

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

MC HENRY AND KANE COUNTIES, ILLINOIS

ANNUAL FINANCIAL REPORT

April 30, 2010

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
April 30, 2010**

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Susan L. Coen

Certified Public Accountant

95 Grant Street • Crystal Lake, Illinois 60014

INDEPENDENT AUDITOR'S REPORT

September 30, 2010

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

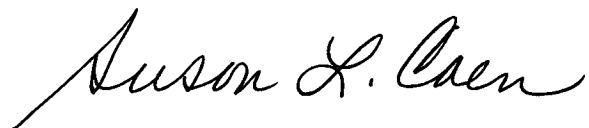
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Algonquin-Lake In The Hills Fire Protection District, Mc Henry and Kane Counties, Lake In The Hills, Illinois, as of and for the year ended April 30, 2010, 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 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 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, 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, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of funding progress on pages 3 through 9 and on pages 40 through 42 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Algonquin-Lake In The Hills Fire Protection District's financial statements as a whole. The combining and individual nonmajor fund financial statements, schedule of governmental fixed assets and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedule of governmental fixed assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information.

A handwritten signature in cursive script, reading "Susan L. Caen". The signature is written in black ink and is positioned in the lower right quadrant of the page.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2010

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, 2010. 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 reconciliations with 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 financial statements. The notes to the financial statements can be found on pages 22-39.

Required Supplementary Information – This report also presents certain required supplementary information on pages 40-42. It consists of more detailed data on budget to actual revenues and expenditures. It also presents certain required schedules concerning the District’s progress in funding its obligation to provide pension benefits to its employees.

**The District as Trustee
Reporting the District’s Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for its employees’ pension plan. All of the District’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20-21. We exclude these activities from the District’s other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The District As A Whole

As noted earlier, net assets and net assets by category may serve over time as a useful indicator of government’s financial position. In the case of the Algonquin-Lake In The Hills Fire Protection District, assets exceeded liabilities by \$3,487,968 as of April 30, 2010.

Algonquin-Lake In The Hills Fire Protection District Net Assets
Governmental Activities Business-type Activities Total

April 30,	2010	2009	2010	2009	2010	2009
Current and other assets	\$11,646,270	\$11,610,990	\$289,479	\$302,631	\$11,935,749	\$11,913,621
Capital Assets –net	8,861,907	8,835,872	319,691	350,350	9,181,598	9,186,222
Total Assets	20,508,177	20,446,862	609,170	652,981	21,117,347	21,099,843
Long-term Liabilities	8,526,935	8,874,764	45,000	125,000	8,571,935	8,999,764
Other Liabilities	8,882,544	8,446,160	174,900	171,995	9,057,444	8,618,155
Total Liabilities	17,409,479	17,320,924	219,900	296,995	17,629,379	17,617,919
Net Assets:						
Invested in capital assets, net of related debt	1,664,291	1,391,869	274,691	225,350	1,938,982	1,617,219
Restricted	31,854	31,510	0	0	31,854	31,510
Unrestricted	1,402,553	1,702,559	114,579	130,636	1,517,132	1,833,195
Total Net Assets	\$3,098,698	\$3,125,938	\$389,270	\$355,986	\$3,487,968	\$3,481,924

Net assets of the District’s governmental activities decreased by 1% (\$3,098,698 compared to \$3,125,938). Unrestricted net assets- the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$1,833,195 to \$1,517,132 due in part to capital purchases.

Net assets of the District's business-type activities increased by 9% (\$389,270 compared to \$355,986). The net assets consist of \$274,691 invested in capital assets less any debt to acquire those assets and unrestricted net assets of \$114,579. The activities of this fund had been projected to increase and the results indicate they have.

