



INTRODUCTORY SECTION

DEKALB COUNTY, ILLINOIS

PRINCIPAL OFFICERS

December 31, 2014

LEGISLATIVE

Mark Pietrowski, Jr., Chairman

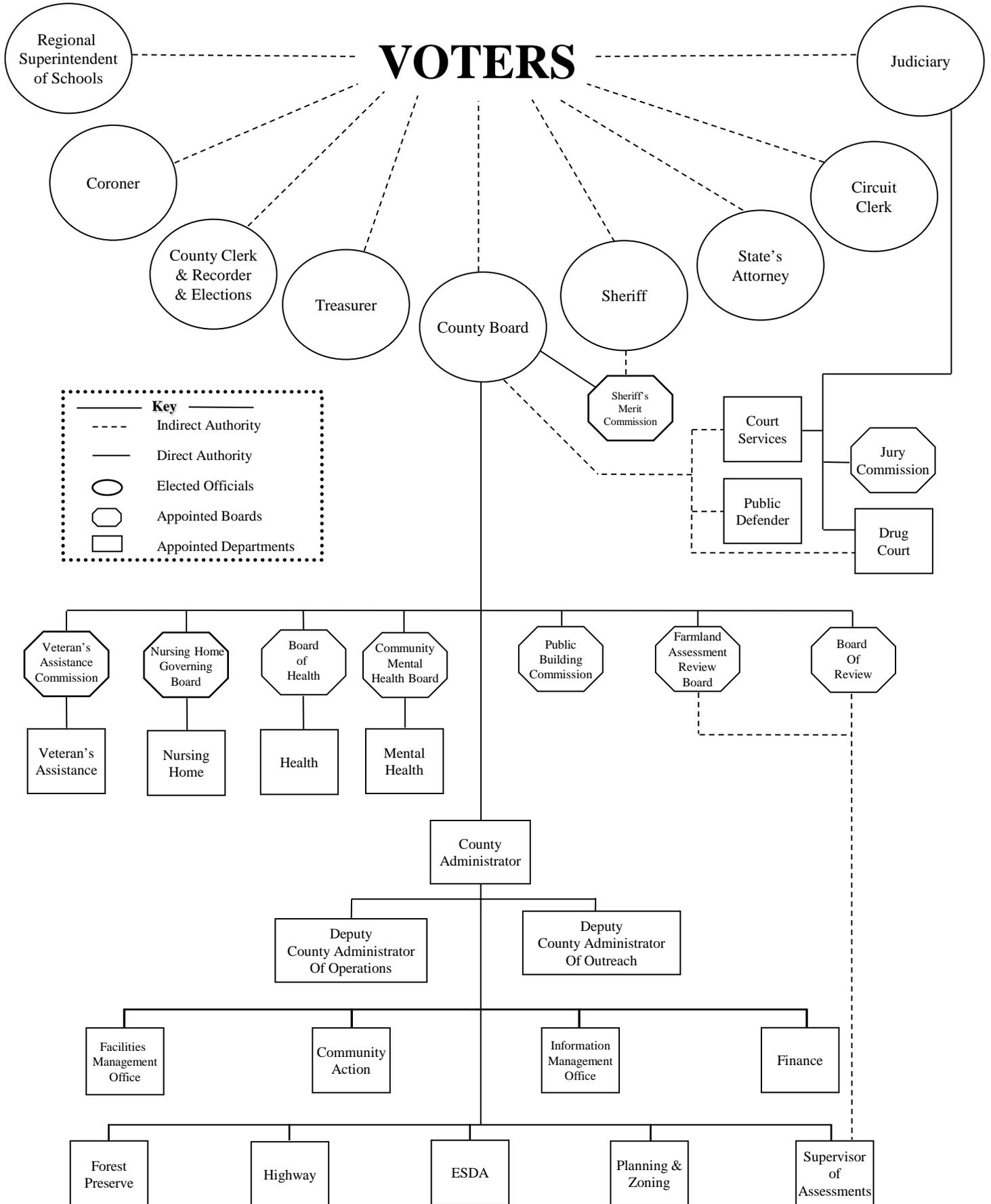
Tracy Jones, Vice-Chairman

Douglas J. Johnson, Clerk

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Robert Brown	Kevin Bunge
Dan Cribben	John C. Emerson
John Frieders	John Gudmunson
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Jeffery L. Metzger	Frank O'Barski
Riley Oncken	Sandra Polanco
Stephen Reid	Paul Stoddard
Ruth Anne Tobias	Anita Jo Turner
Jeff J. Whelan	

Note: One County Board Member seat was vacant as of December 31, 2014.

DeKalb County Government Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**DeKalb County Government
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO



DeKalb County Finance Office

200 N. Main Street ❖ Sycamore, IL 60178-1431 ❖ Phone: 815-895-7127 ❖ Fax: 815-895-7129 ❖ www.dekalbcounty.org

July 20, 2015

To the Citizens of DeKalb County:

The comprehensive annual financial report of DeKalb County for the fiscal year ended December 31, 2014, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with DeKalb County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and the changes in financial position of the various funds of DeKalb County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included. We encourage readers to consider the information presented here along with additional information included in Management's Discussion and Analysis.

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

This report includes all funds of DeKalb County. DeKalb County provides a full range of services. These services include public safety, highways and streets, health and social services, recreation areas, planning and zoning, and general administrative services. In addition to general County government activities, the County Board also serves as the DeKalb County Forest Preserve District Board of Commissioners. Further, the County Board appoints the members of the DeKalb County Public Building Commission, and the Commission generates its revenues entirely through long-term lease agreements with the County. Therefore, the Public Building Commission is included in the reporting entity as a blended component unit.

