



**INTRODUCTORY SECTION**



**DEKALB COUNTY, ILLINOIS**

PRINCIPAL OFFICERS

December 31, 2013

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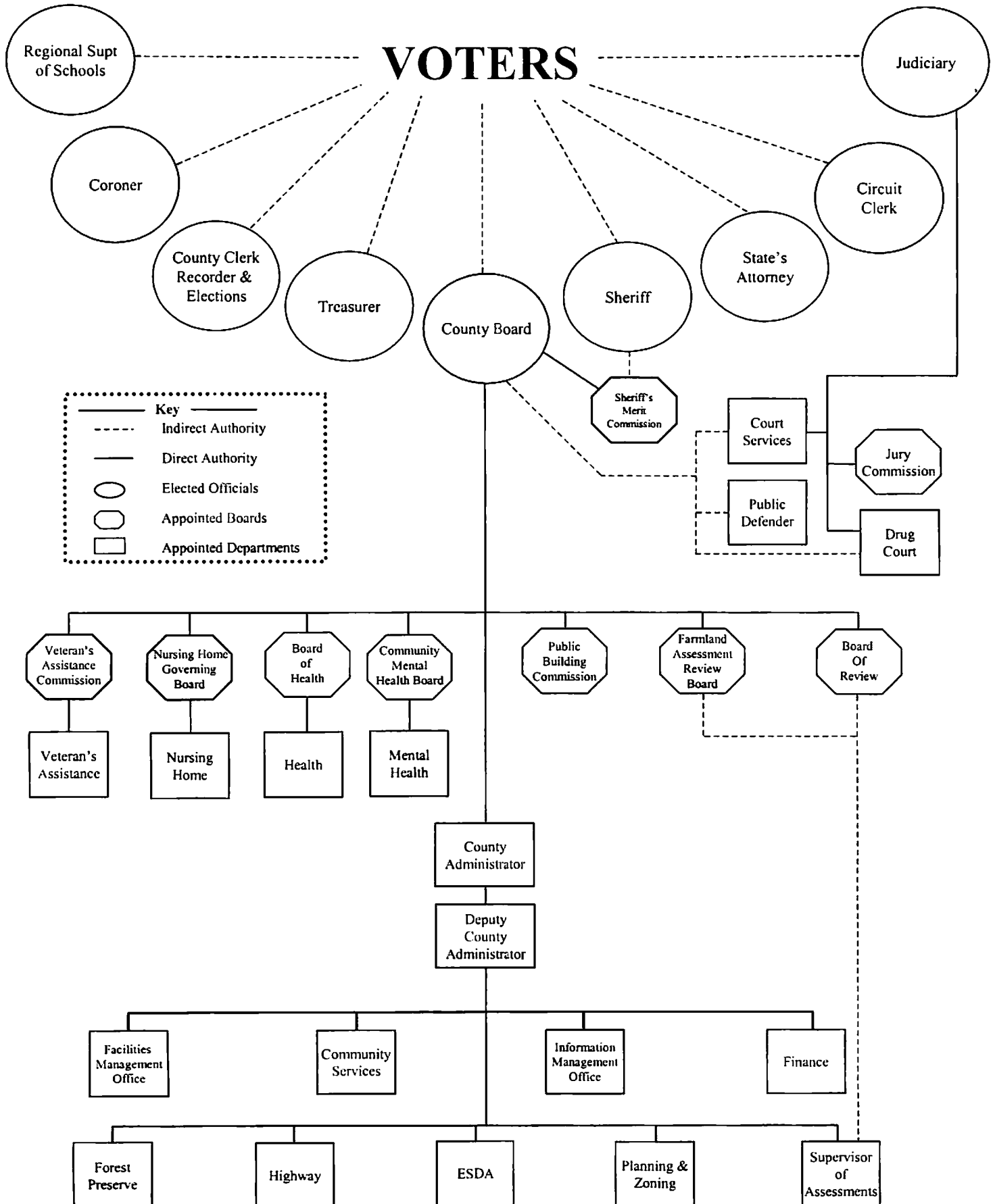
Julia Fullerton

Derek Tyson

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# 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, 2012**

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](http://www.dekalbcounty.org)

May 14, 2014

To the Citizens of DeKalb County:

The comprehensive annual financial report of DeKalb County for the fiscal year ended December 31, 2013, 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.