55% of the District's net assets reflect its investments in capital assets (e.g. land, building, equipment and improvements) less any debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to its residents; consequently these assets are not available for future spending, and with the exception of business-type assets, do not generate direct revenue for the District. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Algonquin-Lake In The Hills Fire Protection District Change In Net Assets
Governmental Activities Business-type Activities Total

Year Ended April 30	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges For Services	\$845,512	\$933,992	\$297,934	\$293,748	\$1,143,446	\$1,227,740
Grants	48,889	2,295	0	0	48,889	2,295
General Revenues:						
Property Taxes	7,955,964	7,580,019	0	0	7,955,964	7,580,019
Other Taxes	65,915	57,266	0	0	65,915	57,266
Interest	15,714	67,742	345	2,760	16,059	70,502
Other general revenues	<u>112,994</u>	<u>36,737</u>	<u>0</u>	<u>0</u>	<u>112,994</u>	<u>36,737</u>
Total Revenues	<u>9,044,988</u>	<u>8,678,051</u>	<u>298,279</u>	<u>296,508</u>	<u>9,343,267</u>	<u>8,974,559</u>
Program Expenses						
Public Safety	8,675,802	8,344,703	0	0	8,675,802	8,344,703
Interest on long-term debt	396,426	407,661	3,152	6,240	399,578	413,901
Radio Frequency Fire Alarm Service	0	0	261,843	207,343	261,843	207,343
Total Expenses	<u>9,072,228</u>	<u>8,752,364</u>	<u>264,995</u>	<u>213,583</u>	<u>9,337,223</u>	<u>8,965,947</u>
Increase (Decrease) In Net Assets	<u>\$(27,240)</u>	<u>\$(74,313)</u>	<u>\$33,284</u>	<u>\$82,925</u>	<u>\$6,044</u>	<u>\$8,612</u>

Overall the District had an increase in net assets of \$6,044 for the year ended April 30, 2010 compared with \$8,612 the previous year.

Governmental Activities: Governmental activities decreased the net assets by \$27,240.

Total revenues for governmental activities increased from the previous year by \$366,937. Program revenues had a decrease of 5%. General revenue had a net increase of 5%, which was primarily due to an increase in property taxes. This increase was tempered by the reduction in investment earnings.

Total expenses for governmental activities increased from the previous year by \$319,864 (a 3.7% increase). The majority of the increase was due to an increase in personnel services.

Business-type Activities: Income from services increased from \$293,748 to \$297,934. Net assets increased from \$355,986 to \$389,270. As per Statement of Cash Flows net cash equivalents decreased by \$8,404.

The District's Funds

At April 30, 2010, the District's governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$3,119,335, which is lower than 08/09's total of \$3,164,830. The Ambulance Fund had an increase in fund balance due to the reduction in total expenditures and a smaller transfer to the Capital Fund than in the previous year. The General Fund had a decrease in fund balance due to the transfers to the insurance and capital funds. The Capital Fund which was established in 08/09 had a net increase reflecting the transfers from General and Ambulance Fund exceeding equipment purchases.

The District's proprietary fund (RFFA Fund) statements provide the same type on information found in the government-wide financial statements, but in more detail.

Budgetary Highlights

The District passed the original and final Budget and Appropriation Ordinance on June 17, 2009. The District's General Fund expended \$3,685,334, which was \$599,806 less than the appropriation of \$4,285,140. The Ambulance Fund expended \$4,105,593, which was less than the appropriation of \$4,732,132. The only other major fund was the Capital Fund which appropriated \$3,125,090 and spent only \$1,101,659. The appropriation sets the maximum spending limits for the fiscal year.

CAPITAL ASSETS

The Algonquin-Lake in the Hills Fire Protection District's investments in capital assets for its governmental and business-type activities as of April 30, 2010 amounts to \$9,181,598 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment and improvements. The total decrease in the District's investment in capital assets for the current fiscal year was \$4,624.

