



**GENERAL PURPOSE
EXTERNAL FINANCIAL STATEMENTS**

**DEKALB COUNTY GOVERNMENT
DEKALB COUNTY, ILLINOIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

The County Board Members and the Finance Office of DeKalb County are pleased to present to readers of the financial statements of DeKalb County this narrative overview and analysis of the financial activities of DeKalb County ending December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information furnished in the letter of transmittal.

In the past, the primary focus of local government financial statements has been summarized by fund type information on a current financial resource basis. This approach has been modified, and DeKalb County's Financial Statements present two kinds of statements, each with a different snapshot of the County's finances. The Financial Statements' focus is on both the County as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year and government to government), and enhance the County's accountability.

DeKalb County Government Management's Discussion and Analysis (MD&A) is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the County's financial activity, (3) identify changes in the County's financial position (its ability to address the subsequent year's challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

I. Financial Highlights

A. Governmental Activities

The assets of the governmental activities of the County exceeded its liabilities at the close of the fiscal year by \$106 million and increased in the current year by \$ 3.7 million. The County has maintained its employment force and has been able to continue with modest increases in pay for its employees. The property tax base this year increased by \$27 million or 1.3%.

B. Business Type Activities

The only business type activity that the County has is the 190 skilled bed Rehab and Nursing Center. The decrease in net assets in 2010 was \$872,508. The decrease is due to reductions in reimbursements from the State in daily fees paid to the Rehab and Nursing Center, which the State may make up in the future. The Rehab and Nursing Center is reporting total net assets of \$9.4 million in 2010 compared to \$10.3 million in 2009. Fiscal Year 2010 also marks the eleventh straight year that the facility has operated without any property tax or other subsidy from other County funds. During 2004 the Rehab and Nursing Center loaned \$2.3 million dollars to the County that was then given to the City of DeKalb for toll-way interchange improvements. In exchange for this payment additional sales tax revenues from the City of

DeKalb will be given to the County on certain property within the County. This loan is for a ten-year period payable annually and in full on July 1, 2014, and will be paid with the additional sales tax revenues received.

C. Long-Term Debt

On June 1, 2005, the Public Building Commission (PBC) issued \$7,155,000 Lease Revenue Refunding Bonds. When the County visited the bond market in 2005 its rating was Aaa. These bonds will be retired December 1, 2016. On October 14, 2010 DeKalb County issued \$10,300,000 Series 2010A Build America Bonds and \$5,970,000 Series 2010B Economic Recovery Zone Bonds, both general obligation alternate revenue source bonds, to provide funds for expanding the Court House and begin the design of a new County jail. When the County visited the bond market in 2010 its rating was Aa1. These bonds will be retired on December 15, 2029. Note 5 contains additional information on the long-term debt of the County.

II. Overview of the Financial Statements

A. Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government. The focus of the Statement of Net Assets is the "Unrestricted Net Assets" and it is designed to be similar to bottom line results for the private sector. This statement then combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the County is improving.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year and is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the County's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various government services and/or subsidy to various business-type activities.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the County include general government, public safety, highways & streets, health & welfare, culture & recreation, and interest on long-term debt.

The government-wide financial statements include not only the County itself but also the DeKalb County Public Building Commission, and the DeKalb County Forest Preserve which are component units of the County. The financial information of these units is also reported separately from the financial information of the County in their separately issued reports.

B. 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 Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on major funds, rather than (the previous model's) fund types. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1. Governmental Funds

The Governmental Major Fund presentation is presented on a "sources and uses of liquid resources" basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. The focus of governmental funds is narrower than that of the Government-Wide Financial Statements. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. The Governmental Major Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected. The flow of current financial resources reflects bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligation (bond and others) into the Governmental Activities column in the Government-Wide statements.

The County maintains 45 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Health Fund and the Courthouse Expansion Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major government funds is provided in the form of combining statements elsewhere in this report.

2. Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented in Business-Type Activities in the Government-Wide Financial Statements. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Costs for medical and life insurance and liability claims are accumulated in internal service funds. All of the County's internal service funds serve governmental rather than business-type functions and have been included with Governmental Activities in the Government-Wide Financial Statements.

Proprietary Fund Financial Statements provide the same type of information as the Governmental-Wide Statements, only in more detail. The Nursing Home Fund is considered a major fund of the County and is presented in a separate column in the Fund Financial

Statements. Internal Service Funds are combined in a single aggregate presentation in the Proprietary Fund Financial Statements. Individual fund data for the Internal Service Funds is presented elsewhere in this report.

3. Fiduciary Funds

The Fund Financial Statements also allow the government to address its Fiduciary Funds. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Statements. These fiduciary funds are: County Collector Fund, Special Drainage Fund, Treasurer's Clearing Fund, Mobile Home Tax Fund, Tax Indemnity Fund, Tax Sale in Error Fund, Circuit Clerk Fund, Township Bridges Fund, Township Motor Fuel Tax Fund, Regional Superintendent of Schools, Nursing Home Residents' Fund, Tax Sale Redemption Fund and the Passport Account Fund.

C. 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 in this report beginning on page 18.

D. Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide benefits to its' employees. Required supplementary information can be found on pages 45-55 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages f this report.

III. Financial Analysis of the County as a Whole

In accordance with GASB Statement No. 34, the County is required to present a comparative analysis of government-wide information. The current year comparative statements follows:

GOVERNMENT-WIDE STATEMENTS

A. Net Assets

The following table reflects the condensed Statement of Net Assets:

**Table 1
Statement of Net Assets**

	Governmental Activities		Business Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<u>Assets:</u>						
Current and Other	91,960,827	72,690,058	7,185,959	7,675,115	99,146,783	80,364,173
Capital Assets	<u>58,400,730</u>	<u>57,056,054</u>	<u>7,926,088</u>	<u>8,466,011</u>	<u>66,326,818</u>	<u>65,522,065</u>
Total Assets	150,361,554	129,746,112	15,112,047	16,141,126	165,473,601	145,887,238
<u>Liabilities:</u>						
Long Term Liabilities	19,159,264	3,164,054	4,316,054	4,842,021	23,475,597	8,006,075
Other Liabilities	<u>25,062,983</u>	<u>24,186,582</u>	<u>1,342,085</u>	<u>972,868</u>	<u>26,405,068</u>	<u>25,159,550</u>
Total Liabilities	44,222,247	27,350,636	5,658,418	5,814,989	49,880,665	33,165,625
<u>Net Assets:</u>						
Net of Debt	56,259,355	55,586,750	4,069,985	4,049,099	60,329,340	59,632,849
Restricted	17,072,396	14,973,126	224,488	219,468	17,296,884	15,192,594
Unrestricted	<u>32,807,556</u>	<u>31,838,600</u>	<u>5,159,156</u>	<u>6,057,570</u>	<u>37,966,712</u>	<u>37,896,170</u>
Total Net Assets	106,139,307	102,395,476	9,453,629	10,326,137	115,592,936	112,721,613

The County’s combined net assets increased to \$115.5 million in 2010 from \$112.7 million during 2009. The increase is from governmental activities with the business type activities showing a decrease of \$872,508. There was an increase in property taxes of \$485,000. The County is continuing to make an effort to reduce expenses in any way that can be managed without affecting the services to the residents of DeKalb County. For more detailed information, see the Statement of Net Assets on Page 3 of the Comprehensive Annual Financial Report.

Activities

1. Changes in Net Assets

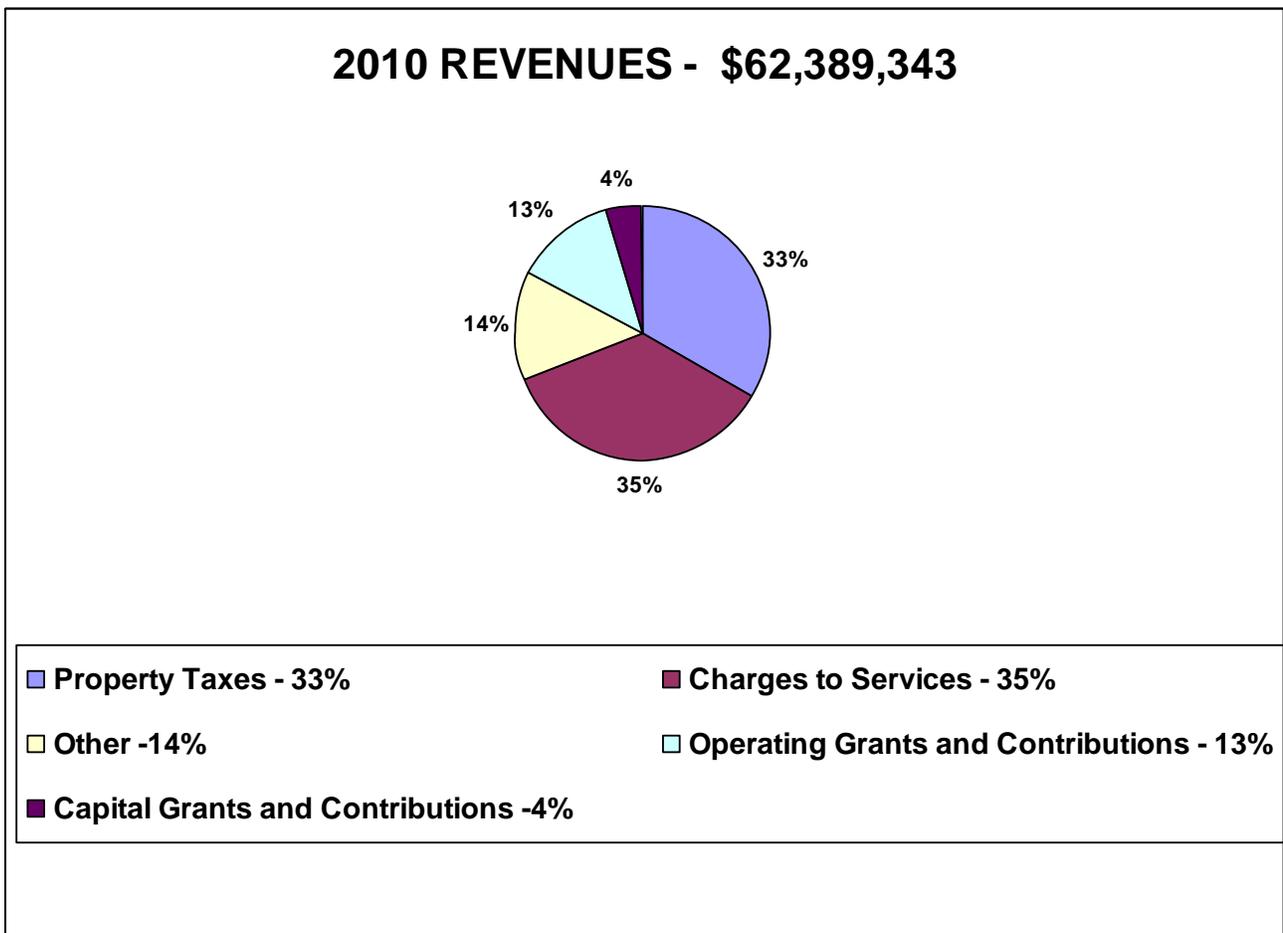
**Table 2
Changes in Net Assets
January 1, 2010 through December 31, 2010**

