

Kankakee County, Illinois
Annual Financial Statements
As of and for the year ended
November 30, 2007

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For The Year Ended November 30, 2007
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Independent Auditor's Report

Kankakee County Board
Kankakee County, Illinois
Kankakee, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kankakee County, Illinois, as of and for the year ended November 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kankakee County Public Building Commission, which represents 100 percent of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kankakee County Public Building Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of Kankakee County, Illinois, as of November 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 23, 2008 on our consideration of Kankakee County, Illinois's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the accompanying required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kankakee County, Illinois's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

July 23, 2008

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

Kankakee County Board
Kankakee County, Illinois
Kankakee, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kankakee County, Illinois as of and for the year ended November 30, 2007, which collectively comprise Kankakee County, Illinois's basic financial statements and have issued our report thereon dated July 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kankakee County, Illinois's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kankakee County, Illinois's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kankakee County, Illinois's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Kankakee County, Illinois's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Kankakee County, Illinois's financial statements that is more than inconsequential will not be prevented or detected by Kankakee County, Illinois's internal control. We consider the following to be a significant deficiency in internal control over financial reporting: Policies have not been established governing the creation of and scrutiny of transactions in certain offline accounts. This compromises reliable financial reporting and disclosure as well as effective monitoring and oversight.

Kankakee County, Illinois's response to findings identified in our audit is described in the schedule of findings and questioned costs found in our separately issued "Reports Under OMB Circular A-133 For The Year Ended November 30, 2007". We did not audit the Kankakee County, Illinois's response and, accordingly, we express no opinion on it.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Kankakee County, Illinois's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kankakee County, Illinois's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Kankakee County, Illinois, in a separate letter dated July 23, 2008.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Kankakee County Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

July 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Kankakee presents readers of the County's financial statement this narrative overview and analysis of the financial activities for the fiscal year ended November 30, 2007 and 2006.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. This analysis will include comparative information to last year's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County of Kankakee exceeded its liabilities at the close of the most recent fiscal year by \$70.8 million (*net assets*). Net assets invested in capital assets (net of depreciation and related debt) account for over 60 percent of this amount (\$42.8 million). Of the total, \$7.2 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1.9 million (2.8 percent). The governmental net assets increased by \$1.7 million (2.7 percent) while the business-type net assets increased by \$0.2 million (4.3 percent).
- At the close of fiscal year 2007, the County of Kankakee's governmental funds reported combined ending fund balances of \$25.4 million. The majority of this amount, \$22.7 million is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2.8 million, or 8.9 percent of total general fund expenditures, up from 8.5 percent a year ago.
- Overall revenues were \$51.0 million, however fund balances of governmental funds in total decreased by \$0.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. This discussion and analysis is intended to serve as an introduction to the County of Kankakee's basic financial statements. The basic financial statements comprise two types of statements that present different views of the County:

- The first two statements are **government-wide financial statements** that provide both **long-term** and **short-term** information about the County's overall financial status.
- The remaining statements are **fund financial statements** that focus on **individual parts** of the County government, reporting the County's operations in **more detail** than the government-wide statements.
 - The **governmental funds** statements tell how **general government** services such as public safety were financed in the **short-term** as well as what remains for future spending.
 - **Proprietary fund** statements offer **short- and long-term** financial information about the activities that the government operates **like a business**, such as the Emergency Telephone System (911).
 - **Fiduciary fund** statements provide information about the financial relationships, like the drainage district funds, in which the County acts solely as a **trustee or agent** for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Illustration A shows how the requisite parts of this annual report are arranged and related to one another.

Illustration A
Organization of the County of Kankakee's Annual Financial Report

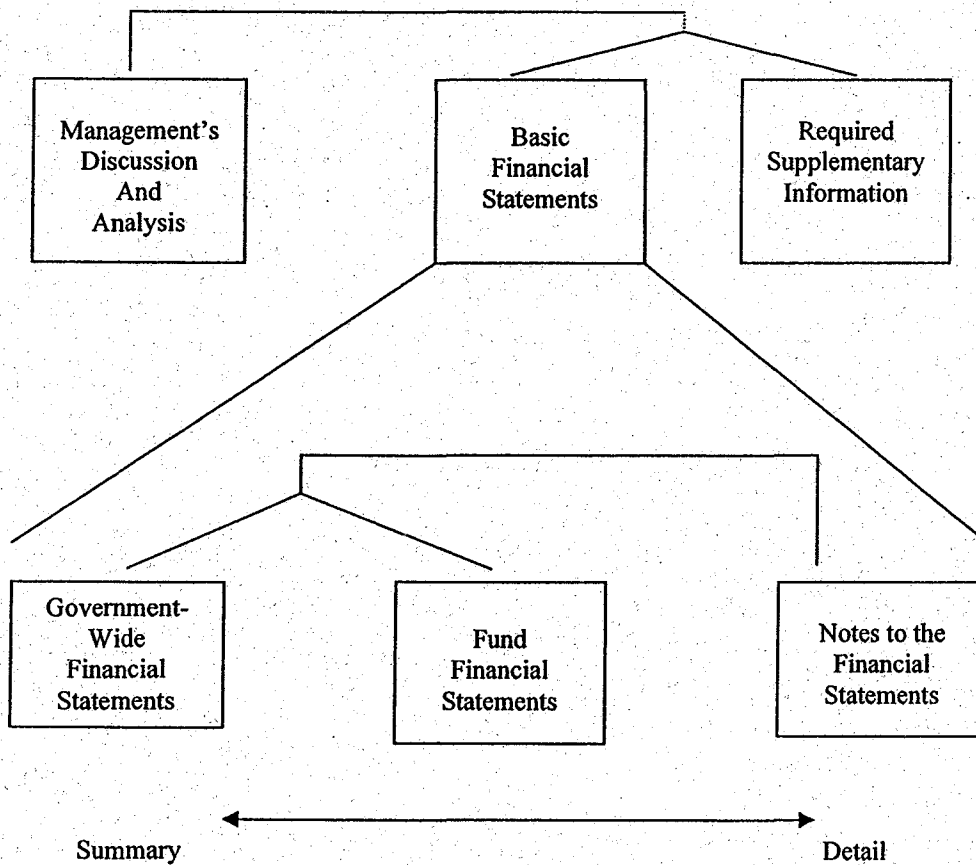


Illustration B summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Illustration B Major Features of Kankakee County's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
	Governmental Funds	Proprietary Funds	Fiduciary Funds	
Scope	Entire County (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary, such as administrative and public safety	Activities the County operates similar to private businesses, the Emergency Telephone (911) system, and Animal Control	Instances in which the County is the trustee or agent for someone else's resources, such as the drainage district funds
Required financial statements	<ul style="list-style-type: none">Statement of net assetsStatement of activities	<ul style="list-style-type: none">Balance sheetStatement of revenues, expenditures, and changes in fund balances	<ul style="list-style-type: none">Statement of net assetsStatement of revenues, expenses, and changes in net assetsStatement of cash flows	<ul style="list-style-type: none">Statement of fiduciary net assetsStatement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the County's assets and liabilities. The difference between the two is net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net assets and how they have changed. Net assets, the difference between the County's assets and liabilities, are one way to measure the County's financial health. 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 user fees and charges (business-type activities).

The government-wide financial statements of the County are divided into three categories:

1. **Governmental activities** – Most of the County's basic services are included here, such as the Sheriff's Department, State's Attorney Office, Highway Department, Health Department, and General Administration. Property taxes and state and federal grants finance most of these activities.
2. **Business-type activities** – The County charges fees to customers to help cover the costs of certain services it provides. The County's Emergency Telephone (911) System and Animal Control are included here.
3. **Component units** – The County includes another entity, the Kankakee County Public Building Commission, in its report. Although legally separate, this component unit is important because the County is financially accountable for it. The Public Building Commission is a discretely-presented component unit of the County of Kankakee. The Commission issues separate financial statements which are on file at the Office of the Finance Director, Kankakee County, 189 E. Court St., Suite 300, Kankakee, Illinois 60901.

Additionally, the Kankakee County Health Department, the Veterans Assistance Commission, and the Kankakee County Emergency Telephone System Board are blended component units of the County of Kankakee. These entities financial statements are blended with those of the County due to a degree of control that the County has over these functions. However, both the Health Department and the Emergency Telephone System Board have issued separate financial statements which are also on file at the County.

The government-wide financial statements can be found on pages 20-21 of this report.

Fund Financial Statements

Kankakee County's fund financial statements provide more detailed information about the County's most significant funds, as opposed to the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The County Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has three categories of funds:

1. **Governmental funds:** Most of the County's basic services are included in governmental funds, which focus on both how cash and other financial assets that can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement explains the relationship, or differences, between them.

Kankakee County maintains thirty-three individual governmental funds, including one debt-service fund. 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, Tort Fund, Pension Fund, Capital Projects Fund, and County Highway Fund. These five funds are considered to be major funds. Data from the other twenty-eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Kankakee County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This schedule is found in the Required Supplementary Information section.