Major capital asset events during the current fiscal year include the purchase of \$20,446 in radio frequency fire alarm equipment, ambulance #151 (\$192,952), plymovent (\$21,061), copier (\$12,778), zoll monitors (\$96,575) vehicle lights (\$24,955) and a vehicle (\$23,789). Also included in purchases is the remaining cost of the refurbishment of Engine #142 which totaled \$56,123, the complete refurbishment cost over the two years was \$111,638. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Capital Assets at Year-end – Net of Accumulated Depreciation

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$1,416,856	\$1,416,856	\$0	\$0	\$1,416,856	\$1,416,856
Buildings	5,793,249	5,973,105	0	0	5,793,249	5,973,105
Apparatus & Vehicles	1,349,038	1,220,143	0	0	1,349,038	1,220,143
Equipment	<u>302,764</u>	<u>225,768</u>	<u>319,691</u>	<u>350,350</u>	<u>622,455</u>	<u>576,118</u>
Total	<u>\$8,861,907</u>	<u>\$8,835,872</u>	<u>\$319,691</u>	<u>\$350,350</u>	<u>\$9,181,598</u>	<u>\$9,186,222</u>

DEBT

At year end, the District had \$7,110,000 notes outstanding. During the year ended April 30, 2010 \$200,000 were retired. This debt is a general obligation debt of the District, however \$45,000 of the notes outstanding are intended to be paid back out of Radio Frequency Fire Alarm revenues, since proceeds were used to finance the RFFA fund's activities. Two engines were partly financed by a capital lease of which \$126,387 was paid during fiscal 09/10 leaving a debt of \$132,616 at April 30, 2010.

DESCRIPTION OF CURRENT OR EXPECTED CONDITIONS

During the Fiscal Year ending April 30, 2011, the District is planning the following expenditures from the Capital Fund:

- 2010 Ferrara Custom Fire Engine and Ladder Tower. Delivery was at the beginning of the 2nd quarter. Truck 181 was declared surplus and sold during fiscal year 09/10. Engine 146 will be declared surplus and sold during fiscal year 10/11.
- New medium duty ambulance, replacing the most unreliable unit which will be declared surplus and sold. This will be the second replacement in a series over four years. Delivery is expected at the beginning of the 4th quarter.
- Modifications to the existing pick-up truck to replace the brush truck.
- Roof replacement at Station #3. This will be completed by the 2nd quarter.
- New tables for the training room.
- Repairs to the sprinkler systems at Station 1 and 2, including the installation of a nitrogen generating system to prevent damage from corrosion. These repairs are anticipated in the 2nd quarter.

Refunding Notes were issued in fiscal year 10/11, with a closing date of May 18, 2010. These notes refunded Fire Protection Notes, Series 2002 resulting in \$359,000 interest savings to the district. The refunding notes also included additional proceeds of \$1.15 million for the purchase of new Ferrara Fire Engine and Truck.

The collective bargaining agreement with Local 3985 was signed on May 5, 2010 and effective for two fiscal years May 1, 2010 through April 30, 2012.

Changes to the District's ambulance billing policy, administered by Andres Medical Billing, are anticipated to increase revenue in the Ambulance Fund. As these changes were effective May 1, 2010, it is expected that the increase will be seen in the 2nd quarter.

During the next fiscal year, the District is expecting an Illinois Clean Air Grant in the amount of \$5,500 to partially fund lighting replacement upgrades and motion sensors at all three stations. This will result in an energy cost savings of over \$2,700 per year and help make Illinois air cleaner!

The last payment of the 2005 Installment Notes for the Radio Frequency Fire Alarm Fund was made in July, 2010. Revenues will increase as new customers are added to the system. It is anticipated that this fund will now be able to expense the administrative costs attributable to the fund. The District is currently in the process of negotiating inter-governmental revenue-sharing agreements with other Districts which will utilize excess system capacity and increase revenue.

The District made the final payment of a Capital Lease which financed the purchase of two KME engines in fiscal year 06/07.

