GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

DEKALB COUNTY GOVERNMENT DEKALB COUNTY, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009

The County Board Members and the Finance Office of DeKalb County are pleased to present to readers of the financial statements of DeKalb County this narrative overview and analysis of the financial activities of DeKalb County ending December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information furnished in the letter of transmittal.

In the past, the primary focus of local government financial statements has been summarized by fund type information on a current financial resource basis. This approach has been modified, and DeKalb County's Financial Statements present two kinds of statements, each with a different snapshot of the County's finances. The Financial Statements' focus is on both the County as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year and government to government), and enhance the County's accountability.

DeKalb County Government Management's Discussion and Analysis (MD&A) is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the County's financial activity, (3) identify changes in the County's financial position (its ability to address the subsequent year's challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

I. Financial Highlights

A. Governmental Activities

The assets of the governmental activities of the County exceeded its liabilities at the close of the fiscal year by \$102 million and increased in the current year by \$5.2 million. The County has maintained its employment force and has been able to continue with modest increases in pay for its employees. The property tax base continues to grow steadily, this year it increased by \$116 million or 5%.

B. Business Type Activities

The only business type activity that the County has is the 190 skilled bed Rehab and Nursing Center. The decrease in net assets in 2009 was \$365,432. The Rehab and Nursing Center is reporting total net assets of \$10.3 million in 2009 compared to \$10.7 million in 2008. Fiscal Year 2009 also marks the eleventh straight year that the facility has operated without any property tax or other subsidy from other County funds. During 2004 the Rehab and Nursing Center loaned \$2.3 million dollars to the County that was then given to the City of DeKalb for toll-way interchange improvements. In exchange for this payment additional sales tax

revenues from the City of DeKalb will be given to the County on certain property within the County. This loan is for a ten-year period payable annually and in full on July 1, 2014, and will be paid with the additional sales tax revenues received.

C. Long-Term Debt

On June 1, 2005, the Public Building Commission (PBC) issued \$7,155,000 Lease Revenue Refunding Bonds. When the County visited the bond market in 2005 its rating was Aaa. Note 5 contains additional information on the long-term debt of the County.

II. Overview of the Financial Statements

A. Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government. The focus of the Statement of Net Assets is the "Unrestricted Net Assets" and it is designed to be similar to bottom line results for the private sector. This statement then combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the County is improving.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year and is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the County's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various government services and/or subsidy to various business-type activities.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the County include general government, public safety, highways & streets, health & welfare, culture & recreation, and interest on long-term debt.

The government-wide financial statements include not only the County itself but also the DeKalb County Public Building Commission, and the DeKalb County Forest Preserve which are component units of the County. The financial information of these units is also reported separately from the financial information of the County in their separately issued reports.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on major funds, rather than (the previous model's) fund types. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1. Governmental Funds

The Governmental Major Fund presentation is presented on a "sources and uses of liquid resources" basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. The focus of governmental funds is narrower than that of the Government-Wide Financial Statements. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. The Governmental Major Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected. The flow of current financial resources reflects bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligation (bond and others) into the Governmental Activities column in the Government-Wide statements.

The County maintains 42 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Health Fund both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor government funds is provided in the form of combining statements elsewhere in this report.

2. Proprietary Funds

The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented in Business-Type Activities in the Government-Wide Financial Statements. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Costs for medical and life insurance and liability claims are accumulated in internal service funds. All of the County's internal service funds serve governmental rather than business-type functions and have been included with Governmental Activities in the Government-Wide Financial Statements.

Proprietary Fund Financial Statements provide the same type of information as the Governmental-Wide Statements, only in more detail. The Nursing Home Fund is considered a major fund of the County and is presented in a separate column in the Fund Financial Statements. Internal Service Funds are combined in a single aggregate presentation in the Proprietary Fund Financial Statements. Individual fund data for the Internal Service Funds is presented elsewhere in this report.