The basic governmental fund financial statements can be found on pages 22-24 of this report.

2. **Proprietary funds:** Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the County's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Kankakee County uses enterprise funds to account for its Emergency Telephone Services (911) system and for its animal control operation.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

3. **Fiduciary funds:** The County is a trustee, or fiduciary for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Kankakee County excludes these activities from the county's government-wide financial statements because the County cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on page 28-29 of this report.

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 on pages 30-44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules for major governmental funds.

Required supplementary information and related notes can be found on pages 46-60 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 63-73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the fifth year that the County has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The reporting model significantly changed the recording and presentation of financial data from the previous model and comparative data is provided.

Exhibit 1 is a condensed version of the statement of net assets for the County of Kankakee. At the close of the current fiscal year the County's net assets exceeded liabilities by \$70.8 million. Net assets for governmental activities increased \$1.74 million from FY 2006. This follows a slight decrease in the prior year. Additionally, for business-type activities, net assets increased by \$0.2 million.

Exhibit 1
Condensed Statement of Net Assets (In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 43,558	\$ 43,675	\$ 4,151	\$ 3,946	\$ 47,709	\$ 47,621
Capital assets	<u>67,874</u>	<u>66,321</u>	<u>3,284</u>	<u>3,506</u>	<u>71,158</u>	<u>69,827</u>
Total assets	111,432	109,996	7,435	7,452	118,867	117,448
Current and other liabilities	20,309	19,497	438	428	20,747	19,924
Long-term debt	<u>25,219</u>	<u>26,340</u>	<u>2,104</u>	<u>2,335</u>	<u>27,324</u>	<u>28,675</u>
Total liabilities	45,529	45,837	2,542	2,763	48,071	48,600
Net assets invested in capital assets, net of related debt	41,837	39,604	965	958	42,802	40,562
Restricted	20,595	21,345	236	240	20,831	21,585
Unrestricted	<u>3,471</u>	<u>3,210</u>	<u>3,692</u>	<u>3,492</u>	<u>7,163</u>	<u>6,702</u>
Total net assets	<u>\$ 65,903</u>	<u>\$ 64,159</u>	<u>\$ 4,893</u>	<u>\$ 4,690</u>	<u>\$ 70,796</u>	<u>\$ 68,849</u>

A significant portion of the County's net assets (60.5 percent) reflects investment of \$42.8 million in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate these liabilities.

An additional portion of the County's net assets \$20.8 million (29.4 percent), represents resources that are subject to external restrictions on how they may be used. Of this amount, \$0.004 million of governmental activities and all of the business-type activities restricted net assets are restricted for debt service. The remainder is restricted for other purposes.

The remaining portion of the County's net assets (10.1 percent) is located in unrestricted net assets. Kankakee County's unrestricted net assets of \$7.1 million may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County of Kankakee is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The following table, Exhibit 2, illustrates changes in net assets resulting from changes in revenues and expenditures.

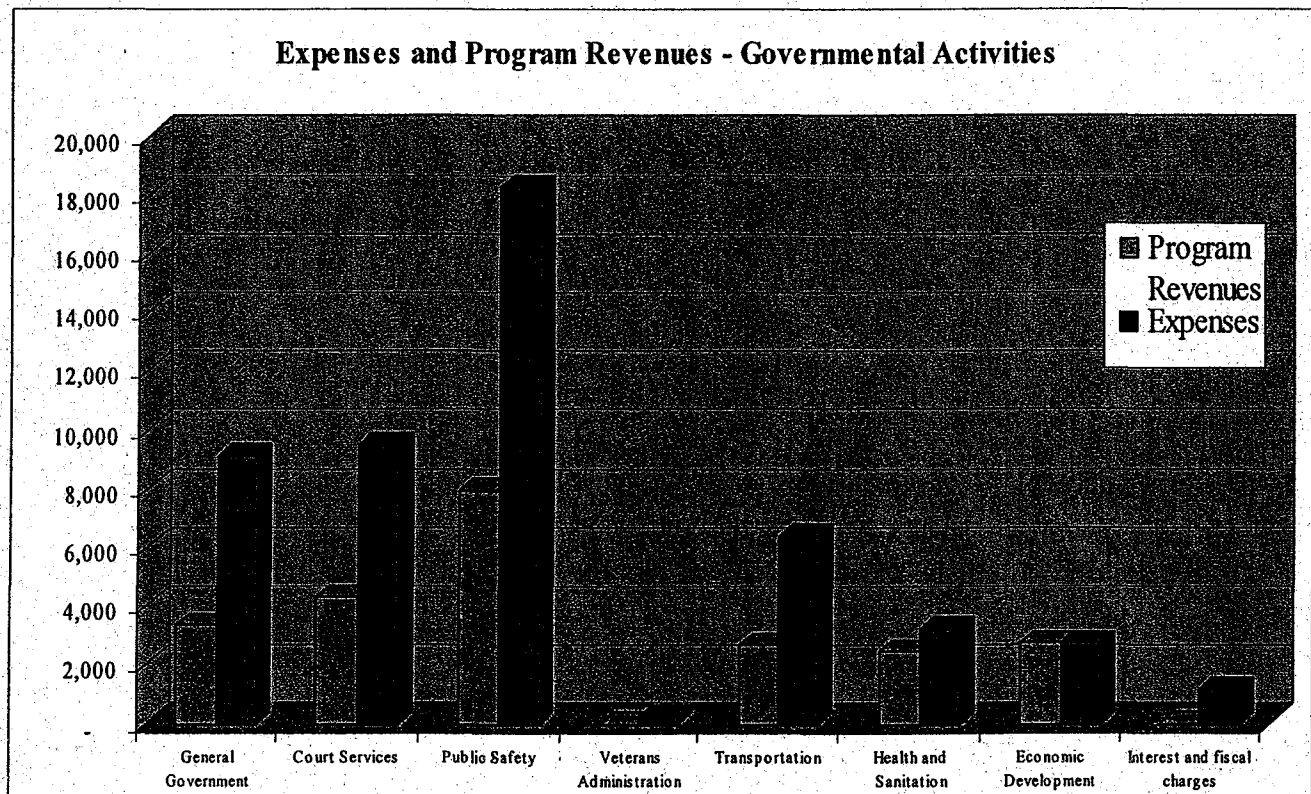
Exhibit 2**Kankakee County's Changes in Net Assets (In Thousands)**