The District applied for a Federal Assistance to Firefighters Grant to help with the purchase of a new self-contained breathing apparatus training trailer in the amount of \$270,000. The District also applied for another Federal Assistance to Firefighters Grant in the amount of \$27,000 to purchase turn-out gear. At the time of this report the Fire District has not been notified if either grant will be awarded.

Beginning approximately January 1, 2011 the District will implement a new staffing plan that will include assigning seven personnel at Station #1 and three personnel at Station #3 on a daily basis. This will allow the District to place greater emphasis on the staffing of the new ladder tower. Also, three new Lieutenants will be promoted resulting in a supervisor assigned to the ladder tower.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
STATEMENT OF NET ASSETS
APRIL 30, 2010**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Deposits - Checking/Savings	\$37,104	\$0	\$37,104
Certificate Of Deposits	889,772	0	889,772
Investments	2,377,617	275,673	2,653,290
Accounts Receivable - Net	241,026	13,806	254,832
Receivable from other Governments-Net	8,024,948	0	8,024,948
Prepaid Insurance	75,803	0	75,803
Capital Assets:			
Land	1,416,856	0	1,416,856
Other Capital Assets , net of depreciation	<u>7,445,051</u>	<u>319,691</u>	<u>7,764,742</u>
Total Assets	<u>20,508,177</u>	<u>609,170</u>	<u>21,117,347</u>
<u>LIABILITIES</u>			
Accounts Payable	26,740	7,099	33,839
Salaries & Benefits Payable	338,119	0	338,119
Accrued Interest Payable	128,774	507	129,281
Deferred Revenue	8,033,302	167,294	8,200,596
Long-term Liabilities:			
Due within one year	383,835	45,000	428,835
Due after one year	<u>8,498,709</u>	<u>0</u>	<u>8,498,709</u>
Total Liabilities	<u>17,409,479</u>	<u>219,900</u>	<u>17,629,379</u>
<u>NET ASSETS</u>			
Invested in Capital Assets- Net of Related Debt	1,664,291	274,691	1,938,982
Restricted For Debt Service	31,854	0	31,854
Unrestricted	<u>1,402,553</u>	<u>114,579</u>	<u>1,517,132</u>
Total Net Assets	<u>\$3,098,698</u>	<u>\$389,270</u>	<u>\$3,487,968</u>

The Notes to the Financial Statements are an integral part of this statement.

**ALGONQUIN -LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2010**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)/Revenue</u>		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental activities:						
Public Safety						
Fire and Ambulance	\$8,675,802	\$27,689	\$21,200	(\$7,781,401)		
Interest on Long-term Debt	396,426	0	0	(396,426)		
Total Governmental Activities	<u>9,072,228</u>	<u>27,689</u>	<u>21,200</u>	<u>(8,177,827)</u>		
Business-type activities:						
Radio Frequency						
Fire Alarm Service	264,995	0	0		<u>\$32,939</u>	
Total	<u>\$9,337,223</u>	<u>\$1,143,446</u>	<u>\$21,200</u>	<u>(8,177,827)</u>	<u>32,939</u>	<u>(8,144,888)</u>
General Revenues:						
Taxes:						
Property Taxes				7,955,964	0	7,955,964
Personal Property					0	28,901
Replacement Tax				37,014	0	37,014
Foreign Fire Insurance				15,714	345	16,059
Investment Earnings				53,025	0	53,025
Miscellaneous				<u>59,969</u>	<u>0</u>	<u>59,969</u>
Sale of Surplus Apparatus				<u>8,150,587</u>	<u>345</u>	<u>8,150,932</u>
Total General Revenues				(27,240)	33,284	6,044
Change in Net Assets				<u>3,125,938</u>	<u>355,986</u>	<u>3,481,924</u>
Net Assets - beginning				<u>\$3,098,698</u>	<u>\$389,270</u>	<u>\$3,487,968</u>
Net Assets - ending						

The Notes to the Financial Statements are an integral part of this statement.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2010**