PROFILE OF DEKALB COUNTY

DeKalb County is located in Northern Illinois about sixty miles west of the City of Chicago, Illinois, and was founded on March 4, 1837. The rich soils of the eastern prairie, which provided the early settlers with a valuable asset from which to earn a living, continue today to be a center of strength in the County.

Citizens of DeKalb County
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The DeKalb County Farm Bureau was the first Farm Bureau in the nation and represents and advances farming interests at the County level. The Farm Bureau celebrated its 100th anniversary in 2012 and has increased its membership to 6,500 members.

In 1895 Northern Illinois State Normal School opened. Although the school has been renamed Northern Illinois University (NIU), it has grown to accommodate an annual enrollment of approximately 21,000 students and is the County's largest employer. A major accomplishment for the University was being selected as the host site for the Illinois High School Association (IHSA) Football State Championship beginning in 2013 and continuing every other year through 2021. This is a two-day event where 16 teams compete in eight games that draw approximately 30,000 fans, and the event generates over \$1 million in economic impact. A similar accomplishment for the University was the extension of the Illinois Elementary School Association (IESA) Boys Wrestling State Final contract through 2018. This annual event draws anywhere from 3,000 to 5,000 visitors and generates an estimated \$125,000 in economic impact.

The years between 1940 and 1970 saw significant growth in the County's population and a steady growth of the regional industrial base. The estimated population of DeKalb County in 2014 was 105,462 according to the United States Census Bureau. DeKalb County is rectangular in size with the north/south dimension being 36 miles long and the east/west dimension being 18 miles wide. The County represents approximately 634 square miles (405,760 acres) and is comprised of 19 Townships. The County also has 14 municipalities that are located partially or entirely within the County.

