Thereafter	<u>188,716</u>
TOTAL	<u>\$ 589,464</u>

**10. SUBSEQUENT EVENTS**

Firefighters' Pension Plan

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. As a result, equity investments of the Firefighter's Pension Plans have experienced significant declines in quoted prices on active markets. Management of the Firefighters' Pension Plan are carefully monitoring the situation and evaluating options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2019

	<u>Final Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>				
Property taxes		\$ 3,943,602	\$ 3,800,324	\$ (143,278)
Personal property replacement taxes		17,866	21,392	3,526
Charges for services		3,015,500	3,373,914	358,414
Grants		129,449	134,449	5,000
Foreign fire insurance		33,000	31,625	(1,375)
Investment income		100	577	477
Miscellaneous		2,415	2,628	213
		<u>7,141,932</u>	<u>7,364,909</u>	<u>222,977</u>
Total revenues				
<b>EXPENDITURES</b>				
Current				
Salaries and wages	\$ 5,799,781	4,574,600	4,453,446	(121,154)
Employee benefits	769,404	1,576,766	1,569,374	(7,392)
Outside services	322,892	309,516	268,721	(40,795)
Administrative	92,926	68,000	59,401	(8,599)
Education and training	-	20,500	15,849	(4,651)
Buildings and grounds	123,542	117,660	130,914	13,254
Equipment maintenance	334,746	307,499	325,224	17,725
Capital outlay	-	11,306	100	(11,206)
Debt service				
Principal	1,173,516	100,307	102,485	2,178
Interest	-	17,327	17,289	(38)
		<u>\$ 8,616,807</u>	<u>7,103,481</u>	<u>(160,678)</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
		<u>38,451</u>	<u>422,106</u>	<u>383,655</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	\$ (26,250)	(25,000)	(25,000)	-
Proceeds from sale of assets	-	-	236,207	236,207
		<u>\$ (26,250)</u>	<u>211,207</u>	<u>236,207</u>
Total other financing sources (uses)				
<b>NET CHANGE IN FUND BALANCE</b>				
		<u>\$ 13,451</u>	633,313	<u>\$ 619,862</u>
<b>FUND BALANCE, JANUARY 1</b>				
			<u>260,102</u>	
<b>FUND BALANCE, DECEMBER 31</b>				
			<u>\$ 893,415</u>	

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
LIABILITY INSURANCE FUND

For the Year Ended December 31, 2019

	<b>Final Appropriation</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$	404,020	\$ 395,208	\$ (8,812)
Total revenues		404,020	395,208	(8,812)
<b>EXPENDITURES</b>				
Current				
Salaries and wages	\$	117,075	110,500	101,737 (8,763)
Outside services		13,808	14,150	3,325 (10,825)
Insurance		313,923	298,974	294,184 (4,790)
Total expenditures	\$	444,806	423,624	399,246 (24,378)
NET CHANGE IN FUND BALANCE	\$	(19,604)	(4,038)	\$ 15,566
FUND BALANCE, JANUARY 1			93,217	
<b>FUND BALANCE, DECEMBER 31</b>			\$ 89,179	

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Six Fiscal Years

<b>FISCAL YEAR ENDED DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Actuarially determined contribution	\$ 19,302	\$ 41,942	\$ 44,186	\$ 46,472	\$ 30,117	\$ 27,990
Contribution in relation to the actuarially determined contribution	16,750	41,942	44,186	46,472	30,117	27,990
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ 2,552</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered payroll	\$ 97,043	\$ 109,883	\$ 111,665	\$ 131,276	\$ 90,089	\$ 89,028
Contributions as a percentage of covered payroll	17.26%	38.17%	39.57%	35.40%	33.43%	31.44%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the calendar year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 24 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of 7.50% annually, projected salary increases assumption of 3.35% to 14.25% compounded annually and postretirement benefit increases of 3% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

**SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Six Calendar Years

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 10,904	\$ 10,826	\$ 12,271	\$ 12,156	\$ 13,646	\$ 9,023
Interest	81,951	88,089	92,828	92,126	94,567	92,876
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	24,690	34,382	(43,815)	45,401	(47,999)	4,473
Changes of assumptions	40,102	(3,471)	(17,533)	(44,577)	37,447	-
Benefit payments, including refunds of member contributions	(64,937)	(68,726)	(70,581)	(72,376)	(74,241)	(76,125)
Net change in total pension liability	92,710	61,100	(26,830)	32,730	23,420	30,247
Total pension liability - beginning	1,131,475	1,224,185	1,285,285	1,258,455	1,291,185	1,314,605
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 1,224,185</b>	<b>\$ 1,285,285</b>	<b>\$ 1,258,455</b>	<b>\$ 1,291,185</b>	<b>\$ 1,314,605</b>	<b>\$ 1,344,852</b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - employer	\$ 16,750	\$ 41,942	\$ 44,186	\$ 46,472	\$ 30,117	\$ 27,990
Contributions - member	4,367	4,945	5,025	7,329	4,232	4,006
Net investment income	39,854	3,333	50,254	135,156	(44,451)	147,495
Benefit payments, including refunds of member contributions	(64,937)	(68,726)	(70,581)	(72,376)	(74,241)	(76,125)
Other (net transfer)	6,242	61,317	8,512	(22,286)	27,621	8,926
Net change in plan fiduciary net position	2,276	42,811	37,396	94,295	(56,722)	112,292
Plan fiduciary net position - beginning	675,258	677,534	720,345	757,741	852,036	795,314
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>\$ 677,534</b>	<b>\$ 720,345</b>	<b>\$ 757,741</b>	<b>\$ 852,036</b>	<b>\$ 795,314</b>	<b>\$ 907,606</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 546,651</b>	<b>\$ 564,940</b>	<b>\$ 500,714</b>	<b>\$ 439,149</b>	<b>\$ 519,291</b>	<b>\$ 437,246</b>
Plan fiduciary net position as a percentage of the total pension liability	55.35%	56.05%	60.21%	65.99%	60.50%	67.49%
Covered payroll	\$ 97,043	\$ 109,883	\$ 111,665	\$ 131,276	\$ 90,089	\$ 89,028
Employer's net pension liability as a percentage of covered payroll	563.31%	514.13%	448.41%	334.52%	576.42%	491.13%

Changes of assumptions

- 2014 - Mortality and inflation assumptions
- 2015 - changes in assumptions related to investment rate of return, retirement age and mortality rates
- 2016 - changes in assumptions related to retirement age and mortality rates
- 2017 - changes in assumptions related to inflation rates, salary rates and mortality rates
- 2018 - changes in assumptions related to the investment rate of return

IMRF's measurement date is December 31, 2019; therefore, information above is presented for the calendar year ended December 31, 2019.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FIREFIGHTERS' PENSION FUND**

Last Six Fiscal Years

<b>FISCAL YEAR ENDED DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Actuarially determined contribution	\$ 834,526	\$ 834,526	\$ 885,291	\$ 964,172	\$ 1,220,313	\$ 1,391,360
Contribution in relation to the actuarially determined contribution	528,580	578,109	664,580	654,942	683,228	714,476
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ 305,946</b>	<b>\$ 256,417</b>	<b>\$ 220,711</b>	<b>\$ 309,230</b>	<b>\$ 537,085</b>	<b>\$ 676,884</b>
Covered payroll	\$ 2,965,866	\$ 2,769,045	\$ 3,252,231	\$ 3,357,929	\$ 3,274,937	\$ 3,199,464
Contributions as a percentage of covered payroll	17.82%	20.88%	20.43%	19.50%	20.86%	22.33%

Notes to Required Supplementary Information

The increase in the actuarially determined contribution is due to changes in actuarial assumptions with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to the assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds, which was changed from 4.10% to 2.75% for the current year. The discount rate used to determine the total pension liability was also changed from 5.34% to 4.39%.

