

DEKALB COUNTY, ILLINOIS

PRINCIPAL OFFICERS

December 31, 2011

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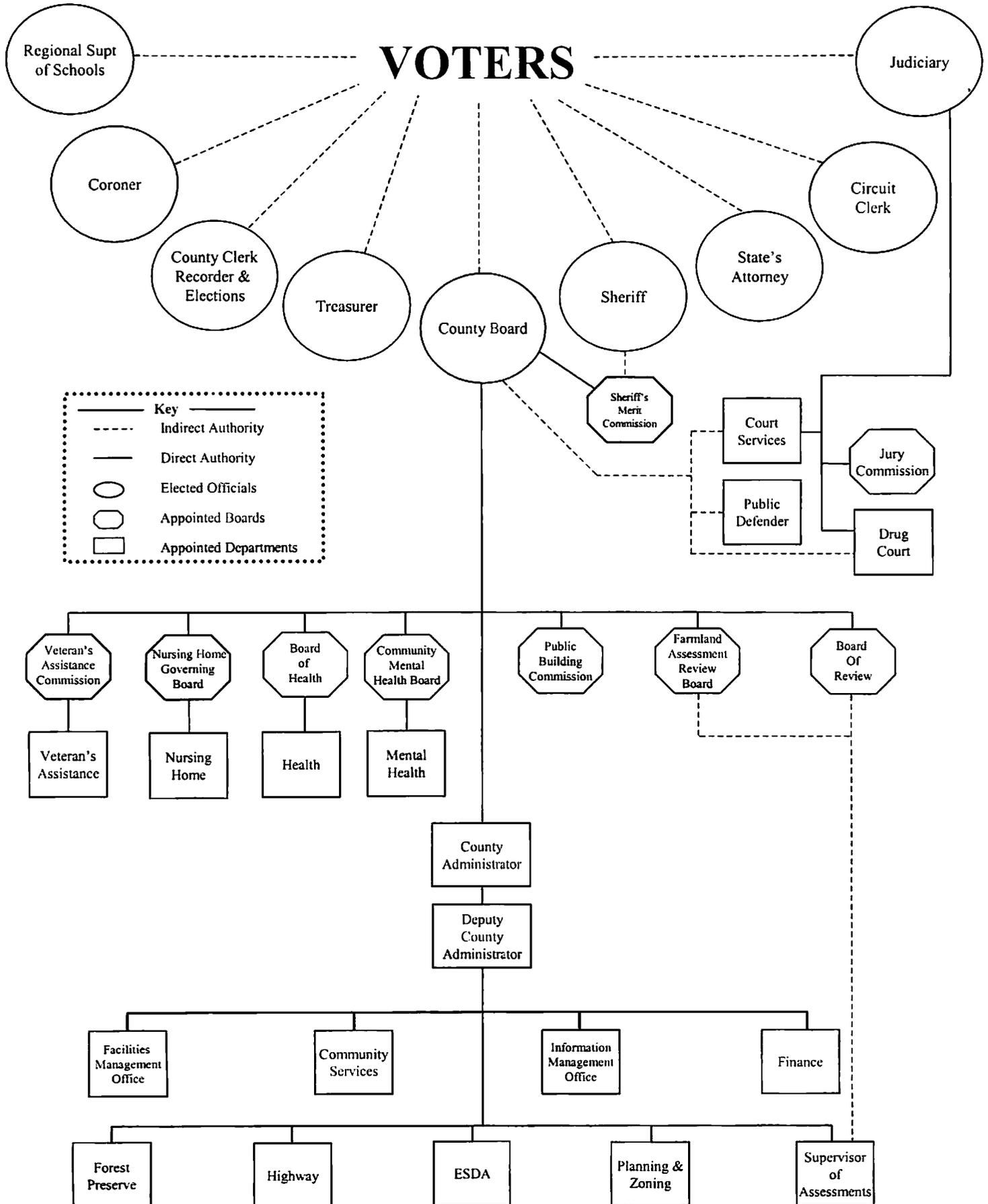
Charles Foster

Patricia S. Vary

Julia Fullerton

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DeKalb County Government Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

DeKalb County Government
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director



DeKalb County Finance Office

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April 23, 2012

To the Citizens of DeKalb County:

The comprehensive annual financial report of DeKalb County for the fiscal year ended December 31, 2011, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with DeKalb County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and the changes in financial position of the various funds of DeKalb County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included. We encourage readers to consider the information presented here along with additional information included in the Management Discussion and Analysis.