DeKalb County is governed by a County Board. The County Board is divided into twelve (12) two-person Districts based on population. Members are elected for four-year terms. One member is elected in each District every two years. However, all twenty-four (24) members are elected at the November General Election in the second year following a decennial census. The County Board has eight (8) standing committees. Members of the County Board serve concurrently as Commissioners of the DeKalb County Forest Preserve District. The County Clerk and Recorder, Regional Superintendent of Schools, County Circuit Clerk, County Treasurer, County Sheriff, States Attorney, and Coroner are elected officials. The County Board appoints, among others, the County Administrator, Finance Director, Chief County Assessment Official, Information Management Director, Forest Preserve Superintendent, County Engineer, Facilities Manager, Planning Director, and the Community Action Director. The County Board also appoints the Deputy County Administrator, which is now more of a project driven position that is currently being filled by two different department heads.

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

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Of the 2013 taxable equalized assessed valuation (EAV) of \$1,726,500,218, 63% is residential, 22% is commercial/industrial, 13% is farm, and the remaining 2% is railroad/wind farm. The County, through its Economic Development Committee and through its partnership with the DeKalb County Economic Development Corporation, continues to actively pursue economic development with the goal of broadening and diversifying its long-term tax base.

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

ECONOMIC CONDITION AND OUTLOOK

Overall, the economic outlook in DeKalb County improved as seen through the positive signs in the labor market in 2014. The number of employed workers in DeKalb County increased by 808 from December, 2013 to December, 2014 per data released by the Illinois Department of Employment Security. Additionally, the number of unemployed workers decreased by 1,101 during that same one year time period. This resulted in a full 2.0% decrease in the County's unemployment rate from 7.5% in December, 2013 to 5.5% in December, 2014. As of December, 2014, DeKalb County's unemployment rate of 5.5% was lower than both the State of Illinois unemployment rate of 5.8% and the national unemployment rate of 5.6%. This is encouraging data as it indicates an improving local economy.

Growth that previously had been seen along Sycamore Road between the City of DeKalb and the City of Sycamore before 2008 is experiencing a small resurgence. The DeKalb Shopping Plaza, located at Barber Greene Road and Illinois Route 23 in the City of DeKalb, saw two new stores occupy the former space of an Old Navy store in 2014. Both DSW Shoe Warehouse and Five Below opened their doors in 2014 and began generating additional sales tax revenue. In 2015, it is anticipated that a Chipotle Mexican Grill will open for business in the DeKalb Shopping Plaza. Additionally, a Sleepy's Mattress store opened across the street in the Market Square Shopping Center in 2014. Both of these shopping centers are located in sales tax sharing districts established by the County and the City of DeKalb and contribute to the economic vitality of both governments.

Taxable EAV on a Countywide basis decreased by 7.3% in 2014. This was the fourth consecutive year that taxable EAV decreased although the rate of decrease slowed from the 8.2% decrease in 2013. It is anticipated that the taxable EAV will decrease once again in 2015 at an even slower rate and then finally turn the corner into positive territory two years down the road.

Along those lines, the housing industry is showing some signs of life after moving very slowly throughout the Great Recession. Noticeable residential development is seen in the City of Sycamore, and it is anticipated that the City of DeKalb and the rest of the County will soon follow. The County continues to look for opportunities to enhance and develop employment prospects for its residents, and affordable housing stock for its communities.

MAJOR INITIATIVES FOR THE YEAR AND THE FUTURE

Current Year

Infrastructure improvements continue to be a necessity to encourage development and a strong economy. During 2014, the Highway Department began construction of 4.25 miles of East County Line Road that included improvements to the intersection of Illinois State Route 64 at a total project cost of \$1,977,945. The finishing touches will be completed during 2015. Peace Road had 2.63 miles of roadway, from Pleasant Street through Bethany Road, resurfaced during 2014 at a cost of \$1,491,145. Approximately 11 miles of roadway were seal coated during 2014 at a cost of \$164,176, and ten miles of roadway received an asphalt pavement rejuvenating agent preservative seal and a restorative seal/crack filler at a cost of \$46,415. Three County bridges were either started or continued during 2014. They were the Five Points Road Bridge (\$2,623,100), Perry Road Bridge (\$525,776), and the West County Line Road Bridge (\$257,695).

