

**DEKALB COUNTY GOVERNMENT
DEKALB COUNTY, ILLINOIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

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 for the year ending December 31, 2011. 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 \$109 million and increased in the current year by \$ 10.7 million. The County implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The implementation of this standard resulted in the restatement of \$7,219,080 of net assets to move the DeKalb County Forest Preserve District from a blended component unit to a discretely presented component unit of the County. 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 decreased by \$83 million or 4%.

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 2011 was \$618,455. 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 \$8.8 million in 2011 compared to \$9.4 million in 2010. Fiscal Year 2011 also marks the twelfth 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 this payment of additional sales tax revenues from the City of DeKalb is given to the County on certain property within the County. This loan which was for a ten-year period payable annually and in full on July 1, 2014, was paid off during 2011. The source of the funds to pay off this loan was the shared sales tax revenues from the City and an additional amount of monies that were paid from the Opportunity Fund. This loan was paid as the Nursing Home needed the dollars for cash flow purposes.

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, recreation, and interest on long-term debt.

The government-wide financial statements include not only the County but also the DeKalb County Public Building Commission. The ending balances of 2010 were restated, due to the moving of the Forest Preserve District from a blended component unit to a discretely presented component unit in accordance with GASB Statement 61. 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 48 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, Courthouse Expansion Fund and Broadband Grant 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 48-55 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 56-194 of 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	
	2011	2010	2011	2010	2011	2010
<u>Assets:</u>						
Current and Other	84,700,085	86,911,333	6,525,576	7,185,959	91,225,661	94,097,292
Capital Assets	<u>68,949,428</u>	<u>54,648,504</u>	<u>7,371,217</u>	<u>7,926,088</u>	<u>76,320,645</u>	<u>62,575,592</u>
Total Assets	153,649,513	141,559,837	13,896,793	15,112,047	167,546,306	156,671,884
<u>Liabilities:</u>						
Long Term Liabilities	18,653,122	23,512,886	3,766,306	4,316,054	22,419,428	23,443,507
Other Liabilities	<u>25,375,016</u>	<u>19,126,724</u>	<u>1,295,313</u>	<u>1,342,085</u>	<u>26,670,329</u>	<u>24,854,971</u>
Total Liabilities	44,028,138	42,639,610	5,061,619	5,658,418	49,089,757	48,928,028
<u>Net Assets:</u>						
Invested in Capital Assets Net of Related Debt	61,096,834	52,507,129	4,098,423	4,069,985	65,195,257	56,577,174
Restricted	23,068,998	16,648,841	228,585	224,488	23,297,583	16,873,329
Unrestricted	<u>25,455,543</u>	<u>29,764,257</u>	<u>4,508,166</u>	<u>5,159,156</u>	<u>29,963,709</u>	<u>34,293,413</u>
Total Net Assets	109,621,375	98,920,277	8,835,174	9,453,629	118,456,549	108,373,856

*Note: The amounts for 2010 for the Governmental Activities have been restated due to moving the Forest Preserve District from a blended component unit to a discretely presented component unit in accordance with GASB Statement 61.

The County's combined net assets increased to \$118.4 million in 2011 from \$115.5 million after the restatement of 2010 Governmental Activities. There was an increase in accounts receivable of \$508,000. 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.

B. Activities

1. Changes in Net Assets

**Table 2
Changes in Net Assets
January 1, 2011 through December 31, 2011**

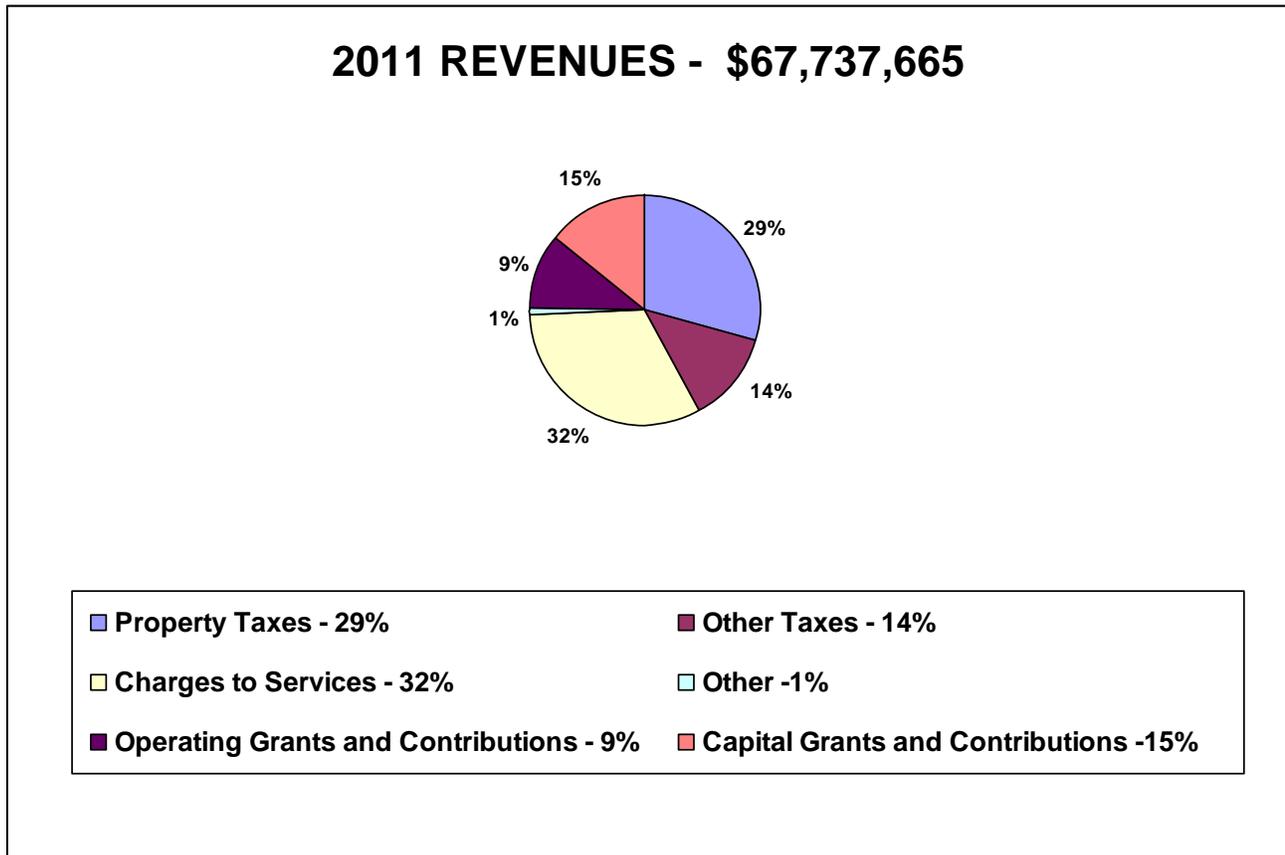
	Governmental Activities		Business Type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Revenues</u>						
Program Revenues:						
Charges to Services	9,017,936	9,164,269	12,793,413	12,841,211	21,811,349	22,005,480
Operating Grants and Contributions	7,108,374	8,028,174	0	0	7,108,374	8,028,174
Capital Grants and Contributions	9,490,376	2,594,562	81,370	45,341	9,571,746	2,639,903
General Revenues:						
Property Taxes	19,939,119	19,375,024	0	0	19,939,119	19,375,024
Other Taxes	8,551,375	8,009,144	0	0	8,551,375	8,009,144
Other	428,275	563,063	327,427	119,536	755,702	682,599
Total Revenues	<u>54,535,455</u>	<u>47,734,236</u>	<u>13,202,210</u>	<u>13,006,088</u>	<u>67,738,665</u>	<u>60,740,324</u>
<u>Expenses</u>						
General Government	8,384,549	8,754,778	0	0	8,384,549	8,754,778
Public Safety	19,951,449	19,000,920		0	19,951,449	19,000,920
Highways and Streets	4,255,080	6,339,081		0	4,255,080	6,339,081
Health and Welfare	10,512,778	10,524,078	13,758,665	13,818,596	24,271,442	24,342,674
Interest on Long Term Debt	792,451	298,371	0	0	792,451	298,371
Total Expenses	<u>43,896,307</u>	<u>44,917,228</u>	<u>13,758,665</u>	<u>13,818,596</u>	<u>57,654,972</u>	<u>58,735,824</u>
Change in Net Assets						
Before Transfers	10,639,148	2,817,008	-556,455	-812,508	10,082,693	2,004,500
Transfers	<u>62,000</u>	<u>60,000</u>	<u>-62,000</u>	<u>-60,000</u>	<u>0</u>	<u>0</u>
Change in Net Assets After Transfers	10,701,148	2,877,008	-618,455	-872,508	10,082,693	2,004,500