	Governmental Activities		Business Type Activities		Total Primary Activities	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program Revenues						
Charges for Services	9,216,505	9,677,424	12,841,211	12,559,028	22,057,716	22,236,452
Operating Grants and Contributions	8,028,174	7,716,006	0	100,000	8,028,174	7,816,006
Capital Grants and Contributions	2,654,562	1,596,221	45,341	30,030	2,699,903	1,626,251
General Revenues						
Property Taxes	20,854,815	20,369,320	0	0	20,854,815	20,369,320
Other Taxes	7,666,098	7,594,440		0	7,666,098	7,594,440
Other	963,101	1,064,277	119,536	141,398	1,082,637	1,205,675
Total Revenues	49,383,255	48,017,688	13,006,088	12,830,456	62,389,343	60,848,130
Expenses						
General Government	8,754,778	8,198,165	0	0	8,754,778	8,198,165
Public Safety	19,000,920	17,807,255	0	0	19,000,920	17,807,255
Highways and Streets	6,339,081	6,003,739	0	0	24,342,674	23,091,737
Health and Welfare	10,524,078	9,895,849	13,818,596	13,195,888	24,342,674	23,091,737
Culture and Recreation	782,196	729,881	0	0	782,196	729,881
Interest on Long Term Debt	298,371	189,670	0	0	298,371	189,670
Total Expenses	45,699,424	42,824,559	13,818,596	13,195,888	59,518,020	56,020,447
Change in net Assets Before Transfers	3,683,831	5,193,129	-812,508	-365,432	2,871,323	4,827,683
Transfers	60,000	0	-60,000	0	0	0
Change in Net Assets After Transfers	3,743,831	3,683,831	-872,508	-365,432	2,871,323	4,827,683

The following table summarizes the revenues and expenses of the County’s activities: The decrease in 2010 total change of assets of \$1.9 million was \$872,508 from the Nursing Home Business Type Activity that includes \$500,000 in accumulated depreciation and an increase in Operations Expenses of \$453,000. The increase in the General Government Activity of \$1.4 million is \$1.2 million increase in expenses in Public Safety due to overcrowding at the Jail and the County having to pay to house prisoners outside the County at cost of over \$855,000, additional Public Safety cost of \$158,000 that was spent to remodel and costs of staffing a safe house for minor children, the Law Library rental costs increased by \$70,000 and Sheriff’s salaries and benefits across all departments increased by \$100,000. In addition the investment income for the Governmental activities was down in 2010 and the Interest on Long Term Debt was higher. The decrease in the net assets is also attributable to the Health and Welfare Governmental Activities. Major components of the increased costs in this area was the capital expenses and depreciation associated with the Community Outreach Building as well as major liability and worker’s compensation claims.

2. Total County Revenues

The following Graph summarizes the County Revenue activities:



For the fiscal year ended December 31, 2010, revenues totaled \$62.3 million. This is up by \$1.5 million from 2009.

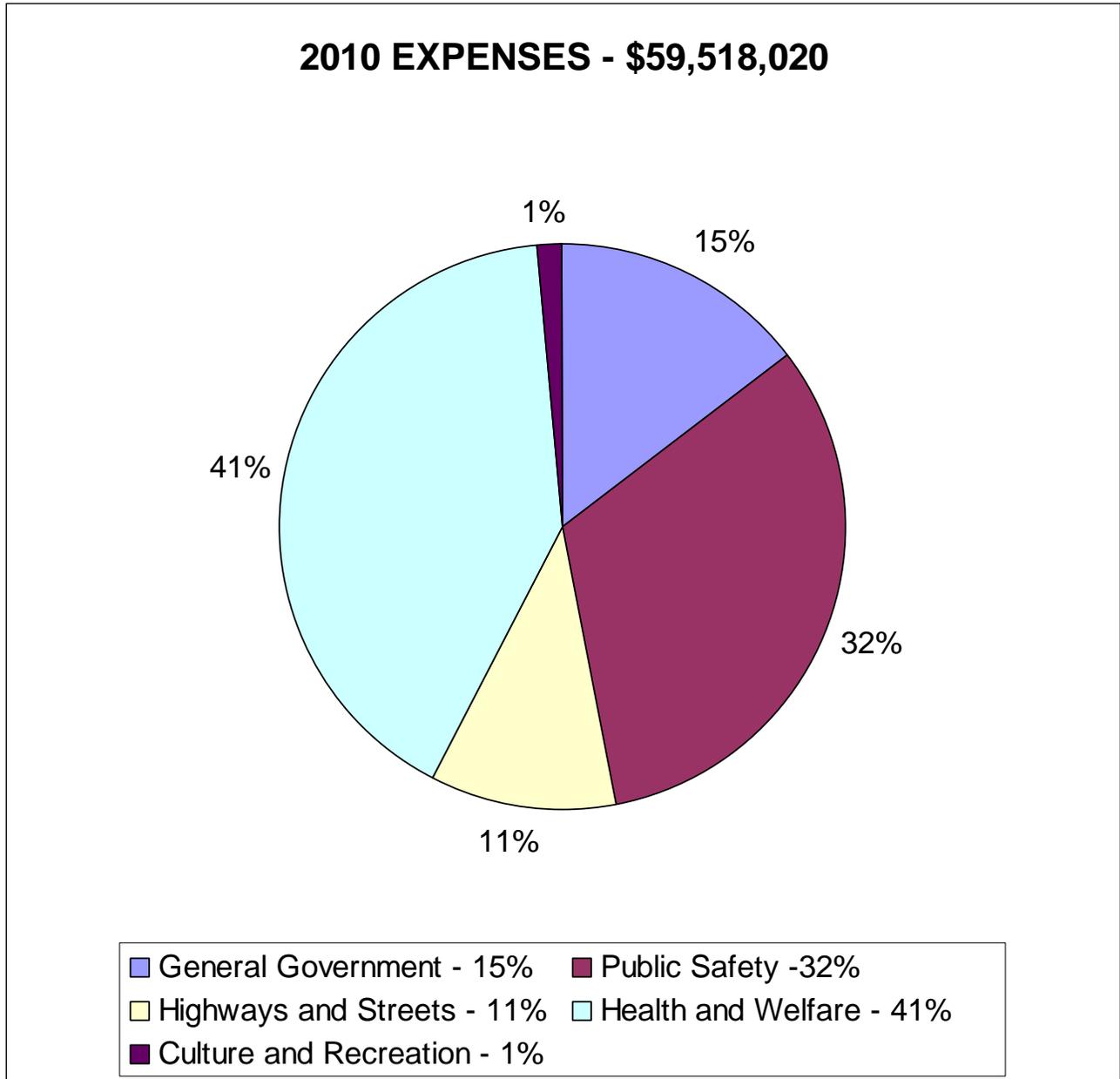
Revenues from the County's largest source of revenues of \$22.1 million come from the Charges for Services revenue. The DeKalb County Rehab and Nursing Center is the largest generator of revenues with Charges for Services in the County. The Rehab and Nursing Center generated \$12.8 million dollars in 2010 increasing by \$300,000 from 2009. The next largest amount of charges for services is in the Public Safety function of the government. Public Safety which includes the Court System, Probation and grant income for Drug Court and the Enhanced Drug Court generated \$6.5 million in revenues. General Government at \$2.1 million and the Highway with \$718,000 in charges for services for 2010 were up only \$7,000. Property Taxes increased during 2010 by \$485,000. Property taxes support governmental activities including employee pension funds.

The other taxes classification includes a number of different revenue sources. Among those are sales tax, income tax, and replacement tax. The major type of sales tax is the retailer's occupation tax (ROT). This sales tax is collected by the State of Illinois. A portion of the ROT is shared by the state with the County based on the point of sale. The rate of sales tax that the County receives if the business is located outside of an incorporated area is 1.25 percent. If the business is located within an incorporated area the percentage is .25 of one percent. DeKalb County also receives sales tax dollars through an intergovernmental agreement with the City of DeKalb involving two developments that are former County Farm and Nursing Home sites located within the City of DeKalb. State-shared sales tax revenues in 2010 were \$3.8 million. The County Farm site sales tax revenues of 1.25 cents are received and distributed .75 of a cent into Build America Bonds 2010 at 77.5% of the .75 and 22.5% of the .75 into the Recovery Zone Bonds 2010 to pay the bond payments. The Nursing Home site sales tax revenues of 1.25 cents are received and distributed .75 of a cent into a designated account for future special projects related to Health Services. Each site also contributes .25 of a cent into the General Fund, and .25 of a cent into the Tollway Access Loan Fund to pay the loan from the Nursing Home and Rehab Center.

Income taxes are also shared by the state, but on a per-capita basis. Between 2010 and 2009 the County's income tax revenues decreased by approximately \$110,000. Other revenue sources include operating grants and contributions that include state salary reimbursements for assistant states attorneys, probation officers and the second full year for the state salary reimbursement for the Public Defender.