3. Fiduciary Funds

The Fund Financial Statements also allow the government to address its Fiduciary Funds. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Statements. These fiduciary funds are: County Collector Fund, Special Drainage Fund, Treasurer's Clearing Fund, Mobile Home Tax Fund, Tax Indemnity Fund, Tax Sale in Error Fund, Circuit Clerk Fund, Township Bridges Fund, Township Motor Fuel Tax Fund, Regional Superintendent of Schools, Nursing Home Residents' Fund, Tax Sale Redemption Fund and the Passport Account Fund.

C. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in this report beginning on page 18.

D. 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 benefits to its' employees. Required supplementary information can be found on pages 45-55 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 56-178 of this report.

III. Financial Analysis of the County as a Whole

In accordance with GASB Statement No. 34, the County is required to present a comparative analysis of government-wide information. The current year comparative statements follows:

GOVERNMENT-WIDE STATEMENTS

A. Net Assets

The following table reflects the condensed Statement of Net Assets:

Table 1 Statement of Net Assets December 31, 2009

	Governmental		Busir	ness	Total Primary		
	Activitie	s	Activ	ities	Government		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Assets:							
Current and Other Assets	72,690,058	70,500,359	7,675,115	8,150,748	80,364,173	78,651,107	
Capital Assets	<u>57,056,054</u>	<u>54,032,064</u>	<u>8,466,011</u>	<u>9,034,262</u>	<u>65,522,065</u>	<u>63,066,326</u>	
Total Assets	<u>129,746,112</u>	<u>124,532,423</u>	<u>16,141,126</u>	<u>17,185,010</u>	<u>145,887,238</u>	<u>141,717,433</u>	
Liabilities:							
Long-Term Liabilities	3,164,054	2,982,813	4,842,021	4,668,655	8,006,075	7,651,468	
Other Liabilities	<u>24,186,582</u>	<u>24,347,263</u>	<u>972,968</u>	<u>1,824,786</u>	<u>25,159,550</u>	<u>26,172,049</u>	
Total Liabilities	<u>27,350,636</u>	<u>27,330,076</u>	<u>5,814,989</u>	<u>6,493,441</u>	<u>33,165,625</u>	<u>33,823,517</u>	
Net Assets:							
Invested in Capital Assets							
Net of Debt	55,583,750	52,414,564	4,049,099	4,075,292	59,632,849	56,489,856	
Restricted	14,973,126	15,240,452	219,468	211,211	15,192,594	15,451,663	
Unrestricted	<u>31,838,600</u>	<u>29,547,331</u>	<u>6,057,570</u>	<u>6,405,066</u>	<u>37,896,170</u>	<u>35,952,397</u>	
Total Net Assets	<u>102,395,476</u>	<u>97,202,347</u>	<u>10,326,137</u>	<u>10,691,569</u>	<u>112,721,613</u>	<u>107,893,916</u>	

December 31, 2009

The County's combined net assets increased to \$112.7 million in 2009 from \$107.9 million during 2008. The majority of the increase is from governmental activities with the business type activities showing a decrease of \$365,432 There was an increase in property taxes of \$1.6 million and the Community Outreach Building Construction in Progress of \$5 million in 2008 became an increase to Buildings in 2009 of \$5.7 million, an increase of \$.7million. Another part of this increase is due to the revenues out-pacing the expenses for the year 2009 by \$1.7 million. The County is continuing to make an effort to reduce expenses in any way that can be managed without affecting the services to the residents of DeKalb County. For more detailed information, see the Statement of Net Assets on Page 3 of the Comprehensive Annual Financial Report.