*Note: The amounts for 2010 for the Governmental Activities have been restated due to moving the Forest Preserve District from a blended component unit to a discretely presented component unit in accordance with GASB Statement 61.

The previous table summarizes the revenues and expenses of the County's activities and the change in net assets from 2010 to 2011. The increase in General Governmental Activities for 2011 after transfers is \$10 million. This increase includes revenues received from the Federal Broadband Grant for the Fiber Optic data lines that are being run throughout DeKalb County in the amount of \$8.9 million in 2011 and the increase in interest expense of \$500,000 due to the first payment on the 2010 Bonds. The decrease in net assets from 2010 to 2011 in the Nursing Home Business Type Activity of \$618,000 is due to \$569,000 in accumulated depreciation expense and \$47,000 less in the Charges for Services line item.

2. Total County Revenues

The following Graph summarizes the County Revenue activities:



For the fiscal year ended December 31, 2011, revenues totaled \$67.7 million. This is up by \$7.0 million from 2010. Capital Grants and Contributions were up this year by \$6.9 million and is primarily related to the Federal Broadband Grant revenue. Revenues from the County's largest source of revenues of \$21.8 million come from the Charges for Services revenue. The DeKalb County Rehab and Nursing Center is the largest generator of revenues with Charges for

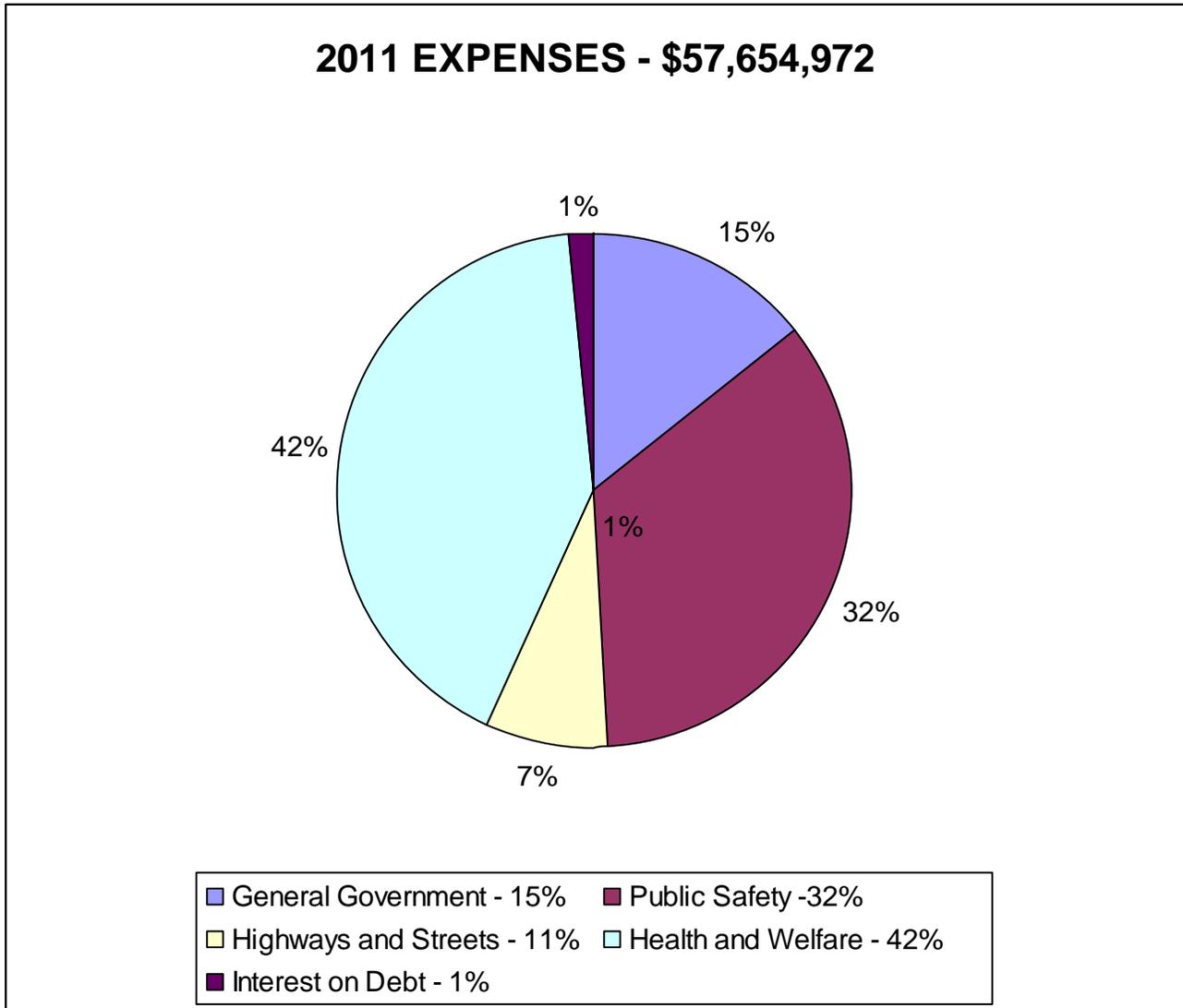
Services in the County. The Rehab and Nursing Center generated \$12.7million dollars in 2011 decreasing by \$47,000 from 2010. The next largest amount of charges for services is in the Public Safety function of the government. Public Safety which includes the Court System and Probation generated \$5.3 million in revenues up slightly by \$30,000 in 2011. General Government at \$1.8 million and the Highway with \$800,000 in charges for services for 2011 were down a combined \$53,000. Property Taxes increased during 2011 by \$564,000, 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 2011 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 and to pay off a loan for the construction of the Community Services Outreach Building. 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. This loan was paid off during 2011 to help the Nursing Home with cash flow issues, so this .25 of a cent will be deposited into the Opportunity Fund beginning with 2012.

