



**GENERAL PURPOSE
EXTERNAL FINANCIAL STATEMENTS**

**DEKALB COUNTY GOVERNMENT
DEKALB COUNTY, ILLINOIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

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, 2013. 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 \$118 million and increased in the current year by \$3.6 million. The County has maintained its employment force and has been able to continue with modest increases in pay for its employees. The property tax base this year decreased by \$167.1 million or 8.2%.

B. Business Type Activities

The only business type activity that the County has is the 190 skilled bed Rehab and Nursing Center. Total net position for the Rehab and Nursing Center as of December 31, 2013 was \$10.7 million compared to \$10.4 million as of December 31, 2012. The \$0.3 million increase in net position in 2013 was related to patient care services revenue due to receiving more consistent intergovernmental transfer payments from the State and recording the related year-end receivable. Fiscal Year 2013 also marks the fourteenth straight year that the facility has operated without any property tax or other subsidy from other County funds.

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 Courthouse and to 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 Position is the "Unrestricted Net Position" 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 position 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 position 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 subsidies 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, and interest on long-term debt.

The government-wide financial statements include not only the County itself, but also the DeKalb County Public Building Commission as a blended component unit. The DeKalb County Forest Preserve District is presented in a separate column as a discretely presented component unit in accordance with Governmental Accounting Standards Board Statement 61. The financial information of both of these component 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 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 Balances 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) reflected. The flow of current financial resources reflects bond proceeds and interfund transfers as other financing 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 obligations (bonds and others) into the Governmental Activities column in the Government-Wide statements.

The County maintains 46 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 and Community Mental Health Fund, both 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

Proprietary Fund Financial Statements provide the same type of information as the Governmental-Wide Statements, only in more detail. The County maintains two different types of proprietary funds –Enterprise Funds and Internal Service Funds.

Enterprise Funds are used to report the same functions presented in Business-Type Activities in the Government-Wide Financial Statements. The Nursing Home Fund is the County's only Enterprise Fund and it is considered a major fund of the County and is, therefore, presented in a separate column in the Fund 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. Both 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.

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 Special 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 Fund, Nursing Home Residents' Accounts Fund, and Tax Sale Redemption 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 19.

D. Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including information concerning the County's progress in funding its obligation to provide benefits to its employees. Required supplementary information can be found on pages 50-58 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 59-192 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 follow:

GOVERNMENT-WIDE STATEMENTS

A. Net Position

The following table reflects the condensed Statement of Net Position:

**Table 1
Statement of Net Position
December 31, 2013**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<u>Assets:</u>						
Current and Other	82,133,539	79,096,391	8,388,681	8,224,066	90,522,220	87,340,457
Capital Assets	<u>77,190,227</u>	<u>76,800,402</u>	<u>6,467,948</u>	<u>6,960,069</u>	<u>83,658,175</u>	<u>83,760,471</u>
Total Assets	159,323,766	155,896,793	14,856,629	15,184,135	174,180,395	171,080,928
<u>Liabilities:</u>						
Long Term Liabilities	17,244,758	17,810,137	2,517,520	3,170,133	19,762,278	20,980,270
Other Liabilities	<u>3,339,875</u>	<u>3,391,410</u>	<u>1,622,324</u>	<u>1,646,323</u>	<u>4,962,199</u>	<u>5,037,733</u>
Total Liabilities	20,584,633	21,201,547	4,139,844	4,816,456	24,724,477	26,018,003
Total Deferred Inflows of Resources	20,738,800	20,310,244	0	0	20,738,800	20,310,244
<u>Net Position (Restated):</u>						
Net Investment in Capital Assets	62,223,925	61,244,963	4,429,272	4,293,084	66,653,197	65,538,047
Restricted	31,586,099	28,781,167	234,341	232,567	31,820,440	29,013,734
Unrestricted	<u>24,190,309</u>	<u>24,358,872</u>	<u>6,053,172</u>	<u>5,842,028</u>	<u>30,243,481</u>	<u>30,200,900</u>
Total Net Position	118,000,333	114,385,002	10,716,785	10,367,679	128,717,118	124,752,681

The County's combined net position increased by \$3.9 million to \$128.7 million in 2013 from \$124.8 million in 2012. Net position attributable to governmental activities increased by \$3.6 million in 2013 due to three main components.

Operating results increased net position by \$2.7 million due in large part to the accumulation of funds in the Aid to Bridges Fund for future bridge repair and/or replacement projects (\$1.2 million), \$500,000 of which was the result of a settlement for the Keslinger Road Bridge which collapsed during work on an oil pipeline in 2008. Funds also are accumulating in various governmental funds for future building improvement projects (\$400,000), future asset replacements (\$500,000), and Tort & Liability Insurance Fund reserves (\$800,000). All other governmental funds accounted for the net \$200,000 decrease due to operating results.

The second main component for the increase in net position was the \$400,000 increase in net capital assets. The major contributing factor to this was the completion of the Broadband grant project which, along with all other capital asset additions, was more than enough to offset depreciation costs for the year.

The third main component for the increase in net position was the change in compensated absences and other postemployment benefit obligations by the net amount of \$200,000.

Net position attributable to business-type activities increased by \$0.3 million in 2013 due to more consistent intergovernmental payments (IGT) received from the State. This allowed the Nursing Home Fund to record an IGT receivable of more than \$300,000 at December 31, 2013.

For more detailed information, see the Statement of Net Position on Page 4 of the Comprehensive Annual Financial Report.

Activities

1. Change in Net Position

The following table reflects the condensed Statement of Activities:

Table 2
Change in Net Position
For the Fiscal Years Ended December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program Revenues:						
Charges for Services	9,440,356	9,027,868	14,551,676	15,676,882	23,992,032	24,704,750
Operating Grants and Contributions	5,158,005	7,025,508	0	0	5,158,005	7,025,508
Capital Grants and Contributions	4,140,802	4,225,603	290,665	67,814	4,431,467	4,293,417
General Revenues:						
Property Taxes	20,403,869	19,861,116	0	0	20,403,869	19,861,116
Other Taxes*	5,519,397	5,503,593	0	0	5,519,397	5,503,593
Other*	4,494,344	3,608,325	57,193	54,184	4,551,537	3,662,509
Total Revenues	<u>49,156,773</u>	<u>49,252,013</u>	<u>14,899,534</u>	<u>15,798,880</u>	<u>64,056,307</u>	<u>65,050,893</u>
Expenses						
General Government	9,195,134	8,400,528	0	0	9,195,134	8,400,528
Public Safety	21,823,736	20,640,294	0	0	21,823,736	20,640,294
Highways and Streets	6,611,587	5,893,376	0	0	6,611,587	5,893,376
Health and Welfare	7,582,941	8,566,170	14,490,428	14,163,342	22,073,369	22,729,512
Interest on Long Term Debt	656,044	703,896	0	0	656,044	703,896
Total Expenses	<u>45,869,442</u>	<u>44,204,264</u>	<u>14,490,428</u>	<u>14,163,342</u>	<u>60,359,870</u>	<u>58,367,606</u>
Change in Net Position Before Transfers & Special Item	3,287,331	5,047,749	409,106	1,635,538	3,696,437	6,683,287
Transfers	60,000	72,000	(60,000)	(72,000)	0	0
Special Item	<u>268,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>268,000</u>	<u>0</u>
Change in Net Position After Transfers & Special Item	3,615,331	5,119,749	349,106	1,563,538	3,964,437	6,683,287

*Note: Sales tax sharing agreement revenue with the City of DeKalb and Tax Increment Financing District Surplus revenue were reclassified from Other Taxes to Other (Intergovernmental) in 2013 and were appropriately restated as such for 2012.