B. Activities

1. Changes in Net Assets

The following table summarizes the revenues and expenses of the County's activities:

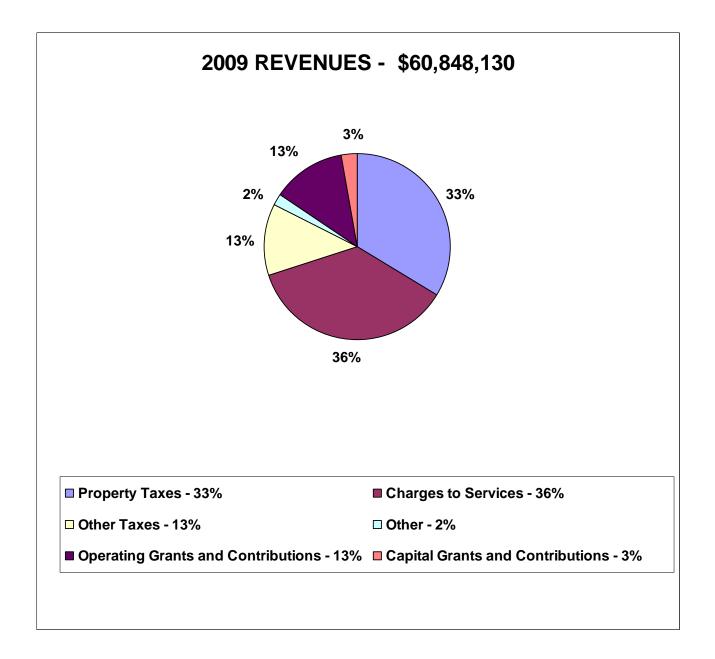
Table 2Changes in Net AssetsJanuary 1, 2009 through December 31, 2009

	Governmental Activities			ss Type ⁄ities	Total Primary Activities		
	2009	2008	2009	2008	2009	2008	
Revenues							
Program Revenues							
Charges for Services	9,677,424	9,591,542	12,559,028	12,573,067	22,236,452	22,164,609	
Operating Grants and Contributions	7,716,006	6,970,975	100,000	0	7,816,006	6,970,975	
Capital Grants and Contributions	1,596,221	1,620,751	30,030	24,704	1,626,251	1,620,751	
General Revenues							
Property Taxes	20,369,320	19,289,835	0	0	20,369,320	19,289,835	
Other Taxes	7,594,440	10,208,115	0	0	7,594,440	10,208,115	
Other	1,064,277	1,571,399	141,398	231,753	1,205,675	1,898,118	
Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Revenues	48,017,688	49,252,617	12,830,456	12,829,524	60,848,130	62,082,141	
Expenses							
General Government	8,198,165	7,909,904	0	0	8,198,165	7,909,904	
Public Safety	17,807,255	17,023,178	0	0	28,908,366	28,023,178	
Highways and Streets	6,003,739	6,055,551	0	0	6,003,739	6,055,551	
Health and Welfare	9,895,849	9,133,614	13,195,888	12,459,778	23,091,737	21,593,392	
Culture and Recreation	729,881	643,781	0	0	729,881	643,781	
Interest on Long Term Debt	<u>189,670</u>	<u>209,380</u>	<u>0</u>	<u>0</u>	<u>189,670</u>	<u>209,380</u>	
Total Expenses	42,824,559	40,975,408	13,195,888	12,459,778	56,020,447	53,435,186	
Change in Net Assets	5,193,129	8,277,209	(365,432)	369,746	4,827,697	8,646,955	

The decrease in 2009 total change of assets of \$3.8 million was a decrease in Other Taxes which includes Sales, Local Use and Replacement Taxes during 2009 of \$2.5 million in the Governmental activities and the increase of \$1.4 million in expenses with General Governmental, Public Safety and Health and Welfare being over by \$1.5 million in expenses.