Income taxes are also shared by the state, but on a per-capita basis. Between 2011 and 2010 the County's income tax revenues increased by approximately \$56,000. 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 \$57.6 million in 2011 decreasing by \$1.1 million from 2010. The Highway and Streets function had a decrease of \$900,000 during 2011 compared to 2010. This decrease can be attributed to not hiring professional services and not spending any monies on equipment during 2011. 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 Health and Welfare total expenses for the County in 2011 decreased by \$71,000. The Rehab and Nursing Center expenses during 2011 decreased by \$60,000 and the Health Department decreased by \$11,000. 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, and Court Security 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 2010 to 2011 was \$950,000. Part of the increase in expenses included \$159,000 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. Court security costs were up by \$129,600 due to one promotion of an officer in Court Security and a transfer of a Home Monitor position to the Court Security line item. There was also an increase in salaries and benefits from a new contract that was settled during 2010 with the union. An increase in Sheriff's Communication, Corrections and Patrol costs for salaries and benefits were \$172,000 higher due to the new contract. Drug Court costs were up by \$110,000 in 2011 these were costs related to the Enhanced Drug Court grant that was applied for late in 2010. Court Automation had increased expenditures of \$155,500. Capital Asset costs in the amount of \$69,600 covered new computers with upgraded software, a paper feeder, a document sequencer and the purchase of a new condensing unit heating inverter and heat pump the Salaries and benefits increased in Court Automation by \$57,000.

IV. Financial Analysis of the County's Funds

As of December 31, 2011 the governmental funds had a combined fund balance total of \$52,992,299 with \$10,934,448 being unassigned. The unassigned amount of fund balance is broken down with \$11,351,661 in the General Fund, and \$417,213 in Other Governmental Funds. There is also \$9,356,610 that is assigned for Capital Projects. The 2011 governmental funds balance reflects an decrease of \$4,896,494 over the prior year. The General Fund Balance of \$11,528,970 is 50% of the total General Fund Expenditures of \$23,232,116 or 182 days of operating funds.

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 \$256,389 on all governmental fund types for the year ended December 31, 2011, compared with \$328,088 in the year ended December 31, 2010. This reflects a \$71,699 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 2011.

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, 2011 through December 31, 2011**

	Original Budget		Amended Budget		Actual
REVENUES					
Taxes	17,368,000		17,368,000		18,389,873
Licenses & Permits	112,500		112,500		116,249
Other	<u>6,571,500</u>		<u>6,571,500</u>		<u>6,474,718</u>
Total Revenues	24,052,000		24,052,000		24,980,840
EXPENDITURES AND TRANSFERS					
Expenditures	24,066,100		24,364,200		22,232,116
Transfers Out	1,038,400		1,038,400		1,046,300
Transfers In	<u>(66,500)</u>		<u>(66,500)</u>		<u>(61,192)</u>
Total Expenditures and Transfers	23,094,200		23,392,300		22,247,008
Change in Fund Balance	(986,000)		(1,284,100)		763,616

As can be seen above, revenues were \$927,000 more than the budget. This amount includes Tax increment financing dollars of \$300,000 and County Sales Tax dollars of \$766,000 over the budgeted amounts. The County does have a local point of sale jet fuel sales office and it is felt that with the rising costs of fuel the sales tax dollars for the County have been increased through this sales office. Investment Income of \$72,528 less than budgeted is again the economy driving the minimal interest rates that were paid on all investments.

VI. Capital Assets

The following schedule reflects the County's capital asset balances as of December 31, 2011:

**Table 4
Capital Assets
December 31, 2011**

	Governmental Activities		Business Type Activities		Total Primary Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land and Land Right of Way	6,115,008	6,113,708	0	0	6,115,008	6,113,708
Buildings	29,492,149	29,438,646	12,176,529	12,176,529	41,668,678	41,615,175
Land Improvements	1,187,091	1,187,091	785,111	776,486	1,972,902	1,963,577
Vehicles	3,760,279	3,873,078	0	0	3,670,279	3,873,078
Furniture and Fixtures	0	0	825,345	830,511	825,345	830,511
Equipment	4,771,435	4,775,985	967,315	968,328	5,738,750	5,744,313
Infrastructure	47,152,064	45,809,713	0	0	47,152,064	45,809,713
Construction in Progress	<u>15,851,193</u>	<u>225,141</u>	<u>3,992</u>	<u>3,992</u>	<u>15,855,185</u>	<u>229,133</u>
Subtotal	108,329,219	91,423,362	14,758,292	14,751,854	108,329,219	106,179,208
Less:						
Accumulated Depreciation	(39,379,791)	(36,774,858)	(7,387,075)	(6,829,758)	(39,379,791)	(43,606,16)
Total	68,949,428	54,648,504	7,371,217	7,926,088	76,320,645	62,574,592

*Note: The amounts for 2010 for the Governmental Activities have been restated due to moving the Forest Preserve District from a blended component unit to a discretely presented component unit in accordance with the GASB Statement 61.

At year-end, the County's investment in capital assets for both its governmental and business-type activities was \$76.3 million dollars (net of accumulated depreciation). This represents an increase of \$14 million dollars from the December 31, 2010 amount of \$62.5 million. The Business Type Activities Capital Assets decreased by \$550,000 and this was primarily the depreciation costs for the 2011 fiscal year. The \$14 million increase is Governmental Activities relates to the Construction In Progress asset line and is a combination of \$6.6 million for the

work in the Courthouse Expansion and Renovation Project and an additional \$7.4 million for infrastructure that is being done on the Broadband Grant Project.

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

VII. Long-Term Debt

As of December 31, 2011 the County had a total of \$19,835 million in bonded indebtedness outstanding. \$4.2 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 \$15,560,000 bonded indebtedness outstanding is from two 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 Jail Expansion.