The Stormwater Management Planning Committee began working on Phase 2 of the Countywide Stormwater Management Plan late in 2010 and discussed a Watershed Management Plan. The availability of funds was discussed and neither a new tax nor additional fees were possible. In September, 2011 the Planning Committee decided to find grant funds to go forward with this project. In June, 2012, DeKalb County, with the participation of the DeKalb County Community Foundation (DCCF), applied for a grant from the Illinois Environmental Protection Agency (IEPA) to create a watershed plan for the headwaters of the East Branch of the South Branch of the Kishwaukee River. The IEPA approved a grant of \$58,615 in November, 2012. The project was completed in 2014 at a final cost of \$88,615 which included an additional \$30,000 grant from DCCF.

DeKalb County began negotiating a Governmental Agreement with the Prairie Band Potawatomi Nation ("Nation") during 2007. The Nation is a federally recognized Indian tribe with all rights and powers attendant thereto. The Nation had purchased 128 acres of land within the Shab-eh-nay Reserve. The Nation and DeKalb County developed the final Intergovernmental Agreement on February 20, 2008. This Intergovernmental Agreement allows the two parties to consult and cooperate with regard to the development of Tribal Project Lands. The agreement also says the Tribal Project Lands are limited to a Class II gaming facility under the Indian Gaming Regulatory Act, 25 U.S.C., including food service and complementary retail, a 2,500 square foot government center with limited office space, and a welcome center and parking to serve both. Payments to the County will be in lieu of property taxes and shall be based on the amount calculated by the County Tax Extension Clerk, as such calculations for all real property in the County are calculated. Upon commencement of gaming activities, the County will also receive an annual contribution based on net revenues from the gaming operations of the Nation. The entire Intergovernmental Agreement between DeKalb County and the Nation is contingent upon the issuance of a written Indian land determination by the National Indian Gaming Commission ("NIGC") or the U.S. Department of the Interior. This determination would say that the Shab-eh-nay Reserve legally qualifies for gaming under the Indian Gaming Regulatory Act. If this qualification does not occur, the Intergovernmental Agreement shall terminate immediately. As of December 31, 2014, no decision had been received from the U.S. Department of the Interior on the determination.

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The Evergreen Village Mobile Home Park was acquired in 2014 through a Hazard Mitigation Grant Program awarded by the Federal Emergency Management Agency through the Illinois Emergency Management Agency on a pass-through basis. The Illinois Department of Commerce & Economic Opportunity also provided funding for this project which will total \$7.1 million when complete. This was a flood prone mobile home park that is being returned to open space to alleviate the continuous flooding problems and related health and safety issues experienced by the park's former residents during significant rainfall events. The grant covered the acquisition of the mobile home park, acquisition of the mobile home units, demolition costs, and providing relocation and replacement housing assistance to affected residents. In 2014, \$5.3 million was spent on this project for acquisition costs, relocation costs, and replacement housing costs. The project is expected to be completed in 2015 when demolition will occur and the park will be restored to open space which will eventually be maintained by the DeKalb County Forest Preserve District.

In the past, the County has elected to assume most of its own liability for risk exposure. Self-insurance continued in 2014 for workers compensation and excess liability coverage. By assuming those risks, the County has been able to keep its tax levy lower than normal over the last several years for the Tort and Liability Insurance Fund. At the same time, the County has built a retained balance for potential claims. That retained balance, in a period of 24 years for which this self-insured philosophy has been in place, has gone from a negative balance to \$6,387,681 as of the end of the 2014 fiscal year. It is anticipated that the tax levy for insurance policies and claims will remain relatively constant. Property insurance is purchased on all buildings and vehicles on a fully insured basis as those risks are more concentrated.