2. Governmental Revenues

The following Graph summarizes the County Revenue activities:

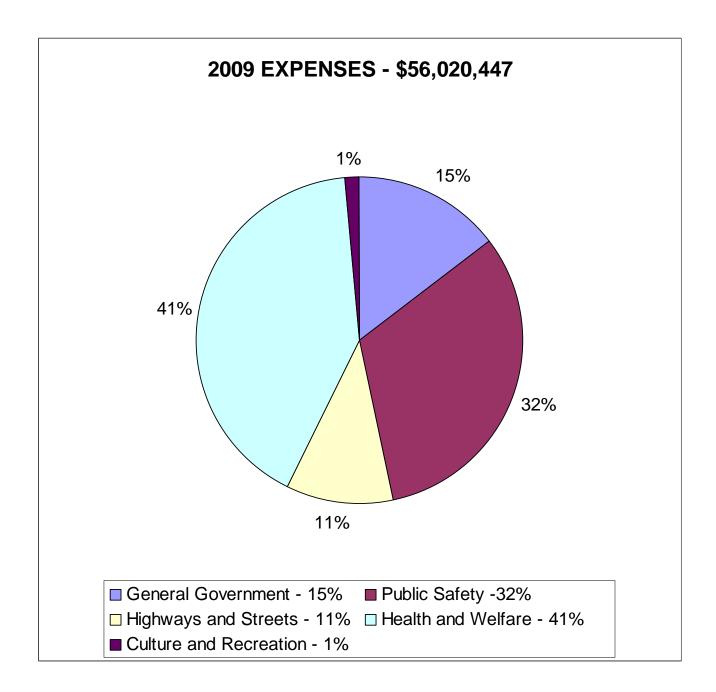


For the fiscal year ended December 31, 2009, revenues totaled \$60.8 million. This is down by \$1.2 million from 2008. Revenues from the County's largest source of revenues of \$22 million come from the Charges for Services revenue. The DeKalb County Rehab and Nursing Center is the largest generator of revenues with Charges for Services in the County. The Rehab and Nursing Center again generated \$12.5 million dollars in 2009 decreasing by only \$14,000 from 2008. The next largest amount of charges for services is in the Public Safety function of the government. Public Safety which includes the Court System and the Health Department together generated \$6.5 million in revenues. General Government at \$2.1 million and the Highway with \$700,000 in charges for services for 2009 were down only \$114,000. Property Taxes increased during 2009 by \$2 million. Property taxes support governmental activities including employee pension funds. The other taxes classification includes a number of different revenue sources. Among those are sales tax, income tax, and replacement tax. The major type of sales tax is the retailer's occupation tax (ROT). This sales tax is collected by the State of Illinois. A portion of the ROT is shared by the state with the County based on the point of sale. The rate of sales tax that the County receives if the business is located outside of an incorporated area is 1.25 percent. If the business is located within an incorporated area the percentage is .25 of one percent. DeKalb County also receives sales tax dollars through an intergovernmental agreement with the City of DeKalb involving two developments that are former County Farm and Nursing Home sites located within the City of DeKalb. State-shared sales tax revenues in 2009 were \$3.9 million. The County Farm site sales tax revenues of 1.25 cents are received and distributed .75 of a cent into the Opportunity Fund, and the Nursing Home site sales tax revenues of 1.25 cents are received and distributed .75 of a cent into a designated account for future special projects related to Health Services. Each site also contributes .25 of a cent into the General Fund, and .25 of a cent into the Tollway Access Loan Fund to pay the loan from the Nursing Home and Rehab Center.

Income taxes are also shared by the state, but on a per-capita basis. Between 2008 and 2009 the County's income tax revenues decreased by approximately \$8,200. Other revenue sources include operating grants and contributions that include state salary reimbursements for assistant states attorneys, probation officers and the second full year for the state salary reimbursement for the Public Defender.