3. Total County Expenses

The following Graph summarizes the County Expense activities:



DeKalb County's expenses amounted to a total of \$59.5 million in 2010 increasing by \$3.4 million from 2009. Health and Welfare expenses, the largest for the County, relate to the Department of Public Health and the DeKalb County Rehab and Nursing Center, which is the County's only Business-Type Activity. The Rehab and Nursing Center expenses during 2010

are \$13.8 million compared with the 2009 expense of \$13.1 million. The increase of \$700,000 is a combination of increased costs for Physical Occupational and Speech Therapies in the amount of \$177,000, Nursing Home Salaries of \$141,000, and related benefit expenses were \$72,000 which includes health insurance and retirement costs which were increases based on union contracts. Professional Services which includes the hiring of Registry Nurses when the census numbers are high was expensed at \$196,600. Public Safety expenses, the second largest for the County at 32%, relate to the operations of the Sheriff's Department, which includes Communications and Corrections, as well as the Emergency Services Department and the expenses related to the court system, which includes the Circuit Clerk, Judiciary, Court Services, State's Attorney and Public Defender offices. The Public Safety increase from 2009 to 2010 was \$500,000. The increase in expenses included \$214,000 that was the Sheriff's increase in costs for housing of prisoners due to overcrowding at the jail and transportation costs to take prisoners to other jails, in addition an increase in Sheriff's Communication, Corrections and Patrol costs for salaries were up \$92,000 and retirement benefits were up by \$65,000 due to a new union contract that was settled during 2010 and retro pay and Court Services costs were up by \$159,000 that were costs related to an additional Drug Court Grant that was applied for and received during 2010.

IV. Financial Analysis of the County's Funds

As of December 31, 2010 the governmental funds had a combined fund balance total of \$86,919,702 with \$27,839,000 being unreserved. The unreserved amount of fund balance is broken down with \$10,588,672 in the General Fund, and \$17,250,328 in Other Governmental Funds that includes Capital Projects. The 2010 governmental funds balance reflects an increase of \$18,226,959 over the prior year. This reflects the Build American and Recovery Zone Bond Issues for the Courthouse and Jail Expansions. The General Fund Balance of \$10,588,672 is 46% of the total General Fund Expenditures of \$22,985,180 or 168 days of operating funds. The Community Outreach Building Fund has a negative fund balance of \$979,000 at the end of 2010 because of the loans from the Capital Reserve Fund and the General Fund.

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the U.S. Treasury. The County Treasurer utilizes a competitive bidding system with local financial institutions to assure that the highest return possible is made on funds invested. DeKalb County earned interest revenue of \$353,166 on all governmental fund types for the year ended December 31, 2010, compared with \$722,546 in the year ended December 31, 2009. This reflects a \$369,380 decrease. The decrease in interest income is a direct result of the continuing lagging economy and is reflective of the interest rates that were offered by financial institutions during 2010.

The County Treasurer is an elected official charged with the responsibility and authority to handle the investments for the County. The Treasurer's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All collateral on County deposits is held by a third party custodial bank in the County's name.

V. General Fund Budgetary Highlights

**Table 3
January 1, 2010 through December 31, 2010**

	Original Budget		Amended Budget		Actual
REVENUES					
Taxes	17,026,000		17,026,000		16,724,557
Licenses & Permits	105,000		105,000		113,166
Other	<u>7,103,000</u>		<u>7,103,000</u>		<u>5,455,706</u>
Total Revenues	24,234,000		24,234,000		23,278,673
EXPENDITURES AND TRANSFERS					
Expenditures	24,437,400		24,821,900		22,985,180
Transfers Out	1,427,000		1,907,000		1,479,500
Transfers In	<u>(1,705,000)</u>		<u>(1,705,000)</u>		<u>(1,919,785)</u>
Total Expenditures and Transfers	24,159,400		24,821,900		22,985,180
Change in Fund Balance	74,600		(339,900)		733,778

As can be seen above, revenues were \$955,000 less than the budget. This amount includes sales, income, replacement and local use taxes that were \$300,000 less than budgeted and is reflective of the very slow economy and unemployment that has continued to be a concern for the County. Another item for concern is the \$240,000 difference in budget that includes the County Clerk and Recorder recording fees that are dependent on a strong real estate market that has continued with minimal to no growth again in 2010. Investment Income of \$168,000 less than budgeted is again the economy driving the minimal interest rates that were paid on all investments. Expenditures for the Sheriff were up by total of \$420,000 for Sheriff General, Communications and Corrections. The largest increase was in Corrections and reflects the additional costs of \$214,000 to house prisoners outside of the County due to lack of space in the County jail. There were also increases in Court Services to remodel and staff a safe house for minor children of \$159,000 and Salary and benefit costs across all of the Sheriff's departments of \$100,000.

During 2010 the Building Fund that was being used to purchase property around the courthouse for future expansion was closed and the proceeds were transferred into the General Fund. The Working Cash Fund was also closed out to the General Fund in 2010. Both transfers created a larger than budgeted for increase in the General Fund Balance.

VI. Capital Assets

The following schedule reflects the County's capital asset balances as of December 31, 2010:

**Table 4
Capital Assets
December 31, 2010**

	Governmental Activities		Business Type Activities		Total Primary Activities	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land and Land Right of Way	9,317,834	9,156,189	0	0	9,317,189	9,156,186
Buildings	29,765,369	29,396,376	12,176,529	12,176,529	41,941,898	41,572,905
Land Improvements	1,819,211	1,819,211	776,486	770,918	2,594,697	2,590,129
Vehicles	3,964,484	3,806,360	0	0	3,964,484	3,806,360
Furniture and Fixtures	0	0	830,511	817,372	830,511	817,342
Equipment	4,722,272	4,575,063	968,328	954,387	5,690,600	5,529,450
Infrastructure	45,809,713	42,978,352	0	0	45,809,713	42,978,352
Construction in Progress	<u>225,141</u>	<u>0</u>	<u>3,992</u>	<u>3,992</u>	<u>229,133</u>	<u>3,992</u>
Subtotal	95,767,827	91,731,551	14,751,854	14,723,168	110,378,225	106,454,179
Less:						
Accumulated Depreciation	-37,367,097	-34,675,497	-6,829,758	-6,257,157	-44,196,855	-40,932,654
Total	58,400,730	57,056,054	7,926,088	8,466,011	66,326,818	65,522,065

At year-end, the County's investment in capital assets for both its governmental and business-type activities was \$66.3 million dollars (net of accumulated depreciation). This represents an increase of \$800,000 from the December 31, 2009 amount of \$65.5 million. The \$800,000 increase in the Infrastructure line item is the resurfacing of Peace Road from State Rt. 64 North to Freed Road. Road improvements were also completed on South First St. from Perry Road to Gurler Road and the Cherry Valley Bridge was also completed during 2010. The Vehicle asset line was increased by the Highway Department with a cab and chassis road maintenance vehicle truck.

The Business Type Activities assets were reduced by \$540,000 and this was primarily the depreciation costs for the 2010 fiscal year.

Additional information on the County's capital assets can be found in Note 4.

VII. Long-Term Debt

As of December 31, 2010 the County had a total of \$21 million in bonded indebtedness outstanding. \$5 million of this is an original bond issue of \$6.4 million which was sold as a refunding bond issue in 2005. The original 1997 issue of bonds by the DeKalb County Public Building Commission was for the construction of a new Health Facility. These original bonds were sold with an effective date of December 1, 1997, and were retired in full on December 1, 2007. The PBC entered into the refunding to achieve a cash flow savings of approximately \$500,000 and an economic gain of \$304,000. The County has abated 75% of its' property tax levy for debt service on these bonds every year and has used operating revenues from the DeKalb County Rehab and Nursing Center to pay this abatement. The \$16,000,000 bonded indebtedness outstanding is from two new bond issues which were sold in 2010. The first issue is \$10,030,000 Build American Bonds Series 2010A general obligation bonds. These bonds will finance the renovation and expansion of the Courthouse as well as preliminary design work for the expansion of the County Jail. The 2010B Recovery Zone Economic Development general obligation bonds in the amount of \$5,970,000, will be used to pay for the Courthouse Expansion.

Additional information on the County's long-term debt can be found in Note 5.

**Table 5
Bonded Indebtedness
December 31, 2010**

	Governmental Activities		Business Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
	2010 A Build America Bonds General Obligation Series	10,030,000	0	0	0	10,030,000
2010 B Recovery Zone Bonds General Obligation Series	5,970,000	0	0	0	5,970,000	0
2005 Lease Revenue Bonds	1,258,750	1,441,450	3,776,250	4,323,750	5,035,000	5,765,200
TOTAL	17,258,750	1,441,450	3,776,250	4,323,750	21,035,000	5,765,200

Under the current state statutes, DeKalb County's general obligation bonded debt issuances are subject to a legal limitation based on 2.875 percent of total assessed value of real and personal property. That would allow the County to currently incur debt up to \$64,123,234. Alternate revenue bonds and Public Building Commission bonds are excluded from this limitation. As of December 31, 2010 DeKalb County's net general obligation bonded debt, that is subject to the debt limit, was \$0 as lease revenue bonds and alternate revenue source bonds generally do not count against the legal debt limit.

VIII. Economic Factors And Next Year's Budget Issues

The taxable assessed valuation for the County grew by over \$27.9 million dollars from the previous year for a total of \$2,230,373,366. There is some concern that the commercial and industrial value only makes up about 20% of the property tax base which puts a lot of burden on residential property tax payers who make up 70% of the tax base. On-going efforts are in place, however, to bring increased economic development to the County that will help diversify that tax base. With the downturn in the economy, and the almost standstill of the construction industry, the outlook for future property tax increases seem to be not expected. In early 1999, the voters approved a referendum which will limit any future property tax increases to (a) the cost of living or 5%, whichever is less, plus (b) an amount reflective of new construction for the previous year. This new limitation was effective January 1, 2000 and it first affected the FY 2001 budget which was approved by the County Board in November, 2000. This limiting referendum continues to present significant challenges to the County Board to provide for services as the demand and need exceed the annual allowable increment.