During 2013, DeKalb County implemented one new Governmental Accounting Standards Board (GASB) Statement. This Statement, GASB 69, establishes accounting and financial reporting standards related to disposals and combinations of government operations. This statement was early implemented and is related to the sale of the Home Health component of the DeKalb County Health Department in January, 2013.

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

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## **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. 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 100<sup>th</sup> anniversary in 2012 and 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 22,000 students and is the County's largest employer. A major accomplishment for the University during 2013 was the NIU football team winning two games against Big Ten football teams, and having the quarterback for the team, Jordan Lynch, become a finalist for the Heisman Trophy. This is the second year that NIU gained national attention after playing in the Orange Bowl in 2012.

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 2013 was 104,741 according to the United States Census Bureau. DeKalb County is rectangular in size, north/south dimension is 36 miles long and the east/west dimension is 18 miles wide. The County represents approximately 634 square miles and (405,760 acres) and is comprised of 19 Townships. The County also has fourteen 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 Services 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 the control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

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Of the 2012 taxable equalized assessed valuation (EAV) of \$1,861,945,488, 65% is residential, 21% is commercial/industrial, 12% is farm, and the remaining 2% is mineral/railroad. The County 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**

Infrastructure improvements continue to be a necessity to encourage development and a strong economy. During 2013 two major road projects were completed. The hot-mix asphalt resurfacing of 4.8 miles of Perry Road from Haumesser Road to Waterman Road, with safety shoulders, was completed at a cost of \$771,990. Eighty percent of this project was funded with Federal Funds and the remaining twenty percent was covered by the County's local Matching Tax Fund. Malta Road from Old State Road to Illinois Rt. 72, a distance of 4.17 miles, was also resurfaced with hot-mix safety shoulders on the curves only. This project was completed at a cost of \$610,523. County Motor Fuel Tax Funds and County Matching Funds were utilized for this project. The Highway Department also supervised eleven hot mix resurfacing contracts for the various Road Districts within the County.

In addition to our County's hot-mix asphalt projects, the Highway Department supervised the maintenance seal coating of over 36 miles of roads for the County and various Road Districts. The County also placed a pavement rejuvenator on 6.07 miles of roads as a preventive measure to extend the life of recently paved roads. The Highway Department also oversaw the contract for pavement markings on all 190 miles of the County's highway system during 2013.

Finally, one bridge replacement project and three bridge repair projects were completed by the Highway Department through contracts; one for the Road District of Sycamore, one for the Road District of Shabbona, and two for the Road District of Squaw Grove.

Overall, the economic outlook in DeKalb County showed some improvement through small but positive signs for 2013. DeKalb County experienced a slight increase in its labor force as the number of employed workers increased by 189 from December, 2012 to December, 2013 per data released by the Illinois Department of Employment Security. The number of unemployed workers decreased by 405 during that same one year time period. This resulted in a decrease in the County's unemployment rate from 8.0% in December, 2012 to 7.4% in December, 2013. Although, the national unemployment rate as of December, 2013 was lower at 6.7%, DeKalb County's unemployment rate of 7.4% was lower than the State of Illinois rate of 8.6%. This is encouraging data as it indicates a slowly improving local economy.

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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, had an Old Navy store close in 2012. That store is now being renovated and a DSW shoe store is scheduled to open in part of that building in the Spring of 2014. A second section of that building will see the opening of a new Five Below store later in 2014 as well.

Additionally, some new companies have made the move into DeKalb County over the past year. Triumph Truss & Steel Co., a Huntley, Illinois based steel company, acquired a building in the Village of Kirkland and plans to hire 10 workers at that location. North Star Packing, a Minnesota based firm, plans to hire 10-20 workers at one of its new locations in the City of DeKalb.