DeKalb County is required to undergo an annual single audit in conformity with the provisions of the revised Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of federal expenditures, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in a separately issued Single Audit Report.

During 2011 the DeKalb County Governing Board adopted a Fund Balance Reporting and Flow of Funds policy as part of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54. This pronouncement seeks to make fund balance reporting more consistent and much clearer to not only regular users of financial statements but also to the layperson with new terms and a more logical framework for presenting an entity's fund balances for the various governmental funds. This resolution was passed in November of 2011 and implemented immediately.

This report includes all funds of DeKalb County. DeKalb County provides a full range of services. These services include public safety, highways and roads, health and social services, recreation areas, planning and zoning, and general administrative services. In addition to general county government activities, the County Board also serves as the DeKalb County Forest Preserve District Board of Commissioners. Further, the County Board appoints the members of the DeKalb County Public Building Commission and the Commission generates its revenues entirely through long-term lease agreements with the County. Therefore, the activities of both the Forest Preserve District and the Public Building Commission are included in the reporting entity. During the current fiscal year, the County early implemented GASB statement No 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No.

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14 and No. 34. Implementation of this pronouncement resulted in the Forest Preserve District being reported as a discretely presented component unit rather than a blended component unit. However, other governmental units throughout the County, such as municipalities, schools, townships, etc. are excluded from the reporting entity. The aforementioned entities are separately governed taxing bodies and are not dependent on or controlled by DeKalb County.

PROFILE OF DEKALB COUNTY

DeKalb County is located in Northern Illinois about sixty miles west of Chicago and was founded on March 4, 1837. The rich soils of the eastern prairie, which provided the early settlers with a valuable asset from which to earn a living, continue today to be a center of strength in the County. The DeKalb County Farm Bureau was the first Farm Bureau in the nation in 1912 and represents and advances farming interests at the County level.

In 1895 Northern Illinois State Normal School opened. Although the school has been renamed Northern Illinois University (NIU), it has grown to accommodate an annual enrollment of approximately 25,000 students and is the County's largest employer.

The years between 1940 and 1970 saw significant growth in the County's population and a steady growth of the regional industrial base. The population of DeKalb County in 2010 was 105,160. DeKalb County is rectangular in size, north/south dimension is 36 miles long and the east/west dimension is 18 miles wide. The County represents approximately 636 square miles (406,151 acres) and is comprised of 19 Townships. The County also has fourteen municipalities that are partially or entirely within the County.

DeKalb County is governed by a County Board. The County Board is divided into twelve (12) two person Districts based on population. Members are elected for four-year terms. One member is elected in each District every two years. However, all twenty-four (24) members are elected at the November General Election in the second year following a decennial census. The County Board has eight (8) standing committees. Members of the County Board serve concurrently as Commissioners of the DeKalb County Forest Preserve. The County Clerk and Recorder, Regional Superintendent of Schools, County Circuit Clerk, County Treasurer, County Sheriff, States Attorney, and Coroner are elected officials. The County Board appoints, among others, the County Administrator, Deputy County Administrator, Supervisor of Assessments, Director of Information Management, Forest Preserve Superintendent, County Engineer, Facilities Manager and the Community Services Director.

Management of the County is responsible for establishing and maintaining internal controls designed to ensure that the assets of the County are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of the financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

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Of the 2011 equalized assessed valuation (EAV) of \$2,146,459,168, 67% is residential, 21% is commercial/industrial and 10% farm. The County continues to actively pursue economic development with the goal of broadening and diversifying the long-term tax base.