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

**Table 5
Bonded Indebtedness
December 31, 2011**

	Governmental Activities		Business Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
	2010 A Build America Bonds General Obligation Series	9,590,000	10,030,000	0	0	9,590,000
2010 B Recovery Zone Bonds General Obligation Series	5,970,000	5,970,000	0	0	5,970,000	5,970,000
2005 Lease Revenue Bonds	1,068,750	1,258,750	3,206,250	3,776,250	4,275,000	5,035,000
TOTAL	16,628,750	17,258,750	3,206,250	3,776,250	19,835,000	21,035,000

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 \$61,710,701. Alternate revenue bonds and Public Building Commission bonds are excluded from this limitation. As of December 31, 2011 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 decreased by over \$83 million dollars from the previous year for a total of \$2,146,459,168. 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 continued downturn in the economy, and the almost standstill of the construction industry, the outlook for future property tax increases are not being anticipated. 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 within the County. During 2011 DCEDC targeted attracting new business and industry that capitalizes on distinct advantages and strengths of the County by preparing a marketing plan promoting assets and opportunities, executing an economic development marketing program, and assisting DeKalb County communities with marketing and promotion in particular with import/export resources to businesses. The second targeted goal for DCEDC during 2011 was identifying needed workplace skills and communicating workforce requirements to educational institutions and training providers as well as promoting labor market skills and occupations. 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 2012 financial year is well underway. The next budget to be developed will be the FY 2013 budget. It will be discussed in the early fall of 2012 for the fiscal year beginning January 1, 2013. The problems that were faced with the 2012 budget are anticipated to be in the forefront of the 2013 budget also. Health insurance costs and pension costs for all employees will continue to be a major budget concern. There was a 4% premium increase in health insurance rates in January of 2011 and a 7.8% increase in 2012. The County is now looking at a High Deductible Health Plan (HDHP) for 2013 and will be looking at presenting employees with options that would be available, if there is enough interest, with lower premiums that would be available on this type of health plan. 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, 2011

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Forest Preserve District
ASSETS				
Cash and investments	\$ 59,310,795	\$ 1,450,346	\$ 60,761,141	\$ 4,160,216
Receivables, net of allowance where applicable				
Property taxes	19,690,000	-	19,690,000	1,502,000
Accounts	4,454,047	4,640,645	9,094,692	92,128
Accrued interest	35,224	-	35,224	2,315
Other	282,391	-	282,391	-
Prepaid expenses	321,429	141,655	463,084	3,363
Inventory	-	22,480	22,480	-
Due from other governments	233,380	-	233,380	-
Restricted assets				
Cash and investments	79,806	239,417	319,223	-
Deferred charges	293,013	31,033	324,046	-
Capital assets				
Not depreciated	21,966,201	3,992	21,970,193	3,614,730
Depreciated (net of accumulated depreciation)	46,983,227	7,367,225	54,350,452	606,873
Total assets	153,649,513	13,896,793	167,546,306	9,981,625
LIABILITIES				
Accounts payable	2,900,294	635,220	3,535,514	19,936
Accrued payroll	722,867	259,821	982,688	11,348
Accrued interest payable	29,982	10,832	40,814	-
Retainage payable	965,117	-	965,117	-
Claims payable	140,900	389,440	530,340	-
Unearned property taxes	19,690,000	-	19,690,000	1,502,000
Unearned revenue	888,161	-	888,161	-
Due to others	37,695	-	37,695	-
Noncurrent liabilities				
Due within one year	902,916	691,202	1,594,118	3,414
Due in more than one year	17,750,206	3,075,104	20,825,310	32,005
Total liabilities	44,028,138	5,061,619	49,089,757	1,568,703
NET ASSETS				
Invested in capital assets, net of related debt	61,096,834	4,098,423	65,195,257	4,221,603
Restricted for				
Broadband	133,644	-	133,644	-
Debt service	1,293,770	228,585	1,522,355	-
Retirement	1,259,705	-	1,259,705	-
Public buildings	2,879,094	-	2,879,094	-
Specific purpose	456,252	-	456,252	703,757
Public safety	1,161,245	-	1,161,245	-
Highways and streets	10,487,160	-	10,487,160	-
Health and welfare	5,398,128	-	5,398,128	-
Unrestricted	25,455,543	4,508,166	29,963,709	3,487,562
TOTAL NET ASSETS	\$ 109,621,375	\$ 8,835,174	\$ 118,456,549	\$ 8,412,922

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 8,384,549	\$ 1,807,096	\$ 486,334	\$ 9,036,445
Public safety	19,951,449	5,298,434	801,125	38,915
Highways and streets	4,255,080	838,830	1,757,909	415,016
Health and welfare	10,512,778	1,073,576	3,766,032	-
Interest	792,451	-	296,974	-
Total governmental activities	43,896,307	9,017,936	7,108,374	9,490,376
Business-Type Activities				
Nursing home	13,758,665	12,793,413	-	81,370
Total business-type activities	13,758,665	12,793,413	-	81,370
TOTAL PRIMARY GOVERNMENT	\$ 57,654,972	\$ 21,811,349	\$ 7,108,374	\$ 9,571,746
COMPONENT UNIT				
Forest Preserve District	\$ 793,641	\$ 54,637	\$ -	\$ 363,840

	Net (Expense) Revenue and Change in Net Assets			Component Unit
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Forest Preserve District
	\$ 2,945,326	\$ -	\$ 2,945,326	\$ -
	(13,812,975)	-	(13,812,975)	-
	(1,243,325)	-	(1,243,325)	-
	(5,673,170)	-	(5,673,170)	-
	(495,477)	-	(495,477)	-
	(18,279,621)	-	(18,279,621)	-
	-	(883,882)	(883,882)	-
	-	(883,882)	(883,882)	-
	(18,279,621)	(883,882)	(19,163,503)	-
	-	-	-	(375,164)
General revenues				
Taxes				
Property	19,939,119	-	19,939,119	1,525,894
Replacement	534,140	-	534,140	15,096
Sales	6,630,611	-	6,630,611	-
Income	1,241,061	-	1,241,061	-
Other	145,563	-	145,563	-
Investment income	256,390	52,743	309,133	19,164
Donations	-	200,000	200,000	-
Miscellaneous	171,885	74,684	246,569	8,852
Transfers	62,000	(62,000)	-	-
Total	28,980,769	265,427	29,246,196	1,569,006
CHANGE IN NET ASSETS	10,701,148	(618,455)	10,082,693	1,193,842
NET ASSETS, JANUARY 1, 2011	106,139,307	9,453,629	115,592,936	-
Prior period adjustment	(7,219,080)	-	(7,219,080)	7,219,080
NET ASSETS, JANUARY 1, 2011, RESTATED	98,920,227	9,453,629	108,373,856	7,219,080
NET ASSETS, DECEMBER 31, 2011	\$ 109,621,375	\$ 8,835,174	\$ 118,456,549	\$ 8,412,922

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2011

	General	Courthouse Expansion	Broadband Grant	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 9,995,097	\$ 8,383,677	\$ 497,530	\$ 34,242,380	\$ 53,118,684
Receivables					
Property taxes	10,540,000	-	-	8,100,000	18,640,000
Accounts	2,398,152	14,681	1,210,537	814,881	4,438,251
Accrued interest	7,810	20,215	-	6,727	34,752
Other	242,084	-	-	40,307	282,391
Prepaid items	177,309	-	-	129,746	307,055
Due from other funds	-	-	-	30,997	30,997
Due from other governments	-	-	-	233,380	233,380
Advances to other funds	-	-	-	655,113	655,113
Restricted assets					
Cash and investments	-	-	-	79,806	79,806
TOTAL ASSETS	\$ 23,360,452	\$ 8,418,573	\$ 1,708,067	\$ 44,333,337	\$ 77,820,429