One of the efforts the County uses is participation in the DeKalb County Economic Development Corporation. This partnership of private and public interests work together to facilitate economic development. During 2010 DCEDC targeted enhancing and promoting the DeKalb County Business Climate and worked to expand collaboration with Northern Illinois University and Kishwaukee College to meet the goals that have been set by the corporation. Of all revenues generated by the DeKalb County Economic Development Corporation, only 45% comes from governmental contributions. This partnership has been successful over the years as we recognize that economic growth can be contagious and that regional efforts are important as many issues simply cannot be constrained by municipal boundaries and that various communities can and do benefit with growth in a nearby community.

As of this writing, the FY 2011 financial year is well underway. The next budget to be developed will be the FY 2012 budget. It will be discussed in the early fall of 2011 for the fiscal year beginning January 1, 2012. The problems that were faced with the 2011 budget are anticipated to be in the forefront of the 2012 budget also. There were job cuts in the Health Department and Sheriff's Department in 2011 and all non-union employees were held at the same pay level as 2010. Health insurance costs and pension costs for all employees will continue to be a major budget concern. There was a 3.9% premium increase in health insurance rates in January of 2011. The County also continues to fully comply with the Property Tax Extension Limitation Law (P-TELL) that was approved by the voters in April 1999. The challenge of providing the best services with the best staff and keeping costs in line with available revenues continues to be the goal of the County Board and the financial management of the County.

IX. Request for Information

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Gary H. Hanson, Deputy County Administrator, DeKalb County Government, Finance Office, 200 N. Main Street, Sycamore, IL 60178.

DEKALB COUNTY, ILLINOIS

STATEMENT OF NET ASSETS

December 31, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 67,065,134	\$ 2,969,998	\$ 70,035,132
Receivables, net of allowance where applicable			
Property taxes	20,926,000	-	20,926,000
Accounts	3,945,923	2,821,364	6,767,287
Accrued interest	51,912	693	52,605
Other	157,052	-	157,052
Prepaid expenses	298,647	79,945	378,592
Inventory	-	19,664	19,664
Due from other governments	143,336	-	143,336
Restricted assets			
Cash and investments	79,073	237,220	316,293
Deferred charges	313,582	37,240	350,822
Advances to (from) other funds	(1,019,835)	1,019,835	-
Capital assets			
Not depreciated	9,542,975	3,992	9,546,967
Depreciated (net of accumulated depreciation)	48,857,755	7,922,096	56,779,851
Total assets	150,361,554	15,112,047	165,473,601
LIABILITIES			
Accounts payable	1,980,720	704,171	2,684,891
Accrued payroll	729,385	249,644	979,029
Accrued interest payable	137,496	12,732	150,228
Retainage payable	56,285	-	56,285
Claims payable	406,554	295,685	702,239
Unearned property taxes	20,926,000	-	20,926,000
Unearned revenue	774,404	-	774,404
Due to others	25,521	-	25,521
Unamortized bond premium	26,618	79,853	106,471
Noncurrent liabilities			
Due within one year	817,177	762,015	1,579,192
Due in more than one year	18,342,087	3,554,318	21,896,405
Total liabilities	44,222,247	5,658,418	49,880,665
NET ASSETS			
Invested in capital assets, net of related debt	56,259,355	4,069,985	60,329,340
Restricted for			
Retirement	1,614,342	-	1,614,342
Land acquisition	19,818	-	19,818
Land cash	9,788	-	9,788
Wetland mitigation	294,465	-	294,465
Debt service	1,159,256	224,488	1,383,744
Highways and streets	9,006,961	-	9,006,961
Health and welfare	5,116,090	-	5,116,090
Unrestricted	32,659,232	5,159,156	37,818,388
TOTAL NET ASSETS	\$ 106,139,307	\$ 9,453,629	\$ 115,592,936

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 8,754,778	\$ 1,981,328	\$ 651,030	\$ 383,570
Public safety	19,000,920	5,267,385	750,578	24,057
Highways and streets	6,339,081	718,371	2,381,820	2,186,935
Health and welfare	10,524,078	1,197,185	4,244,746	-
Culture and recreation	782,196	52,236	-	60,000
Interest	298,371	-	-	-
Total governmental activities	45,699,424	9,216,505	8,028,174	2,654,562
Business-Type Activities				
Nursing home	13,818,596	12,841,211	-	45,341
Total business-type activities	13,818,596	12,841,211	-	45,341
TOTAL PRIMARY GOVERNMENT	\$ 59,518,020	\$ 22,057,716	\$ 8,028,174	\$ 2,699,903

	Net (Expense) Revenue and Change in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (5,738,850)	\$ -	\$ (5,738,850)
	(12,958,900)	-	(12,958,900)
	(1,051,955)	-	(1,051,955)
	(5,082,147)	-	(5,082,147)
	(669,960)	-	(669,960)
	(298,371)	-	(298,371)
	(25,800,183)	-	(25,800,183)
	-	(932,044)	(932,044)
	-	(932,044)	(932,044)
	(25,800,183)	(932,044)	(26,732,227)
General revenues			
Taxes			
Property	20,854,815	-	20,854,815
Replacement	624,174	-	624,174
Sales	5,857,559	-	5,857,559
Income	1,184,365	-	1,184,365
Other	361,076	-	361,076
Investment income	353,166	85,687	438,853
Miscellaneous	248,859	33,849	282,708
Transfers	60,000	(60,000)	-
Total	29,544,014	59,536	29,603,550
CHANGE IN NET ASSETS	3,743,831	(872,508)	2,871,323
NET ASSETS, JANUARY 1, 2010	102,395,476	10,326,137	112,721,613
NET ASSETS, DECEMBER 31, 2010	\$ 106,139,307	\$ 9,453,629	\$ 115,592,936

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2010

	General	Health	Courthouse Expansion	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 9,420,914	\$ 1,394,591	\$ 13,945,228	\$ 36,515,738	\$ 61,276,471
Receivables					
Property taxes	10,427,000	470,000	-	9,079,000	19,976,000
Accounts	2,359,122	844,212	1,510	727,114	3,931,958
Accrued interest	21,455	-	534	26,926	48,915
Other	112,829	-	-	44,223	157,052
Prepaid items	176,682	68,349	-	53,616	298,647
Due from other funds	50,000	1,000	-	-	51,000
Due from other governments	-	143,336	-	-	143,336
Advances to other funds	-	-	-	957,250	957,250
Restricted assets					
Cash and investments	-	-	-	79,073	79,073
TOTAL ASSETS	\$ 22,568,002	\$ 2,921,488	\$ 13,947,272	\$ 47,482,940	\$ 86,919,702

	General	Health	Courthouse Expansion	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 466,127	\$ 105,561	\$ 143,573	\$ 1,188,067	\$ 1,903,328
Accrued payroll	477,724	136,516	-	115,145	729,385
Retainage payable	-	-	-	56,285	56,285
Deferred property taxes	10,427,000	470,000	-	9,079,000	19,976,000
Other deferred revenues	414,366	-	-	407,637	822,003
Due to others	16,431	-	-	-	16,431
Due to other funds	1,000	-	-	50,000	51,000
Advances from other funds	-	-	-	1,977,085	1,977,085
Total liabilities	11,802,648	712,077	143,573	12,873,219	25,531,517
FUND BALANCES					
Reserved for prepaid items	176,682	68,349	-	53,616	298,647
Reserved for long-term receivables	-	-	-	957,250	957,250
Reserved for retirement	-	-	-	1,614,342	1,614,342
Reserved for land acquisition	-	-	-	19,818	19,818
Reserved for land cash	-	-	-	9,788	9,788
Reserved for wetland mitigation	-	-	-	294,465	294,465
Reserved for specific purpose	-	-	13,803,699	517,005	14,320,704
Reserved for debt service	-	-	-	1,958,087	1,958,087
Reserved for highways and streets	-	-	-	9,006,961	9,006,961
Reserved for health and welfare	-	2,141,062	-	2,975,028	5,116,090
Unreserved					
Designated for cash flow	-	-	-	101,357	101,357
Undesignated					
General Fund	10,588,672	-	-	-	10,588,672
Special Revenue Funds	-	-	-	10,029,186	10,029,186
Capital Projects Funds	-	-	-	7,072,818	7,072,818
Total fund balances	10,765,354	2,209,411	13,803,699	34,609,721	61,388,185
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,568,002	\$ 2,921,488	\$ 13,947,272	\$ 47,482,940	\$ 86,919,702

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

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

December 31, 2010

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 61,388,185
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds</p> <p>Capital assets</p>	58,400,730
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds</p>	396,500
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds</p> <p>Bonds payable</p>	(17,258,750)
Interest payable	(137,496)
Compensated absences	(1,871,774)
Net pension obligation	(15,348)
Net other postemployment benefit obligation	(13,392)
Unamortized bond premium	(26,617)
Deferred charges	313,582
<p>The net assets of the internal service funds are included in the governmental activities in the statement of net assets</p>	<u>4,963,687</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 106,139,307</u></u>

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

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

For the Year Ended December 31, 2010

	General	Health	Courthouse Expansion	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 16,724,557	\$ 492,863	\$ -	\$ 9,531,271	\$ 26,748,691
Licenses and permits	113,166	395,782	-	96,769	605,717
Intergovernmental	1,136,896	3,671,784	-	5,578,785	10,387,465
Charges for services	4,345,487	589,846	-	2,168,603	7,103,936
Fines and forfeits	740,414	-	-	57,196	797,610
Investment income	56,190	8,615	2,105	286,256	353,166
Miscellaneous	161,963	7,454	-	510,325	679,742
Total revenues	23,278,673	5,166,344	2,105	18,229,205	46,676,327
EXPENDITURES					
Current					
General government	6,266,801	-	698,406	1,264,447	8,229,654
Public safety	16,718,379	-	-	1,361,941	18,080,320
Highways and streets	-	-	-	6,071,362	6,071,362
Health and welfare	-	5,785,053	-	3,587,135	9,372,188
Culture and recreation	-	-	-	948,806	948,806
Debt service	-	-	-	352,617	352,617
Capital outlay	-	-	-	1,485,846	1,485,846
Total expenditures	22,985,180	5,785,053	698,406	15,072,154	44,540,793
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	293,493	(618,709)	(696,301)	3,157,051	2,135,534

	General	Health	Courthouse Expansion	Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Bonds issued, at par	\$ -	\$ -	\$ -	\$ 16,000,000	\$ 16,000,000
Sale of capital assets	-	-	-	79,800	79,800
Transfers in	1,919,785	638,276	14,500,000	2,555,628	19,613,689
Transfers (out)	(1,479,500)	(49,500)	-	(18,024,689)	(19,553,689)
Total other financing sources (uses)	440,285	588,776	14,500,000	610,739	16,139,800
NET CHANGE IN FUND BALANCES	733,778	(29,933)	13,803,699	3,767,790	18,275,334
FUND BALANCES, JANUARY 1, 2010	10,031,576	2,239,344	-	30,841,931	43,112,851
FUND BALANCES, DECEMBER 31, 2010	\$ 10,765,354	\$ 2,209,411	\$ 13,803,699	\$ 34,609,721	\$ 61,388,185

See accompanying notes to financial statements.