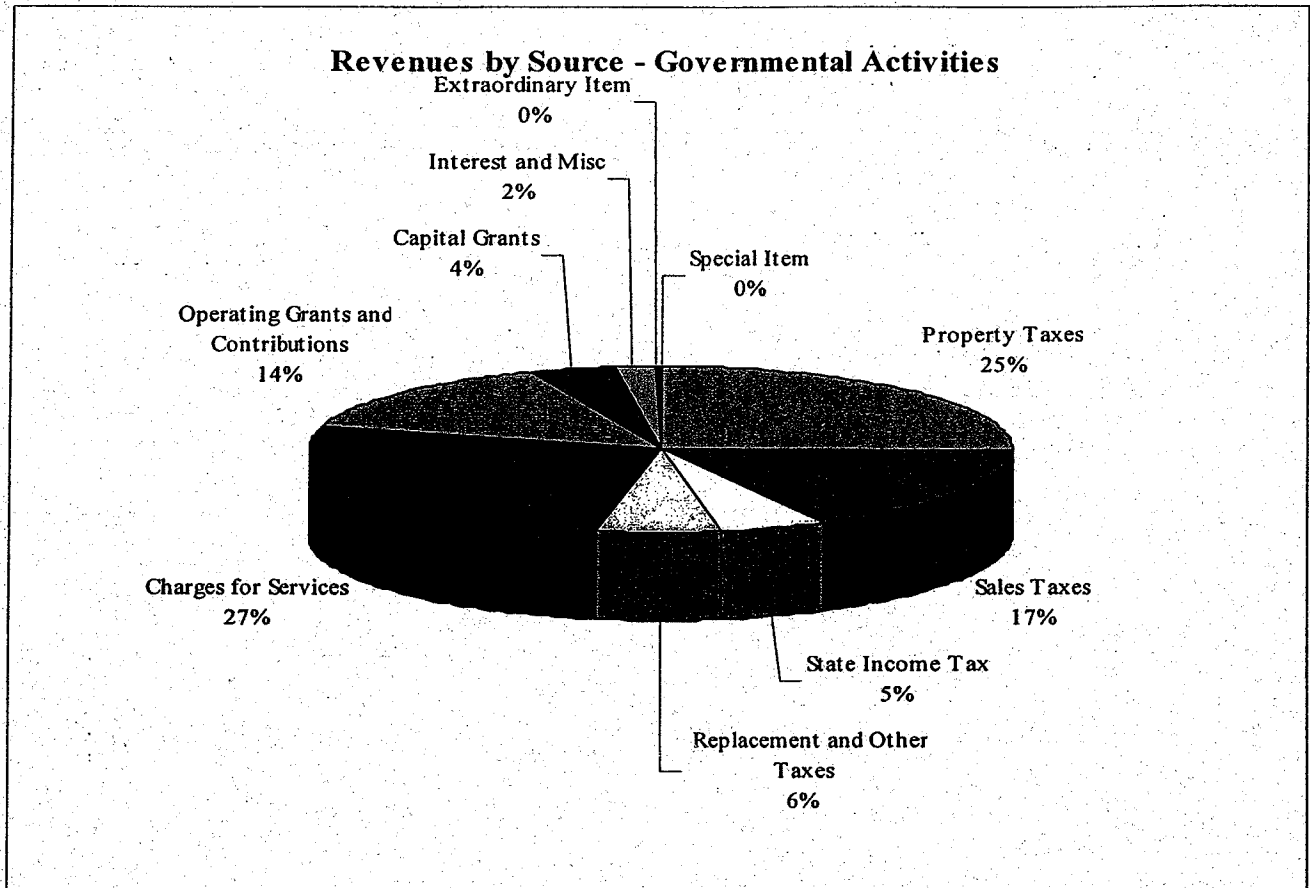
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues						
Charges for Services	\$ 13,873	\$ 12,176	\$ 2,853	\$ 2,721	\$ 16,726	\$ 14,898
Operating Grants and Contributions	7,630	8,473	-	-	7,630	8,473
Capital Grants and Contributions	1,998	355	-	-	1,998	355
General Revenues						
Property Taxes	13,316	12,413	-	-	13,316	12,413
Sales Tax	8,937	9,184	-	-	8,937	9,184
State Income Tax	2,599	2,477	-	-	2,599	2,477
Replacement and Other Taxes	3,181	2,939	-	-	3,181	2,939
Other	<u>1,028</u>	<u>1,178</u>	<u>118</u>	<u>106</u>	<u>1,146</u>	<u>1,284</u>
Total Revenues	52,562	49,195	2,971	2,827	55,533	52,022
Expenses						
Governmental Activities						
General Government	9,110	8,735	-	-	9,110	8,735
Public Safety	18,251	17,537	-	-	18,251	17,537
Court Services	9,480	9,384	-	-	9,480	9,384
Transportation	6,403	6,596	-	-	6,403	6,596
Health and Sanitation	3,228	3,630	-	-	3,228	3,630
Veterans Administration	257	249	-	-	257	249
Economic Development	2,738	2,712	-	-	2,738	2,712
Interest and fiscal charges	1,175	1,207	-	-	1,175	1,207
Business-Type Activities						
Emergency Telephone Services	-	-	2,482	2,345	2,482	2,345
Animal Control	-	-	286	272	286	272
Total Expenses	50,642	50,050	2,768	2,617	53,410	52,667
Excess (Deficiency) Before Special Items	1,920	(855)	203	210	2,123	(645)
Special & Extraordinary Items	<u>(175)</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>(175)</u>	<u>60</u>
Increase (Decrease) in Net Assets	1,744	(795)	203	210	1,947	(585)
Net Assets - Beginning of Year	<u>64,159</u>	<u>64,954</u>	<u>4,690</u>	<u>4,479</u>	<u>68,849</u>	<u>69,434</u>
Net Assets - End of Year	<u>\$ 65,903</u>	<u>\$ 64,159</u>	<u>\$ 4,893</u>	<u>\$ 4,690</u>	<u>\$ 70,796</u>	<u>\$ 68,849</u>

- Charges for service for governmental activities increased by \$1.7 million (14 percent). This increase is due to an increase in charges for service for public safety of \$1.8 million. The revenues received are a result of the federal inmate housing contract. Charges for service in general government are slightly down from the prior year.
- Operating grants for governmental activities decreased by \$0.8 million (9.9 percent) during the year. The majority of this decrease was due to grants from the Board of Elections during FY06 that did not transpire in FY07.
- Capital grants for governmental activities increased by \$1.6 million (462 percent) during the year. This is the result of transportation capital grants for the highway department.

- Sales tax revenue decreased by \$0.25 million (2.7 percent) from last fiscal year. Throughout FY07, sales tax was consistently less than in prior years. This illustrates the slowed growth in the largely successful tax rebate program implemented in the City of Kankakee to draw more businesses to the area. While the increase from FY2005 to FY2006 was only \$0.52 million, sales tax had increased by \$1.2 million from FY2004 to FY2005 and by \$1.3 million from FY2003 to FY2004, giving the County a 39.5 percent increase over the two year period.
- The change in special items is the result of a prior year gain on sale of assets of \$60 thousand and a current year loss on disposal of assets of \$0.4 thousand. Also this year, there was an extraordinary item on the Financial Statements due to the early extinguishment of debt from refinancing the lease on the Health Department.
- Public safety expenditures increased by \$0.7 million. Additional inmates were housed in the jails through rental agreements. The County continues to maintain a federal inmate housing contract with the federal government to offset these expenditures.

Governmental Activities

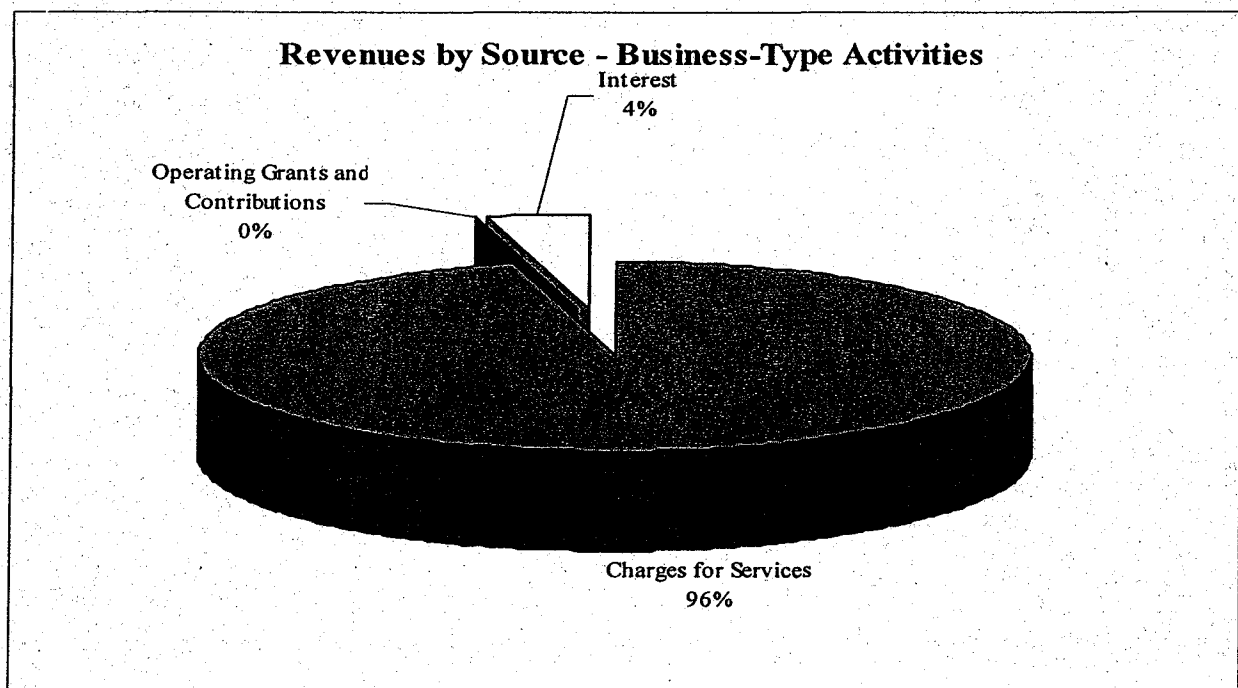
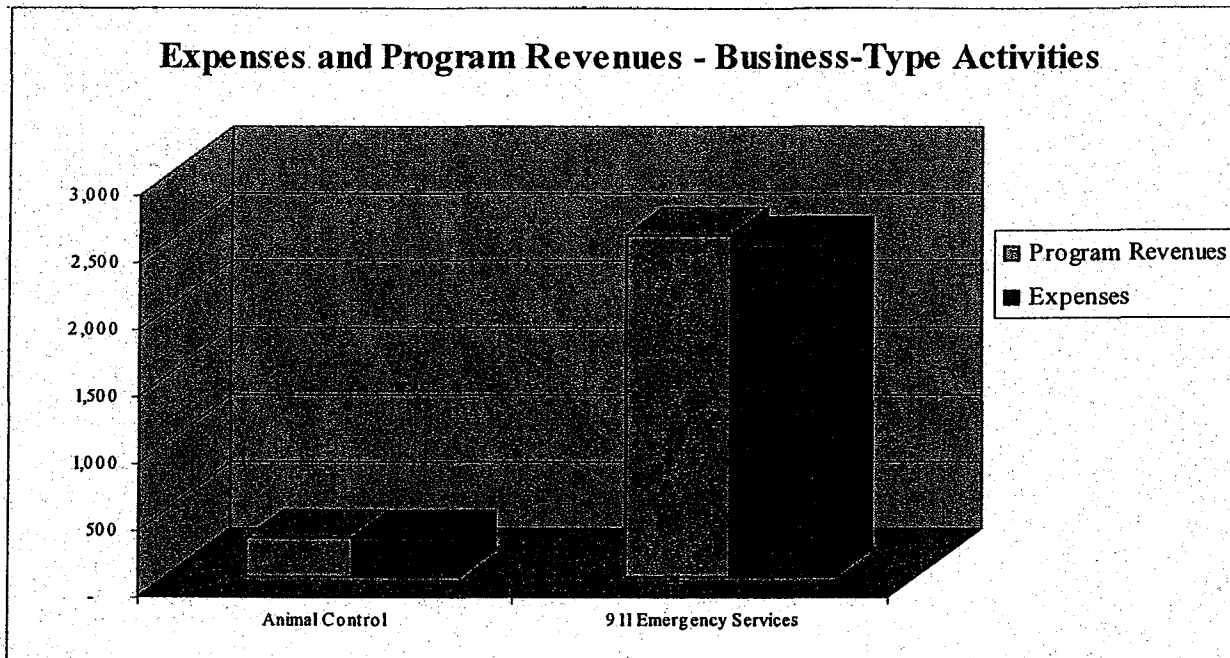