The annual budget is the primary guiding document for the County's financial planning and control. In addition, the County maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the County Governing Board. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the budgeted amount) is established at the object level.

ECONOMIC CONDITION AND OUTLOOK

Infrastructure improvements continue to be a necessity to encourage development and a strong economy. During 2011 two road projects and one bridge project was completed for the County. A one mile stretch of Perry Road from Waterman Road east to Illinois Route 23 was resurfaced at a cost \$70,497. The second road project was Glidden Road from Dresser Road north to Illinois Route 64 a distance of 3.16 miles. This was resurfaced for a total cost of \$336,170. These projects were both funded out of the County's Motor Fuel Tax Fund and Matching Tax Fund. Old State Road Bridge originally built in 1947 was replaced with a new three span continuous steel superstructure on concrete abutments and pile bent piers during 2011. The total construction cost for this project was \$916,651. This project was funded by the County's Bridge Tax Fund, Motor Fuel Fund and Matching Tax Fund. The Highway Department also moved excess earth from the construction site of the Health Facility and Community Outreach Building and used this to widen the shoulders on Glidden Road from 3 feet to 8 feet wide. These improvements were in various locations on Glidden Road and were completed using Highway Department personnel.

Overall, the economic outlook in DeKalb County has continued to slow as it follows the national downturn. Unemployment rates based on twelve-month averages had gone up by a significant amount from 8.1% in 2008 to 11.6% in December of 2009. These rates did decrease to 8.2% in December of 2010, but again increased to 8.6 in December of 2011. The State December unemployment figure for 2010 was 8.8% and that increased to 9.3% for December 2011. Growth that previously had been seen along Sycamore Road between the City of DeKalb and the City of Sycamore before 2008 had a small resurgence with a Hy-Vee Grocery Store and Gas Station opening in June of 2011 in what was an empty K-Mart plaza in the City of Sycamore. In the same shopping plaza, a Nail Salon and a chiropractor's office were opened and a Mexican Restaurant is set to open in June of 2012. The building that housed the Borders Book Store that closed is now being renovated and a Ross's Dress Shop will be opening soon in DeKalb. In contrast the Old Navy that was located in DeKalb on this Road closed in early 2012. The housing industry continues to move very slowly. The County continues to look for employment opportunities and affordable housing for the community.

MAJOR INITIATIVES FOR THE YEAR AND THE FUTURE

Current Year

DeKalb County has been very busy during 2011 with the Courthouse Expansion Project. Groundbreaking for the expansion was done on April 4, 2011 and April brought nine days lost due to rain and wet soils. May June and July were spent doing site and utility work. August brought sight of the building out of the ground and steel erecting/welding underway. Early September the lower floor slab was poured as well as the first and second floors poured. Cement block work was begun and the precast walls began to be installed at the end of September. October and November "winter conditions" were avoided and the building did not need to be tented which meant window installation also began in mid November. December started existing Courthouse asbestos abatement work and stair demolition inside. Roof installation completed and the 250 ton crane lifted the air handling units in three sections to the roof. Interior work was also underway with walls mostly complete in December. An update of the project in March of 2012 brings the total project accident free days to 247. Weather continues to cooperate and the building is scheduled to open in July of 2012.

In the past the County has elected to assume most of its own liability for risk exposure. Self-insurance continued during 2011 for worker's compensation and excess liability. By assuming risk, the County has been able to keep its tax levy lower than normal over the last several years for the Tort and Liability Insurance Fund. At the same time, the County has built a retained balance for potential claims. That retained balance, in a period of twenty-one years for which this self-insured philosophy has been in place, has gone from a negative balance to \$4,627,342 for the 2011 fiscal year. It is anticipated that the tax levy for insurance policies and claims should be able to remain relatively constant. Property insurance is purchased on all buildings. The County now purchases Health insurance and Life insurance, these costs continue to grow each year and the County must face the costs becoming a larger portion of the total budget each year. Efforts to keep the cost increases in line are ongoing and the increase in 2011 was 4%.