	General	Courthouse Expansion	Broadband Grant	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 366,880	\$ 1,034,653	\$ 986,471	\$ 473,263	\$ 2,861,267
Accrued payroll	510,039	-	1,035	211,793	722,867
Retainage payable	-	670,133	294,984	-	965,117
Deferred property taxes	10,540,000	-	-	8,100,000	18,640,000
Other deferred revenues	396,500	-	291,933	247,273	935,706
Due to others	17,063	-	-	-	17,063
Due to other funds	1,000	-	-	29,997	30,997
Advances from other funds	-	-	-	655,113	655,113
Total liabilities	11,831,482	1,704,786	1,574,423	9,717,439	24,828,130
FUND BALANCES					
Nonspendable - prepaid items	177,309	-	-	129,746	307,055
Nonspendable - long-term receivables	-	-	-	655,113	655,113
Restricted for courthouse expansion project	-	6,713,787	-	-	6,713,787
Restricted for broadband	-	-	133,644	-	133,644
Restricted for debt service	-	-	-	1,308,496	1,308,496
Restricted for retirement	-	-	-	1,259,705	1,259,705
Restricted for public buildings	-	-	-	2,879,094	2,879,094
Restricted for specific purpose	-	-	-	856,186	856,186
Restricted for public safety	-	-	-	2,800,799	2,800,799
Restricted for highways and streets	-	-	-	10,464,922	10,464,922
Restricted for health and welfare	-	-	-	5,322,440	5,322,440
Unrestricted					
Assigned for capital purposes	-	-	-	9,356,610	9,356,610
Unassigned					
General fund	11,351,661	-	-	-	11,351,661
Special revenue funds	-	-	-	(417,213)	(417,213)
Total fund balances	11,528,970	6,713,787	133,644	34,615,898	52,992,299
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,360,452	\$ 8,418,573	\$ 1,708,067	\$ 44,333,337	\$ 77,820,429

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, 2011

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 52,992,299
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	
Capital assets	68,949,428
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	396,500
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable	(16,628,750)
Interest payable	(29,982)
Compensated absences	(1,954,158)
Net other postemployment benefit obligation	(48,033)
Unamortized bond premium	(22,181)
Deferred charges	293,013
The net assets of the internal service funds are included in the governmental activities in the statement of net assets	<u>5,673,239</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 109,621,375</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, 2011

	General	Courthouse Expansion	Broadband Grant	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 18,389,873	\$ -	\$ -	\$ 8,006,725	\$ 26,396,598
Licenses and permits	116,249	-	-	490,941	607,190
Intergovernmental	1,110,650	-	8,996,550	8,250,086	18,357,286
Charges for services	4,389,940	-	-	2,367,718	6,757,658
Fines and forfeits	769,880	-	-	90,150	860,030
Investment income	34,472	53,645	636	167,637	256,390
Miscellaneous	169,776	-	-	145,927	315,703
Total revenues	24,980,840	53,645	8,997,186	19,519,184	53,550,855
EXPENDITURES					
Current					
General government	6,058,443	410,785	63,524	1,060,874	7,593,626
Public safety	17,015,806	-	-	1,619,233	18,635,039
Highways and streets	-	-	-	5,284,773	5,284,773
Health and welfare	157,867	-	-	8,483,120	8,640,987
Debt service					
Principal	-	-	-	440,000	440,000
Interest and fiscal charges	-	-	-	1,073,833	1,073,833
Capital outlay	-	7,232,772	8,875,810	773,162	16,881,744
Total expenditures	23,232,116	7,643,557	8,939,334	18,734,995	58,550,002
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,748,724	(7,589,912)	57,852	784,189	(4,999,147)

	General	Courthouse Expansion	Broadband Grant	Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	\$ -	\$ -	\$ -	\$ 40,653	\$ 40,653
Transfers in	61,192	500,000	-	2,974,742	3,535,934
Transfers (out)	(1,046,300)	-	-	(2,427,634)	(3,473,934)
Total other financing sources (uses)	(985,108)	500,000	-	587,761	102,653
NET CHANGE IN FUND BALANCES	763,616	(7,089,912)	57,852	1,371,950	(4,896,494)
FUND BALANCES, JANUARY 1, 2011	10,765,354	13,803,699	75,792	36,743,340	61,388,185
Prior period adjustment	-	-	-	(3,499,392)	(3,499,392)
FUND BALANCES, JANUARY 1, 2011, RESTATED	10,765,354	13,803,699	75,792	33,243,948	57,888,793
FUND BALANCES, DECEMBER 31, 2011	\$ 11,528,970	\$ 6,713,787	\$ 133,644	\$ 34,615,898	\$ 52,992,299

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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (4,896,494)
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	17,496,667
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	721,381
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	(3,151,940)
Loss on disposal of capital assets	(43,803)
Change in compensated absences	(110,400)
Change in net pension obligation	11,675
Change in net other postemployment benefit obligation	(35,490)
The change in net assets of certain activities of internal service funds is reported with governmental activities	<u>709,552</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 10,701,148</u>

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

December 31, 2011

	Business- Type Activities	Governmental Activities
	Nursing Home	Internal Service Funds
CURRENT ASSETS		
Cash and investments	\$ 1,450,346	\$ 6,192,111
Receivables		
Property taxes	-	1,050,000
Accounts	4,640,645	15,796
Accrued interest	-	472
Prepaid expenses	141,655	14,374
Inventory	22,480	-
Deferred charges	31,033	-
Restricted assets		
Cash and investments	239,417	-
	<u>6,525,576</u>	<u>7,272,753</u>
Total current assets		
NONCURRENT ASSETS		
None	-	-
CAPITAL ASSETS		
Not depreciated	3,992	-
Depreciated, net of accumulated depreciation	7,367,225	-
	<u>7,371,217</u>	<u>-</u>
Total capital assets		
	<u>13,896,793</u>	<u>7,272,753</u>
Total assets		

(This statement is continued on the following page.)

DEKALB COUNTY, ILLINOIS

STATEMENT OF NET ASSETS (Continued)
 PROPRIETARY FUNDS

December 31, 2011

	Business- Type Activities	Governmental Activities Internal Service Funds
CURRENT LIABILITIES		
Accounts payable	\$ 635,220	\$ 39,027
Accrued payroll	259,821	-
Claims payable	389,440	140,900
Flexible benefit payable	-	20,632
Unearned property taxes	-	1,050,000
Unearned revenue	-	348,955
Compensated absences payable	98,702	-
Liabilities payable from restricted assets		
Interest payable	10,832	-
Revenue bonds payable	592,500	-
	<u>1,986,515</u>	<u>1,599,514</u>
NONCURRENT LIABILITIES		
Compensated absences payable	394,810	-
Revenue bonds payable	2,680,294	-
	<u>3,075,104</u>	<u>-</u>
	<u>5,061,619</u>	<u>1,599,514</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,098,423	-
Restricted for debt service	228,585	-
Unrestricted	4,508,166	5,673,239
	<u>\$ 8,835,174</u>	<u>\$ 5,673,239</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, 2011