The information presented was determined as part of the actuarial valuations as of December 31. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 24 years; the asset valuation method was market value; and the significant actuarial assumptions were an investment rate of return of 6.75% annually, projected salary increase assumption of 4.00% to 12.89% plus 2.50% for inflation compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
FIREFIGHTERS' PENSION FUND

Last Six Fiscal Years

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 847,651	\$ 1,163,012	\$ 1,387,092	\$ 1,457,140	\$ 1,496,847	\$ 1,380,596
Interest	1,037,408	919,067	1,365,875	1,570,388	1,694,287	1,854,805
Changes of benefit terms	-	-	-	-	-	293,153
Differences between expected and actual experience	1,429,162	(245,963)	1,433,463	85,159	562,222	465,126
Changes of assumptions	701,778	7,179,729	372,634	307,903	(2,117,589)	7,605,236
Benefit payments, including refunds of member contributions	(357,795)	(404,096)	(443,870)	(574,732)	(688,568)	(886,079)
Net change in total pension liability	3,658,204	8,611,749	4,115,194	2,845,858	947,199	10,712,837
Total pension liability - beginning	14,999,010	18,657,214	27,268,963	31,384,157	34,230,015	35,177,214
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 18,657,214</b>	<b>\$ 27,268,963</b>	<b>\$ 31,384,157</b>	<b>\$ 34,230,015</b>	<b>\$ 35,177,214</b>	<b>\$ 45,890,051</b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - employer	\$ 528,580	\$ 578,109	\$ 676,042	\$ 654,942	\$ 683,228	\$ 714,476
Contributions - member	322,894	302,103	299,999	302,221	308,044	310,237
Contributions - other	-	-	-	-	37,083	-
Net investment income	508,095	(19,189)	661,839	1,770,436	(736,262)	2,747,738
Benefit payments, including refunds of member contributions	(357,795)	(404,096)	(443,870)	(574,732)	(688,568)	(886,079)
Administrative expense	25,228	(8,058)	(34,524)	(33,535)	(9,354)	(33,678)
Net change in plan fiduciary net position	1,027,002	448,869	1,159,486	2,119,332	(405,829)	2,852,694
Plan fiduciary net position - beginning	11,311,420	12,338,422	12,787,291	13,946,777	16,054,648	15,648,819
Prior period adjustment	-	-	-	(11,461)	-	-
Plan fiduciary net position - beginning (restated)	11,311,420	12,338,422	12,787,291	13,935,316	16,054,648	15,648,819
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>\$ 12,338,422</b>	<b>\$ 12,787,291</b>	<b>\$ 13,946,777</b>	<b>\$ 16,054,648</b>	<b>\$ 15,648,819</b>	<b>\$ 18,501,513</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 6,318,792</b>	<b>\$ 14,481,672</b>	<b>\$ 17,437,380</b>	<b>\$ 18,175,367</b>	<b>\$ 19,528,395</b>	<b>\$ 27,388,538</b>
Plan fiduciary net position as a percentage of the total pension liability	66.13%	46.89%	51.16%	46.90%	44.49%	40.32%
Covered payroll	\$ 2,965,866	\$ 2,769,045	\$ 3,252,231	\$ 3,357,929	\$ 3,274,934	\$ 3,199,464
Employer's net pension liability as a percentage of covered payroll	213.05%	522.98%	536.17%	541.27%	596.30%	856.04%

The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 4.10% to 2.75% for the current year. The discount rate used to determine the total pension liability was also changed from 5.34% to 4.39%.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

**SCHEDULE OF INVESTMENT RETURNS  
FIREFIGHTERS' PENSION FUND**

Last Six Fiscal Years

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<b>FISCAL YEAR ENDED DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Annual money-weighted rate of return, net of investment expense	2.49%	(2.00%)	8.79%	12.57%	(4.51%)	17.95%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

