

**ALGONQUIN-LAKE IN THE HILLS
FIRE PROTECTION DISTRICT**

MC HENRY AND KANE COUNTIES, ILLINOIS

ANNUAL FINANCIAL REPORT

April 30, 2008

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
April 30, 2008**

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Susan L. Coen

Certified Public Accountant

95 Grant Street • Crystal Lake, Illinois 60014

INDEPENDENT AUDITOR'S REPORT

October 6, 2008

To The President And
Board Of Trustees
Algonquin-Lake In The Hills Fire Protection District
Mc Henry And Kane Counties
Lake In The Hills, Illinois 60102

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the fiduciary fund and the aggregate remaining fund information of the Algonquin-Lake In The Hills Fire Protection District, Mc Henry and Kane Counties, Lake In The Hills, Illinois, as of and for the year ended April 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Algonquin-Lake In The Hills Fire Protection District, Lake In The Hills, Illinois, management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the fiduciary fund and the aggregate remaining fund information of the Algonquin-Lake In The Hills Fire Protection District, Lake In The Hills, Illinois, as of April 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information and schedules of funding progress on pages 3 through 9 and on pages 38 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as Additional Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Susan L. Caen

**ALGONQUIN – LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2008

Our discussion and analysis of The Algonquin – Lake In The Hills Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended April 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 10. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer the question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets-the difference between assets and liabilities-as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment, to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

Governmental activities - Most of the District's basic services are reported here, including fire protection and ambulance service. Property taxes, charges for services and state and federal grants finance most of these activities.

Business-type activities - The District charges a fee to customers to help it cover all or most of the cost of certain services it provides. The District's Radio Frequency Fire Alarm Network is reported here.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law. However, the District Trustees establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The District's two kinds of funds-governmental and proprietary-use different accounting approaches.

Governmental Funds-Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Proprietary funds-When the District charges customers for the services it provides, these services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

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