The Stormwater Management Planning committee has also been busy during 2011. The committee began working on Phase 2 of the Countywide Stormwater Management Plan late in 2010 and discussed a Watershed Management Plan that could be recommended to the County and the Municipalities. The committee appointed a sub-committee to undertake the initial research on a watershed approach using the East Branch of the South Branch of the Kishwaukee River as the first watershed and discussed Evergreen Village and the ongoing mitigation efforts to remove the homes from the floodway. The availability of funds was discussed and noted that neither an option of a new tax or additional fees were possible. In September of 2011 the DeKalb County Community Foundation addressed the Committee regarding the possibility of a grant that might be applied to the efforts on stormwater management and watershed planning. Dan Templin, Director of DCCF explained that the Foundation had surveyed municipalities in DeKalb County and found that stormwater management, flooding and groundwater were frequent issues of interest. The Stormwater Management Planning Committee's efforts toward watershed management seemed to be in line with the Foundation's desire to support land owners and decision-makers in their land use program.

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DeKalb County began negotiating a Governmental Agreement with the Prairie Band Potawatomi Nation during 2007. The Prairie Band Potawatomi "Nation" is a federally recognized Indian tribe with all rights and powers attendant thereto. The Nation attests that in 1829, Article III of the Treaty of Prairie du Chien, reserved for Chief Shab-eh-nay and his band land which consisted of 1,280 acres located near the present Village of Shabbona, Illinois and within DeKalb County. The Nation has purchased 128 acres of land within the Shab-eh-nay Reserve. The Nation and DeKalb County developed the final Governmental Agreement on February 20, 2008. This Governmental Agreement allows the two parties to consult and cooperate with regard to the development of Tribal Project Lands. The agreement also says the Tribal Project Lands are limited to a Class II gaming facility under the Indian Gaming Regulatory Act, 25 U.S.C., including food service and complementary retail, a 2,500 square foot government center with limited office space and a welcome center and parking to serve both. Payments to the County will be in lieu of Property Taxes and shall be based on the amount calculated by the County Tax Extension Clerk, as such calculations for all real property in the County are calculated. Upon commencement of gaming activities the County will also receive an annual contribution based on net revenues from the gaming operations of the Nation. The entire Governmental Agreement between DeKalb County and the Nation is contingent upon the issuance of a written Indian land determination by the National Indian Gaming Commission ("NIGC") or the U.S. Department of the Interior. This determination would say that the Shab-eh-nay Reserve legally qualifies for gaming under the Indian Gaming Regulatory Act. If this qualification does not occur the governmental agreement shall terminate immediately. The 2011 year again brought no decision from the Department of the Interior of the Federal Government on the determination.

Future

A major item facing the County has always been a need to do adequate planning for the potential growth in the County. The Regional Planning Commission, RPC, oversaw the creation and adoption of the DeKalb County Unified Comprehensive Plan in 2003 which included the creation or updating of 10 individual municipal comprehensive plans and oversaw the creation of the Unified Development Ordinance. The Illinois Chapter of the American Planning Association has named DeKalb County's comprehensive plan the best in the state, in part because of the balancing that it tries to accomplish. The plan does not discourage growth and development to the extent that it occurs but states it should occur in and around cities because that is where the services are offered.

Moving forward with the Regional Planning Commission objectives will be a continuing process in the County. The Regional Planning Commission will work with the municipal governments throughout the County with any issue that can best be addressed with a regional outlook. The RPC will continue to serve as a clearing house for regional issues, such as flood control, waterways, and transportation. The RPC is working closely with the DeKalb County Stormwater Management Planning Committee to develop GIS maps that will help communities with planning. The County Unified Comprehensive Plan was updated during 2010 and the updated Unified Comprehensive Plan draft report was presented in three open houses held in January 2011. Beginning in 2009 and continuing through 2011 the downturn of both the labor market and affordable housing due to market and banking issues led to very little movement necessary to address significant progress in attracting new industry to the County. RPC suggested

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plans for 2012 include discussion regarding the DeKalb County Fiber Optic Project that will provide all public sector buildings within each of the municipalities the ability to connect to the system. Another possible topic up for discussion was the interest in urban agriculture as well as small wind energy regulation such as wind turbines for alternate energy for residences and institutional uses.