The previous table summarizes the revenues and expenses of the County's activities and the change in net position for the past two fiscal years. There was a total increase in net position for 2013 of \$4 million which compares to a \$6.7 million increase last year. Total revenues decreased by \$1 million while total expenses increased by \$2 million, and there was also a special item recorded for an additional \$0.3 million increase to bring the net total primary government increase for 2013 to \$4 million.

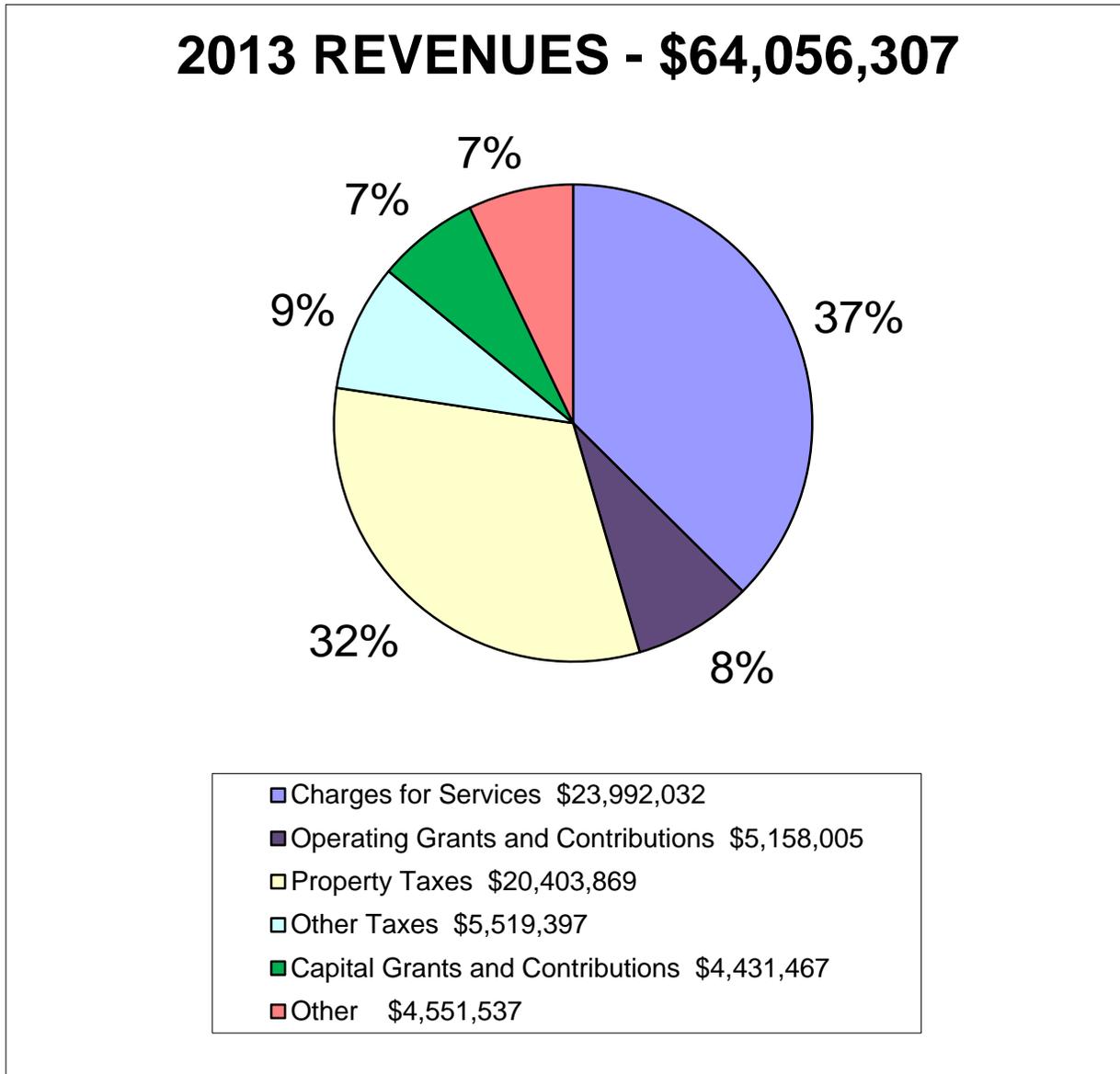
The change in net position for Governmental Activities for 2013 was an increase of \$3.6 million compared to an increase of \$5.1 million for 2012. The \$1.5 million change is primarily the result of expenses increasing by \$1.7 million while revenues decreased by \$0.1 million. There was also a special item recorded for the sale of the Home Health Division by the Health Department that increased the change in net position by \$0.3 million.

The change in net position for Business-Type Activities for 2013 was an increase of \$0.3 million compared to an increase of \$1.6 million for 2012. The \$1.2 million change is the result of revenues decreasing by \$0.9 million and expenses increasing by \$0.3 million.

Additional detail on revenues and expenses follows in the next two charts and narratives.

2. Total County Revenues

The following chart summarizes total DeKalb County revenues for 2013:



For the fiscal year ended December 31, 2013, revenues totaled \$64.1 million. This is a reduction of \$1 million from 2012. Capital grants and contributions experienced a small increase of \$138,050 due to donations at the Nursing Home. Operating grants and contributions decreased by \$1.9 million due primarily to a reduction in the Federal Broadband Grant revenue for the fiber optic data lines that were installed throughout DeKalb County. This project was completed in 2013.

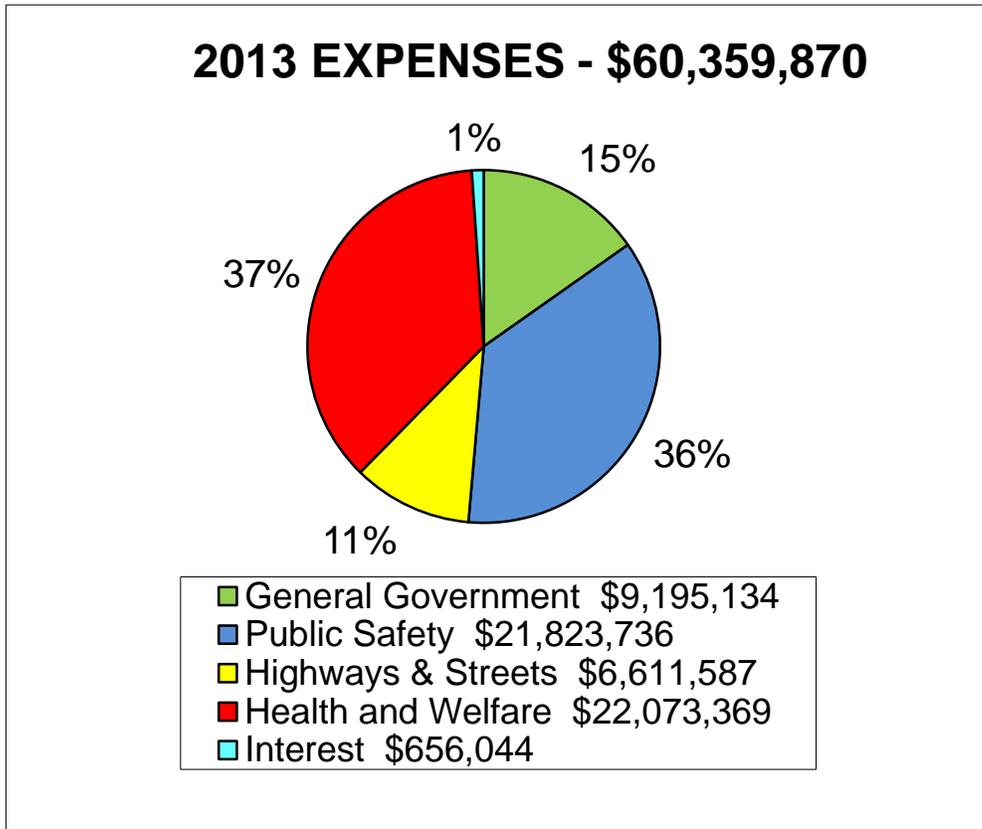
Revenues from the County's charges for services were \$24 million in 2013 which represents a \$0.7 million decrease from 2012. The DeKalb County Rehab and Nursing Center is the largest generator of revenues within this category. The Rehab and Nursing Center generated \$14.6 million dollars in 2013 which was a \$1.1 million dollar decrease in charges for services due to a large volume of retroactive reimbursements that were received for Medicare and Medicaid from the federal and state governments in 2012. Charges for services in the governmental activities area actually increased by \$0.4 million. Property tax collections increased \$542,753 in 2013. Property taxes support governmental activities including employee pension fund contributions.