DEKALB COUNTY, 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, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 18,275,334
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditure; however, they are capitalized and depreciated in the statement of activities	2,626,300
Contributions of capital assets are reported only in the statement of activities	1,817,660
The proceeds from the issuance of long-term debt is reported as an other financing source in governmental funds but as an increase of principal outstanding in the statement of net assets	(16,000,000)
The change in interest payable and repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	54,246
Issuance costs on bonds is expensed in governmental funds in the year incurred but capitalized on the statement of net assets	299,100
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	(3,029,268)
Loss on disposal of capital assets	(70,016)
Change in compensated absences	(157,733)
Change in net pension obligation	(15,348)
Change in net other postemployment benefit obligation	(4,629)
Revenues in the statement of activities that are not available in governmental funds are not reported as revenue in governmental funds until available	(26,630)
The change in net assets of certain activities of internal service funds is reported with governmental activities	<u>(25,185)</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,743,831</u></u>

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

December 31, 2010

	Business- Type Activities	Governmental Activities Internal Service Funds
	Nursing Home	Service Funds
CURRENT ASSETS		
Cash and investments	\$ 2,969,998	\$ 5,788,663
Receivables		
Property taxes	-	950,000
Accounts	2,821,364	13,965
Accrued interest	693	2,997
Prepaid expenses	79,945	-
Inventory	19,664	-
Deferred charges	37,240	-
Restricted assets		
Cash and investments	237,220	-
	<u>6,166,124</u>	<u>6,755,625</u>
Total current assets		
NONCURRENT ASSETS		
Advance to other funds	<u>1,019,835</u>	-
CAPITAL ASSETS		
Not depreciated	3,992	-
Depreciated, net of accumulated depreciation	<u>7,922,096</u>	-
	<u>7,926,088</u>	-
Total capital assets		
	<u>8,945,923</u>	-
Total noncurrent assets		
	<u>15,112,047</u>	<u>6,755,625</u>
Total assets		

(This statement is continued on the following page.)

DEKALB COUNTY, ILLINOIS

STATEMENT OF NET ASSETS (Continued)
 PROPRIETARY FUNDS

December 31, 2010

	Business- Type Activities	Governmental Activities Internal Service Funds
CURRENT LIABILITIES		
Accounts payable	\$ 704,171	\$ 77,393
Accrued payroll	249,644	-
Claims payable	295,685	406,554
Flexible benefit payable	-	9,090
Unearned property taxes	-	950,000
Unearned revenue	-	348,901
Compensated absences payable	192,015	-
Unamortized bond premium	79,853	-
Liabilities payable from restricted assets		
Interest payable	12,732	-
Revenue bonds payable	570,000	-
	<u>2,104,100</u>	<u>1,791,938</u>
NONCURRENT LIABILITIES		
Compensated absences payable	348,068	-
Revenue bonds payable	3,206,250	-
	<u>3,554,318</u>	<u>-</u>
	<u>5,658,418</u>	<u>1,791,938</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,069,985	-
Restricted for debt service	224,488	-
Unrestricted	5,159,156	4,963,687
	<u>\$ 9,453,629</u>	<u>\$ 4,963,687</u>

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS

For the Year Ended December 31, 2010

	Business- Type Activities	Governmental Activities
	Nursing Home	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 12,841,211	\$ 4,907,536
OPERATING EXPENSES		
Administration	1,483,062	-
Operations	11,548,620	5,887,569
Depreciation	599,495	-
Total operating expenses	13,631,177	5,887,569
OPERATING INCOME (LOSS)	(789,966)	(980,033)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	-	915,899
Investment income	85,687	38,949
Other income	33,849	-
Loss on disposal of capital assets	(4,417)	-
Interest expense	(183,002)	-
Total nonoperating revenues (expenses)	(67,883)	954,848
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(857,849)	(25,185)
TRANSFERS		
Transfers (out)	(60,000)	-
Total transfers	(60,000)	-
CONTRIBUTIONS	45,341	-
CHANGE IN NET ASSETS	(872,508)	(25,185)
NET ASSETS, JANUARY 1, 2010	10,326,137	4,988,872
NET ASSETS, DECEMBER 31, 2010	\$ 9,453,629	\$ 4,963,687

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended December 31, 2010

	Business- Type Activities	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 11,908,382	\$ -
Receipts from interfund service transactions	-	4,947,564
Payments to suppliers	(3,951,939)	(5,514,138)
Payments to employees	(8,675,900)	-
Net cash from operating activities	<u>(719,457)</u>	<u>(566,574)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of general property taxes	-	915,899
Advance to other funds	234,814	-
Interfund transfers	(60,000)	-
Net cash from noncapital financing activities	<u>174,814</u>	<u>915,899</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on revenue bonds	(191,793)	-
Payment on revenue bonds	(547,500)	-
Payments for capital acquisition	(47,698)	-
Net cash from capital and related financing activities	<u>(786,991)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	<u>85,687</u>	<u>39,767</u>
Net cash from investing activities	<u>85,687</u>	<u>39,767</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,245,947)	389,092
CASH AND CASH EQUIVALENTS, JANUARY 1, 2010	<u>4,453,165</u>	<u>5,399,571</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2010	<u>\$ 3,207,218</u>	<u>\$ 5,788,663</u>

(This statement is continued on the following page.)

DEKALB COUNTY, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
 PROPRIETARY FUNDS

For the Year Ended December 31, 2010

	Business- Type Activities	Governmental Activities Internal Service Funds
	Nursing Home	Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (789,966)	\$ (980,033)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation	599,495	-
Receipts of miscellaneous income	33,849	-
Receipts of donations	29,050	-
Effects of changes in operating assets and liabilities		
Accounts receivable	(995,728)	13,325
Prepaid expenses	3,274	412,808
Inventory	(5,357)	-
Accounts payable	230,794	35,459
Accrued payroll	15,973	-
Claims payable	137,347	(74,836)
Deferred revenue	-	26,703
Compensated absences payable	21,812	-
NET CASH FROM OPERATING ACTIVITIES	\$ (719,457)	\$ (566,574)
NONCASH TRANSACTIONS		
Contribution of capital assets	\$ 30,030	\$ -

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 6,149,627
Receivables	
Accounts	86,821
Accrued interest	<u>1,313</u>
TOTAL ASSETS	<u><u>\$ 6,237,761</u></u>
LIABILITIES	
Due to others	<u>\$ 6,237,761</u>
TOTAL LIABILITIES	<u><u>\$ 6,237,761</u></u>

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of DeKalb County, Illinois (the County), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental 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 County's accounting policies are described below.

a. Reporting Entity

The County was incorporated under the laws of the State of Illinois in 1837 and operates under an elected 24-member County Board. As required by generally accepted accounting principles, these financial statements present the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

b. Component Units

Blended Component Units

The DeKalb County Forest Preserve District (the DCFPD) operates and maintains the public forest preserves in the County. Although it is legally separate from the County, the DCFPD is reported as if it were part of the primary government because the governing board of the DCFPD is composed entirely of the DeKalb County Board serving ex-officio. The operations of the DCFPD are included in the financial statements as a blended component unit.

The DeKalb County Public Building Commission (the PBC) is governed by a five-member board appointed by the County Board. Although it is legally separate from the County, the PBC is reported as if it were part of the primary government because its sole purpose is to finance, construct and maintain the County's public buildings. The operations of the PBC are included in the financial statements as a blended component unit.

Separate financial statements for these component units may be obtained at:

DeKalb County Finance Office
200 North Main Street
Sycamore, IL 60178

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Fund Accounting

The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a county's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general capital assets (capital projects funds), the servicing of general long-term debt (debt service fund) and the management of funds held in trust that can be used for governmental services (permanent fund). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. The County's fiduciary funds consist of agency funds which are used to account for assets that the County holds on behalf of others as their agent.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the County has chosen to apply all GASB pronouncements as well as those pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 to account for its enterprise funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County. The effect of material interfund activity 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 fees and charges for support.

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.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The General Fund accounts for the resources devoted to finance the services traditionally associated with local government. Any other activity for which a special fund has not been created is accounted for in the General Fund.

The Health Fund accounts for revenues and expenditures associated with providing public health services to the citizens of the County.

The Courthouse Expansion Fund accounts for revenues and expenditures associated with the Courthouse Expansion project. The funding is provided for by Build America Bonds Series 2010A and by Recovery Zone Bonds Series 2010B.

The County reports the following major enterprise fund:

The Nursing Home Fund is used to account for the revenues and expenses associated with the operation of the DeKalb County Nursing Home.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County reports the following internal service funds:

The Medical Insurance Fund is used to account for revenues and expenses related to the County's employee health plan.