	General Fund	Ambulance Fund	Capital Fund	Non Major Funds	Total Governmental Funds
ASSETS					
Deposits-Checking/Savings	\$150	\$0	\$0	\$36,954	\$37,104
Certificate Of Deposits	351,820	351,820	150,927	35,205	889,772
Investments	576,765	987,657	810,736	2,459	2,377,617
Property Taxes Receivable - Net	3,346,007	3,320,050	0	1,358,891	8,024,948
Plan Review Fees Receivable	0	0	4,938	0	4,938
Ambulance Fees Receivable - Net	0	228,633	0	0	228,633
Other Receivables	3,793	688	54	2,920	7,455
Prepaid Insurance	<u>1,399</u>	<u>599</u>	<u>0</u>	<u>73,805</u>	<u>75,803</u>
Total Assets	<u>\$4,279,934</u>	<u>\$4,889,447</u>	<u>\$966,655</u>	<u>\$1,510,234</u>	<u>\$11,646,270</u>
LIABILITIES					
Accounts Payable	\$11,526	\$15,214	\$0	\$0	\$26,740
Salaries & Benefits Payable	140,570	197,549	0	0	338,119
Accrued Interest Payable	0	0	128,774	0	128,774
Deferred Revenues	<u>3,349,267</u>	<u>3,320,206</u>	<u>4,938</u>	<u>1,358,891</u>	<u>8,033,302</u>
Total Liabilities	<u>3,501,363</u>	<u>3,532,969</u>	<u>133,712</u>	<u>1,358,891</u>	<u>8,526,935</u>
FUND BALANCES					
Reserve for Debt Service	15,927	15,927	0	0	31,854
Unreserved - Designated	0	0	832,943	0	832,943
Unreserved - Undesignated	762,644	<u>1,340,551</u>	<u>0</u>	<u>151,343</u>	<u>2,254,538</u>
Total Fund Balances	<u>778,571</u>	<u>1,356,478</u>	<u>832,943</u>	<u>151,343</u>	<u>3,119,335</u>
Total Liabilities & Fund Balances	<u>\$4,279,934</u>	<u>\$4,889,447</u>	<u>\$966,655</u>	<u>\$1,510,234</u>	<u>\$11,646,270</u>

The Notes to the Financial Statements are an integral part of this statement.

ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
 Reconciliation of the Balance Sheet to Statement of Net Assets
GOVERNMENTAL FUNDS
 April 30, 2010

Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	
Total Fund Balances - Total Governmental Funds	\$3,119,335
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,409,521	8,861,907
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes Payable	(7,065,000)
Capital Lease Payable	(132,616)
Accrued compensated absences	(741,462)
Net Pension Obligation	(943,466)
Net assets of governmental activities	<u>\$3,098,698</u>

The Notes to the Financial Statements are an integral part of this statement.
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ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
 MC HENRY AND KANE COUNTIES, ILLINOIS
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED APRIL 30, 2010