The other taxes classification includes a number of different revenue sources such as sales tax, replacement tax, and games tax. The County no longer receives a share of the State inheritance tax which resulted in a \$90,761 reduction for 2013. 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 0.25 percent. State-shared sales tax revenues in 2013 were \$4.6 million. 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. A portion of the County Farm site sales tax revenues of 1.25 cents per dollar of sales are received and distributed at the rate of 0.75 cents into the County's two Debt Service Funds – the Build America Bonds 2010 Fund receives 77.5% of the 0.75 cents and the remaining 22.5% of the 0.75 cents is deposited into the Recovery Zone Bonds 2010 Fund to fund the required debt service payments. The Nursing Home site sales tax revenues of 1.25 cents per dollar of sales are received and distributed at the rate of 0.75 cents into a designated account for future special projects. Each site also contributes 0.25 cents per dollar of sales into the General Fund and 0.25 per dollar of sales into the Opportunity Fund. This revenue source generated \$1.4 million in 2013 and was reclassified as intergovernmental revenue rather than other tax revenue. Tax Increment Financing District Surplus revenue of \$0.3 million was also reclassified from other tax revenue to intergovernmental revenue in 2013.

Income taxes are also shared by the state, but on a per-capita basis. Between 2012 and 2013 the County's portion of the State income tax revenues increased by \$110,811. Other revenue sources increased by \$0.9 million due mainly to a \$0.5 million settlement reached for the repaid of the Keslinger Road Bridge and a \$0.3 million donation made for public safety purposes to purchase new squad cars.

3. Total County Expenses

The following chart summarizes total DeKalb County expenses for 2013:



DeKalb County's expenses totaled \$60.4 million in 2013 increasing by \$2 million or 3.4% from 2012. General Government expenses were up by \$0.8 million or 9.5% from 2012 as a result of normal inflationary costs increases coupled with higher cost for health insurance and pension contributions, as well as increases in depreciation expense and compensated absence expenses.

The Highways and Streets function also had an increase in expenses of \$0.8 million during 2013 due mainly to major road repair and maintenance expenses in the County Motor Fuel Tax Fund and the Federal Highway Matching Tax Fund (\$566,978), as well as additional winter maintenance materials of \$271,046 due to the harsh winter. There were two major road projects completed in 2013. The hot-mix asphalt resurfacing of 4.88 miles of Perry Road from Haumesser Road to Waterman Road with hot-mix safety shoulders was completed at a cost of \$771,990. Eighty percent of this project was funded with Federal grant funds and the remaining 20 percent was covered by the County's local Matching Tax Fund. Additionally, Malta Road from Old State Road to Illinois Route 72, a distance of 4.17 miles was also resurfaced including hot-mix safety shoulders on curves only and was completed at a cost of \$610,000. In addition to the County's projects, the Highway Department supervised the maintenance seal coating of 36 miles of roads for the County and Road Districts. The Highway

Department oversaw the contract for pavement markings on all 190 miles of the County's highway system during 2013. One bridge replacement project for the Road District of Sycamore and three bridge repair projects were completed through contractors - one for the Road District of Shabbona and two for the Road District of Squaw Grove.

Health and Welfare expenses, typically the largest for the County, include the Department of Public Health, Community Services, Veterans Assistance, Financial Aid, Senior Services, and Community Mental Health. Total Health and Welfare expenses for the County in 2013 decreased by \$0.7 million comprised of a \$1 million (18.7%) decrease in Governmental Activities due to the sale of the Home Health Division of the Health Department, and a \$263,430 (1.9%) increase in Business-Type Activities for operations at the DeKalb County Rehab and Nursing Center, which is the County's only Business-Type Activity.

Public Safety expenses are the second largest expense group for the County at 36% and relate to the operations of the Sheriff's Department, which includes Communications, Corrections, and Court Security, as well as the Emergency Services & Disaster Agency, and the expenses related to the court system, which includes the Circuit Clerk, Judiciary, Court Services, State's Attorney, and Public Defender offices. The increase in Public Safety expenses from 2012 to 2013 was \$1.2 million or 5.7%. The majority of this increase was due to new personnel approved for 2013. An additional 5.75 full-time equivalent employees were approved for Public Safety departments in 2013. The Public Safety departments with expense increases of more the \$100,000 from 2012 to 2013 were Sheriff (\$530,101), Sheriff's Correction (\$236,230), Public Defender (\$127,022), and Sheriff's Communication (\$105,921).

IV. Financial Analysis of the County's Funds

As of December 31, 2013 the governmental funds had a combined fund balance total of \$50.8 million with \$9 million being unassigned. The unassigned amount of fund balance is broken down as \$9.2 million in the General Fund offset by a \$202,620 deficit fund balance in the Public Building Commission Lease Fund. There is also \$10.7 million that is assigned for Capital Projects and \$921,100 that is assigned for the 2014 budgeted deficit in the General Fund. The 2013 governmental funds unassigned fund balance reflects a decrease of \$749,621 from the prior year. The total General Fund fund balance of \$10,424,301 is 40% of the total 2013 General Fund expenditures of \$26 million or 146 days of operating funds.

The General Fund fund balance decrease of \$679,638 was primarily due to a \$681,584 reduction in sales tax revenue that the State of Illinois was recouping as the result of prior overpayments discovered during an internal audit of the Illinois Department of Revenue. Other factors contributing to the change in the General Fund fund balance include a) a change in the revenue recognition for method for sales tax whereby an additional month of sales tax revenue was recognized as the result of using the liability method of revenue accrual, b) a change in the revenue recognition method for use tax whereby two months of revenue were deducted from the accrued revenue as the result of using the voucher method of revenue accrual, and c) General Fund operating results which showed a \$20,829 deficit before transfers and a \$1,022,029 deficit after transfers.

All other governmental funds have combined fund balances of \$40.4 million which are either nonspendable (such as prepaid items or long-term receivables), restricted, or assigned for specific purposes.

The County's proprietary funds had combined net positions of \$18 million as of December 31, 2013 which is \$1.1 million higher than the 2012 year end balances. Of this amount \$4.4 million is the net investment in capital assets, \$2.4 million is restricted for debt service or tort and liability purposes, and \$11.2 million is unrestricted. The unrestricted portion increased by \$370,463 or 3.4% over the 2012 year-end balance.

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 of the County's deposits were covered by either FDIC insurance or collateral at December 31, 2013.

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 \$131,837 on all governmental fund types for the year ended December 31, 2013 compared with \$116,921 in the year ended December 31, 2012. This reflects a \$14,916 or 12.8% increase. This increase in interest income reflects a slowly improving economy with slightly higher interest rates being offered by banking institutions, as well as higher total fund balances available for investment.