The housing industry is also showing some signs of life after moving very slowly throughout the Great Recession. Sizable residential developments are moving forward in both the City of DeKalb and the City of Sycamore. 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***

DeKalb County was awarded a Broadband Grant from the Federal Government in February, 2010. The total Federal grant amount was \$11,864,164, the total State grant amount was \$1,305,075, and the total other funding was \$1,630,761 for a grand total project award of \$14,800,000. The project was completed in September, 2013 and final close-out documents were submitted to the Federal Government in December, 2013. The Broadband Technology Opportunities Program (BTOP), the American Reinvestment and Recovery Act (ARRA), and the U.S. Department of Commerce were all involved in funding a portion of this major project. The objective of the project was to bring a fiber-optic middle-mile infrastructure to DeKalb County in order to meet the growing demands for broadband in the region. DeKalb County will provide transport to Community Anchor Institutions (CAI's) and internet service providers (ISP's). CAI's are the County's customers for data transport services, whereas DeKalb Fiber Optics provides services for commercial users. DeKalb County owns the infrastructure and is responsible for the operation and maintenance of the network. Total actual costs expended for this project were \$14,434,299 of which \$2,886,860 were local funds, and \$11,547,439 were Federal funds. The Federal portion was \$316,725 less than the total federal grant amount awarded. A total of 127 miles of fiber were laid and 78 CAI's were connected. Other non-CAI connections were comprised of 12 Emergency Telephone System Boards (ETSB) and Public Safety Answering Positions. National Telecommunications and Information Administration Classifications connected to DeKalb County fiber included 37 schools, 11 libraries, 7 medical and healthcare providers, 6 public safety entities, 1 community college, 4 other institutions of higher learning, and 12 other government facilities, as well as 3 healthcare institutions and 2 governmental institutions that were connected outside of the grant.



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In 2010, the University of Illinois, because of a scheduling conflict with the expansion of the Big Ten Conference, needed to find another venue to host the Illinois High School Association Football Championship games every other year. It was decided that the State High Schools would be split by North and South, and Northern Illinois University's bid was chosen by the State to host the Northern area State Championship games beginning with the 2013 season. The games were played on November 29<sup>th</sup> and 30<sup>th</sup>, 2013 at Huskie Stadium with four championships on Friday and four on Saturday of Thanksgiving Weekend. For these eight games on two days, 16 teams and thousands of football fans traveled to DeKalb. The teams were also able to use the new Chessick Practice Center Facility that was officially opened on NIU's campus in October, 2013. DeKalb County was a sponsor of the IHSA State Football Championships and promoted the area including its culture, restaurants, museums, and art galleries. NIU was proud to show off its stadium and other buildings. This was a prosperous weekend for local restaurants, giving them an opportunity to serve the additional people visiting the area.

In the past the County has elected to assume most of its own liability for risk exposure. Self-insurance continued during 2013 for worker's compensation and excess liability. By assuming risk, the County has been able to keep its tax levy lower than normal over the last several years for the Tort and Liability Insurance Fund. At the same time, the County has built a retained balance for potential claims. That retained balance, in a period of twenty-three years for which this self-insured philosophy has been in place, has gone from a negative balance to \$6,153,813 as of the end of the 2013 fiscal year. It is anticipated that the tax levy for insurance policies and claims should be able to remain relatively constant. Property insurance is purchased on all buildings. The County purchases health insurance and life insurance and, as these costs continue to grow each year, the County must face the costs becoming a larger portion of the total budget each year. Efforts to keep the insurance cost increases in line are ongoing. The PPO Health Insurance Plan continued into 2013, however, an additional option of a High Deductible Health Plan was created and offered to employees effective January 1, 2013.

The DeKalb County Health Department completed the sale of the Home Health Care Division of the Department in January, 2013. The Home Health Division was purchased by Kishwaukee Health Systems and is another piece of health care provided in DeKalb County. Kishwaukee Health System has more than 15 local healthcare facilities. They include Kishwaukee and Valley West Hospitals, the KishHealth System Cancer Centers located in DeKalb and Sandwich, as well as Behavioral Health Services that are located in Sandwich and Sycamore, and a Child Development Clinic in Sycamore.

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 is progressing and the majority of the work was completed in 2013 as the County and DCCF worked towards completion of the watershed plan. The project is anticipated to take 18 months to complete.