The Tort and Liability Fund is used to account for the revenues and expenses associated with providing for the County's workers' compensation, unemployment, property and liability self-insurance programs.

The County reports the following permanent fund:

The Working Cash Fund is used to account for monies used to provide temporary loans to operating funds during periods of diminished revenue. This fund was closed in the fiscal year ended December 31, 2010.

The County reports a variety of agency funds as fiduciary funds to account for assets held by county officials on behalf of others.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements (except the agency funds which do not have a measurement focus). Revenues are recorded when earned and expenses 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. Operating revenues and expenses are directly attributable to the operation of the proprietary funds. Nonoperating revenue/expenses are incidental to the operations of these funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. The County recognizes property taxes when they become both measurable and available in the year intended to finance. A 60-day availability period is used for revenue recognition for most other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt is recognized when due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales and motor fuel taxes, collected and held by the state at year end on behalf of the County also are recognized as revenue. Fines and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidelines. Monies that are virtually unrestricted as to purpose of expenditure, which are usually revocable only for failure to comply with prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

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

f. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, the County's proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with maturity greater than one year at time of purchase, if any, are stated at fair value. Nonnegotiable certificates of deposit and all other investments are reported at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” Short-term interfund loans, if any, are also classified as “due from other funds” or “due to other funds.” Long-term interfund loans, if any, are classified as “advances from other funds” and “advances to other funds.”

h. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are expensed when consumed.

i. Inventories

Inventories are valued at cost, which approximates market, using the average cost method.

j. Restricted Assets

Restricted assets include cash on deposit in the sinking fund for the payment of interest on the 2005 Series revenue bonds.

k. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, bridges, storm sewer), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as individual assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year, except for infrastructure, where the cost must be greater than \$20,000, computers, where the cost must be greater than \$30,000, and land improvements, where the cost must be greater than \$50,000. The DeKalb County Nursing Home, an enterprise fund, uses a threshold of \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Capital Assets (Continued)

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements	8-20
Equipment, furniture and fixtures	3-25
Vehicles	7-20
Infrastructure	15-50

l. Compensated Absences

County employees are entitled to vacation/sick leave based on their length of employment. Vacation/sick leave either vests or accumulates and is accrued when earned.

Vested or accumulated vacation/sick leave attributable to employees who were no longer employed as of December 31, 2010 but have yet to be paid out is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements. Historically, the General Fund has been used to liquidate these liabilities. Vested or accumulated vacation/sick leave is recorded as an expense and liability of the proprietary funds at all levels and governmental activities at the government-wide level as the benefits accrue to employees.

In accordance with the provisions of GASB Statement No. 16, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is estimated to be taken as “terminal leave” prior to retirement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

n. Fund Balances/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the County's net assets are restricted as a result of enabling legislation adopted by the County. Invested in capital assets, net of related debt is the net cost (book value) of the capital assets, less the principal of any long-term debt outstanding that was issued to construct, purchase or otherwise acquire the capital asset.

o. Interfund Transactions

Interfund services provided and used 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, except interfund services provided and used and reimbursements, are reported as transfers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from resident, third-party payors and others for services rendered.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the County's funds.

Investment of county funds, by statute, is vested with the County Treasurer. The County Treasurer's investment policy guides the investments of the County. The investment policy permits the County and the DCFPD (a blended component unit) to make deposits/investments in insured commercial banks located within and in close proximity to the County, obligations of the U.S. Treasury (bills), money market mutual funds with portfolios of securities issued or guaranteed (implicitly or explicitly) by the United States and the Public Treasurer's Investment Pool.

It is the policy of the County 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 County 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 objective of the policy is legality, safety (preservation of capital and protection of investment principal), liquidity and yield.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's investment policy requires pledging of collateral with a fair value of 105% (110% if collateral pledged is not guaranteed by the U.S. Government) for all bank balances in excess of federal depository insurance with the collateral held by an independent third party acting as the County's agent. All of the County's deposits were covered by either FDIC or collateral at December 31, 2010.

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments

The following table presents the investments and maturities of the County's debt securities as of December 31, 2010:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
Illinois Funds	\$ 10,158	\$ 10,158	\$ -	\$ -
TOTAL	\$ 10,158	\$ 10,158	\$ -	\$ -

In accordance with its investment policy, the County limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a short-term (annual) period. The investment policy does not limit the maximum maturity length of investments. However, the policy does require the County to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

The County limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by only allowing investments in U.S. Treasury obligations, insured or collateralized certificates of deposits with financial institutions and money market mutual funds with portfolios of securities issued or guaranteed (implicitly or explicitly) by the United States. Illinois Funds is rated AAA by Standard and Poor's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the County will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the County's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the County's agent separate from where the investment was purchased. Illinois Funds is not subject to custodial credit risk.

Concentration of credit risk - the County's investment requires diversification of the portfolio but does not contain any specific diversification targets.

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. RECEIVABLES - PROPERTY TAXES

Property taxes for 2009 attached as an enforceable lien on January 1, 2009, on property values assessed as of the same date. Taxes are levied by December of the same fiscal year (by passage of a Tax Levy Ordinance). Tax bills were prepared by the County and issued on or about May 1, 2010, and were payable in two installments on or about June 1, 2010 and September 1, 2010. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy to reflect actual collection experience.

The County has elected, under governmental accounting standards, to match its property tax revenues to the fiscal year that the tax levy is intended to finance. Therefore, the entire 2010 tax levy has been recorded as receivable and deferred revenue on the financial statements.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 7,593,043	\$ 161,645	\$ -	\$ 7,754,688
Land right of way	1,563,146	-	-	1,563,146
Construction in progress	-	225,141	-	225,141
Total capital assets not being depreciated	9,156,189	386,786	-	9,542,975
Capital assets being depreciated				
Land improvements	1,819,211	-	-	1,819,211
Buildings and improvements	29,396,376	368,993	-	29,765,369
Vehicles	3,806,360	282,283	124,159	3,964,484
Equipment	4,575,063	430,734	283,525	4,722,272
Intangibles	-	143,803	-	143,803
Infrastructure	42,978,352	2,831,361	-	45,809,713
Total capital assets being depreciated	82,575,362	4,057,174	407,684	86,224,852
Less accumulated depreciation for				
Land improvements	816,552	91,546	-	908,098
Buildings and improvements	11,083,904	865,472	-	11,949,376
Vehicles	1,952,758	352,622	124,159	2,181,221
Equipment	2,518,158	318,686	213,509	2,623,335
Infrastructure	18,304,125	1,400,942	-	19,705,067
Total accumulated depreciation	34,675,497	3,029,268	337,668	37,367,097
Total capital assets being depreciated, net	47,899,865	1,027,906	70,016	48,857,755
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 57,056,054	\$ 1,414,692	\$ 70,016	\$ 58,400,730

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 3,992	\$ -	\$ -	\$ 3,992
Total capital assets not being depreciated	<u>3,992</u>	<u>-</u>	<u>-</u>	<u>3,992</u>
Capital assets being depreciated				
Improvements	770,918	5,568	-	776,486
Buildings	12,176,529	-	-	12,176,529
Furniture and fixtures	817,342	28,605	15,436	830,511
Equipment	954,387	29,816	15,875	968,328
Total capital assets being depreciated	<u>14,719,176</u>	<u>63,989</u>	<u>31,311</u>	<u>14,751,854</u>
Less accumulated depreciation for				
Improvements	275,262	59,159	-	334,421
Buildings	4,701,292	445,709	-	5,147,001
Furniture and fixtures	698,453	32,762	11,337	719,878
Equipment	582,150	61,865	15,557	628,458
Total accumulated depreciation	<u>6,257,157</u>	<u>599,495</u>	<u>26,894</u>	<u>6,829,758</u>
Total capital assets being depreciated, net	<u>8,462,019</u>	<u>(535,506)</u>	<u>4,417</u>	<u>7,922,096</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 8,466,011</u>	<u>\$ (535,506)</u>	<u>\$ 4,417</u>	<u>\$ 7,926,088</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 406,500
Public safety	540,026
Health and welfare	343,190
Culture and recreation	49,396
Highway and streets	<u>1,690,156</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,029,268</u></u>

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT

The following is a summary of changes in long-term liabilities during the fiscal year:

	Balances			Balances	
	January 1, 2010	Additions	Reductions	December 31, 2010	Current Portion
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ 1,714,041	\$ 169,935	\$ 12,202	\$ 1,871,774	\$ 187,177
Revenue bonds					
Public Building Commission Lease Revenue Refunding Bonds, Series 2005	1,441,250	-	182,500	1,258,750	190,000
General Obligation Alternate Revenue Source Bonds					
Taxable Series 2010A	-	10,030,000	-	10,030,000	440,000
Taxable Series 2010B	-	5,970,000	-	5,970,000	-
Net pension obligation	-	15,348	-	15,348	-
Other postemployment benefit	8,763	4,629	-	13,392	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,164,054	\$ 16,189,912	\$ 194,702	\$ 19,159,264	\$ 817,177
BUSINESS-TYPE ACTIVITIES					
Compensated absences	\$ 518,271	\$ 209,464	\$ 187,652	\$ 540,083	\$ 192,015
Revenue bonds					
Public Building Commission Lease Revenue Refunding Bonds, Series 2005	4,323,750	-	547,500	3,776,250	570,000
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 4,842,021	\$ 209,464	\$ 735,152	\$ 4,316,333	\$ 762,015

Lease Obligations

On June 1, 2005, the PBC issued \$7,155,000 Lease Revenue Refunding Bonds, dated June 1, 2005 to advance refund, through a crossover refunding, the 2008 - 2016 principal maturities of the 1997 Lease Revenue Bonds on December 1, 2007 (the crossover date) and to pay the interest on the 2005 Lease Revenue Refunding Bonds through December 1, 2007. The 2005 bonds are due serially from December 1, 2008 through December 1, 2016 in amounts ranging from \$685,000 to \$925,000. Interest is payable semiannually each June 1 and December 1 at amounts ranging from 3.50% to 4.25%.