	Business- Type Activities	Governmental Activities
	Nursing Home	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 12,793,413	\$ 5,144,984
OPERATING EXPENSES		
Administration	1,394,379	-
Operations	11,632,327	5,402,451
Depreciation	568,981	-
Total operating expenses	13,595,687	5,402,451
OPERATING INCOME (LOSS)	(802,274)	(257,467)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	-	943,947
Investment income	52,743	23,072
Loss on disposal of capital assets	(446)	-
Other income	74,684	-
Donation	200,000	-
Interest expense	(162,532)	-
Total nonoperating revenues (expenses)	164,449	967,019
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(637,825)	709,552
TRANSFERS		
Transfers (out)	(62,000)	-
Total transfers	(62,000)	-
CONTRIBUTIONS	81,370	-
CHANGE IN NET ASSETS	(618,455)	709,552
NET ASSETS, JANUARY 1, 2011	9,453,629	4,963,687
NET ASSETS, DECEMBER 31, 2011	\$ 8,835,174	\$ 5,673,239

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	Business- Type Activities	Governmental Activities
	Nursing Home	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 11,130,186	\$ -
Receipts from interfund service transactions	-	5,143,153
Payments to suppliers	(4,507,604)	(5,709,249)
Payments to employees	(8,595,218)	-
Net cash from operating activities	<u>(1,972,636)</u>	<u>(566,096)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of general property taxes	-	943,947
Advance to other funds	1,019,835	-
Duration	200,000	-
Interfund transfers	(62,000)	-
Net cash from noncapital financing activities	<u>1,157,835</u>	<u>943,947</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on revenue bonds	(171,534)	-
Payment on revenue bonds	(570,000)	-
Payments for capital acquisition	(14,556)	-
Net cash from capital and related financing activities	<u>(756,090)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	<u>53,435</u>	<u>25,597</u>
Net cash from investing activities	<u>53,435</u>	<u>25,597</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,517,456)	403,448
CASH AND CASH EQUIVALENTS, JANUARY 1, 2011	<u>3,207,218</u>	<u>5,788,663</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2011	<u>\$ 1,689,762</u>	<u>\$ 6,192,111</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, 2011

	Business- Type Activities	Governmental Activities
	Nursing Home	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (802,274)	\$ (257,467)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation	568,981	-
Receipts of miscellaneous income	74,684	-
Receipts of donations	81,370	-
Effects of changes in operating assets and liabilities		
Accounts receivable	(1,819,281)	(1,831)
Prepaid expenses	(61,710)	(14,374)
Inventory	(2,816)	-
Accounts payable	(68,951)	(26,824)
Accrued payroll	10,177	-
Claims payable	93,755	(265,654)
Deferred revenue	-	54
Compensated absences payable	(46,571)	-
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (1,972,636)</u>	<u>\$ (566,096)</u>

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 6,427,415
Receivables	
Accounts	83,272
Accrued interest	<u>267</u>
 TOTAL ASSETS	 <u><u>\$ 6,510,954</u></u>
 LIABILITIES	
Due to others	<u>\$ 6,510,954</u>
 TOTAL LIABILITIES	 <u><u>\$ 6,510,954</u></u>

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

The DeKalb County Forest Preserve District (the District) operates and maintains the public forest preserves in the County. While it is legally separate from the County, the governing board of the District is composed entirely of the DeKalb County Board serving ex-officio. However, there is no financial burden or benefit relationship with the District and the District employs its own Superintendent. Therefore, the operations of the District are included in the financial statements as a discretely presented 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 and the revenue bonds issued by the PBC are secured by leases with the County. 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 the County's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds), the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds) and the management of funds held in trust where the interest earnings can be used for governmental services (permanent fund). The general fund is used to account for all activities of the County 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 separate fund has not been created is accounted for in the General Fund.

The Courthouse Expansion Fund accounts for revenues that are restricted, committed or assigned to the Courthouse Expansion project. The funding is provided for by Build America Bonds Series 2010A and by Recovery Zone Bonds Series 2010B.

The Broadband Grant Fund accounts for grant revenues restricted to the construction of a fiber optic cable network for governments and schools in the County. The funding is provided for by a Federal Grant, a State Grant and local grants.

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 a variety of agency funds as fiduciary funds to account for assets held by county officials on behalf of others. These include various funds of the County Collector and Treasurer, Clerk of the Circuit Court, Nursing Home and other offices. Additional information is included later in the report.

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 or with the paying agent for the payment of 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, 2011 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Long-Term Obligations (Continued)

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 nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the County. Committed fund balance is constrained by formal actions of the County's Board, which is considered the County's highest level of decision making authority. Formal actions include ordinances approved by the Board. Assigned fund balance represents amounts constrained by the County's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Deputy County Administrator at the County and the Superintendent at the Forest Preserve District. Any residual fund balance in the General Fund, including fund balance targets and any deficit fund balance of any other governmental fund is reported as unassigned.

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

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt represents the book value of capital assets less any long-term debt issued to acquire or construct the capital assets.

None of the restricted net assets or restricted fund balance results from enabling legislation adopted by the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

2. DEPOSITS AND INVESTMENTS (Continued)

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, 2011.

b. Investments

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 2010 attached as an enforceable lien on January 1, 2010, 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, 2011, and were payable in two installments on or about June 1, 2011 and September 1, 2011. 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 2011 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, 2011 was as follows:

	Beginning Balance, Restated	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,550,562	\$ -	\$ -	\$ 4,550,562
Land right of way	1,563,146	1,300	-	1,564,446
Construction in progress	225,141	15,626,052	-	15,851,193
Total capital assets not being depreciated	6,338,849	15,627,352	-	21,966,201
Capital assets being depreciated				
Land improvements	1,187,091	-	-	1,187,091
Buildings and improvements	29,438,646	53,503	-	29,492,149
Vehicles	3,873,078	449,761	562,560	3,760,279
Equipment	4,632,182	23,700	28,250	4,627,632
Intangibles	143,803	-	-	143,803
Infrastructure	45,809,713	1,342,351	-	47,152,064
Total capital assets being depreciated	85,084,513	1,869,315	590,810	86,363,018
Less accumulated depreciation for				
Land improvements	614,214	59,734	-	673,948
Buildings and improvements	11,740,119	847,329	-	12,587,448
Vehicles	2,122,769	390,883	525,355	1,988,297
Equipment	2,592,689	326,247	21,652	2,897,284
Intangibles	-	18,184	-	18,184
Infrastructure	19,705,067	1,509,563	-	21,214,630
Total accumulated depreciation	36,774,858	3,151,940	547,007	39,379,791
Total capital assets being depreciated, net	48,309,655	(1,282,625)	43,803	46,983,227
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 54,648,504	\$ 14,344,727	\$ 43,803	\$ 68,949,428

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

Beginning balances were restated to remove the assets of the District which was reclassified from a blended component unit to a discretely presented component.