V. General Fund Budgetary Highlights

The following table summarizes the County's General Fund budget for 2013 including the original budget, the final budget, and actual results:

Table 3
General Fund Budgetary Highlights
January 1, 2013 through December 31, 2013

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	17,523,000	17,523,000	16,891,997
Licenses & Permits	116,300	116,300	115,279
Intergovernmental	3,290,400	3,290,400	3,564,098
Charges for Services	4,569,900	4,569,900	4,584,515
Fines and Forfeits	851,500	851,500	687,704
Investment Income	37,000	37,000	22,070
Miscellaneous	<u>134,600</u>	<u>134,600</u>	<u>153,584</u>
Total Revenues	26,522,700	26,522,700	26,019,247
EXPENDITURES AND TRANSFERS			
General Government	7,071,000	7,196,000	6,881,664
Public Safety	19,307,300	19,505,300	18,989,859
Health and Welfare	181,000	181,000	168,553
Transfers Out	1,068,900	1,146,400	1,096,200
Transfers In	<u>(253,000)</u>	<u>(253,000)</u>	<u>(95,000)</u>
Total Expenditures and Transfers	27,375,200	27,775,700	27,041,276
Net Change in Fund Balance	(852,500)	(1,253,000)	(1,022,029)

As can be seen above, General Fund revenues in 2013 were \$503,453 or 1.9% less than the budgeted amount. This amount includes coming in \$631,003 under budget in taxes which is due primarily to the sales tax recoupment by the State during 2013 for overpayments in prior years which totaled \$681,584. Intergovernmental revenue was \$273,698 over budget mainly because Federal grants exceeded the budget amount by \$245,602 due in large part to two separate grants, a transportation grant and a watershed planning grant. Finally, fines and forfeits ended the year \$163,796 under budget due to declining receipts from traffic fines, criminal fines, and court system fees.

General Fund expenditures and transfers in 2013 were \$734,424 or 2.6% less than the final budget amount because all departments ended the fiscal year under their final budget amounts for the year with the exception of the Planning and Zoning Department and Non-Departmental Services because of the aforementioned grant projects that also had higher grant revenue receipts for the year.

VI. Capital Assets

The following schedule reflects the County’s capital asset balances as of December 31, 2013:

**Table 4
Capital Assets
December 31, 2013**

	Governmental Activities		Business-Type Activities		Total Primary Activities	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land and Land Right of Way	6,535,507	6,338,392	0	0	6,535,507	6,338,392
Buildings	42,645,955	42,501,294	12,182,399	12,176,529	54,828,354	54,677,823
Land Improvements	14,976,715	1,309,364	961,964	927,196	15,938,679	2,236,560
Vehicles	3,880,688	3,800,521	0	0	3,880,688	3,800,521
Furniture and Fixtures	0	0	825,053	827,945	825,053	827,945
Equipment	4,646,401	4,740,038	961,418	954,998	5,607,819	5,695,036
Infrastructure	49,618,017	48,166,377	0	0	49,618,017	48,166,377
Intangibles	143,803	143,803	0	0	143,803	143,803
Construction in Progress	<u>313,349</u>	<u>12,297,585</u>	<u>8,320</u>	<u>3,992</u>	<u>321,669</u>	<u>12,301,577</u>
Subtotal	122,760,435	119,297,374	14,939,154	14,890,660	137,699,589	134,188,034
Less:						
Accumulated Depreciation	(45,570,208)	(42,496,972)	(8,471,206)	(7,930,591)	(54,041,414)	(50,427,563)
Total	<u>77,190,227</u>	<u>76,800,402</u>	<u>6,467,948</u>	<u>6,960,069</u>	<u>83,658,175</u>	<u>83,760,471</u>

At year-end, the County’s investment in capital assets for both its governmental and business-type activities was \$83.7 million dollars (net of accumulated depreciation). This represents a negligible decrease of \$102,296 from the December 31, 2012 amount of \$83.8 million. The business-type activities net capital assets decreased by \$0.5 million which was primarily the depreciation costs for the 2013 fiscal year. The \$0.4 million increase in governmental activities

net capital assets relates to the land improvements recorded as a result of the completion of the Broadband Grant Project in which fiber optic cable was laid throughout the County. The net amount of the increase was reduced by the annual depreciation costs for governmental activities capital assets.

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

VII. Long-Term Debt

The following table summarizes the County’s bonded indebtedness as of December 31, 2013:

**Table 5
Bonded Indebtedness
December 31, 2013**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
	2010 A Build America Bonds General Obligation Series	8,560,000	9,080,000	0	0	8,560,000
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	666,250	871,250	1,998,750	2,613,750	2,665,000	3,485,000
TOTAL	15,196,250	15,921,250	1,998,750	2,613,750	17,195,000	18,535,000

As of December 31, 2013 the County had a total of \$17.2 million in bonded indebtedness outstanding. \$2.7 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 (PBC) 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 remaining \$14.5 million bonded indebtedness outstanding is from two bond issues which were sold in 2010. The first issue is the \$10,030,000 Build America Bonds Series 2010A general obligation bonds. These bonds financed 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 were used to pay the remaining costs of the renovation and expansion of the Courthouse.

Under current state statutes, DeKalb County's general obligation bonded debt issuances are subject to a legal limitation based on 2.875% of total assessed value of real and personal property. That would allow the County to currently incur debt up to \$53,530,933. Alternate revenue bonds and Public Building Commission bonds are excluded from this limitation. Accordingly, as of December 31, 2013, DeKalb County's net general obligation bonded debt that is subject to the debt limit was \$0 because lease revenue bonds and alternate revenue source bonds generally do not count against the legal debt limit.

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

VIII. Economic Factors and Next Year's Budget Issues

The taxable assessed valuation for the County decreased by \$167.1 million dollars from the previous year for a new net total of \$1,861,945,488. There is some concern that the commercial and industrial value only makes up about 21% of the property tax base which puts a lot of burden on residential property taxpayers who make up about 65% of the tax base. The remaining 14% of the tax base is comprised of farm land, wind towers, and railroads.

Ongoing 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 slow crawl of the construction industry, development revenue will be limited and future property tax increases will need to be carefully considered. 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 for services exceeds the annual allowable increment in property taxes. 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.

One of the efforts of the County is participation in the DeKalb County Economic Development Corporation (DCEDC). This partnership of private and public interests works together to facilitate economic development within the County. During 2013, DCEDC targeted attracting new business and industry that capitalize 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 Broadband Grant that was awarded to DeKalb County Government and completed by the end of 2013 will be a welcome asset for DCEDC to continue to recruit high-tech businesses to the County.

Another targeted goal for DCEDC during 2013 was to continue to identify 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 2014 financial year is well underway. The next budget to be developed will be the 2015 budget. It will be discussed in the early fall of 2014 for the fiscal year beginning January 1, 2015. The problems that were faced with the 2014 budget are anticipated to be at the forefront of the 2015 budget as well. Health insurance costs and pension costs for all employees will continue to be major budget concerns.

There was a 21.3% premium increase in health insurance rates in January of 2013, and a 10.7% increase in 2014. The County did offer a High Deductible Health Plan (HDHP) in addition to the PPO plan for 2013, and continued to do so in 2014. Employee participation in the HDHP plan was very low with only 10.4% of employees participating in the plan for 2013. The County did provide an incentive to entice employees towards the HDHP plan with an employer contribution to their individual Health Savings Accounts for 2013 in the amounts of \$1,248 for single coverage and \$2,964 for family coverage. This incentive continues into 2014 with the amounts set at \$1,352 for single HDHP coverage and \$3,068 for the family coverage.

During 2014, the County will continue with its jail expansion planning that has been several years in the making and for which funding was approved as part of the \$10,030,000 Build America Bonds Series 2010A General Obligation Bonds. A portion of this bond issue was to finance preliminary design work for the expansion of the County Jail. It is anticipated that landfill host fees will be used to finance the construction and operation of the expanded jail, however, additional sources of revenue may need to be dedicated to the project in order to address all of the needs identified with current jail operations. The challenge will be to put together a construction and operating budget that will allow the County to address all of the critical needs identified, while simultaneously living within its financial constraints during the construction process, and finally providing a sufficient source of ongoing operating revenue once the jail is complete.