Governmental activities increased the County's net assets by \$1.7 million. This was due to an overall increase in revenues across the governmental funds while expenditures were maintained.

The preceding charts illustrate the County's governmental expenses and revenues by function and its revenue by source. Public safety is the largest governmental expense of the County, followed by court services, general government, and transportation. It has increased to 36 percent of total governmental activities, up from 29 percent three years ago. General revenues such as the property, sales, state income, replacement, motor fuel, and other taxes are not shown by function because they are used to support County-wide program activities. One-quarter of the County's revenue for governmental funds comes from property taxes, and 53 cents of every dollar raised comes from some type of tax. However, the percent of revenue from tax has decreased from 55 cents a year ago, 56 cents two years ago (when you remove the one time special item), 60 cents three years ago and 63 cents four years ago. More specifically, the percentage of property taxes funding governmental activities has decreased from 32 percent in FY2003 to 25 percent in FY2007.

Business-Type Activities



Business-type activities increased the County's net assets by \$0.2 million to \$4.9 million, an increase of 4.3 percent.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. This information is useful in assessing the County's financing requirements. In particular, unreserved fund balance measures the County's net resources available for spending at the end of the fiscal year. Governmental funds reported by the County include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

At the end of the current fiscal year the County's governmental funds reported combined ending fund balances of \$25.4 million. Approximately \$22.7 million (89.5 percent) of that amount constitutes unreserved fund balance, which is available for discretionary spending. Another \$1.8 million is unreserved but designated for capital projects. The remainder of the fund balance, \$0.9 million, is reserved; it is committed for various purposes and is not available for new spending.

Revenues for the governmental funds in 2007 totaled \$51.0 million. Expenditures were \$52.3 million. Other financing sources/uses contributed an additional \$0.4 million. Overall, the fund balance decreased by \$0.8 million for the year.

The General Fund is the chief operating fund of the County. It is composed of 32 departments: Administration, Treasurer, County Clerk, Elections, Recorder, Assessments, Board of Review, Planning, Information Services, Building & Grounds, Health Insurance, Contingency, Auditor, Zoning Board of Appeals, I-KAN ROE Educational Agreement, Finance, Capital Development, Circuit Clerk, Maintenance & Child Support, Circuit Court, Jury Commission, State's Attorney Office, Public Defender, Probation, D.N.D.C., Sheriff Police, Corrections, Auxiliary Police, E.S.D.A., Merit Commission, Dispatch Center, and Coroner.

At the end of 2007 the total fund balance of the General Fund was \$4.8 million. The fund balance decreased by \$174,787 in 2007. This follows a \$416,616 decrease in 2006 after increases in 2003, 2004, and 2005. The unreserved and undesignated fund balance of the general fund was \$2.8 million.

The Tort Liability Fund, a special revenue fund and one of the major funds of the County, ended the year with a fund balance of \$2.3 million, which represents a decrease of \$0.13 million from the prior fiscal year. The Tort Liability Fund has experienced decreases each year since the end of FY03 when the fund balance was \$2.9 million. This represents a 22 percent decrease during this time.

The Pension Fund, a special revenue fund, is another major fund of the County. Fund balance at the end of 2007 was \$2.9 million, a decrease of \$0.6 million. The Pension Fund has also experienced decreases each year since the end of FY03 when the fund balance was \$4.7 million, a 38 percent decrease for the period. Due to the declining fund balance, the percentages on the property tax limitation model for 2008 were modified to allow for additional revenue to the Pension Fund.

A fourth major fund for Kankakee County is the Capital Projects Fund. It closed fiscal year 2007 with a zero fund balance having fully expended its resources.

The final major fund for the County is the County Highway Fund. The fund closed the year with a \$2.5 million balance. This was an increase of \$0.07 million.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

911 System Fee Fund. This fund also qualified as a major fund of Kankakee County. Net assets at the end of the year amounted to \$4.6 million. Of this amount, \$0.9 million is invested in capital assets, net of related debt and \$0.2 million is restricted for debt service. The remainder, \$3.5 million, is unrestricted. Total net assets increased by \$189,600 during the year.

Animal Control. There was a net asset balance of \$269,550 at the end of the fiscal year. This represented an increase of \$13,567. Of the total, \$37,348 is invested in capital assets, net of related debt and the remainder of \$232,202 is unrestricted.

Fiduciary Funds

The County maintains fiduciary funds for the assets of others in various Private Purpose Trust Funds and Agency Funds. Total net assets in the Fiduciary funds are \$1.6 million, a decrease of \$0.16 million from last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During FY07 the County Board maintained its original General Fund budget of \$31.9 million. There was just one adjustment within the budget which was an amendment of \$0.34 million from contingency to the Sheriff's office to cover grant expenditures that were unknown at the time the budget was prepared.

While the budget variance for revenues and other financing sources was \$0.6 million under budget, expenditures were monitored to stay in line with the reduced revenues, and accordingly resulted in a variance of \$0.4 million under budget. The largest variance of revenues was sales tax which came in \$1.5 million under budget. There is an overall economic down turn in the economy leading to reduced sales tax revenue. For the expenditures, the substantial negative differences between budget and actual arose in capital development (\$0.7 million), and health insurance and utilities (\$0.2 million). These arose from the accrual of a squad car lease and the purchase of additional land in capital development; and increases in health insurance and utilities above the increases estimated at budget time. However, there were several departments that had substantial positive differences between budget and actual which include MIS (\$0.1 million), Planning (\$0.2 million), Finance (\$0.1 million), and Corrections (\$0.2 million).

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

The County of Kankakee's investment in capital assets for governmental and business-type activities as of November 30, 2007, amounts to \$71.2 million (net of accumulated depreciation). This investment in capital assets includes the transportation network, land, construction in progress, buildings and improvements, buildings and improvements under capital lease agreements, leasehold improvements, equipment, equipment under capital lease agreements, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was 1.9 percent (a 2.3 percent increase for governmental activities and an 6.3 percent decrease for business-type activities).

The following schedule shows the County's investment in capital assets.

Exhibit 3
Capital Assets at Year End, Net of Depreciation (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Transportation Network	\$ 10,974	\$ 9,276	\$ -	\$ -	\$ 10,974	\$ 9,276
Land	661	468	61	61	722	529
Construction in Progress	1,161	362	-	-	1,161	362
Building - idle	1,770	1,770	-	-	1,770	1,770
Buildings and Improvements	43,549	45,955	-	-	43,549	45,955
Buildings and Improvements under capital lease agreements	3,844	3,994	-	-	3,844	3,994
Leasehold improvements	-	-	197	197	197	197
Equipment	4,366	3,133	3,010	3,226	7,375	6,359
Equipment under capital lease agreements	-	-	16	22	16	22
Vehicles	1,549	1,363	-	-	1,549	1,363
Total Capital Assets	\$67,874	\$66,321	\$ 3,284	\$ 3,506	\$71,158	\$69,826

Major capital asset changes that occurred during 2007 include the following:

Additional land was purchased near the Courthouse to allow for additional parking.

Other additions to capital assets include the fire escape for the administration building, highway equipment and bridge replacement.

The sheriff's department purchased new squad cars during the year to replace retired vehicles.

More detail about the County's capital assets is presented in Note 6 to the financial statements.