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Capital Fund</u>	<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
Real Property Taxes	\$3,401,258	\$3,346,203	\$0	\$1,208,503	\$7,955,964
Personal Property Replacement Taxes	0	0	0	28,901	28,901
Foreign Fire Insurance Tax	0	0	0	37,014	37,014
Grants	27,689	0	21,200	0	48,889
Charges for Services	0	834,520	10,992	0	845,512
Investment Earnings	5,409	5,232	4,779	294	15,714
Miscellaneous	47,052	5,973	0	0	53,025
Total Revenues	<u>3,481,408</u>	<u>4,191,928</u>	<u>36,971</u>	<u>1,274,712</u>	<u>8,985,019</u>
<u>EXPENDITURES</u>					
Current : Public Safety:					
Fire and Ambulance	3,041,987	3,729,467	6,611	1,259,727	8,037,792
Debt Service:					
Principal	0	0	246,387	0	246,387
Interest	0	0	396,426	0	396,426
Capital Outlay:	0	0	452,235	0	452,235
Total Expenditures	<u>3,041,987</u>	<u>3,729,467</u>	<u>1,101,659</u>	<u>1,259,727</u>	<u>9,132,840</u>
Excess (Deficiency)Of Revenues Over Expenditures	439,421	462,461	(1,064,688)	14,985	(147,821)
<u>OTHER FINANCING SOURCES (USES)</u>					
Sale of Surplus Apparatus	0	0	102,326	0	102,326
Transfers In (Out)	<u>(643,347)</u>	<u>(376,126)</u>	<u>956,581</u>	<u>62,892</u>	<u>0</u>
Net Change In Fund Balances	(203,926)	86,335	(5,781)	77,877	(45,495)
Fund Balances -Beginning - May 1, 2009	<u>982,497</u>	<u>1,270,143</u>	<u>838,724</u>	<u>73,466</u>	<u>3,164,830</u>
Fund Balances - Ending - April 30, 2010	<u>\$778,571</u>	<u>\$1,356,478</u>	<u>\$832,943</u>	<u>\$151,343</u>	<u>\$3,119,335</u>

The Notes to the Financial Statements are an integral part of this statement.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2010**

Reconciliation of the changes in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds (\$45,495)

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

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets:

Capital Assets Purchased	452,235
Depreciation Expense	<u>(383,843)</u>
	<u>68,392</u>

Sale of Surplus Apparatus is recorded as a financing source in the
governmental funds, but the proceeds are decreased by the asset
book value in the Statement Of Net Assets: (42,357)

Repayment of debt principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
Statement Of Net Assets:

Capital lease payments	126,387
Note principal payments	<u>120,000</u>
	246,387

Generally expenditures recognized in the governmental funds are
limited to only those that use current financial resources, but expenses
are recognized in the statement of activities when they are incurred.

Increase in Accrued Compensated Absences	(90,037)
Increase in Net Pension Obligation	<u>(164,130)</u>
	<u>(254,167)</u>

Change in Net Assets of Governmental Activities (\$27,240)

The Notes to the Financial Statements are an integral part of this statement.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
APRIL 30, 2010**

**Radio Frequency
Fire Alarm
Fund**

ASSETS

Current Assets:

Investments	\$275,673
Accounts Receivable	<u>13,806</u>
Total Current Assets	289,479

Noncurrent Assets:

Capital Assets (net)	<u>319,691</u>
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Total Assets	<u>609,170</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$7,099
Accrued Interest Payable	507
Notes Payable	45,000
Deferred Revenue	<u>167,294</u>

Total Current Liabilities	219,900
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Total Liabilities	<u>219,900</u>
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NET ASSETS

Invested in capital assets, net of related debt	274,691
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Unrestricted	<u>114,579</u>
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Total Net Assets	<u>\$389,270</u>
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The Notes to the Financial Statements are an integral part of this statement.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2010**

**Radio Frequency
Fire Alarm
Fund**

Operating Revenues:

Charges for services:
Radio Fire Alarm charges **\$297,934**

Operating Expenses:

Administrative Expenses	5,516
Monitoring Services	56,178
Dispatching Fees	106,688
Testing / Installation Services	2,669
Maintenance	38,853
Miscellaneous Commodities	834
Depreciation	<u>51,105</u>
Total Operating Expenses	<u>261,843</u>

Net Operating Income **36,091**

Nonoperating revenue (expense):

Investment Income	345
Interest Expense	<u>(3,152)</u>
Total Nonoperating Revenue (Expense)	<u>(2,807)</u>

Net Income **33,284**

Net Assets - Beginning of Year **355,986**

Net Assets - End of Year **\$389,270**

The Notes to the Financial Statements are an integral part of this statement.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2010**

**Radio Frequency
Fire Alarm
Fund**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income	\$36,091
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
 Cash flows reported in other categories:	
 Depreciation expense	51,105
Changes in assets and liabilities:	
 Accounts Receivable	4,748
 Accounts Payable	551
 Deferred Revenue	<u>3,254</u>
Net cash provided by operating activities	<u>\$95,749</u>