OTHER POSTEMPLOYMENT BENEFIT PLAN  
SCHEDULE OF CHANGES IN THE EMPLOYER'S  
TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Three Fiscal Years

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>TOTAL OPEB LIABILITY</b>			
Service cost	\$ 309,645	\$ 290,047	\$ 249,191
Interest	107,997	159,718	187,741
Changes of benefit terms	-		
Differences between expected and actual experience	914,411	-	(268,756)
Changes of assumptions	346,796	(235,604)	(64,227)
Other changes	-	102,006	29,182
Implicit benefit payments	(34,838)	(191,574)	(234,072)
Net change in total OPEB liability	1,644,011	124,593	(100,941)
Total OPEB liability - beginning	3,506,139	5,150,150	5,274,743
<b>TOTAL OPEB LIABILITY - ENDING</b>	<b>\$ 5,150,150</b>	<b>\$ 5,274,743</b>	<b>\$ 5,173,802</b>
Covered payroll	\$ 2,962,630	\$ 1,413,728	\$ 3,048,242
Employer's net OPEB liability as a percentage of covered payroll	173.84%	373.11%	169.73%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
PALOS HILLS, ILLINOIS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

December 31, 2019

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**BUDGETS**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

Budgets are adopted on a basis consistent with GAAP.

1. The Fire Chief prepares a tentative budget for all funds of the District.
2. The budget document is submitted to the Board of Trustees for review.
3. The Budget and Appropriation Ordinance must be enacted into law.
4. All unspent budgetary amounts lapse at year end.
5. Expenditures legally may not exceed the total appropriations at the fund level. No amendments to the budget at this level are allowed without Board of Trustees approval. Expenditures may not legally exceed appropriations at the fund level.
6. Notice is given and public meetings are conducted to obtain taxpayer comments.

The budget is prepared for all funds on the same basis as the basic financial statements. The budget is prepared in accordance with the Illinois Fire District Code and is derived from the combined annual budget and appropriation ordinance of the District. All budgets are prepared based on the annual fiscal year of the District. All budgetary funds are controlled by an integrated budgetary accounting system in accordance with the various legal requirements which govern the District. The operating budget does not exceed the appropriations for the year.

In the social security fund expenditures of \$105,916 exceed the appropriation of \$94,500 for the year ended December 31, 2019.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**MAJOR GOVERNMENTAL FUNDS**

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

COMBINING BALANCE SHEET BY SUBFUND  
GENERAL FUND

December 31, 2019

	<u>General</u>	<u>Ambulance</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 1,097,859	\$ (872,990)	\$ 224,869
Receivables (net of allowance for uncollectible)			
Property taxes	2,520,000	1,625,000	4,145,000
Accounts	3,985	972,110	976,095
Due from other funds	3,928	-	3,928
Prepaid items	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 3,625,772</b>	<b>\$ 1,724,120</b>	<b>\$ 5,349,892</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 89,861	\$ 15,881	\$ 105,742
Accrued payroll	65,569	63,466	129,035
Due to other funds	-	-	-
Due to fiduciary fund	2,616	-	2,616
Due to other governments	74,084	-	74,084
	<hr/>	<hr/>	<hr/>
Total liabilities	232,130	79,347	311,477
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,520,000	1,625,000	4,145,000
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	2,520,000	1,625,000	4,145,000
	<hr/>	<hr/>	<hr/>
Total liabilities and deferred inflows of resources	2,752,130	1,704,347	4,456,477
<b>FUND BALANCES</b>			
Restricted			
Foreign fire insurance	62,830	-	62,830
Unassigned	810,812	19,773	830,585
	<hr/>	<hr/>	<hr/>
Total fund balances	873,642	19,773	893,415
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,625,772</b>	<b>\$ 1,724,120</b>	<b>\$ 5,349,892</b>