Overall, 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 Peter J. Stefan, Finance Director, DeKalb County Government, Finance Office, 200 N. Main Street, Sycamore, Illinois 60178.

DEKALB COUNTY, ILLINOIS

STATEMENT OF NET POSITION

December 31, 2013

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Forest Preserve District
ASSETS				
Cash and investments	\$ 56,663,648	\$ 4,577,098	\$ 61,240,746	\$ 5,607,906
Receivables, net of allowance where applicable				
Property taxes	20,738,800	-	20,738,800	1,485,000
Accounts	3,212,067	3,386,073	6,598,140	26,193
Accrued interest	48,842	219	49,061	1,976
Other	238,959	-	238,959	-
Prepaid items	460,522	169,320	629,842	4,225
Inventory	-	14,823	14,823	-
Due from other governments	690,318	-	690,318	-
Restricted assets				
Cash and investments	80,383	241,148	321,531	-
Capital assets				
Not depreciated	6,848,856	8,320	6,857,176	3,984,385
Depreciated (net of accumulated depreciation)	70,341,371	6,459,628	76,800,999	623,156
Total assets	159,323,766	14,856,629	174,180,395	11,732,841
LIABILITIES				
Accounts payable	1,580,308	663,769	2,244,077	22,570
Accrued payroll	888,070	324,189	1,212,259	12,906
Accrued interest payable	28,044	6,807	34,851	-
Claims payable	156,056	627,559	783,615	-
Due to others	20,426	-	20,426	-
Unearned revenue	666,971	-	666,971	-
Noncurrent liabilities				
Due within one year	958,449	737,018	1,695,467	-
Due in more than one year	16,286,309	1,780,502	18,066,811	41,762
Total liabilities	20,584,633	4,139,844	24,724,477	77,238
DEFERRED INFLOWS OF RESOURCES				
Unearned property taxes	20,738,800	-	20,738,800	1,485,000
Total deferred inflows of resources	20,738,800	-	20,738,800	1,485,000
Total liabilities and deferred inflows of resources	41,323,433	4,139,844	45,463,277	1,562,238
NET POSITION				
Net investment in capital assets	62,223,925	4,429,272	66,653,197	4,607,541
Restricted for				
Debt service	1,468,682	234,341	1,703,023	-
Retirement	707,182	-	707,182	-
Public buildings	3,847,634	-	3,847,634	-
Specific purpose	1,069,862	-	1,069,862	1,062,077
Public safety	2,379,275	-	2,379,275	-
Highways and streets	14,003,725	-	14,003,725	-
Health and welfare	5,963,747	-	5,963,747	-
Tort and liability	2,145,992	-	2,145,992	-
Unrestricted	24,190,309	6,053,172	30,243,481	4,500,985
TOTAL NET POSITION	\$ 118,000,333	\$ 10,716,785	\$ 128,717,118	\$ 10,170,603

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 9,195,134	\$ 2,438,887	\$ 69,953	\$ 2,274,561
Public safety	21,823,736	5,189,451	764,834	104,190
Highways and streets	6,611,587	900,188	1,895,076	1,762,051
Health and welfare	7,582,941	911,830	2,197,596	-
Interest	656,044	-	230,546	-
Total governmental activities	45,869,442	9,440,356	5,158,005	4,140,802
Business-Type Activities				
Nursing home	14,490,428	14,551,676	-	290,665
Total business-type activities	14,490,428	14,551,676	-	290,665
TOTAL PRIMARY GOVERNMENT	\$ 60,359,870	\$ 23,992,032	\$ 5,158,005	\$ 4,431,467
COMPONENT UNIT				
Forest Preserve District	\$ 837,357	\$ -	\$ -	\$ -

	Net (Expense) Revenue and Change in Net Position Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Forest Preserve District
	\$ (4,411,733)	\$ -	\$ (4,411,733)	\$ -
(15,765,261)	-	(15,765,261)	-	
(2,054,272)	-	(2,054,272)	-	
(4,473,515)	-	(4,473,515)	-	
(425,498)	-	(425,498)	-	
(27,130,279)	-	(27,130,279)	-	
-	351,913	351,913	-	
-	351,913	351,913	-	
(27,130,279)	351,913	(26,778,366)	-	
-	-	-	(837,357)	
General Revenues				
Taxes				
Property	20,403,869	-	20,403,869	1,480,633
Replacement	593,226	-	593,226	13,893
Sales	4,924,858	-	4,924,858	-
Other	1,313	-	1,313	-
Intergovernmental	3,215,900	-	3,215,900	21,906
Investment income	131,837	27,115	158,952	15,197
Miscellaneous	1,146,607	30,078	1,176,685	66,502
Transfers	60,000	(60,000)	-	-
Total	30,477,610	(2,807)	30,474,803	1,598,131
SPECIAL ITEM	268,000	-	268,000	-
CHANGE IN NET POSITION	3,615,331	349,106	3,964,437	760,774
NET POSITION, JANUARY 1, 2013	114,448,111	10,367,679	124,815,790	9,409,829
Prior Period Adjustment	(63,109)	-	(63,109)	-
NET POSITION, JANUARY 1, 2013, RESTATED	114,385,002	10,367,679	124,752,681	9,409,829
NET POSITION, DECEMBER 31, 2013	\$ 118,000,333	\$ 10,716,785	\$ 128,717,118	\$ 10,170,603

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2013

	General	Community Mental Health	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,066,333	\$ 2,816,630	\$ 36,926,857	\$ 48,809,820
Receivables				
Property taxes	11,955,000	2,350,000	5,545,000	19,850,000
Accounts	1,875,274	-	1,330,998	3,206,272
Accrued interest	12,349	219	21,280	33,848
Other	206,730	-	32,229	238,959
Prepaid items	305,029	12,945	122,532	440,506
Due from other funds	106,500	-	1,000	107,500
Due from other governments	254,869	-	435,449	690,318
Advances to other funds	-	-	363,512	363,512
Restricted assets				
Cash and investments	-	-	80,383	80,383
TOTAL ASSETS	\$ 23,782,084	\$ 5,179,794	\$ 44,859,240	\$ 73,821,118

	General	Community Mental Health	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 663,065	\$ 107,098	\$ 743,517	\$ 1,513,680
Accrued payroll	667,792	4,601	215,677	888,070
Due to others	20,426	-	-	20,426
Due to other funds	1,000	-	106,500	107,500
Unearned revenue	50,500	-	204,100	254,600
Advances from other funds	-	-	363,512	363,512
Total liabilities	<u>1,402,783</u>	<u>111,699</u>	<u>1,633,306</u>	<u>3,147,788</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	<u>11,955,000</u>	<u>2,350,000</u>	<u>5,545,000</u>	<u>19,850,000</u>
Total deferred inflows of resources	<u>11,955,000</u>	<u>2,350,000</u>	<u>5,545,000</u>	<u>19,850,000</u>
Total liabilities and deferred inflows of resources	<u>13,357,783</u>	<u>2,461,699</u>	<u>7,178,306</u>	<u>22,997,788</u>
FUND BALANCES				
Nonspendable - prepaid items	305,029	12,945	122,532	440,506
Nonspendable - long-term receivables	-	-	363,512	363,512
Restricted for debt service	-	-	1,468,682	1,468,682
Restricted for retirement	-	-	707,182	707,182
Restricted for public buildings	-	-	3,847,634	3,847,634
Restricted for specific purpose	-	-	1,069,862	1,069,862
Restricted for public safety	-	-	2,379,275	2,379,275
Restricted for highways and streets	-	-	14,003,725	14,003,725
Restricted for health and welfare	-	2,705,150	3,258,597	5,963,747
Unrestricted				
Assigned for subsequent year budget	921,100	-	-	921,100
Assigned for capital purposes	-	-	10,662,553	10,662,553
Unassigned				
General Fund	9,198,172	-	-	9,198,172
Special revenue funds	-	-	(202,620)	(202,620)
Total fund balances	<u>10,424,301</u>	<u>2,718,095</u>	<u>37,680,934</u>	<u>50,823,330</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 23,782,084</u>	<u>\$ 5,179,794</u>	<u>\$ 44,859,240</u>	<u>\$ 73,821,118</u>