The Notes to the Financial Statements are an integral part of this statement.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2010**

	Radio Frequency Fire Alarm <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$305,936
Payments To Suppliers	<u>(210,187)</u>
Net Cash Provided (Used) By Operating Activities	<u>95,749</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases Of Capital Assets	(20,446)
Principal Paid On Debt	(80,000)
Interest Paid On Debt	<u>(4,052)</u>
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(104,498)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>345</u>
Net Cash Provided (Used) By Investing Activities	<u>345</u>
Net Increase (Decrease) In Cash And Cash Equivalents	(8,404)
Balance - Beginning Of Year	<u>284,077</u>
Balance - End Of Year	<u>\$275,673</u>
Investments Considered Cash Equivalents Under GASB #9	<u>\$275,673</u>

The Notes to the Financial Statements are an integral part of this statement.

ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
(FIREFIGHTERS' PENSION FUND)
APRIL 30, 2010

<u>ASSETS</u>		
DEPOSITS		<u>\$897,927</u>
RECEIVABLES		
ACCRUED INTEREST		20,070
OTHER RECEIVABLES		<u>5,454</u>
TOTAL RECEIVABLES		<u>25,524</u>
INVESTMENTS		
POOLED INVESTMENT ACCOUNT		664,668
U.S. GOVERNMENT AND AGENCY OBLIGATIONS		3,884,546
COMMON STOCK		1,559,334
EXCHANGE TRADED FUNDS		1,710,503
MUTUAL FUNDS		<u>773,964</u>
TOTAL INVESTMENTS		<u>8,593,015</u>
TOTAL ASSETS		<u>9,516,466</u>
 <u>LIABILITIES</u>		
ACCOUNTS PAYABLE		<u>5,227</u>
TOTAL LIABILITIES		<u>5,227</u>
 <u>NET ASSETS HELD IN TRUST FOR</u>		
<u>PENSION BENEFITS</u>		<u>\$9,511,239</u>

The Notes to Financial Statements are an integral part of this statement.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
(FIREFIGHTERS' PENSION FUND)
FOR THE YEAR ENDED APRIL 30, 2010**

ADDITIONS:

CONTRIBUTIONS:

EMPLOYER	\$816,252
EMPLOYEES	313,642
DONATIONS	<u>40</u>

TOTAL CONTRIBUTIONS 1,129,934

INVESTMENT INCOME

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	1,045,891
INTEREST	159,336
DIVIDENDS	<u>58,838</u>
	1,264,065

LESS INVESTMENT EXPENSES CUSTODIAL FEES	<u>(30,667)</u>
NET INVESTMENT INCOME	<u>1,233,398</u>

TOTAL ADDITIONS 2,363,332

DEDUCTIONS:

RETIREMENT BENEFITS	170,285
DISABILITY BENEFITS	201,677
REFUND OF CONTRIBUTIONS	43,690
ADMINISTRATIVE EXPENSES	<u>38,414</u>

TOTAL DEDUCTIONS 454,066

NET INCREASE 1,909,266

NET ASSETS HELD IN TRUST

FOR PENSION BENEFITS

Beginning of year - May 1, 2009 7,601,973

End of year - April 30, 2010 **\$9,511,239**

The Notes to the Financial Statements are an integral part of this statement.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010**

1. Summary Of Significant Accounting Policies

The financial statements reflect the application of significant accounting policies followed by the District, as described in this note.

A. Financial Reporting Entity

The Fire District's financial reporting entity is comprised of the following:

Primary Government: The Algonquin-Lake in the Hills Fire Protection District
Blended Component Units: Algonquin-Lake In the Hills Firefighters' Pension Fund and the Foreign Fire Insurance Tax Fund

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and GASB Statement No. 39 *Determining Whether Certain Organizations Are Component Units* and includes all component units that have a significant operational and financial relationship with the District. These component units' funds are blended into those of the District's by appropriate activity type to compose the primary government presentation.