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES BY SUBFUND  
GENERAL FUND

For the Year Ended December 31, 2019

	General	Ambulance	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 2,257,400	\$ 1,542,924	\$ 3,800,324
Personal property replacement taxes	21,392	-	21,392
Charges for services	1,762,097	1,611,817	3,373,914
Grants	134,449	-	134,449
Foreign fire insurance	31,625	-	31,625
Investment income	577	-	577
Miscellaneous	2,628	-	2,628
<b>Total revenues</b>	<b>4,210,168</b>	<b>3,154,741</b>	<b>7,364,909</b>
<b>EXPENDITURES</b>			
Current			
Salaries and wages	2,227,529	2,225,917	4,453,446
Employee benefits	1,139,300	430,074	1,569,374
Outside services	136,946	131,775	268,721
Administrative	29,179	30,222	59,401
Education and training	7,974	7,875	15,849
Buildings and grounds	72,816	58,098	130,914
Equipment maintenance	232,577	92,647	325,224
Capital outlay	100	-	100
Debt service			
Principal retirement	102,485	-	102,485
Interest and fiscal charges	17,289	-	17,289
<b>Total expenditures</b>	<b>3,966,195</b>	<b>2,976,608</b>	<b>6,942,803</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>243,973</b>	<b>178,133</b>	<b>422,106</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	(25,000)	-	(25,000)
Proceeds from sale of assets	236,207	-	236,207
<b>Total other financing sources (uses)</b>	<b>211,207</b>	<b>-</b>	<b>211,207</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>455,180</b>	<b>178,133</b>	<b>633,313</b>
<b>FUND BALANCES (DEFICIT), JANUARY 1</b>	<b>418,462</b>	<b>(158,360)</b>	<b>260,102</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 873,642</b>	<b>\$ 19,773</b>	<b>\$ 893,415</b>

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
CORPORATE SUBFUND

For the Year Ended December 31, 2019

	<u>Final Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>				
Property taxes		\$ 2,338,184	\$ 2,257,400	\$ (80,784)
Personal property replacement taxes		8,933	21,392	12,459
Charges for services		1,765,500	1,762,097	(3,403)
Grants		129,449	134,449	5,000
Foreign fire insurance		33,000	31,625	(1,375)
Investment income		50	577	527
Miscellaneous		2,415	2,628	213
		<u>4,277,531</u>	<u>4,210,168</u>	<u>(67,363)</u>
Total revenues				
<b>EXPENDITURES</b>				
Current				
Salaries and wages	\$ 2,899,103	2,286,550	2,227,529	(59,021)
Employee benefits	769,404	1,155,766	1,139,300	(16,466)
Outside services	161,446	153,758	136,946	(16,812)
Administrative	46,463	34,000	29,179	(4,821)
Education and training	-	10,250	7,974	(2,276)
Buildings and grounds	61,772	58,830	72,816	13,986
Equipment maintenance	243,234	220,345	232,577	12,232
Capital outlay	-	11,306	100	(11,206)
Debt service				
Principal	1,173,516	100,307	102,485	2,178
Interest	-	17,327	17,289	(38)
		<u>5,354,938</u>	<u>4,048,439</u>	<u>(82,244)</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
		<u>229,092</u>	<u>243,973</u>	<u>14,881</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	\$ (26,250)	(25,000)	(25,000)	-
Proceeds from sale of assets	-	-	236,207	236,207
		<u>(26,250)</u>	<u>211,207</u>	<u>236,207</u>
Total other financing sources (uses)				
<b>NET CHANGE IN FUND BALANCE</b>				
		<u>\$ 204,092</u>	455,180	<u>\$ 251,088</u>
<b>FUND BALANCE, JANUARY 1</b>				
			<u>418,462</u>	
<b>FUND BALANCE, DECEMBER 31</b>				
			<u>\$ 873,642</u>	