	Beginning Balance, Restated	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	776,486	8,625	-	785,111
Buildings	12,176,529	-	-	12,176,529
Furniture and fixtures	830,511	-	5,166	825,345
Equipment	968,328	5,931	6,944	967,315
Total capital assets being depreciated	<u>14,751,854</u>	<u>14,556</u>	<u>12,110</u>	<u>14,754,300</u>
Less accumulated depreciation for				
Improvements	334,421	43,186	-	377,607
Buildings	5,147,001	445,710	-	5,592,711
Furniture and fixtures	719,878	20,277	4,720	735,435
Equipment	628,458	59,808	6,944	681,322
Total accumulated depreciation	<u>6,829,758</u>	<u>568,981</u>	<u>11,664</u>	<u>7,387,075</u>
Total capital assets being depreciated, net	<u>7,922,096</u>	<u>(554,425)</u>	<u>446</u>	<u>7,367,225</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 7,926,088</u>	<u>\$ (554,425)</u>	<u>\$ 446</u>	<u>\$ 7,371,217</u>

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 400,740
Public safety	550,804
Health and welfare	301,796
Highway and streets	<u>1,898,600</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 3,151,940</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 January 1, 2011, Restated	Additions	Reductions	Balances December 31, 2011	Current Portion
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ 1,843,756	\$ 297,579	\$ 187,177	\$ 1,954,158	\$ 195,416
Revenue bonds					
Public Building Commission Lease Revenue Refunding Bonds, Series 2005	1,258,750	-	190,000	1,068,750	197,500
General obligation alternate revenue source bonds					
Taxable Series 2010A	10,030,000	-	440,000	9,590,000	510,000
Taxable Series 2010B	5,970,000	-	-	5,970,000	-
Unamortized bond premium	26,618	-	4,437	22,181	-
Net pension obligation	11,675	-	11,675	-	-
Other postemployment benefit	12,543	35,490	-	48,033	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 19,153,342	\$ 333,069	\$ 833,289	\$ 18,653,122	\$ 902,916
BUSINESS-TYPE ACTIVITIES					
Compensated absences	\$ 540,083	\$ 145,444	\$ 192,015	\$ 493,512	\$ 98,702
Revenue bonds					
Public Building Commission Lease Revenue Refunding Bonds, Series 2005	3,776,250	-	570,000	3,206,250	592,500
Unamortized bond premium	79,853	-	13,309	66,544	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 4,396,186	\$ 145,444	\$ 775,324	\$ 3,766,306	\$ 691,202

Beginning balances were restated to remove the assets of the District which was reclassified from a blended component unit to a discretely presented component.

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 through 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%.

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

Lease Obligations (Continued)

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).

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
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	\$ 4,275,000	\$ 537,962	\$ 4,812,962

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

Fiscal Year	Lease Payments
2012	\$ 972,512
2013	970,312
2014	971,812
2015	967,012
2016	969,656
Total lease payments	4,851,304
Less interest and expenses	(576,304)
NET LEASE RECEIVABLE	\$ 4,275,000

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

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.

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 \$23,542,679 as of December 31, 2011. The current year principal and interest payment of \$1,513,833 was 22.50% of the total pledged revenue of \$6,729,511.

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
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	\$9,590,000	\$ 2,947,945	\$12,537,945	\$ 5,970,000	\$ 5,034,734	\$11,004,734

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

6. INTERFUND ASSETS/LIABILITIES

Due to/from other funds at December 31, 2011 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Nonmajor Governmental	\$ -	\$ 1,000
Nonmajor Governmental Nonmajor Governmental	<u>30,997</u>	<u>29,997</u>
TOTAL	<u>\$ 30,997</u>	<u>\$ 30,997</u>

Advances from/to other funds at December 31, 2011 consisted of the following:

	<u>Advance To</u>	<u>Advance From</u>
Nonmajor Governmental Nonmajor Governmental	\$ 655,113	\$ 655,113
TOTAL	<u>\$ 655,113</u>	<u>\$ 655,113</u>

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). In fiscal year 2011, a payment of \$302,137 was made and the remainder of the liability was transferred to the Public Building Commission Lease Fund.

Transfers to/from other funds at December 31, 2011 consist of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
General Nonmajor Governmental	\$ 61,192	\$ 1,046,300
Courthouse Expansion Nonmajor Governmental	500,000	-
Nursing Home Nonmajor Governmental	-	62,000
Nonmajor Governmental General	1,046,300	61,192
Courthouse Expansion	-	500,000
Nursing Home	62,000	-
Nonmajor Governmental	<u>1,866,442</u>	<u>1,866,442</u>
TOTAL	<u>\$ 3,535,934</u>	<u>\$ 3,535,934</u>

6. INTERFUND ASSETS/LIABILITIES (Continued)

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

- \$1,046,300 was transferred from the General Fund to the Nonmajor Governmental Funds, consisting of \$610,300 transferred to the Asset Replacement Fund for the replacement of vehicles and computer equipment on a scheduled basis. \$375,000 was transferred to the Health Fund for FICA/IMRF costs. \$11,000 was transferred to the History Room Fund that is used for a small salary and benefits for part-time director. \$50,000 was transferred to the PBC Maintenance Fund for renewal and replacement costs related to the Community Outreach Building. These transfers will not be repaid.
- \$500,000 was transferred from the Nonmajor Governmental Funds (Build America Bonds Fund) to the Courthouse Expansion Fund to provide funding for the Courthouse Expansion Project. This transfer will not be repaid.
- \$1,866,442 was transferred between the Nonmajor Governmental Funds; \$830,113 was transferred to the Community Outreach Building Fund to close out the fund, \$298,831 was transferred to the Jail Expansion Fund from the Build America Bonds Fund for future jail expansion costs, \$225,000 was transferred to the Community Outreach Building Fund for building costs (\$175,000 from the Veteran's Assistance Fund and \$50,000 from the Document Storage Fund), \$160,000 was transferred to the Highway Fund from the County Motor Fuel Tax Fund to repay amounts due between departments, \$92,252 was transferred to the Engineering Fund from the Federal Highway Matching Fund to repay amounts due between departments, \$75,000 was transferred to the Data Fiber Optic Network Fund from the Special Project Fund to fund the Data Fiber Optic Network, \$47,863 was transferred from the Capital Improvement Reserve Fund to the PBC Maintenance Fund for future renewal and replacement projects, \$50,500 was transferred to the Asset Replacement Fund for computers (\$42,000 from the Health Fund, \$3,500 from the Veteran's Assistance Fund, \$3,000 from the Community Services Fund and \$2,000 from the Mental Health Fund), \$29,664 was transferred from the Senior Services Fund to the Health Fund to reimburse costs, \$16,937 was transferred from the Aid to Bridges Fund to the Engineering Fund to repay amounts due between departments, \$16,307 was transferred from the Community Outreach Building Fund to the PBC Administration Fund to reimburse costs, \$12,000 was transferred from the Solid Waste Fund to the Health Fund to reimburse costs, \$7,000 was transferred to the Community Services Fund from the Senior Services Fund to reimburse costs related to the annual grant program, \$2,982 was transferred from the Highway Fund to the Engineering Fund to reimburse costs, and \$1,993 was transferred to the Mental Health Fund to the Drug Court Fund to reimburse costs. 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, 2011.

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, 2011.

Changes in the Tort and Liability Insurance Fund and Nursing Home Fund claims payable in fiscal year 2011 and 2010 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
2010	\$ 639,728	\$ 935,402	\$ 872,891	\$ 702,239
2011	702,239	352,513	524,412	530,340

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.

8. CONTINGENT LIABILITIES (Continued)

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.