Additionally, the County returned to a self-insured model for employee health insurance coverage effective January 1, 2014. These costs continue to grow each year and the County, facing the reality that health insurance costs continue to account for a larger portion of the total budget year after year, implemented a self-insured plan in an effort to keep health insurance costs manageable and somewhat more flexible. Financial results for 2014 were favorable as the net position for the Medical Insurance Fund increased by \$484,732 to a balance of \$1.6 million as of the end of the fiscal year. The County continued to offer both a PPO Health Plan as well as a High Deductible Health Plan that was created and first offered to employees effective with the 2013 Plan Year as another cost saving measure.

In August, 2014, the first loads of waste were accepted at the DeKalb County landfill expansion site. This triggered the payment of host benefit fees by the landfill operator. The minimum tonnage guarantee of 375,000 tons per year will become effective in 2015 and will generate in excess of \$1.7 million each year, and could exceed \$2.3 million in annual revenue if landfill volume approaches the 500,000 ton maximum allowed per the agreement. Beginning in 2015, \$100,000 of the host benefit fee revenue will be paid to the DeKalb County Forest Preserve District for land and water conservation and environmental educational efforts, and an additional \$200,000 will be paid to the Solid Waste Program to fund school and public education, and special recycling community collections and projects. The balance of at least \$1.4 million per year is anticipated to be allocated by the County Board towards the debt service payments for the County Jail Expansion project.

Citizens of DeKalb County
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Effective July 1, 2014, the County imposed a Neutral Exchange Fee to be collected on certain civil cases filed with the Circuit Clerk's Office. The fund will be used to establish and operate a neutral exchange program effective January 1, 2015 to provide a neutral site for parents to exchange the physical custody of a child for purposes of visitation.

Future

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

Several road resurfacing/widening and bridge projects are planned for 2015. The Highway Department is placing a paved safety shoulder and overlaying 5.32 miles of Chicago Road for a contract price of \$852,584. The County will also be seal coating 13.3 miles of roadway at a cost of \$212,250. An asphalt pavement rejuvenating agent preservative seal and a restorative seal/crack filler will be placed on 7.08 miles of roadway, as well as the Health Department Campus and the Highway Department parking lots, at a cost of \$220,596. The Five Points Road Bridge project mentioned earlier will be completed in 2015, and construction is underway or soon to begin on bridges for Suydam Road (\$476,883) and Coltonville Road (\$2,318,272).

Along with population and development growth, there's also a concern for maintaining adequate open space. Of course, the funding of any land acquisition also presents challenges. In a very creative approach, the Forest Preserve District has established a Wetland Bank. It is hoped that in the future, as developers need to establish or replace wetlands, they can satisfy that requirement by purchasing part of the Forest Preserve Wetland that is held in a type of "bank" just for that purpose. Monies from the sale of wetlands are then reserved for future land acquisitions by the Forest Preserve District.

In 2006, the County Board made the decision to ask the voters, via referendum, for the authority to increase the general corporate tax rate for the Forest Preserve District from .0325% to .0600% for land acquisition purposes. The referendum was successful and, accordingly, the Forest Preserve District is constantly on the lookout for additional property to purchase in order to create more Forest Preserve areas throughout the County.

The Drug Court is looking at providing housing for some of the DUI court offenders in a home environment by purchasing a house for the participants to live in during their time in the program. Although the concept of a Sober Living Home has been discussed, final approval had not been granted as of December, 2014. It is anticipated that the program may be launched in 2015.

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As part of the jail population reduction efforts, a Pretrial Program was implemented by the Court Services Department in 2014. This program provides funding for the Court Services Department to assess arrestees on a timely basis in order to make a recommendation on whether or not they pose a significant enough risk to keep in custody or whether they would be good candidates for pretrial release or bond reduction. The recommendation would then be considered by the judiciary as they made the final determination on whether to release or detain an individual. Early indications are that the Pretrial Program can be an effective method to provide another means of keeping non-violent offenders out of the County Jail that will in turn help with overcrowding issues.