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
AMBULANCE SUBFUND

For the Year Ended December 31, 2019

	<u>Final Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>				
Property taxes		\$ 1,605,418	\$ 1,542,924	\$ (62,494)
Personal property replacement taxes		8,933	-	(8,933)
Charges for services		1,250,000	1,611,817	361,817
Investment income		50	-	(50)
		<u>2,864,401</u>	<u>3,154,741</u>	<u>290,340</u>
<b>EXPENDITURES</b>				
Current				
Salaries and wages	\$ 2,900,678	2,288,050	2,225,917	(62,133)
Employee benefits	-	421,000	430,074	9,074
Outside services	161,446	155,758	131,775	(23,983)
Administrative	46,463	34,000	30,222	(3,778)
Education and training	-	10,250	7,875	(2,375)
Buildings and grounds	61,770	58,830	58,098	(732)
Equipment maintenance	91,512	87,154	92,647	5,493
	<u>\$ 3,261,869</u>	<u>3,055,042</u>	<u>2,976,608</u>	<u>(78,434)</u>
NET CHANGE IN FUND BALANCE		<u>\$ (190,641)</u>	178,133	<u>\$ 368,774</u>
FUND BALANCE (DEFICIT), JANUARY 1			<u>(158,360)</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 19,773</u>	

(See independent auditor's report.)

**NONMAJOR GOVERNMENTAL FUNDS**

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2019

	<u>Special Revenue</u>				<b>Total Nonmajor Governmental</b>
	<b>IMRF</b>	<b>Social Security</b>	<b>Audit</b>	<b>Emergency Rescue Crew</b>	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>ASSETS</b>					
Cash	\$ 912	\$ 1,580	\$ -	\$ 32,010	\$ 34,502
Property taxes receivable	95,000	95,000	20,000	400,000	610,000
Due from fiduciary fund	-	-	7,000	-	7,000
Total assets	<u>95,912</u>	<u>96,580</u>	<u>27,000</u>	<u>432,010</u>	<u>651,502</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
None	-	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 95,912</u>	<u>\$ 96,580</u>	<u>\$ 27,000</u>	<u>\$ 432,010</u>	<u>\$ 651,502</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accrued payroll	\$ -	\$ 2,731	\$ -	\$ -	\$ 2,731
Due to other funds	-	-	3,928	-	3,928
Total liabilities	<u>-</u>	<u>2,731</u>	<u>3,928</u>	<u>-</u>	<u>6,659</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable property tax revenue	95,000	95,000	20,000	400,000	610,000
Total deferred inflows of resources	<u>95,000</u>	<u>95,000</u>	<u>20,000</u>	<u>400,000</u>	<u>610,000</u>
Total liabilities and deferred inflows of resources	<u>95,000</u>	<u>97,731</u>	<u>23,928</u>	<u>400,000</u>	<u>616,659</u>
<b>FUND BALANCES</b>					
Restricted					
Retirement	912	-	-	-	912
Audit	-	-	3,072	-	3,072
Emergency rescues	-	-	-	32,010	32,010
Unassigned (deficit)	-	(1,151)	-	-	(1,151)
Total fund balances (deficit)	<u>912</u>	<u>(1,151)</u>	<u>3,072</u>	<u>32,010</u>	<u>34,843</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 95,912</u>	<u>\$ 96,580</u>	<u>\$ 27,000</u>	<u>\$ 432,010</u>	<u>\$ 651,502</u>