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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 Governmental Agreement on February 20, 2008. This Governmental Agreement allows the two parties to consult and cooperate with regard to the development of Tribal Project Lands. The agreement also says the Tribal Project Lands are limited to a Class II gaming facility under the Indian Gaming Regulatory Act, 25 U.S.C., including food service and complementary retail, a 2,500 square foot government center with limited office space, and a welcome center and parking to serve both. Payments to the County will be in lieu of property taxes and shall be based on the amount calculated by the County Tax Extension Clerk, as such calculations for all real property in the County are calculated. Upon commencement of gaming activities, the County will also receive an annual contribution based on net revenues from the gaming operations of the Nation. The entire Governmental Agreement between DeKalb County and the Nation is contingent upon the issuance of a written Indian land determination by the National Indian Gaming Commission ("NIGC") or the U.S. Department of the Interior. This determination would say that the Shab-eh-nay Reserve legally qualifies for gaming under the Indian Gaming Regulatory Act. If this qualification does not occur the governmental agreement shall terminate immediately. As of December 31, 2013, no decision had been received from the U.S. Department of the Interior on the determination.

### **Future**

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

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. Work continued during 2013 at the Prairie Oaks Forest Preserve on the oak savannah and prairie restoration. Additionally, an application was submitted to the U.S. Army Corp of Engineers to expand the wetland bank at Afton South Prairie Forest Preserve. The Forest Preserve District also worked with the City of Genoa on a hiking/biking trail connection to Chief Shabbona Forest Preserve, Shabbona Forest Preserve, Shabbona State Park, Shabbona grade school, and also to Village of Shabbona businesses.

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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 .06% for land acquisition purposes. The referendum was successful and, accordingly, the Forest Preserve District is constantly on the lookout for property to purchase in order to create more Forest Preserve land in the County.

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 of 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 an additional courtroom along with the required support staff.

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 issue of  $\frac{1}{2}$  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 jail continues to be overcrowded even after implementing electronic home monitoring, graduated sentences, and work release expansion, and the costs of housing prisoners at other jail facilities has created budget shortfalls. As a response to the jail overcrowding concerns, the DeKalb County Finance Committee recommended Ordinance 2010-05 to be passed by the County Board in February 2010 to authorize the issuance of \$45,000,000 General Obligation Alternate Bonds for the purpose of financing the courthouse expansion and renovation, and the County Jail expansion. In October, 2010, the County sold \$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 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 are identified.

The Drug Court continued operations during 2013 and there have now been ceremonies with a total of 67 graduates since the program began in 2007. This felony court works with non-violent addicted felons who must plead guilty and admit addiction. This is a highly structured supervised program that lasts 14 months at a minimum. The State of Illinois passed two statutes to allow fines to be collected on guilty traffic violations and guilty felony pleas to help provide funding for the Drug Court. These monies pay salary costs as well as treatment costs of providers of counseling services and intervention specialists. The Drug Court continues to provide another means of keeping non-violent offenders out of the County Jail that will in turn help with overcrowding issues.

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There is a smaller program in DeKalb County that is the DUI court and that program graduated six participants since opening in 2009. Drug/DUI Court also has a small grant from the DeKalb County Mental Health Board that: 1) pays for visits to a psychiatrist, 2) pays for psychiatric medication, and 3) pays for the initial costs of entering a residential substance abuse facility. 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 made as of December, 2013.

Transportation planning is a key to DeKalb County's future. Because of commuting patterns, both in and out of the County, DeKalb County is now considered a part of the Chicago Metropolitan Statistical Area. When the 2000 Census figures indicated that the cities of DeKalb, Sycamore and Cortland were greater than 50,000 in population, it was required that a Metropolitan Planning Organization (MPO) for Transportation be 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.

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

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 exceed the annual allowable increment.

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

**OTHER INFORMATION**

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

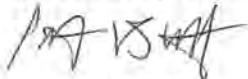
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) last awarded a Certificate of Achievement for Excellence in Financial Reporting to DeKalb County Government for its comprehensive annual financial report for the fiscal year ended December 31, 2012. The Certificate 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.

A Certificate of Achievement is valid for a period of one year only. DeKalb County has received a Certificate of Achievement for the last twenty-seven consecutive years (fiscal years ended 1986-2012). 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,



Karen S. Kahl  
Accounting Supervisor



**FINANCIAL SECTION**