Long-term Debt

At the end of the current fiscal year, the County of Kankakee had total debt outstanding of \$29.07 million. This encompasses \$26.7 million outstanding long-term debt in governmental activities and \$2.3 million outstanding long-term debt in business-type activities. This represents a decrease of approximately \$1.0 million (3.5 percent) in governmental activities and a decrease of approximately \$0.23 million (8.8 percent) in business-type activities.

The following schedule shows the County's long-term debt.

Exhibit 4**Outstanding Long-term Debt at Year End (In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Debt Certificates	\$20,910	\$21,785	\$ -	\$ -	\$20,910	\$21,785
Loan / Lease Agreement	426	653	-	-	426	653
Capital Leases	4,977	4,935	9	18	4,986	4,953
Bonds - Alternate Revenue Source	-	-	2,310	2,530	2,310	2,530
Compensated Absences	419	335	19	16	438	351
Total	\$26,733	\$27,707	\$ 2,338	\$ 2,564	\$29,071	\$30,271

Additions to long-term debt during the year for governmental activities were leases in the amount of \$0.6 million for vehicles. However, the County had payments or retirements of \$1.66 million on debt and lease agreements.

Regarding business-type activities, the County retired \$220,000 in bonds and paid \$8,632 on the lease of the Animal Control truck.

The compensated absences calculation required the reporting of additional liability amounts for both governmental and business-type activities.

More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's General Fund budget for 2008 increased only 0.35 percent to approximately \$32.1 million. Accordingly, most of the revenues are budgeted at similar levels to 2007. Slight shifts include increases in the budget for property tax revenue (\$0.5 million), state income tax revenue (\$0.43 million), and inmate housing revenue (\$1.3 million). Conversely, decreases were budgeted for sales tax revenue (\$1.7 million), and recorder fees (\$0.13 million). A portion of the decrease for both revenues and expenditures is attributed to Phase II of the Metra Extension Project, which had a budget of \$0.23 million in FY07, but the completion of the project in the beginning of FY08 called for a reduced budget.

On the expenditure side there were also slight variations from the 2007 budget. Expenditures for elections are budgeted to be \$0.1 million with a large election in the fall. The budget in the planning department was split in FY08 with the addition of the economic development department. Also budgeted is a \$0.5 million increase in the County's portion of health insurance.

The following are other factors that could play a role in the actual outcome of next year's budgeted figures:

The next general election is in November 2008. County offices up for election include the County Auditor, State's Attorney, Circuit Clerk, Coroner, Recorder, as well as County Board members. Additional offices to be elected include United States president, senator and representative, as well as state senator and representative.

Standard & Poors affirmed Kankakee County's rating on its general obligation bonds with an 'A' rating which reflects the County's stable economic base, average income levels, stable financial operations, and average overall debt burden.

The union contract with the corrections employees ended at the end of FY06 and negotiations are ongoing. The next meeting date concerning this issue is August 2008. The union contract for the Recorder's Office/Auditor's Office/Treasurer's Office ended at the end of FY07 and negotiations are ongoing.

The contracts with KanComm and Teamsters (Maintenance) will end at the end of FY08 and negotiations will begin.

The Chicago Bears continue to hold their summer training camp with Olivet Nazarene University in Bourbonnais. This event has increased tourist travel into the County in late July and early August, which can lead to an increase in sales tax revenue.

The planning department of Kankakee County is working on a 3-phase study to determine the feasibility for the extension of metra commuter rail service from University Park to Kankakee. Phase I was completed in 2005 and Phase II was completed in the beginning of 2008. Other communities in Kankakee and Will County are helping to fund the local portion of the grant contract. While the study is a lengthy process, it could lead to possible future growth for our County.

Growth continues to occur in both the north and south ends of the County. Two Super Wal-Marts have opened recently, one in southern Kankakee County near exit 308 and another in northern Kankakee County along Route 50. Bradley Commons opened in fall 2006 and continues to be developed. Among others in the development, Kohl's, Petco, Shoe Carnival, and Buffalo Wild Wings have opened with Dick's Sporting Goods and Bed Bath & Beyond scheduled to open in the near future.

Ground breaking for Bourbonnais Crossing near Route 45 and Indian Oaks Road was scheduled to take place in 2007. Plans include a retail center, as well as outparcels for additional retail space and restaurants.

This continued growth in the area is spurred by the projected 3,000 - 6,000 new homes estimated to be built in the Bradley-Bourbonnais area over the next five years. Because of this and current overcrowding, the school board of Bradley-Bourbonnais Community High School put a referendum for a new high school on the ballot in November 2006 and April 2007. The measure failed each time. The school board has recently illustrated a plan to add on and upgrade to their current location.

The County completed construction of the new jail in early 2005 and phase two of the jail in 2006. The new jail is located along Interstate 57 in southern Kankakee County. This will allow the existing jail to be rented out for out of county inmate housing as a revenue source. Additional, new correctional officers have been hired in order to operate both the new facility and also continue operating the current facility.

Outside consultants completed a space needs study for the County offices. While it is evident that additional space is warranted, it is yet to be determined what course of action the County will pursue.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Kankakee County Finance Department, 189 E. Court St. Suite 300, Kankakee, IL 60901.

Kankakee County, Illinois
Statement of Net Assets
November 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash	\$ 8,468,214	\$ 1,129,588	\$ 9,597,802	\$ 528,798
Cash - restricted	-	281,583	281,583	-
Investments, at cost	12,286,682	2,104,024	14,390,706	-
Receivables, (net, where applicable of allowance for uncollectibles):				
Taxes, including interest, penalties and liens	14,820,359	-	14,820,359	-
Accounts	6,355,992	429,186	6,785,178	-
Loans	162,563	-	162,563	2,168,857
Due from other governments	267,968	152,791	420,759	-
Prepaid expenses	724,173	28,481	752,654	-
Inventory, at cost	195,441	-	195,441	-
Other assets	276,181	25,756	301,937	46,768
Capital assets, net of accumulated depreciation	67,874,318	3,283,868	71,158,186	-
Total assets	<u>\$ 111,431,891</u>	<u>\$ 7,435,277</u>	<u>\$ 118,867,168</u>	<u>\$ 2,744,423</u>
Liabilities and Net Assets				
Liabilities				
Vouchers and accounts payable	\$ 3,647,621	\$ 89,675	\$ 3,737,296	\$ 40,750
Payable from restricted assets	-	45,572	45,572	-
Accrued wages and benefits	548,504	68,778	617,282	-
Deferred revenue	14,440,304	-	14,440,304	-
Noncurrent liabilities:				
Due within one year	1,672,964	233,998	1,906,962	90,000
Due in more than one year	25,219,438	2,104,181	27,323,619	2,223,384
Total liabilities	<u>45,528,831</u>	<u>2,542,204</u>	<u>48,071,035</u>	<u>2,354,134</u>
Net Assets				
Invested in capital assets, net of related debt	41,836,826	964,870	42,801,696	-
Restricted for:				
Debt service	4,188	236,011	240,199	-
Other purposes	20,591,225	-	20,591,225	-
Unrestricted	3,470,821	3,692,192	7,163,013	390,289
Total net assets	<u>65,903,060</u>	<u>4,893,073</u>	<u>70,796,133</u>	<u>390,289</u>
Total liabilities and net assets	<u>\$ 111,431,891</u>	<u>\$ 7,435,277</u>	<u>\$ 118,867,168</u>	<u>\$ 2,744,423</u>

Kankakee County, Illinois
Statement of Activities
For the Year Ended November 30, 2007

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants	Primary Government		Total Primary Government	Component Unit
Primary government:					Governmental Activities	Business-Type Activities		
Governmental activities								
General government	9,110,120	\$ 2,781,061	\$ 588,312	\$ -	\$ (5,740,747)		\$ (5,740,747)	
Court services	9,479,918	2,969,730	1,342,685	-	(5,167,503)		(5,167,503)	
Public safety	18,251,241	7,071,223	728,844	147,991	(10,303,183)		(10,303,183)	
Health and sanitation	3,228,057	346,327	2,119,920	-	(761,810)		(761,810)	
Transportation	6,403,317	704,552	112,531	1,850,063	(3,736,171)		(3,736,171)	
Veterans administration	256,813	-	-	-	(256,813)		(256,813)	
Economic development	2,738,136	-	2,737,903	-	(233)		(233)	
Interest and fiscal charges	1,174,858	-	-	-	(1,174,858)		(1,174,858)	
Total governmental activities	50,642,460	13,872,893	7,630,195	1,998,054	(27,141,318)		(27,141,318)	
Business-type activities								
911 Emergency services	2,481,993	2,563,149	-	-		\$ 81,156	81,156	
Animal control	285,765	289,846	-	-		4,081	4,081	
Total business-type activities	2,767,758	2,852,995	-	-		85,237	85,237	
Total primary government	\$ 53,410,218	\$ 16,725,888	\$ 7,630,195	\$ 1,998,054	(27,141,318)	85,237	(27,056,081)	
Component unit:								
Kankakee County Public Building Commission	\$ 117,739	\$ 185,119	\$ -	\$ -				\$ 67,380
General revenues:								
Taxes								
Property taxes					13,316,162	-	13,316,162	-
Sales tax					8,936,714	-	8,936,714	-
State income tax					2,599,321	-	2,599,321	-
Replacement and other taxes					3,180,540	-	3,180,540	-
Interest					910,467	117,930	1,028,397	9,817
Miscellaneous					117,660	-	117,660	-
Special item-loss on disposal of assets					(416)	-	(416)	-
Extraordinary item-loss on early extinguishment of debt					(175,033)	-	(175,033)	-
Total general revenues and special items					28,885,415	117,930	29,003,345	9,817
Change in net assets					1,744,097	203,167	1,947,264	77,197
Net assets - beginning					64,158,963	4,689,906	68,848,869	313,092
Net assets - ending					\$ 65,903,060	\$ 4,893,073	\$ 70,796,133	\$ 390,289

See accompanying notes to the basic financial statements.