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	Special Revenue			Emergency Rescue Crew	Total Nonmajor Governmental
	IMRF	Social Security	Audit		
<b>REVENUES</b>					
Property taxes	\$ 32,665	\$ 28,229	\$ 18,954	\$ 183,489	\$ 263,337
Total revenues	32,665	28,229	18,954	183,489	263,337
<b>EXPENDITURES</b>					
Current					
Salaries and wages	-	-	-	138,812	138,812
Outside services	-	-	-	-	-
Education and training	-	-	-	-	-
Equipment	-	-	-	-	-
Insurance	-	-	-	-	-
IMRF	28,687	-	-	-	28,687
Social Security	-	105,916	-	-	105,916
Audit	-	-	6,500	-	6,500
Total expenditures	28,687	105,916	6,500	138,812	279,915
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,978	(77,687)	12,454	44,677	(16,578)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	17,500	-	7,500	-	25,000
Total other financing sources (uses)	17,500	-	7,500	-	25,000
NET CHANGE IN FUND BALANCE	21,478	(77,687)	19,954	44,677	8,422
FUND BALANCE (DEFICIT), JANUARY 1	(20,566)	76,536	(16,882)	(12,667)	26,421
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>	<b>\$ 912</b>	<b>\$ (1,151)</b>	<b>\$ 3,072</b>	<b>\$ 32,010</b>	<b>\$ 34,843</b>

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
IMRF FUND

For the Year Ended December 31, 2019

	<b>Final Appropriation</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$ 33,807	\$ 32,665	\$ (1,142)	
Total revenues	33,807	32,665	(1,142)	
<b>EXPENDITURES</b>				
Current				
IMRF	\$ 35,497	33,807	28,687	(5,120)
Total expenditures	\$ 35,497	33,807	28,687	(5,120)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		-	3,978	3,978
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		17,500	17,500	-
Total other financing sources (uses)		17,500	17,500	-
NET CHANGE IN FUND BALANCE	\$ 17,500		21,478	\$ 3,978
FUND BALANCE (DEFICIT), JANUARY 1			(20,566)	
<b>FUND BALANCE, DECEMBER 31</b>			\$ 912	

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
SOCIAL SECURITY FUND

For the Year Ended December 31, 2019

	<b>Final Appropriation</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$	29,217	\$ 28,229	\$ (988)
Total revenues		29,217	28,229	(988)
<b>EXPENDITURES</b>				
Current				
Social Security	\$	94,500	90,000	105,916
Total expenditures	\$	94,500	90,000	105,916
NET CHANGE IN FUND BALANCE		\$ (60,783)	(77,687)	\$ (16,904)
FUND BALANCE, JANUARY 1			76,536	
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>			<b>\$ (1,151)</b>	

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
AUDIT FUND

For the Year Ended December 31, 2019

	<b>Final Appropriation</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$ 19,617	\$ 18,954	\$ (663)	
Total revenues	19,617	18,954	(663)	
<b>EXPENDITURES</b>				
Current				
Audit	\$ 13,650	13,000	6,500	(6,500)
Total expenditures	\$ 13,650	13,000	6,500	(6,500)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		6,617	12,454	5,837
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		7,500	7,500	-
Total other financing sources (uses)		7,500	7,500	-
NET CHANGE IN FUND BALANCE	\$ 14,117	19,954	\$ 5,837	
FUND BALANCE (DEFICIT), JANUARY 1			(16,882)	
<b>FUND BALANCE, DECEMBER 31</b>			\$ 3,072	

(See independent auditor's report.)

**NORTH PALOS FIRE PROTECTION DISTRICT  
NORTH PALOS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
EMERGENCY RESCUE CREW FUND

For the Year Ended December 31, 2019

	<b>Final Appropriation</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$ 187,819	\$ 183,489	\$ (4,330)	
Total revenues	187,819	183,489	(4,330)	
<b>EXPENDITURES</b>				
Current				
Salaries and wages	\$ 160,125	152,500	138,812	(13,688)
Total expenditures	\$ 160,125	152,500	138,812	(13,688)
NET CHANGE IN FUND BALANCE		\$ 35,319	44,677	\$ 9,358
FUND BALANCE (DEFICIT), JANUARY 1			(12,667)	
<b>FUND BALANCE, DECEMBER 31</b>			\$ 32,010	

(See independent auditor's report.)