Furthermore, since the PBC is a blended component unit, the lease payable/receivable between the PBC and the County has been eliminated and the series 2005 lease revenue bonds have been reported as a liability of the County, payable 25% from the Public Building Maintenance Fund (governmental activities) and 75% from the DeKalb County Nursing Home (business-type activities).

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

Lease Obligations (Continued)

Debt service to maturity on the revenue bonds and the lease payments are as follows (payable 25% from governmental activities and 75% from business-type activities):

Fiscal Year	2005 Lease Revenue Bonds		
	Principal	Interest	Total
2011	\$ 760,000	\$ 203,713	\$ 963,713
2012	790,000	173,312	963,312
2013	820,000	141,712	961,712
2014	855,000	108,913	963,913
2015	885,000	74,712	959,712
2016	925,000	39,313	964,313
TOTAL	\$5,035,000	\$ 741,675	\$ 5,776,675

Lease payment schedule to the PBC are as follows (payable 25% from governmental activities and 75% from business-type activities):

Fiscal Year	Lease Payments
2011	\$ 973,512
2012	972,512
2013	970,312
2014	971,812
2015	967,012
2016	969,656
Total lease payments	5,824,816
Less interest and expenses	(789,816)
NET LEASE RECEIVABLE	\$ 5,035,000

General Obligation Alternate Revenue Source Bonds

General Obligation Alternate Revenue Source Taxable Build America Bonds, Series 2010A, \$10,030,000 issued on October 14, 2010, to finance the renovation and expansion of the County Courthouse and the preliminary design work for the County Jail expansion. The Series 2010A bear interest at .92% - 4.89%. Interest is payable semiannually on June 15 and December 15 and the bonds mature serially on December 15 annually beginning on December 15, 2011 through December 15, 2025 in amounts ranging from \$205,000 - \$1,020,000.

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

General Obligation Alternate Revenue Source Bonds (Continued)

General Obligation Alternate Revenue Source Taxable Recovery Zone Economic Development Bonds, Series 2010B, \$5,970,000 issued on October 14, 2010, to finance the renovation and expansion of the County Courthouse. The Series 2010B bear interest at 4.89% - 5.39%. Interest is payable semiannually on June 15 and December 15 and the bonds mature serially on December 15 annually beginning on December 15, 2025 through December 15, 2029 in amounts ranging from \$885,000 - \$1,385,000.

The General Obligation Alternate Revenue Source Taxable Bonds Series 2010A and 2010B, maturing through January 1, 2029, are payable from a pledge of sales taxes and host community fees, with a remaining total pledge of \$24,727,561 as of December 31, 2010. There was no repayment of principal and interest during the year ended December 31, 2010.

Debt service to maturity on the bonds is as follows:

Fiscal Year Ending	Series 2010A Build America Bonds			Series 2010B Economic Recovery Zone Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 440,000	\$ 382,228	\$ 822,228	\$ -	\$ 362,654	\$ 362,654
2012	510,000	322,798	832,798	-	310,108	310,108
2013	520,000	316,882	836,882	-	310,108	310,108
2014	545,000	308,510	853,510	-	310,108	310,108
2015	580,000	297,555	877,555	-	310,108	310,108
2016	615,000	284,157	899,157	-	310,108	310,108
2017	655,000	268,598	923,598	-	310,108	310,108
2018	700,000	249,406	949,406	-	310,108	310,108
2019	745,000	226,726	971,726	-	310,108	310,108
2020	790,000	200,353	990,353	-	310,108	310,108
2021	845,000	170,412	1,015,412	-	310,108	310,108
2022	900,000	136,696	1,036,696	-	310,108	310,108
2023	960,000	98,986	1,058,986	-	310,108	310,108
2024	1,020,000	56,842	1,076,842	-	310,108	310,108
2025	205,000	10,024	215,024	885,000	310,108	1,195,108
2026	-	-	-	1,160,000	266,832	1,426,832
2027	-	-	-	1,230,000	207,788	1,437,788
2028	-	-	-	1,310,000	143,950	1,453,950
2029	-	-	-	1,385,000	74,652	1,459,652
TOTAL	\$10,030,000	\$ 3,330,173	\$13,360,173	\$ 5,970,000	\$ 5,397,388	\$11,367,388

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

6. INTERFUND ASSETS/LIABILITIES

Due to/from other funds at December 31, 2010 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General		
Health	\$ -	\$ 1,000
Nonmajor Governmental	50,000	-
Health		
General	1,000	-
Nonmajor Governmental		
General	-	50,000
TOTAL	<u>\$ 51,000</u>	<u>\$ 51,000</u>

The purposes of the significant due to/due from other funds are as follows:

- \$50,000 due from in the General Fund is due from the Nonmajor Governmental Funds (Community Outreach Building) for start-up costs. It will be repaid within one year.

Advances from/to other funds at December 31, 2010 consisted of the following:

	<u>Advance To</u>	<u>Advance From</u>
Nursing Home		
Nonmajor Governmental	\$ 1,019,835	\$ -
Nonmajor Governmental		
Nursing Home	-	1,019,835
Nonmajor Governmental	957,250	957,250
TOTAL	<u>\$ 1,977,085</u>	<u>\$ 1,977,085</u>

During the fiscal year 2006, the Nursing Home Fund advanced the Nonmajor Governmental Funds (Tollway Access Loan Fund) \$2,300,000, which it paid to the City of DeKalb as part of an intergovernmental agreement for tollway interchange improvements. The amount will be repaid in future years with sales tax revenue received from the City of DeKalb. In fiscal year 2010, a payment of \$234,814 was made.

During the fiscal year 2007, the Nonmajor Governmental Funds (Community Outreach Building Fund) was advanced \$1,500,000 from the Nonmajor Governmental Funds (Capital Improvement Reserve Fund). The amount will be repaid in future years. In fiscal year 2010, a payment of \$287,750 was made.

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

6. INTERFUND ASSETS/LIABILITIES (Continued)

Transfers to/from other funds at December 31, 2010 consist of the following:

	Transfer From	Transfer To
General		
Health	\$ 5,500	\$ 595,000
Nonmajor Governmental	1,914,285	884,500
Health		
General	595,000	5,500
Nonmajor Governmental	43,276	44,000
Courthouse Expansion		
Nonmajor Governmental	14,500,000	-
Nursing Home		
Nonmajor Governmental	-	60,000
Nonmajor Governmental		
General	884,500	1,914,285
Health	44,000	43,276
Courthouse Expansion	-	14,500,000
Nursing Home	60,000	-
Nonmajor Governmental	1,567,128	1,567,128
TOTAL	<u>\$ 19,613,689</u>	<u>\$ 19,613,689</u>

The purposes of the significant transfers to/from other funds are as follows:

- \$595,000 was transferred from the General Fund to the Health Fund: \$385,000 for FICA and IMRF costs and \$210,000 for building maintenance. This transfer will not be repaid.
- \$1,914,285 was transferred from the Nonmajor Governmental Funds to the General Fund; \$1,668,387 from the Building Fund to close the fund, \$200,284 from the Working Cash Fund to close the fund, \$36,614 from the Mental Health Fund to reimburse costs and \$9,000 from the Probation Fund for operating costs. These transfers will not be repaid.
- \$884,500 was transferred from the General Fund to the Nonmajor Governmental Funds; \$720,500 to the Asset Replacement Fund for replacement of vehicles and computer equipment on a scheduled basis, \$100,000 to the Special Projects Fund that is a yearly allocation, \$50,000 to the PBC Maintenance Fund for building costs and \$14,000 to the History Room Fund for salary and benefits for the part-time director. These transfers will not be repaid.

6. INTERFUND ASSETS/LIABILITIES (Continued)

- \$14,500,000 was transferred from the Nonmajor Governmental Funds to the Courthouse Expansion Funds; \$8,642,374 from the Build America Bonds Fund and \$5,857,626 from the Recovery Zone Bonds Fund for Courthouse Expansion funding. These transfers will not be repaid.
- \$1,567,128 was transferred between the Nonmajor Governmental Funds; \$450,462 was transferred to the Community Outreach Building Fund for building costs (\$175,000 from the Veteran's Assistance Fund, \$175,000 from the PBC Maintenance Fund, \$50,000 from the County Farm Fund and \$50,000 from the Document Storage Fund), \$400,000 was transferred to the Jail Expansion Fund from the Build America Bonds Fund for future jail expansion costs, \$350,000 was transferred to the Highway Fund from the County Motor Fuel Tax Fund to repay amounts due from prior years, \$186,044 was transferred to the Engineering Fund for amounts due from prior years (\$118,497 from the Federal Highway Matching Fund and \$67,547 from the Aid to Bridges Fund), \$75,000 was transferred to the Broadband Grant Fund from the Special Project Fund for Broadband expenditures, \$62,650 was transferred from the Capital Improvement Reserve Fund to the PBC Maintenance Fund for future renewal and replacement projects, \$17,000 was transferred to the Asset Replacement Fund for computers (\$10,000 from the Special Projects Fund, \$3,000 from the Community Services Fund, \$3,000 from the Veteran's Assistance Fund and \$1,000 from the Mental Health Fund), \$12,172 was transferred from the Mental Health Fund to the Drug Court Fund for drug court services, \$7,000 was transferred to the Community Services Fund from the Senior Services Fund to reimburse costs related to the annual grant program, \$5,000 was transferred to the PBC Administration Fund from the Community Outreach Building Fund to reimburse costs, and \$2,200 was transferred to the Opportunity Fund from the Land Acquisition Fund to close the fund. None of these transfers will be repaid.

7. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The County is self-insured for general liability, workers' compensation and other risks accounted for in the Tort and Liability Insurance Fund (an internal service fund) and the Nursing Home Fund. The County has also purchased property insurance.

The County is also exposed to risks of loss relating to medical insurance claims of its employees. Effective January 1, 2003, the County discontinued its self-insurance program for employee health benefits and instead purchased third party indemnity insurance to limit its exposure. Accordingly, there is no liability for health claims payable at December 31, 2010.