Beginning in June, 2002, the DeKalb County Sheriff approached his Committee with concerns regarding the overcrowding conditions at the County Jail. An Ad Hoc Committee was formed and a consultant was hired in 2003. A decision to place a referendum question of $\frac{1}{4}$ of one-cent public safety sales tax was made. The question was given to the voters of DeKalb County on the ballot in March, 2004 and again in 2006. Both times the referendum was defeated, by a vote of 53% in 2004 and 57% in 2006. The County Jail continues to be overcrowded even after implementing electronic home monitoring, graduated sentences, and work release expansion programs, and the costs of housing prisoners at other jail facilities has created budget shortfalls. As a response to the jail overcrowding concerns, the DeKalb County Finance Committee recommended Ordinance 2010-05 be passed by the County Board in February, 2010 to authorize the issuance of \$45,000,000 General Obligation Alternate Revenue Source Bonds for the purpose of financing the Courthouse expansion and renovation, and the County Jail expansion. In October, 2010, the County issued \$16,000,000 of that authorized amount which was comprised of \$15,000,000 for the renovation and expansion at the Courthouse and the remaining amount was for planning for the Jail expansion. This \$16,000,000 bond issue utilized Build America Bonds and Recovery Zone Economic Development Bonds from the Federal Recovery Stimulus Program. A schematic design and preliminary cost estimate was approved in September, 2012. Progress has moved forward slowly with the Jail expansion project with hopes that there will be a more concrete timeline available for this project once a funding source for construction and operation of the expanded jail is identified. With the landfill expansion now generating uncommitted revenue in excess of at least \$1.4 million annually, the Jail expansion project will likely gain traction, and it is anticipated additional debt will be issued in late 2015 or early 2016 to begin construction.

One of the fastest growing service areas for the County continues to be the court system. Not only is the case load expanding rapidly, but the number of complex cases is also increasing. To begin to meet the records management needs of this area, the County has been relying on greater computer enhancements and also newer technologies for documentation storage. Both areas will need continual attention in the future. The County continues to move forward with connecting the various components of the judicial system together via a computer network. The opening of the expanded courthouse in October, 2012 has helped to alleviate crowded conditions, and added courtrooms have made for better efficiency. Recent census results indicate that an additional Judge will be assigned to the District which will result in the need for a seventh courtroom along with the required support staff. The additional Judge is expected to be assigned in 2015.

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In terms of economic development activities, in an effort to attract new business and industry to the County, the County and six municipalities located within the County, the Town of Cortland, the City of DeKalb, the City of Genoa, the City of Sandwich, the City of Sycamore, and the Village of Waterman, worked closely with the DeKalb County Economic Development Corporation to submit an enterprise zone application to the State of Illinois during 2014 with the goal of diversifying the County's tax base by attracting more industry and commercial interests to the County. Enterprise zones provide tax breaks and other incentives to encourage businesses to move or expand within the zone. Businesses may be eligible for exemption on the sales tax paid on building materials and to receive investment tax credits on qualified property. In addition to the State incentives, each zone tends to offer local incentives as well to enhance business development. Results of the competitive application process will be announced in 2015 and hopes are high that the County will be designated as one of the State of Illinois Enterprise Zones.

In early 1999, the voters approved a referendum which would limit any future property tax increases to (a) the cost of living or 5%, whichever is less, plus (b) the amount generated by 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.

OTHER INFORMATION

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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) last awarded a Certificate of Achievement for Excellence in Financial Reporting to DeKalb County Government for its comprehensive annual financial report for the fiscal year ended December 31, 2013. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

Citizens of DeKalb County
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A Certificate of Achievement is valid for a period of one year only. DeKalb County has received a Certificate of Achievement for the last 28 consecutive years (fiscal years ended 1986-2013). We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Peter J. Stefan
Finance Director

Respectfully submitted,



Albert Walczak
Assistant Finance Director