Along with population and development growth, there's also a concern for maintaining adequate open space. Of course, the funding of any land acquisitions also presents challenges. In a very creative approach, the Forest Preserve District has also established a Wetland Bank. It is hoped that in the future, as developers need to establish or replace wetlands, they can satisfy that requirement by purchasing part of the Forest Preserve Wetland that is held in a type of "bank", just for that purpose. Monies from the sale of Wetlands is then reserved for future land acquisitions by the Forest Preserve District. Work continued during 2011 on the wetlands. The County Board made the decision to ask the voters for a referendum, which passed, to increase the general corporate tax rate from .0325% to .06% for the Forest Preserve. The Forest Preserve in 2011 was able to purchase a 43 acres property for \$410,604 and named the new park Prairie Oaks Forest Preserve. The Forest Preserve was aware of the Miller-Ellwood family cabin that was located on a property about one mile from the Hoppe farm. This cabin had been built in 1835 and had been offered to the Forest Preserve two years ago. The cabin was intact and structurally in very good condition because a house had been built around it. The Forest Preserve then paid to have the house around the cabin razed and dismantled the cabin. In May of 2010 the dismantled cabin was moved to the Hoppe Farm and was reconstructed on that property. Most of the support beams were intact and able to be used and a new roof was added to the cabin. The work continued on the cabin and outbuilding during 2011 on the roof and electricity to the outbuilding as well as parking lot upgrades. This history and the presence of the Miller-Ellwood Cabin in DeKalb County will be here for generations to come thanks to the efforts of the DeKalb County Forest Preserve.

One of the fastest growing service areas for the County continues to be the court system. Not only is the case load expanding rapidly, but the number of complex cases is also increasing. To begin to meet the records management needs of this, the County has been relying on greater computer enhancements and also newer technologies for documentation storage. Both areas will need continual attention in the future. The County continues to move forward with connecting the various components of the judicial system together via a computer network. The opening of the expanded courthouse in July will help to alleviate crowded conditions and add courtrooms for better efficiency.

Beginning in June of 2002 the DeKalb County Sheriff approached his committee with concerns regarding the overcrowding conditions at the County Jail. An Ad Hoc Committee was formed and a consultant was hired in 2003. A decision to place a referendum issue of ½ of one-cent public safety tax was made. The question was given to the voters of DeKalb County on the ballot in March 2004 and again in 2006 and defeated with a vote of 53% in 2004 and 57% in 2006. The jail continues to be overcrowded even after implementing electronic home monitoring, graduated sentences, and work release expansion and the costs of housing prisoners at other jail facilities has created budget shortfalls. As a response to the Court System and the jail overcrowding concerns, DeKalb County Finance Committee recommended Ordinance 2010-05 to be passed by the

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County Board in February 2010 to authorize the issuance of \$45,000,000 General Obligation Alternate Bonds for the purpose of financing the expansion and renovation of the DeKalb County Courthouse and the County Jail. In October of 2010 the County sold \$16,000,000 of that authorized amount which would be \$15,000,000 for the renovation and expansion at the Courthouse and the remaining amount would be for planning for the Jail Expansion. This \$16,000,000 bond issue utilized Build America Bonds and Recovery Zone Bonds from the Federal Recovery Stimulus Program. Progress has been made during 2011 with beginning planning stages for the expansion and renovation of the jail as well as working with the City of Sycamore to agree on possible street changes and parking concerns.