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. RISK MANAGEMENT (Continued)

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims payable, including claims incurred, but not reported, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims payable are recorded in the Tort and Liability Insurance Fund and the Nursing Home Fund at December 31, 2010.

Changes in the Tort and Liability Insurance Fund and Nursing Home Fund claims payable in fiscal year 2010 and 2009 were:

Fiscal Year Ended December 31,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Paid	Balance, Fiscal Year Ended December 31
2009	\$ 607,687	\$ 288,120	\$ 256,079	\$ 639,728
2010	639,728	935,402	872,891	702,239

8. CONTINGENT LIABILITIES

a. Litigation

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's attorney that resolution of these matters will not have a material adverse effect on the financial condition of the County.

b. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

c. Property Tax Appeals

The County currently has various property tax appeals pending in front of the Property Tax Appeal Board. The outcome of these appeals is uncertain at this time. In the event the County does not prevail, property taxes collected from these property owners would need to be refunded.

8. CONTINGENT LIABILITIES (Continued)

d. Medicaid

During fiscal year 2009, the DeKalb County Nursing Home was notified by the Illinois Department of Healthcare and Family Services (IDHFS) of prior year rate adjustments related to its Medicaid payments as well as possible current year rate increases. At December 31, 2010, the amount of potential paybacks or receipts resulting from the rate adjustments had not been determined by IDHFS and, accordingly, no liability or receivable has been accrued.

9. EMPLOYEE RETIREMENT SYSTEMS

The County contributes to three agent multiple-employer defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF - County), Illinois Municipal Retirement Fund (IMRF - Forest Preserve District) and the Sheriff's Law Enforcement Personnel (also administered by IMRF). The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report upon that includes financial statements and supplementary information for the plan as a whole, but not by individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

a. Plan Descriptions

Illinois Municipal Retirement Fund - County

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 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. 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 4.5% of their annual salary to IMRF. The County is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the year ended December 31, 2010 was 9.52% of covered payroll. The employer required contribution rate for the year ended December 31, 2010 was 11.06%.

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund - Forest Preserve District

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 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. 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 4.5% of their annual salary to IMRF. The County is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution for the year ended December 31, 2010 was 15.99% of covered payroll. The employer required contribution rate for the year ended December 31, 2010 was 16.00%.

Sheriff's Law Enforcement Personnel

Sheriff's Law Enforcement Personnel (SLEP) having accumulated at least 20 years of SLEP service and terminating IMRF participation on or after January 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. SLEP members meeting these two qualifications are entitled to an annual retirement benefit payable monthly for life, in an amount equal to 2 1/2% of their final rate of earnings for each year of credited service up to 20 years, 2% of their final earnings rate for the next 10 years of credited service and 1% for each year thereafter. For SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies. SLEP also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statute. Participating members are required to contribute 7.5% of their annual salary to SLEP. The County is required to contribute the remaining amounts necessary to fund SLEP as specified by statute. The employer contribution for the year ended December 31, 2010 was 19.56% of covered payroll. The employer required contribution rate for the year ended December 31, 2010 was 21.56%.

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement (County)	Illinois Municipal Retirement (Forest Preserve District)	Sheriff's Law Enforcement Personnel
Actuarial valuation date	December 31, 2008	December 31, 2008	December 31, 2008
Actuarial cost method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	30 Years, Open	30 Years, Open	30 Years, Open
Significant actuarial assumptions			
a) Rate of return on present and future assets	7.50% Compounded Annually	7.50% Compounded Annually	7.50% Compounded Annually
b) Projected salary increase - attributable to inflation	4.00% Compounded Annually	4.00% Compounded Annually	4.00% Compounded Annually
c) Additional projected salary increases - seniority/merit	.40% to 10.00%	.40% to 10.00%	.40% to 10.00%

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Annual Pension Costs (Continued)

	Calendar Year	Illinois Municipal Retirement (County)	Illinois Municipal Retirement (Forest Preserve District)	Sheriff's Law Enforcement Personnel
Annual pension cost (APC)	2008	\$ 1,483,400	\$ 32,675	\$ 1,083,652
	2009	1,563,321	35,753	1,173,652
	2010	2,011,299	42,282	1,418,872
Actual contribution	2008	\$ 1,483,400	\$ 32,675	\$ 1,083,070
	2009	1,563,321	35,753	1,173,652
	2010	2,011,244	38,609	1,407,252
Percentage of APC contributed	2008	100.00%	100.00%	100.00%
	2009	100.00%	100.00%	100.00%
	2010	99.99%	91.31%	99.18%
Net pension obligation (NPO)	2008	\$ -	\$ -	\$ -
	2009	-	-	-
	2010	55	3,673	11,620

c. Funded Status

The funded status of the plans as of December 31, 2010 is based on actuarial valuations performed as of December 31, 2010 for IMRF (County and DCFPD) and SLEP and is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer APC of the plans as disclosed in Note 9-b.

	Illinois Municipal Retirement (County)	Illinois Municipal Retirement (Forest Preserve District)	Sheriff's Law Enforcement Personnel
Actuarial accrued liability (AAL)	\$ 47,665,886	\$ 1,421,976	\$ 23,504,042
Actuarial value of plan assets	37,116,232	1,159,330	12,822,308
Unfunded actuarial accrued liability (UAAL)	10,549,654	262,646	10,681,734
Funded ratio (actuarial value of plan assets/AAL)	77.87%	81.53%	54.55%
Covered payroll (active plan members)	\$ 18,185,340	\$ 264,264	\$ 6,581,041
UAAL as a percentage of covered payroll	58.01%	99.39%	162.31%

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

c. Funded Status (Continued)

See the schedules of funding progress in the required supplementary information immediately following the notes to financial statements for additional information related to the funded status of the plans.

d. Net Pension Obligation

The NPO has been calculated as follows:

	Illinois Municipal Retirement (County)	Illinois Municipal Retirement (Forest Preserve District)	Sheriff's Law Enforcement Personnel
Annual required contribution	\$ 2,011,299	\$ 42,282	\$ 1,418,872
Interest on net pension obligation	-	-	-
Adjustment to annual required contributions	-	-	-
Annual pension cost	2,011,299	42,282	1,418,872
Contributions made	2,011,244	38,609	1,407,252
Increase in net pension obligation	55	3,673	11,620
Net pension obligation (asset), beginning of year	-	-	-
NET PENSION OBLIGATION (ASSET), END OF YEAR	\$ 55	\$ 3,673	\$ 11,620

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

a. Plan Description

In addition to providing pension benefits, the County and the DCFPD are required by Illinois Compiled Statutes (ILCS) to provide certain health care benefits for retired employees. Substantially all of the County's and the DCFPD's employees may become eligible for those benefits if they reach normal retirement age while working for the County or the DCFPD and retire through IMRF. Retiree participants electing those benefits are required to contribute \$468 to \$660 monthly for single coverage and \$938 to \$1,526 monthly for family coverage which is equal to the premium for the coverage. The cost of retiree health care is recognized as an expenditure as claims are paid.

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

b. Benefits Provided

The County and the DCFPD provide continued health insurance coverage at the blended employee rate to all eligible retirees 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 County's or the DCPDF's retirement plan. 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 can purchase a medicare supplement plan from the County's insurance provider.

c. Membership

At December 31, 2010, membership consisted of:

	County	DCFPD
Retirees and beneficiaries currently receiving benefits	15	-
Terminated employees entitled to benefits but not yet receiving them	-	-
Active employees	476	4
TOTAL	491	4
Participating employers	1	1

d. Funding Policy

The County and the DCFPD are not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

e. Annual OPEB Costs and Net OPEB Obligation

The County and the DCFPD's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008, 2009 and 2010 is as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County	December 31, 2008	\$ 24,898	\$ 20,995	84.3%	\$ 3,902
County	December 31, 2009	25,280	20,995	83.0%	8,187
County	December 31, 2010	25,351	20,995	82.8%	12,543
DCFPD	December 31, 2008	308	-	0.0%	308
DCFPD	December 31, 2009	268	-	0.0%	576
DCFPD	December 31, 2010	273	-	0.0%	849

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation as of December 31, 2010 was calculated as follows:

	County	DCFPD
Annual required contribution	\$ 25,215	\$ 263
Interest on net OPEB obligation	409	29
Adjustment to annual required contribution	(273)	(19)
Annual OPEB cost	25,351	273
Contributions made	20,995	-
Increase in net OPEB obligation	4,356	273
Net OPEB obligation, beginning of year	8,187	576
NET OPEB OBLIGATION, END OF YEAR	\$ 12,543	\$ 849

Funded Status and Funding Progress - The funded status of the plan as of December 31, 2010 was as follows:

	County	DCFPD
Actuarial accrued liability (AAL)	\$ 638,968	\$ 8,155
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	638,968	8,155
Funded ratio (actuarial value of plan assets/AAL)	0.0%	0.0%
Covered payroll (active plan members)	\$ 26,137,315	\$ 298,030
UAAL as a percentage of covered payroll	2.4%	2.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

10. OTHER POSTEMPLOYMENT BENEFITS (OBEB) (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a discount rate of 5% and an initial healthcare cost trend rate of 8% with an ultimate healthcare inflation rate of 6%. Both rates include a 3% inflation assumption. The actuarial value of assets was not determined as the DCFPD has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2010 was 30 years.

11. RELATED ORGANIZATIONS

The County's officials are also responsible for appointing the members of the boards of other organizations; however, the County's accountability for these organizations does not extend beyond making the appointments as specified by state statute, local statute or the organization's by-laws. The Board Chairman and/or the Board of DeKalb County appoint the board members of the following organizations:

DeKalb County Nursing Home Foundation
Emergency Telephone Service Board
Metropolitan Exposition, Auditorium and Office Building Authority
Natural Resources Education Foundation Board
DeKalb County Cooperative Extension Board
Housing Authority of DeKalb County
Fairdale Street Lighting District
DeKalb Sanitary District
Various fire protection districts within DeKalb County
Various cemetery associations within DeKalb County
Various drainage districts within DeKalb County