B. Basis Of Presentation

Government wide- Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010**

1. Summary Of Significant Accounting Policies (Continued)

B. Basis Of Presentation (Continued)

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The District's major funds are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all the activities except those legally or administratively required to be accounted for in other funds.

Ambulance Fund

The Ambulance Fund is used to account for the proceeds of specific revenue sources that are restricted to the providing of ambulance services.

Capital Fund

The Capital Fund is used to account for the proceeds of specific revenue sources that are restricted to the purchase of and debt retirement on capital items.

The District's nonmajor governmental funds include special revenue funds used to report the transactions of four funds. Special tax levies were passed for three funds which include: Audit, Insurance and Pension Tax Levy Funds. The newly established Foreign Fire Insurance Tax Fund (a blended component unit) is used to accumulate funds from the receipt of foreign fire insurance tax for expenditures (approved by resolution of the Board) for the maintenance, use, and benefit of the Fire Department members.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Radio Frequency Fire Alarm Fund (RFFA) accounts for the only enterprise fund of the District. It provides the method of transmission of any activated alarm via the Radio Frequency Fire Alarm system.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010**

1. Summary Of Significant Accounting Policies (Continued)

B. Basis Of Presentation (Continued)

Fiduciary Funds (Not included in government-wide statements)

These funds report assets held in trustee or agency capacity for others and therefore are not available to support District programs. The District's only fiduciary fund is the Firefighters' Pension Fund (a blended component unit). Since by definition these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements.

C. Measurement Focus and Basis Of Accounting

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

Measurement Focus

On the government-wide Statement Of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010**

1. Summary Of Significant Accounting Policies (Continued)
C. Measurement Focus and Basis Of Accounting (Continued)

Basis Of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible with the current period or within sixty days after the year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

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

D. Assets, Liabilities and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, “Deposits – checking and savings” includes also cash on hand. “Certificate Of Deposits” are deposits as well but are included on a separate line for clarity purposes. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand deposits or short term investments with an original maturity of three months or less. Investments in state investment pool are considered as cash equivalents.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 3.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010**

**1. Summary Of Significant Accounting Policies (Continued)
D. Assets, Liabilities and Equity (Continued)**

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. As of April 30, 2010 there are no such interfund receivables and payables.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivables balances for the governmental activities include ambulance fees and plan review fees. Business-type activities report radio frequency alarm fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other intergovernmental revenues since they are usually both measurable and available. Non exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual. Investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenue earned at year-end and not yet received.

Fixed Assets

The accounting treatment of fixed assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010**

1. Summary Of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

Fixed Assets (Continued)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives by type of asset as follows:

Building and Improvements	40 Yrs.
Apparatus & Vehicles	7-15 Yrs.
Equipment	10 Yrs.

The capitalization policy sets a \$10,000 threshold for governmental funds and a \$1,000 threshold for the proprietary fund.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as a capital outlay expenditure of the governmental fund upon acquisition. Fixed assets used in the proprietary fund operation are accounted for the same as in the government-wide statements.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, capital lease, accrued compensated absences and net pension obligation.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**ALGONQUIN-LAKE IN THE HILLS FIRE PROTECTION DISTRICT
MC HENRY AND KANE COUNTIES, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010**

1. Summary Of Significant Accounting Policies (Continued)
D. Assets, Liabilities and Equity (Continued)

Compensated Absences

Full time employees are granted various benefits for vacation, personal and sick days. Generally vacation and personal days earned at 4-30-10 expire on 12-31-10. Sick pay is accrued and payable under various conditions depending on the specific contract.

The estimated (based on historical trends) current portion of the liability for vacation and personal leave benefits are recorded in the General and Ambulance Funds in the fund financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately is recorded as long-term debt in the government-wide financial statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.