Kankakee County, Illinois
Balance Sheet
Governmental Funds
November 30, 2007

	General Fund	Tort Liability	Pension	Capital Projects	County Highway	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 800,161	\$ 1,685,436	\$ 1,757,131	\$ -	\$ 543,639	\$ 3,681,847	\$ 8,468,214
Investments, at cost	38,686	6,524	1,409,464	-	1,800,533	9,031,475	12,286,682
Receivables (net of applicable allowances for estimated uncollectible amounts):							
Taxes, including interest, penalties, and liens	4,043,718	2,369,682	3,788,663	-	1,713,362	2,904,934	14,820,359
Accounts	5,790,395	39	15,137	-	211,525	226,111	6,243,207
Loans	-	-	-	-	-	162,563	162,563
Prepaid expenses	116,289	512,582	-	-	-	95,302	724,173
Due from other funds	22,000	-	14,713	-	-	-	36,713
Due from other governments	-	-	-	-	-	267,968	267,968
Inventory, at cost	79,745	-	-	-	45,994	69,702	195,441
Total assets	\$ 10,890,994	\$ 4,574,263	\$ 6,985,108	\$ -	\$ 4,315,053	\$ 16,439,902	\$ 43,205,320
Liabilities and Fund Balances							
Liabilities:							
Vouchers and accounts payable	\$ 2,148,498	\$ 17,431	\$ 394,199	\$ -	\$ 157,792	\$ 602,717	\$ 3,320,637
Due to other funds	14,713	-	-	-	-	22,000	36,713
Deferred revenue	3,939,420	2,291,352	3,666,163	-	1,656,823	2,886,546	14,440,304
Total liabilities	6,102,631	2,308,783	4,060,362	-	1,814,615	3,511,263	17,797,654
Fund balances (deficit):							
Reserved for:							
Prepaid expenses	116,289	512,582	-	-	-	95,302	724,173
Inventory	79,745	-	-	-	45,994	23,456	149,195
Debt service	-	-	-	-	-	4,188	4,188
Unreserved, designated for capital projects	1,801,121	-	-	-	-	-	1,801,121
Unreserved, reported in:							
General fund	2,791,208	-	-	-	-	-	2,791,208
Special revenue funds	-	1,752,898	2,924,746	-	2,454,444	12,805,693	19,937,781
Total fund balances	4,788,363	2,265,480	2,924,746	-	2,500,438	12,928,639	25,407,666
Total liabilities and fund balances	\$ 10,890,994	\$ 4,574,263	\$ 6,985,108	\$ -	\$ 4,315,053	\$ 16,439,902	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds as assets	67,874,318
Bond issue costs, net of amortization, are not financial resources and, therefore, are not reported in the funds as assets	276,181
Long-term liabilities, including liabilities for retirement obligations, are not due and payable in the current period and therefore, are not reported as a fund liability in governmental funds	(26,892,402)
The difference in net assets between full accrual accounting and modified accrual accounting due to differing revenue and expense recognition criteria between the two methods	(762,703)
Net assets of governmental activities	<u>\$ 65,903,060</u>

Kankakee County, Illinois
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended November 30, 2007

	General Fund	Tort Liability	Pension	Capital Projects	County Highway	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 12,736,407	\$ 2,178,246	\$ 3,406,447	\$ -	\$ 1,572,292	\$ 2,359,484	\$ 22,252,876
Intergovernmental	12,287,736	2,522	64,371	147,991	-	7,274,733	19,777,353
Charges for services	3,892,331	-	-	-	-	-	3,892,331
Licenses and permits	291,588	-	-	-	-	167,924	459,512
Fines and forfeits	1,072,262	-	-	-	704,552	1,466,080	3,242,894
Interest on investments	148,574	48,725	108,784	-	86,062	518,322	910,467
Miscellaneous	278,381	-	-	-	121,534	78,970	478,885
Total revenues	<u>30,707,279</u>	<u>2,229,493</u>	<u>3,579,602</u>	<u>147,991</u>	<u>2,484,440</u>	<u>11,865,513</u>	<u>51,014,318</u>
Expenditures:							
Current:							
General government	9,091,478	2,362,329	4,226,276	-	-	380,350	16,060,433
Judiciary and court related	6,782,074	-	-	-	-	580,491	7,362,565
Public safety	11,542,796	-	-	105,992	-	384,991	12,033,779
Health and welfare	-	-	-	-	-	3,083,032	3,083,032
Transportation	-	-	-	-	1,884,476	3,169,809	5,054,285
Economic development	-	-	-	-	-	2,721,144	2,721,144
Capital outlay	1,468,204	-	-	160,659	534,762	933,340	3,096,965
Debt service principal	1,458,475	-	-	-	-	205,794	1,664,269
Debt service interest	965,211	-	-	-	-	209,647	1,174,858
Total expenditures	<u>31,308,238</u>	<u>2,362,329</u>	<u>4,226,276</u>	<u>266,651</u>	<u>2,419,238</u>	<u>11,668,598</u>	<u>52,251,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(600,959)</u>	<u>(132,836)</u>	<u>(646,674)</u>	<u>(118,660)</u>	<u>65,202</u>	<u>196,915</u>	<u>(1,237,012)</u>
Other financing sources (uses):							
Transfers in	264,000	-	-	-	-	268,000	532,000
Transfers out	(268,000)	-	-	(250,000)	-	(14,000)	(532,000)
Proceeds from long-term debt	430,172	-	-	-	-	-	430,172
Total other financing sources (uses)	<u>426,172</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>254,000</u>	<u>430,172</u>
Net change in fund balances	<u>(174,787)</u>	<u>(132,836)</u>	<u>(646,674)</u>	<u>(368,660)</u>	<u>65,202</u>	<u>450,915</u>	<u>(806,840)</u>
Fund balances, beginning of year	4,963,150	2,398,316	3,571,420	368,660	2,435,236	12,477,724	26,214,506
Fund balances, end of year	<u>\$ 4,788,363</u>	<u>\$ 2,265,480</u>	<u>\$ 2,924,746</u>	<u>\$ -</u>	<u>\$ 2,500,438</u>	<u>\$ 12,928,639</u>	<u>\$ 25,407,666</u>

Kankakee County, Illinois
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended November 30, 2007

Net change in fund balances - total governmental funds	\$ (806,840)
Amounts reported for governmental activities in the statement of activities are different because:	
The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds	(430,172)
The loss on early extinguishment of long-term debt does not require or provide current financial resources and, therefore, is not reported in governmental funds	(175,033)
The payment of principal on long-term debt is reflected as an expense on the fund level statements, but is reported as a reduction of liabilities on the entity wide statements	1,664,269
The current period change in compensated absences included in noncurrent liabilities does not require or provide current financial resources and, therefore, is not reported in governmental funds	(84,219)
Depreciation on capital assets and losses on the sale of assets are not reflected on the fund level statements, but are reported as an expense on the entity wide statements	(3,694,807)
Amortization on debt issue costs is not reflected on the fund level statements, but is reported as an expense on the entity wide statements	(11,546)
The acquisition of capital assets is reported as an expense on the fund level statements, but is capitalized as an asset on the entity wide statements	4,954,473
Full accrual accounting and modified accrual accounting use differing revenue and expense recognition criteria	327,972
Change in net assets of governmental activities - entity wide statements	<u>\$ 1,744,097</u>

Kankakee County, Illinois
Statement of Net Assets
Proprietary Funds - Enterprise Funds
November 30, 2007