The Drug Court continued operations during 2011 and there have now been ceremonies with a total of 36 graduates since the program began in 2007. This felony court works with non-violent addicted felons who must plead guilty and admit addiction. This is a highly structured supervised program that at a minimum lasts 14 months. The State of Illinois passed two statutes to allow fines to be collected on guilty traffic violations and guilty felony pleas to help provide funding for the Drug Court. These monies pay salary costs as well as treatment providers of counseling and intervention specialists. The Special Court Administrator for the DeKalb County Drug Court submitted a Federal Department of Justice grant in April of 2008 and was notified that the County had been awarded the grant in October 2008. This grant was for three years and helped provide a probation officer as well as counseling costs for the program for three years. A second grant was applied for in 2009 and was awarded to DeKalb County Drug Court in October of 2010. This grant is called an Enhancement Drug Court Grant and will be providing enhanced counseling services to help offenders on a more consistent basis to have successful completion of the program. A smaller grant was awarded at the end of 2011 and will be used for counseling costs for local jail inmates. The Drug Court continues to provide another means of keeping non-violent offenders out of the County Jail that will in turn help with overcrowding issues. There is a smaller program in DeKalb County that is the DUI court and that program graduated four participants in 2011.

Transportation planning is a key to DeKalb County's future. Because of commuting patterns, both in and out of the County, DeKalb County is now considered a part of the Chicago Metropolitan Statistical Area. When the 2000 Census figures indicated that the cities of DeKalb, Sycamore and Cortland were greater than 50,000 in population, it was required that a Metropolitan Planning Organization (MPO) for Transportation be started in DeKalb County. This joint planning organization, known as DeKalb, Sycamore Area Transportation Study (DSATS) is the point of receipt or flow through of federal transportation dollars that will be used for roads and bridges as well as public transportation in the MPO area.

DeKalb County became involved in a venture with the private sector for the development of a Supportive Living Facility. Supportive Living is a program funded by the Illinois Department of Public Aid (IPA) and is characterized as the Medicaid version of assisted living. Supportive Living Facilities (SLF) feature apartment units rather than institutional semi-private accommodations of a Nursing Home. Serving low-income seniors remains a critical part of the County's mission in long-term care. As we are often the provider of last resort, we see a clear link between Supportive Living and our mission of service. The building opened in 2008 and has 76 apartment units.

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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.

The DeKalb School District, after many attempts, passed a \$110 million new school referendum in February 2008. The money was used to build a new high school and do major repairs on the old high school to convert it to a middle school. The new high school and the renovated old high school opened for students in the fall of 2011. The new high school planning committee used predictions based on larger numbers of students due to the increase in construction that had been happening in DeKalb. With the economy downturn here and elsewhere that growth has stopped and there is a reduction in the number of new students that attend the new high school. Most school districts in the County are all needing to consider reducing teachers and other employees in order to meet the budget concerns. Many DeKalb County School Districts have already decided to cut teacher positions for the next school year. Many of the staff released could be rehired if the money would be available. The State of Illinois is obviously in financial crisis and very late in making payments that are due to all of the school districts, as well as County obligations that the State has not met in a timely manner.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants (CPA). The CPA accounting firm of Sikich LLP was selected by the County Board's Finance Committee to provide this service. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. The auditor's report on the general purpose external financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the separately issued Single Audit Report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) last awarded a Certificate of Achievement for Excellence in Financial Reporting to DeKalb County for its comprehensive annual financial report for the fiscal period ended December 31, 2010. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

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A Certificate of Achievement is valid for a period of one year only. DeKalb County has received a Certificate of Achievement for the last twenty-five consecutive years (fiscal years ended 1986-2010). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the efficient and dedicated services of the Finance Office staff and the excellent cooperation received from all County departments. We would like to also thank the County Board Chairman, the Chairman of the Finance Committee, and the entire County Board for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Gary H. Hanson
Deputy County Administrator

Respectfully submitted,



Karen S. Kahl
Accounting Supervisor