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 POSITION

December 31, 2013

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 50,823,330
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	
Capital assets	77,190,227
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	(15,196,250)
Interest payable	(28,044)
Compensated absences	(1,996,993)
Net other postemployment benefit obligation	(38,206)
Unamortized bond premium	(13,309)
The net position of the internal service funds are included in the governmental activities in the statement of net position	<u>7,259,578</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 118,000,333</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, 2013

	General	Community Mental Health	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 16,891,997	\$ 2,276,106	\$ 5,713,686	\$ 24,881,789
Licenses and permits	115,279	-	566,362	681,641
Intergovernmental	3,564,098	-	7,748,784	11,312,882
Charges for services	4,584,515	1	2,632,166	7,216,682
Fines and forfeits	687,704	-	141,175	828,879
Investment income	22,070	7,048	102,718	131,836
Miscellaneous	153,584	-	933,857	1,087,441
Total revenues	<u>26,019,247</u>	<u>2,283,155</u>	<u>17,838,748</u>	<u>46,141,150</u>
EXPENDITURES				
Current				
General government	6,881,664	-	1,201,044	8,082,708
Public safety	18,989,859	-	1,689,363	20,679,222
Highways and streets	-	-	5,745,315	5,745,315
Health and welfare	168,553	2,221,037	4,709,159	7,098,749
Debt service				
Principal	-	-	725,000	725,000
Interest and fiscal charges	-	-	662,418	662,418
Capital outlay	-	-	1,610,917	1,610,917
Total expenditures	<u>26,040,076</u>	<u>2,221,037</u>	<u>16,343,216</u>	<u>44,604,329</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(20,829)</u>	<u>62,118</u>	<u>1,495,532</u>	<u>1,536,821</u>

	General	Community Mental Health	Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ -	\$ -	\$ 3,650	\$ 3,650
Transfers in	95,000	-	1,884,908	1,979,908
Transfers (out)	(1,096,200)	(54,297)	(769,411)	(1,919,908)
Total other financing sources (uses)	(1,001,200)	(54,297)	1,119,147	63,650
SPECIAL ITEM	-	-	268,000	268,000
NET CHANGE IN FUND BALANCES	(1,022,029)	7,821	2,882,679	1,868,471
FUND BALANCES, JANUARY 1, 2013	11,103,939	2,710,274	34,798,255	48,612,468
Prior period adjustment	342,391	-	-	342,391
FUND BALANCES, JANUARY 1, 2013, RESTATED	11,446,330	2,710,274	34,798,255	48,954,859
FUND BALANCES, DECEMBER 31, 2013	\$ 10,424,301	\$ 2,718,095	\$ 37,680,934	\$ 50,823,330

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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,868,471
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	1,949,464
Contributions of capital assets are reported only in the statement of activities	1,970,495
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	731,374
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	(3,508,927)
Loss on disposal of capital assets	(21,207)
Change in compensated absences	(143,833)
Change in net other postemployment benefit obligation	(20,224)
The change in net position of certain activities of internal service funds is reported with governmental activities	<u>789,718</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,615,331</u>

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2013

	Business- Type Activities	Governmental Activities
	Nursing Home	Internal Service Funds
CURRENT ASSETS		
Cash and investments	\$ 4,577,098	\$ 7,853,828
Receivables		
Property taxes	-	888,800
Accounts	3,386,073	5,795
Accrued interest	219	14,994
Prepaid expenses	169,320	20,016
Inventory	14,823	-
Restricted assets		
Cash and investments	241,148	-
	8,388,681	8,783,433
NONCURRENT ASSETS		
None	-	-
CAPITAL ASSETS		
Not depreciated	8,320	-
Depreciated, net of accumulated depreciation	6,459,628	-
	6,467,948	-
Total capital assets	6,467,948	-
Total assets	14,856,629	8,783,433

(This statement is continued on the following page.)

DEKALB COUNTY, ILLINOIS

STATEMENT OF NET POSITION (Continued)
 PROPRIETARY FUNDS

December 31, 2013

	Business- Type Activities	Governmental Activities
	Nursing Home	Internal Service Funds
CURRENT LIABILITIES		
Accounts payable	\$ 663,769	\$ 43,219
Accrued payroll	324,189	-
Claims payable	627,559	156,056
Flexible benefit payable	-	23,409
Unearned revenue	-	412,371
Compensated absences payable	95,768	-
Liabilities payable from restricted assets		
Interest payable	6,807	-
Revenue bonds payable	641,250	-
	2,359,342	635,055
NONCURRENT LIABILITIES		
Compensated absences payable	383,076	-
Revenue bonds payable	1,397,426	-
	1,780,502	-
	4,139,844	635,055
DEFERRED INFLOWS OF RESOURCES		
Unearned property taxes	-	888,800
	-	888,800
	4,139,844	1,523,855
NET POSITION		
Net investment in capital assets	4,429,272	-
Restricted for debt service	234,341	-
Restricted for tort and liability	-	2,145,992
Unrestricted	6,053,172	5,113,586
	\$ 10,716,785	\$ 7,259,578

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2013

	Business- Type Activities	Governmental Activities
	Nursing Home	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 14,551,676	\$ 5,961,623
OPERATING EXPENSES		
Administration	1,971,529	-
Operations	11,830,291	6,239,332
Depreciation	577,856	-
Total operating expenses	14,379,676	6,239,332
OPERATING INCOME (LOSS)	172,000	(277,709)
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	-	1,041,478
Operating grant	-	4,200
Investment income	27,115	21,749
Loss on disposal of capital assets	(1,076)	-
Other income	30,078	-
Interest expense	(109,676)	-
Total non-operating revenues (expenses)	(53,559)	1,067,427
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	118,441	789,718
TRANSFERS		
Transfers (out)	(60,000)	-
Total transfers	(60,000)	-
CONTRIBUTIONS	290,665	-
CHANGE IN NET POSITION	349,106	789,718
NET POSITION, JANUARY 1, 2013	10,367,679	6,469,860
NET POSITION, DECEMBER 31, 2013	\$ 10,716,785	\$ 7,259,578

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2013

	Business- Type Activities	Governmental Activities
	Nursing Home	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 13,890,703	\$ 1,510,430
Receipts from interfund service transactions	-	4,462,076
Payments to suppliers	(4,775,253)	(6,171,481)
Payments to employees	(8,978,437)	-
	<hr/>	<hr/>
Net cash from operating activities	137,013	(198,975)
	<hr/>	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of general property taxes	-	1,041,478
Receipt of operating grant	-	4,200
Transfers to other funds	(60,000)	-
	<hr/>	<hr/>
Net cash from noncapital financing activities	(60,000)	1,045,678
	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on revenue bonds	(125,035)	-
Payment on revenue bonds	(615,000)	-
Payments for capital acquisition	(73,751)	-
	<hr/>	<hr/>
Net cash from capital and related financing activities	(813,786)	-
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	26,898	8,376
	<hr/>	<hr/>
Net cash from investing activities	26,898	8,376
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(709,875)	855,079
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, JANUARY 1, 2013	5,528,121	6,998,749
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2013	\$ 4,818,246	\$ 7,853,828
	<hr/> <hr/>	<hr/> <hr/>

(This statement is continued on the following page.)