	Enterprise Funds		
	911 System Fee Fund	Other Enter- prise Funds	Total
Assets			
Current assets			
Cash	\$ 1,081,638	\$ 47,950	\$ 1,129,588
Cash - restricted	281,583	-	281,583
Investments	1,922,453	181,571	2,104,024
Accounts receivable	410,506	18,680	429,186
Receivable from other governments	152,791	-	152,791
Prepaid expenses and line charges	28,404	77	28,481
Total current assets	<u>3,877,375</u>	<u>248,278</u>	<u>4,125,653</u>
Property, plant, and equipment			
Building, improvements and equipment	6,560,251	142,118	6,702,369
Accumulated depreciation	(3,322,729)	(95,772)	(3,418,501)
Net property, plant, and equipment	<u>3,237,522</u>	<u>46,346</u>	<u>3,283,868</u>
Bond issue costs, net and other assets	<u>25,756</u>	<u>-</u>	<u>25,756</u>
Total assets	<u>\$ 7,140,653</u>	<u>\$ 294,624</u>	<u>\$ 7,435,277</u>
Liabilities			
Current liabilities			
Current portion - long-term debt	\$ 225,000	\$ 8,998	\$ 233,998
Vouchers and accounts payable	73,599	16,076	89,675
Payable from restricted assets	45,572	-	45,572
Accrued wages and benefits	68,778	-	68,778
Total current liabilities	<u>412,949</u>	<u>25,074</u>	<u>438,023</u>
Long-term liabilities			
Long-term debt, net of current portion	2,085,000	-	2,085,000
Accrued sick time	19,181	-	19,181
Total long-term liabilities	<u>2,104,181</u>	<u>-</u>	<u>2,104,181</u>
Total liabilities	<u>2,517,130</u>	<u>25,074</u>	<u>2,542,204</u>
Net assets			
Invested in capital assets, net of related debt	927,522	37,348	964,870
Restricted for debt service (expendable)	236,011	-	236,011
Unrestricted	3,459,990	232,202	3,692,192
Total net assets	<u>4,623,523</u>	<u>269,550</u>	<u>4,893,073</u>
Total liabilities and net assets	<u>\$ 7,140,653</u>	<u>\$ 294,624</u>	<u>\$ 7,435,277</u>

Kankakee County, Illinois
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds - Enterprise Funds
For the Year Ended November 30, 2007

	Enterprise Funds		
	911 System Fee Fund	Other Enter- prise Funds	Total
Operating revenues:			
Charges for services and other fees	\$ 2,488,317	\$ 286,091	\$ 2,774,408
Miscellaneous	74,832	3,755	78,587
Total operating revenues	<u>2,563,149</u>	<u>289,846</u>	<u>2,852,995</u>
Operating expenses:			
Personal services	1,341,307	186,068	1,527,375
Contractual services	387,131	30,087	417,218
Supplies and materials	14,114	24,192	38,306
Other services and charges	111,119	37,834	148,953
Depreciation and amortization expense	518,080	6,835	524,915
Total operating expenses	<u>2,371,751</u>	<u>285,016</u>	<u>2,656,767</u>
Operating income (loss)	<u>191,398</u>	<u>4,830</u>	<u>196,228</u>
Nonoperating revenue (expense):			
Interest income	108,444	9,486	117,930
Interest expense	(110,242)	(749)	(110,991)
Net nonoperating revenue (loss)	<u>(1,798)</u>	<u>8,737</u>	<u>6,939</u>
Change in net assets	189,600	13,567	203,167
Net assets, beginning of year	<u>4,433,923</u>	<u>255,983</u>	<u>4,689,906</u>
Net assets, end of year	<u>\$ 4,623,523</u>	<u>\$ 269,550</u>	<u>\$ 4,893,073</u>

Note: 911 System Fee Fund revenues are pledged for payment of alternate revenue source bonds.

Kankakee County, Illinois
Statement of Cash Flows
Proprietary Funds - Enterprise Fund Types
For the Year Ended November 30, 2007

	Enterprise Funds		
	911 System Fee Fund	Other Enter- prise Funds	Total
Cash flows from operating activities:			
Receipts from customers	\$ 1,699,270	\$ 284,149	\$ 1,983,419
Payments to suppliers	(835,900)	(91,365)	(927,265)
Payments to employees	(955,905)	(186,068)	(1,141,973)
Internal activity - payments from (to) other funds	730,770	-	730,770
Other receipts	74,832	3,755	78,587
Net cash provided (used) by operating activities	<u>713,067</u>	<u>10,471</u>	<u>723,538</u>
Cash flows from capital and related financing activities:			
Interest payments on long-term debt	(114,365)	(749)	(115,114)
Payments on long-term debt	(220,000)	(8,632)	(228,632)
Purchase of equipment	(249,029)	-	(249,029)
Net cash flows provided (used) by capital and related financing activities	<u>(583,394)</u>	<u>(9,381)</u>	<u>(592,775)</u>
Cash flows from investing activities:			
Sale of investments	979,926	-	979,926
Interest income	82,764	9,486	92,250
Net cash flows provided (used) by investing activities	<u>1,062,690</u>	<u>9,486</u>	<u>1,072,176</u>
Net increase (decrease) in cash and cash investments	1,192,363	10,576	1,202,939
Cash and cash investments, beginning of year	1,555,179	218,945	1,774,124
Cash and cash investments, end of year	<u>\$ 2,747,542</u>	<u>\$ 229,521</u>	<u>\$ 2,977,063</u>
Reported on balance sheet as cash	\$ 1,363,221	\$ 47,950	\$ 1,411,171
Included in balance sheet investments	1,384,321	181,571	1,565,892
	<u>\$ 2,747,542</u>	<u>\$ 229,521</u>	<u>\$ 2,977,063</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 191,398	\$ 4,830	\$ 196,228
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation expense	451,507	6,835	458,342
Amortization of line charges and bond issue costs	66,573	-	66,573
Undepreciated balance on disposed assets	12,761	-	12,761
Change in assets and liabilities:			
(Increase) decrease in accounts receivable/prepaid expenses	(68,944)	(1,942)	(70,886)
(Increase) decrease in other assets	47,657	(45)	47,612
Increase (decrease) in accrued salaries and benefits	11,726	-	11,726
Increase (decrease) in other liabilities	389	793	1,182
Net cash provided by operating activities	<u>\$ 713,067</u>	<u>\$ 10,471</u>	<u>\$ 723,538</u>

Kankakee County, Illinois
Statement of Fiduciary Net Assets
Fiduciary Funds
November 30, 2007

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 95,226	\$ 8,731,941
Investments, at cost	1,486,288	898,354
Receivables:		
Accounts receivable	100,079	586,890
Total assets	\$ 1,681,593	\$ 10,217,185
Liabilities and Net Assets		
Liabilities		
Vouchers payable	\$ 40,564	\$ 19,912
Due to:		
Other governments	-	6,354,975
Others	-	3,842,298
Total liabilities	40,564	10,217,185
Net Assets		
Restricted for other purposes	1,641,029	-
Total net assets	1,641,029	-
Total liabilities and net assets	\$ 1,681,593	\$ 10,217,185

Kankakee County, Illinois
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended November 30, 2007

	<u>Private Purpose Trust Funds</u>
Additions:	
Intergovernmental	\$ 1,597,992
Interest	<u>103,540</u>
Total additions	<u>1,701,532</u>
Deductions:	
Transportation	1,849,507
Other services and charges	<u>16,458</u>
Total deductions	<u>1,865,965</u>
Change in net assets	(164,433)
Net assets, beginning of year	<u>1,805,462</u>
Net assets, end of year	<u><u>\$ 1,641,029</u></u>

Kankakee County, Illinois
Notes to Basic Financial Statements

Note 1 – The Financial Reporting Entity

Kankakee County, Illinois is a municipal corporation formed in 1853 operating under the county board form of government. The Board of Trustees consists of twenty-eight members and is the legal and executive body of the County. In addition, there are eight other elected administrative officials, each of whom is independent as set forth in Illinois law. These officials are Clerk of Courts, Auditor, Coroner, Prosecuting Attorney, Recorder, Sheriff, Treasurer and County Clerk.

The County's basic financial statements include accounts of all officials and activities described above and all other County operations. The County's major operations include human, social and economic development services, certain health care and community assistance services, public safety, a civil and criminal justice system, road and bridge maintenance and general administrative services.

Component Units: As required by generally accepted accounting principles (GAAP), the financial statements of the reporting entity include those of Kankakee County, the primary government, and its component units. The County complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, in defining the reporting entity. Component units are legally separate organizations for which the elected officials of the County are financially accountable. Organizations for which the County is accountable because it appoints a majority of the voting board, but is not financially accountable for its operations, are related organizations. Financial information of component units is blended with that of Kankakee County where, among other criteria, the nature of services rendered by the component unit is almost exclusively for the benefit of the County or where the governing body of the component unit is substantially the same as that of the County. Component unit financial information that is not blended with that of the County is discretely presented in a separate column on the County's government wide financial statements. A general description of the component units and related organizations follows:

Component Units – Discretely-presented

The **Kankakee County Public Building Commission** is a separate municipal corporation created for the purpose of acquiring or enhancing public buildings or facilities. The Commissioners are appointed by and serve at the pleasure of the Chairman of the County Board. Because of its appointment powers, the County includes the Commission in its financial statements as a discretely-presented component unit using their fiscal year end October 31, 2007. The Commission issues separate financial statements which are on file at the Office of Finance Director, Kankakee County, 189 E. Court St., Suite 300, Kankakee, Illinois 60901. The County Board is not financially responsible for obligations of the Commission unless any such improvements are for its benefit.

