

**DUPAGE COUNTY, ILLINOIS  
FINANCIAL DISCUSSION  
FY 2005**

**Accounting Systems**

- The accounting policies and principles utilized by DuPage County follow the fund type and account group method. Governmental fund types are used to finance most governmental functions, and include General, Special Revenue, Debt Service and Capital Projects Funds. Proprietary funds include both Enterprise and Internal Service funds. Enterprise funds are used to account for activities which are primarily funded by user fees, and operations are conducted in a manner similar to those in the private sector. Three internal service funds are reflected, Working Cash, Employee Life/Health Insurance and Liability Insurance. The Employee Life/Health Insurance fund is utilized to collect restricted revenues that are used to purchase employee life and health benefits.

The Tort Liability Insurance Fund is treated as an Internal Service Fund which measures activity for revenues and expenses and reflects retained earnings or (loss) on an accrual basis. It is easier and more accurate to depict appropriate funding levels related to liability reserve requirements when using the accrual basis of accounting.

Fiduciary funds include expendable trust and agency funds. Agency funds are used to account for assets held in an agent capacity for future distribution. Expendable trust funds account for assets where both the principal and interest may be spent.

The modified accrual basis of accounting is followed by governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available.

**Accounting Controls**

- The system of internal accounting control is designed to insure that transactions are recorded and reported according to prescribed policies and procedures. In the development of the County's accounting system, consideration was given to the adequacy of internal accounting and administrative controls. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived, and also that the evaluation of necessary internal control factors requires judgment by management. The County's internal accounting controls and recording of financial transactions provide reasonable assurance as to the accuracy of the financial statements and adequate safeguards of assets.

## Budgetary Control

- The annual budget adopted by the County Board, and all appropriations made therein, terminates with the close of the fiscal year. However, any remaining balances are available for 30 days after the close of the fiscal year for the payment of obligations incurred prior to the close of the fiscal year. The County budget reflects departmental categories of expenditure appropriations and is expressed in terms of an object of expenditure. Revisions to the budget are made in accordance with the Illinois Compiled Statutes. Budgetary control is exercised at the object of expenditure level to insure that actual expenditures and outstanding encumbrances do not exceed available budget amounts. The basis upon which the County's budget is prepared is generally consistent with the accounting principles used for financial reporting.

Appropriations of governmental funds are encumbered upon the issuance of purchase orders, contracts, or other forms of legal commitments. Outstanding orders for goods and services that have not been received are accounted for as a reservation of fund balances. The encumbrance system assures that any amount over existing commitments can only be paid with available unobligated funds in the corresponding line item. If this is not possible, a budget transfer must be processed.

Timely financial information related to budget and cost control is provided to all department directors and elected officials by means of reports generated through the DuPage County Information Technology Department. Weekly reports include year-to-date encumbrances and expenditures compared to appropriations, by object of expenditures. In addition, a quarterly departmental cost report representing cost allocations from support departments is forwarded to each department director and elected official.

## Financial Reporting

- For financial reporting purposes, DuPage County includes all funds, account groups, agencies and boards which are controlled by or dependent on the County Board. Control and dependence is determined on the basis of financial accountability. Included are departments that have responsibility for the distribution of funds held in an agency capacity. Based on the above criteria, the following fund types are included in the County's annual report:

### Governmental Funds

General (Corporate) Fund  
Special Revenue Funds  
Debt Service Funds  
Capital Project Funds

### Proprietary Funds

Enterprise Funds  
Internal Service Funds

### Fiduciary Funds

Expendable Trust Funds  
Agency Funds

## Financial Overview

### CASH

County policy is to balance expenditures with conservatively estimated revenues, avoiding deficit financing. End of year Corporate Fund cash objectives are to provide a sufficient margin to maintain normal operations until cash is replenished with the receipt of property taxes beginning in June. Cash balances are closely monitored in development of day to day operations to insure sufficient balances are maintained.

### DEBT

From a credit perspective, debt has been used prudently. For DuPage County, debt has always been related to infrastructure needs, rather than operations financing. Per-capita ratios reflect that the tax payer is not overburdened with paying for long term debt. It is also important to note that the County does not suffer from crumbling infrastructure, inadequate public facilities, or severe concerns for safety created by highways that are under designed and over utilized. The use of debt for future building programs, transportation upgrades, stormwater and drainage improvements were discussed in the Major County Capital/Operations section.

### FINANCIAL POLICY IMPLICATION/CREDIT RATINGS

When reviewing aspects of financial management of DuPage County including revenue generation, expenditure control, and cash and debt levels, conclusions can be drawn regarding financial viability. The economic attributes of DuPage County make it somewhat less volatile environment. Employment, economic affluency, housing, education and other socioeconomic factors are attributes that lend themselves to less historical reductions in financial condition.

The County has received a triple A debt designations from three rating agencies for the four bond issues sold in FY 2003. As one of the country's 43 (Moody's) triple A counties (top 1%), all economic and financial indicators have undergone review. The cooperation of elected officials that collect significant amounts of non-real estate tax revenue has assisted the County's move away from historical reliance on real estate taxes, thereby strengthening credit worthiness.

### RISK MANAGEMENT

The County takes a proactive role in risk management. During FY 2004, the County Health department insurance program was restructured, with major elements being within the County's insurance program. These changes generated an overall insurance cost reduction of more than \$500 thousand. During the FY2004-2005 insurance policy year, aggressive review resulted in aggregate insurance premiums remaining virtually unchanged. Insurance coverage for the

convalescent center includes expanded incident review and analysis to reduce risk. The County continues to monitor internal policies that reduce ultimate exposure to accidents that require litigation and settlements.