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 - 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.

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings for each year of credited service up to 15 years and 2% for each year thereafter.

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund - County (Continued)

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% 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, 2011 was 10.47% of covered payroll. The employer required contribution rate for the year ended December 31, 2011 was 11.25%.

Sheriff's Law Enforcement Personnel

SLEP provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, 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 2.50% of their final rate of earnings, for each year of credited service up to 32 years or 80% of their final rate of earnings. For those SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 50 (reduced benefits) or after age 55 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their final rate of earnings, for each year of credited service up to 30 years of service to a maximum of 75%.

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, 2011 was 21.19% of covered payroll. The employer required contribution rate for the year ended December 31, 2011 was 21.23%.

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)	Sheriff's Law Enforcement Personnel
Actuarial valuation date	December 31, 2009	December 31, 2009
Actuarial cost method	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	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
b) Projected salary increase - attributable to inflation	4.00% Compounded Annually	4.00% Compounded Annually
c) Additional projected salary increases - seniority/merit	.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)	Sheriff's Law Enforcement Personnel
Annual pension cost (APC)	2009	\$ 1,563,321	\$ 1,173,652
	2010	2,011,299	1,418,872
	2011	2,011,557	1,399,234
Actual contribution	2009	\$ 1,563,321	\$ 1,173,652
	2010	2,011,244	1,407,252
	2011	2,011,612	1,410,854
Percentage of APC contributed	2009	100.00%	100.00%
	2010	99.99%	99.18%
	2011	100.00%	100.83%
Net pension obligation (NPO)	2009	\$ -	\$ -
	2010	55	11,620
	2011	-	-

c. Funded Status

The funded status of the plans as of December 31, 2011 is based on actuarial valuations performed as of December 31, 2011 for IMRF 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)	Sheriff's Law Enforcement Personnel
Actuarial accrued liability (AAL)	\$ 47,490,739	\$ 24,831,665
Actuarial value of plan assets	35,638,737	13,939,552
Unfunded actuarial accrued liability (UAAL)	11,852,002	10,874,113
Funded ratio (actuarial value of plan assets/AAL)	75.04%	56.18%
Covered payroll (active plan members)	\$ 17,900,743	\$ 6,592,262
UAAL as a percentage of covered payroll	66.21%	164.95%

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)	Sheriff's Law Enforcement Personnel
Annual required contribution	\$ 2,011,556	\$ 1,398,985
Interest on net pension obligation	4	872
Adjustment to annual required contributions	(3)	(623)
Annual pension cost	2,011,557	1,399,234
Contributions made	2,011,612	1,410,854
Increase (decrease) in net pension obligation	(55)	(11,620)
Net pension obligation (asset), beginning of year	55	11,620
NET PENSION OBLIGATION (ASSET), END OF YEAR	\$ -	\$ -

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

a. Plan Description

In addition to providing pension benefits, the County is required by Illinois Compiled Statutes (ILCS) to provide certain health care benefits for retired employees. Substantially all of the County's employees may become eligible for those benefits if they reach normal retirement age while working for the County 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.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

b. Benefits Provided

The County provides 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 retirement plans. Upon a retiree reaching 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 (most recent available), membership consisted of:

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

d. Funding Policy

The County is 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's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009, 2010 and 2011 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 25,280	\$ 20,995	83.0%	\$ 8,187
December 31, 2010	25,351	20,995	82.8%	12,543
December 31, 2011	56,485	20,995	82.8%	48,033

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, 2011 was calculated as follows:

	<u>County</u>
Annual required contribution	\$ 56,276
Interest on net OPEB obligation	627
Adjustment to annual required contribution	<u>(418)</u>
Annual OPEB cost	56,485
Contributions made	<u>20,995</u>
Increase in net OPEB obligation	35,490
Net OPEB obligation, beginning of year	<u>12,543</u>
NET OPEB OBLIGATION, END OF YEAR	<u><u>\$ 48,033</u></u>

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

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

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 (OPEB) (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 (most recent available), 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 County has not advance 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, 2011 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 the County
Various cemetery associations within the County
Various drainage districts within the County

12. PRIOR PERIOD ADJUSTMENTS

Net assets of governmental activities and discretely presented component units and fund balance of nonmajor governmental funds as of January 1, 2011, were restated by \$(7,219,080) and \$(3,499,392), respectively, to record the effect of reclassifying the DeKalb County Forest Preserve District from a blended component unit to a discretely presented component unit in accordance with GASB S-61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.*

13. DEKALB COUNTY FOREST PRESERVE DISTRICT

a. Summary of Significant Accounting Policies

The financial statements of the DeKalb County Forest Preserve District (the District), Sycamore, Illinois, a component unit 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 government units (hereinafter referred to generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

i. Reporting Entity

The District is governed by the same 24-member board as the County. The District does have the authority to prepare and approve its own budget, to levy taxes and to obtain financing. There are no component units included in the District. A component unit is a legally separate organization for which a primary government is financially accountable. However, in accordance with GASB Statement No. 61, the District is considered to be a discretely presented component unit of DeKalb County, Illinois.

ii. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing sets 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. A minimum number of funds are maintained for this purpose.

iii. 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 District. The effect of material interfund activity has been eliminated from these statements.

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.

13. DEKALB COUNTY FOREST PRESERVE DISTRICT (Continued)

a. Summary of Significant Accounting Policies (Continued)

iv. 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. 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, regardless of when collected). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District reports deferred revenue on its financial statements. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period, under the modified accrual basis of accounting, or is measurable but not earned under the accrual basis of accounting. Deferred revenues also arise when resources are received by the District before it has a legal claim to them or prior to the provision of services, 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 District has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

v. Cash and Investments

Cash

Cash includes cash on hand and amounts in demand deposits, as well as short-term investments with an original maturity of three months or less from the date of purchase.

Investments

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

vi. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Amounts owed to/from the County are reported as due from/to the primary government.

13. DEKALB COUNTY FOREST PRESERVE DISTRICT (Continued)

a. Summary of Significant Accounting Policies (Continued)

vii. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report, if any, are recorded as prepaid items/expenses.

viii. Capital Assets

Capital assets, which include property, plant, equipment, intangible assets and infrastructure assets (e.g., bike trails, paths, roads, bridges and similar items), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year except for land improvements, where the cost must be greater than \$50,000. 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.

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. Buildings preserve improvements and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Land/preserve improvements	8-20
Vehicles	7-20
Equipment	3-25

ix. Compensated Absences

District 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.

13. DEKALB COUNTY FOREST PRESERVE DISTRICT (Continued)

a. Summary of Significant Accounting Policies (Continued)

ix. Compensated Absences (Continued)

Vested or accumulated vacation/sick leave is recorded as an expense and liability of 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.

x. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the governmental activities column. Bond premiums and discounts, as well as issuance costs and gain (loss) on refundings, 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 and the gain (loss) on refunding are reported as unamortized bond costs and amortized over the term of the related debt.

xi. Fund Balances/Net Assets

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

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt represents the book value of capital assets less any long-term debt issued to acquire or construct the capital assets.

None of the restricted net assets results from enabling legislation adopted by the District.