Component Units - Blended

The **Kankakee County Health Department** is an Illinois governmental entity, which is governed by an eight-member board, appointed by the County, which also approves its budget. The Health Department's financial statements are blended with those of the County because of the degree of control the County can exercise over its activities. Its transactions are accounted for in the Health Fund, a special revenue fund.

The **Veterans Assistance Commission** is a central assistance committee composed of one delegate from each County post to oversee assistance to military veterans and their families. The oversight is shared by the Chairman of the County Board or his designee. Under Illinois law, the County is to provide office space, phone and supplies for the Commission and payment of assistance claims. Because of its oversight powers and the economic burden this requirement places on the County, its transactions are accounted for in the Veterans Assistance Fund which is blended with other special revenue funds.

The **Kankakee County Emergency Telephone System Board** is created by the County Board which also defines its powers and duties. This Board of nine members, four of whom may be members of the County Board, oversees the implementation and operations of the emergency telephone system. Currently, no County Board members serve on this Board. Because it has reserved powers, the operations are accounted for in the 911 System Fee Proprietary Fund which is blended with other County funds.

Kankakee County, Illinois
Notes to Basic Financial Statements

Note 1 – The Financial Reporting Entity (Continued)

Related Organizations

The Cooperative Extension Services of the College of Agriculture, of the University of Illinois operate in counties where extension councils have been established to disseminate information on subjects related to agriculture and home economics and other University programs. Oversight is provided by extension councils which derive their duties and powers from the Board of Trustees of the University of Illinois. Extension service programs and related local funding are coordinated by an extension board numbering at least seven comprised of four members from the Extension Council and three from the County Board. The County extends taxes to finance operations of the Extension Service. The County is not financially responsible for any part of the Extension Services' operations except as it may choose to be.

The Kankakee County Housing Authority provides low-income housing and rental assistance to residents of the County. Its commissioners are appointed by the County Board Chairman. The Authority is a separate legal organization and has no financial accountability to the County.

Kankakee County is one of several governmental units that jointly govern the Kankakee Area Metropolitan Enforcement Group, (KAMEG), a law enforcement initiative aimed at reducing illegal drug traffic, weapons, and gang activity in the area. The County serves as implementing agency for grants received through the Illinois Criminal Justice Information Authority, and also provided enforcement personnel to KAMEG.

Related organizations are not included in the financial statements of the County.

Joint Ventures

The County is a participant with Will County in a joint venture to operate a juvenile justice center under an intergovernmental agreement, with operating responsibility vested principally in Will County. The facility is leased from the Will County Public Building Commission for a period of 30 years by the joint venturers – See Note 8. Operation of the facility is under the responsibility of the Chief Judge of the 12th Judicial Circuit (Will County) with advice of the Chief Judge of the 21st Judicial Circuit (Kankakee County). Each party to the agreement is responsible for their respective share of expenses in proportion to beds leased, which amounts to 25% for Kankakee County.

Note 2 – Basis of Presentation

Government-wide Financial Statements The statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise the primary government is reported separately from legally separate component units for which the primary government is financially accountable. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities displays the direct expenses of a given function or segment and the associated 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) operating or capital 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.

Fund Financial Statements The County segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary and fiduciary activities. These statements present each major fund as a separate column on the fund financial statements and all non-major funds are aggregated and presented in a single column.

Kankakee County, Illinois
Notes to Basic Financial Statements

Note 2 – Basis of Presentation (Continued)

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The County has presented the following major governmental funds:

General – This is the primary operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Illinois.

Tort Liability – This fund accounts for the County's operations related to risk management for claims involving employee injury, general liability and liability arising from torts.

Pension – This fund accounts for employee pension costs.

Capital Projects Fund – This fund accounts for construction of public safety administrative facilities.

County Highway Fund – This fund accounts for operations to improve, repair and maintain all County highways.

Proprietary funds are used to account for those County activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The County has presented the following major proprietary fund:

911 System Fee Fund – The fund is used to account for emergency dispatch services to residents of the County, including other units of local government.

Additionally, the government reports the following fiduciary fund types:

Private purpose trust funds – These funds report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency funds – These funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations, but which are due to other individuals, agencies or governments.

Note 3 – Summary of Significant Accounting Policies

The accompanying financial statements of the County are prepared in conformity with generally accepted accounting principles (GAAP) for local government units as prescribed in statements and interpretations issued by GASB and other recognized authoritative sources.

Measurement Focus and Basis of Accounting: The government-wide financial statements, component unit financial statements, and fund financial statements for proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet, and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, if measurable, and expenses are recognized as incurred, regardless of the timing of related cash flows. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the County and its component units apply all GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Kankakee County, Illinois
Notes to Basic Financial Statements

Note 3 – Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the County considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Revenues accrued at the end of the year include charges for services, licenses and permits, fines and forfeitures, intergovernmental revenues, investment earnings, property taxes, sales taxes and special assessments. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Proprietary funds separate all activity into two categories: operating and non-operating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entails all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and noncapital financing activities and investing activities.

Budgetary Accounting and Control: The County adopts an annual budget and appropriation ordinance in accordance with Illinois law. The budget covers the fiscal year ending November 30, and is available for public inspection at least fifteen days prior to final adoption. The budget document is prepared for all budgetary funds using the modified accrual basis. Once the County budget has been adopted, no further appropriations shall be made during the year, except in the event of an immediate emergency at which time the County Board by a two-thirds vote may make appropriations in excess of those authorized in the original budget. During the year, no additional appropriations were made by the County Board. The original budget and all budgetary amendments and supplemental appropriations necessary during the year are included in the final budget amounts presented in the budget-to-actual comparisons.

Pooled Cash and Cash Equivalents and Related Investments: Cash resources of a number of individual funds are combined to form a pool of cash and investments which is managed by the County Treasurer. Individual fund integrity is maintained through the County's records. Investments are recorded at cost, which approximates market. For purposes of the statement of cash flows the proprietary fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The County has invested funds in the Illinois Funds Money Market Fund. This fund is an investments pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Investments in the fund are valued at the price the investment could be sold for as of year-end.

All component units define cash and cash equivalents as cash on hand and deposits with original maturities of three months or less.

Receivables: Property taxes receivable are recorded net of an allowance for uncollectible amounts based on historical experience of approximately 0.7 percent of extensions. Other accounts receivable are reported net of any allowance for uncollectibles.

Inventories: Inventories consist of tax stamps, postage, and supplies recorded at cost.

Kankakee County, Illinois
Notes to Basic Financial Statements

Note 3 - Summary of Significant Accounting Policies (Continued)

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the County as assets with an initial, individual cost of more than its capitalization threshold and an estimated useful life in excess of one year. Categories of capital assets and associated capitalization thresholds are as follows: land - \$100,000; buildings and improvements - \$25,000 - \$100,000; infrastructure assets (county roads and bridges) - \$100,000; equipment - \$5,000. Assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The County depreciates assets on a straight line basis using the following estimated useful lives:

<u>Asset</u>	<u>Estimated Useful Life</u>
Equipment, furniture and fixtures	5 to 10 years
Buildings, structures and improvements	30 to 50 years
Improvements other than buildings	30 to 50 years

Compensated Absences: Vested or accumulated vacation/sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation/sick leave of proprietary funds is recorded as an expense and liability for those funds as the benefits accrue to employees. No liability is recorded for nonvesting, accumulating rights to receive vacation/sick leave benefits; however, a liability is recognized for that portion of accumulating vacation/sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement. County policy states that an employee must use each year's vacation days during the year. Sick and extended illness days may be accumulated to a total of 120 days per employee with no amount payable upon separation from service. Under collective bargaining agreements covering employees in the departments of County Sheriff, Corrections and County Recorder, 50% of accumulated days may be paid or credited for retirement purposes at levels ranging from 50 to 80 days.

Long Term Obligations: In the government-wide financial statements and proprietary fund types 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 type financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types 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 debt service expenditures.

Property Taxes: The County is responsible for the assessment and collection of property taxes for all jurisdictions including the schools and special districts within the County. The County levies property taxes annually on or before the last Tuesday in December based on the assessed valuation determined in April of the same year. Property tax payments are due in two equal installments, June 1 and September 1, with the first installment being due no earlier than 30 days from date of mailing. Tax bills are generally mailed before May 15. Distributions to the County and other districts are made shortly thereafter. Property taxes become a lien on the property on January 1. Taxes receivable at November 30 that are intended to finance the subsequent fiscal year are appropriately deferred.

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