DEKALB COUNTY, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
 PROPRIETARY FUNDS

For the Year Ended December 31, 2013

	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)	\$ 172,000	\$ (277,709)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation	577,856	-
Receipts of miscellaneous income	30,078	-
Receipts of donations	277,605	-
Effects of changes in operating assets and liabilities		
Accounts receivable	(968,656)	10,883
Prepaid expenses	87,206	(5,102)
Inventory	7,179	-
Accounts payable	(231,326)	20,179
Accrued payroll	25,865	-
Claims payable	183,510	50,849
Unearned revenue	-	1,925
Compensated absences payable	(24,304)	-
NET CASH FROM OPERATING ACTIVITIES	\$ 137,013	\$ (198,975)
NONCASH TRANSACTIONS		
Contributions	\$ 13,060	\$ -
TOTAL NONCASH TRANSACTIONS	\$ 13,060	\$ -

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2013

	Agency Funds
	<u> </u>
ASSETS	
Cash and investments	\$ 5,890,168
Receivables	
Accounts	99,136
Accrued interest	<u>681</u>
TOTAL ASSETS	<u><u>\$ 5,989,985</u></u>
LIABILITIES	
Due to others	<u>\$ 5,989,985</u>
TOTAL LIABILITIES	<u><u>\$ 5,989,985</u></u>

See accompanying notes to financial statements.

DEKALB COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 while the related organizations are excluded from the County's reporting entity.

b. Component Units and Related Organizations

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

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Component Units and Related Organizations (Continued)

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Fund Accounting (Continued)

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.

d. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Community Mental Health Fund accounts for revenues that are restricted to providing mental health services to the citizens of DeKalb County. Financing is provided by an annual property tax levy and state aid.

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.

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).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

“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, except for sales tax which use a 90-day period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales taxes owed to 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 unearned revenue and unavailable revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet the available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Unearned revenues also arise when resources are received by the County 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 County has a legal claim to the resources, the liability and deferred inflows of resource for unearned and unavailable revenue are 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.

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Cash and Investments (Continued)

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.

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.

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Capital Assets (Continued)

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. 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, 2013 but have yet to be paid out is reported as expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements. Historically, the General Fund has been used to liquidate these liabilities. Vested or accumulated vacation/sick leave is recorded as an expense and liability of the proprietary funds at all levels and governmental activities at the government-wide level as the benefits accrue to employees.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts 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 expensed in the year of issuance.

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 Position

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 County 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 County Chief Financial Officer as specified by the County's fund balance policy. 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 has a target unassigned fund balance in the General Fund of 35% of expenditures.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Fund Balances/Net Position (Continued)

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets 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 positions or restricted fund balance results from enabling legislation adopted by the County.

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 payers and others for services rendered.

Revenue under third party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third party payer 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.

q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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.

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 or in a single institution collateral pool. All of the County's deposits were covered by either FDIC or collateral at December 31, 2013.

2. DEPOSITS AND INVESTMENTS (Continued)

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 policy requires diversification of the portfolio but does not contain any specific diversification targets.

3. RECEIVABLES - PROPERTY TAXES

Property taxes for 2012 attached as an enforceable lien on January 1, 2012, 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, 2013, and were payable in two installments on or about June 1, 2013 and September 1, 2013. The County collects such taxes and remits them periodically.

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 2013 tax levy has been recorded as receivable and unavailable revenue on the financial statements.

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,773,946	\$ 197,115	\$ -	\$ 4,971,061
Land right of way	1,564,446	-	-	1,564,446
Construction in progress	12,297,585	313,349	12,297,585	313,349
Total capital assets not being depreciated	18,635,977	510,464	12,297,585	6,848,856
Capital assets being depreciated				
Land improvements	1,309,364	13,770,111	102,760	14,976,715
Buildings and improvements	42,501,294	144,661	-	42,645,955
Vehicles	3,800,521	204,237	124,070	3,880,688
Equipment	4,740,038	136,431	230,068	4,646,401
Intangibles	143,803	-	-	143,803
Infrastructure	48,166,377	1,451,640	-	49,618,017
Total capital assets being depreciated	100,661,397	15,707,080	456,898	115,911,579
Less accumulated depreciation for				
Land improvements	732,591	64,840	93,340	704,091
Buildings and improvements	13,468,101	1,203,459	-	14,671,560
Vehicles	2,334,266	408,117	112,283	2,630,100
Equipment	3,203,576	284,623	230,068	3,258,131
Intangibles	36,368	18,184	-	54,552
Infrastructure	22,722,070	1,529,704	-	24,251,774
Total accumulated depreciation	42,496,972	3,508,927	435,691	45,570,208
Total capital assets being depreciated, net	58,164,425	12,198,153	21,207	70,341,371
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 76,800,402	\$ 12,708,617	\$ 12,318,792	\$ 77,190,227

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 3,992	\$ 4,328	\$ -	\$ 8,320
Total capital assets not being depreciated	<u>3,992</u>	<u>4,328</u>	<u>-</u>	<u>8,320</u>
Capital assets being depreciated				
Improvements	927,196	34,768	-	961,964
Buildings	12,176,529	5,870	-	12,182,399
Furniture and fixtures	827,945	2,833	5,725	825,053
Equipment	954,998	39,012	32,592	961,418
Total capital assets being depreciated	<u>14,886,668</u>	<u>82,483</u>	<u>38,317</u>	<u>14,930,834</u>
Less accumulated depreciation for				
Improvements	424,438	63,180	-	487,618
Buildings	6,038,423	445,806	-	6,484,229
Furniture and fixtures	751,681	19,840	4,682	766,839
Equipment	716,049	49,030	32,559	732,520
Total accumulated depreciation	<u>7,930,591</u>	<u>577,856</u>	<u>37,241</u>	<u>8,471,206</u>
Total capital assets being depreciated, net	<u>6,956,077</u>	<u>(495,373)</u>	<u>1,076</u>	<u>6,459,628</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 6,960,069</u>	<u>\$ (491,045)</u>	<u>\$ 1,076</u>	<u>\$ 6,467,948</u>

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 397,138
Public safety	895,676
Health and welfare	385,690
Highway and streets	<u>1,830,423</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,508,927</u></u>

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ 1,853,160	\$ 329,149	\$ 185,316	\$ 1,996,993	\$ 199,699
Revenue bonds					
Public Building Commission Lease Revenue Refunding Bonds, Series 2005	871,250	-	205,000	666,250	213,750
General obligation alternate revenue source bonds					
Taxable Series 2010A	9,080,000	-	520,000	8,560,000	545,000
Taxable Series 2010B	5,970,000	-	-	5,970,000	-
Unamortized bond premium	17,745	-	4,436	13,309	-
*Other postemployment benefit	17,982	20,224	-	38,206	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 17,810,137	\$ 349,373	\$ 914,752	\$ 17,244,758	\$ 958,449
BUSINESS-TYPE ACTIVITIES					
Compensated absences	\$ 503,148	\$ 76,325	\$ 100,629	\$ 478,844	\$ 95,768
Revenue bonds					
Public Building Commission Lease Revenue Refunding Bonds, Series 2005	2,613,750	-	615,000	1,998,750	641,250
Unamortized bond premium	53,235	-	13,309	39,926	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 3,170,133	\$ 76,325	\$ 728,938	\$ 2,517,520	\$ 737,018

* This liability generally retired by the General Fund.

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
2014	\$ 855,000	\$ 108,913	\$ 963,913
2015	885,000	74,712	959,712
2016	925,000	39,313	964,313
TOTAL	\$ 2,665,000	\$ 222,938	\$ 2,887,938

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

Fiscal Year	Lease Payments
2014	\$ 971,812
2015	967,012
2016	969,656
Total lease payments	2,908,480
Less interest and expenses	(243,480)
NET LEASE RECEIVABLE	\$ 2,665,000

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% to 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 to \$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% to 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 to \$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 \$21,252,783 as of December 31, 2013. The current year principal and interest payment of \$1,146,990 was 18.57% of the total pledged revenue of \$6,174,973.

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
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	\$8,560,000	\$ 2,308,265	\$10,868,265	\$ 5,970,000	\$ 4,414,518	\$10,384,518

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. INDIVIDUAL FUND DISCLOSURES

Due from/to other funds at December 31, 2013 consist of the following:

	Due From	Due To
General Nonmajor Governmental	\$ 106,500	\$ 1,000
Nonmajor Governmental General	1,000	106,500
TOTAL	\$ 107,500	\$ 107,500

Advances from/to other funds at December 31, 2013 consisted of the following:

	Advance From	Advance To
Nonmajor Governmental Nonmajor Governmental	\$ 363,512	\$ 363,512
TOTAL	\$ 363,512	\$ 363,512

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 2013, a payment of \$149,357 was made.

Transfers from/to other funds at December 31, 2013 consist of the following:

	Transfer From	Transfer To
General Community Mental Health Nonmajor Governmental	\$ 35,000 60,000	\$ - 1,096,200
Community Mental Health General Nonmajor Governmental	- -	35,000 19,297
Nursing Home Nonmajor Governmental	-	60,000
Nonmajor Governmental General Community Mental Health Nursing Home Nonmajor Governmental	1,096,200 19,297 60,000 709,411	60,000 - - 709,411
TOTAL	\$ 1,979,908	\$ 1,979,908

6. INDIVIDUAL FUND DISCLOSURES (Continued)

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

- \$1,096,200 was transferred from the General Fund to the nonmajor governmental funds, consisting of \$572,700 transferred to the Asset Replacement Fund for the replacement of vehicles and computer equipment on a scheduled basis. \$384,000 was transferred to the Health Fund for FICA/IMRF costs. \$50,000 was transferred to the Public Building Maintenance Fund for renewal and replacement costs related to the Community Outreach Building Fund. \$77,500 was transferred to the Court Security Fund for operating costs. \$12,000 was transferred to the History Room Fund that is used for a small salary and benefits for a part-time director. These transfers will not be repaid.

As of December 31, 2013, the Public Building Commission Lease Fund had a deficit fund balance of \$202,620.

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, 2013.

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, 2013.

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. RISK MANAGEMENT (Continued)

Changes in the Tort and Liability Insurance Fund and Nursing Home Fund claims payable in fiscal year 2013 and 2012 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,
2013	\$ 549,256	\$ 403,318	\$ 168,959	\$ 783,615
2012	530,340	112,976	94,060	549,256

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. The range of potential exposure faced by the County from these lawsuits is estimated from \$330,000 - \$4,100,000.

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).

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report 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 (IMRF - 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.

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, 2013 was 12.07% of covered payroll which was equal to the required contribution rate.

Sheriff's Law Enforcement Personnel

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.

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

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 ILCS. 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, 2013 was 22.26% of covered payroll which was equal to the required contribution rate.

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, 2011	December 31, 2011
Actuarial cost method	Entry-age Normal	Entry-age Normal

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

b. Annual Pension Costs (Continued)

	Illinois Municipal Retirement (County)	Sheriff's Law Enforcement Personnel
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)	2011	\$ 2,011,557	\$ 1,399,234
	2012	2,039,589	1,505,278
	2013	2,108,638	1,632,830
Actual contribution	2011	\$ 2,011,612	\$ 1,410,854
	2012	2,039,589	1,505,278
	2013	2,108,638	1,632,830
Percentage of APC contributed	2011	100.00%	100.83%
	2012	100.00%	100.00%
	2013	100.00%	100.00%
Net pension obligation (NPO)	2011	\$ -	\$ -
	2012	-	-
	2013	-	-

c. Funded Status

The funded status of the plans as of December 31, 2013 is based on actuarial valuations performed as of December 31, 2013 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 9b.

	Illinois Municipal Retirement (County)	Sheriff's Law Enforcement Personnel
Actuarial accrued liability (AAL)	\$ 48,795,452	\$ 28,985,382
Actuarial value of plan assets	39,992,870	18,526,532
Unfunded actuarial accrued liability (UAAL)	8,802,582	10,458,850
Funded ratio (actuarial value of plan assets/AAL)	81.96%	63.92%
Covered payroll (active plan members)	\$ 17,470,078	\$ 7,335,266
UAAL as a percentage of covered payroll	50.39%	142.58%

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.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

a. Plan Description

In addition to providing pension benefits, the County is required by 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 \$638 to \$896 monthly for single coverage and \$1,276 to \$2,074 monthly for family coverage which is equal to the premium for the coverage.

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, 2012 (most recent available), membership consisted of:

	<u>County</u>
Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>463</u>
TOTAL	<u><u>474</u></u>
Participating employers	<u><u>1</u></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.

DEKALB COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 2011, 2012 and 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	\$ 56,485	\$ 20,995	37.20%	\$ 48,033
December 31, 2012	56,378	53,712	95.27%	17,982
December 31, 2013	68,608	48,384	70.52%	38,206

The net OPEB obligation as of December 31, 2013 was calculated as follows:

	County
Annual required contribution	\$ 68,488
Interest on net OPEB obligation	719
Adjustment to annual required contribution	(599)
Annual OPEB cost	68,608
Contributions made	48,384
Increase (decrease) in net OPEB obligation	20,224
Net OPEB obligation, beginning of year	17,982
NET OPEB OBLIGATION, END OF YEAR	\$ 38,206

Funded Status and Funding Progress - The funded status of the plan as of December 31, 2012 (most recent available) was as follows:

	County
Actuarial accrued liability (AAL)	\$ 700,282
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	700,282
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 25,959,404
UAAL as a percentage of covered payroll	2.7%

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

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.

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, 2012 actuarial valuation (most recent available), the entry-age actuarial cost method was used. The actuarial assumptions included a discount rate of 4% 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 an open basis. The remaining amortization period at December 31, 2013 was 30 years.

11. SUBSEQUENT EVENT

On November 20, 2013, the County, as part of the budget process, voted to go back to being self-insured for health insurance, effective January 1, 2014.

12. SPECIAL ITEM

On November 26, 2012, the County Health Department entered into an asset purchase agreement with KishHealth System Home Care (KishHealth) whereby KishHealth agreed to purchase certain health department assets and assume certain liabilities as well as takeover the home health division for \$268,000. The agreement was effective January 1, 2013, therefore, the County recognized the \$268,000 as a special item during the fiscal year ended December 31, 2013.

13. RESTATEMENT

Net position of governmental activities was restated by \$63,109 and fund balance in the General Fund was restated by \$342,391 due to a change in revenue recognition in accordance with GASB Statement No. 33 related to derived tax revenue to recognize sales tax revenue using the liability method and local use tax using the voucher method which are the preferred methods as defined by GASB Statement No. 33.

14. DEKALB COUNTY FOREST PRESERVE DISTRICT

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 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 District's accounting policies are described below.

a. 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 the County.

b. 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.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

14. DEKALB COUNTY FOREST PRESERVE DISTRICT (Continued)

Summary of Significant Accounting Policies (Continued)

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

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.

d. 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 unearned revenue and unavailable revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Unearned 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 and deferred inflows of resource for unearned and unavailable revenue are removed from the financial statements and revenue is recognized.

e. 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.

14. DEKALB COUNTY FOREST PRESERVE DISTRICT (Continued)

Summary of Significant Accounting Policies (Continued)

e. Cash and Investments (Continued)

Investments

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

f. 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 from/to other funds” (i.e., the current portion of interfund loans) or “advances from/to 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.

g. 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.

h. 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.

DEKALB COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

14. DEKALB COUNTY FOREST PRESERVE DISTRICT (Continued)

Summary of Significant Accounting Policies (Continued)

h. Capital Assets (Continued)

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

i. 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, 2013, but have yet to be paid out is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements.

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.

j. 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 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.