3. Governmental Expenses

The following Graph summarizes the County Expense activities:



DeKalb County's expenses amounted to a total of \$56 million in 2009 increasing by \$2.5 million from 2008. Health and Welfare expenses, the largest for the County, relate to the Department of Public

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Health and the DeKalb County Rehab and Nursing Center, which is the County's only Business-Type Activity. The Rehab and Nursing Center expenses during 2009 are \$13.1 compared with the 2008 expense of \$12.5 million. Public Safety expenses, the second largest for the County at 32%, relate to the operations of the Sheriff's Department, which includes Communications and Corrections, as well as the Emergency Services Department and the expenses related to the court system, which includes the Circuit Clerk, Judiciary, Court Services, State's Attorney and Public Defender offices. The Public Safety increase from 2008 to 2009 was \$784,000. The increase in expenses includes \$425,000 that was the Sheriff's increase in costs for housing of prisoners due to overcrowding at the jail and transportation costs to take prisoners to other jails, as well as an increase in Sheriff's Communication costs. The Circuit Clerk, State's Attorney and Public Defender, and Judiciary also had increases in costs in 2009.

IV. Financial Analysis of the County's Funds

As of December 31, 2009 the governmental funds had a combined fund balance total of 43,112,851 with 26,356,138 being unreserved. The unreserved amount of fund balance is broken down with \$9,756,912 in the General Fund, and \$16,497,869 in Other Governmental Funds that includes Capital Projects. The 2009 governmental funds balance reflects an increase of \$888,203 over the prior year. The General Fund Balance of \$10,031,576 is 45% of the total General Fund Expenditures of \$22,531,212 or 168 days of operating funds. The Community Outreach Building Fund has a negative fund balance of \$979,000 at the end of 2009 because of the loans from the Capital Reserve Fund and the General Fund.

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the U.S. Treasury. The County Treasurer utilizes a competitive bidding system with local financial institutions to assure that the highest return possible is made on funds invested. DeKalb County earned interest revenue of \$722,546 on all governmental fund types for the year ended December 31, 2009, compared with \$746,808 in the year ended December 31, 2008. This reflects a 24,262 decrease. The decrease in interest income is a direct result of the continued lagging economy and is reflective of the interest rates that were offered by financial institutions during 2009.

The County Treasurer is an elected official charged with the responsibility and authority to handle the investments for the County. The Treasurer's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All collateral on County deposits is held by a third party custodial bank in the County's name.

V. General Fund Budgetary Highlights

	Original Budget	Amended Budget	Actual
REVENUES			
Taxes Licenses & Permits Other	18,231,000 104,300 <u>7,106,000</u>	18,231,000 104,300 <u>7,106,000</u>	16,011,166 174,137 <u>5,455,706</u>
Total Revenues	25,441,300	25,441,300	22,859,069
EXPENDITURES AND TRANSFERS			
Expenditures	23,643,700	23,881,700	22,531,212
Transfers Out Transfers In	2,594,000 <u>(173,000)</u>	2,614,000 <u>(173,000)</u>	1,836,400 <u>(53,858)</u>
Total Expenditures and Transfers	26,064,700	26,322,700	24,313,754
Change in Fund Balance	(623,400	(881,400	(1,454,685)

Table 3January 1, 2009 through December 31, 2009

As can be seen above, revenues were less than the budget by \$2.2 million. Total tax dollars were \$2,229,834 less than budgeted. This amount is sales taxes that were \$1.8 million dollars less than budgeted, state income taxes that were \$305,000 less than budgeted, replacement, inheritance and local use tax amounts were a total of \$99,000 less than budgeted.

VI. <u>Capital Assets</u>

The following schedule reflects the County's capital asset balances as of December 31, 2009:

	Governmental Activities		Busines Activ	•••	Total Primary Activities		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Land and Land Right of Way	9,156,189	8,413,628	0	0	9,156,189	8,318,291	
Buildings	29,396,376	23,607,505	12,176,529	12,176,529	41,572,905	357,840,374	
Land Improvements	1,819,211	1,731,986	770,918	721,039	2,590,129	2,453,025	
Vehicles	3,806,360	3,509,717	0	0	3,806,360	2,609,717	
Furniture and Fixtures	0	0	817,342	829,437	817,342	829,437	
Equipment	4,575,063	4,709,194	954,387	943,658	5,529,450	5,652,852	
Infrastructure	42,978,352	39,493,797	0	0	42,978,352	34,493,798	
Construction in Progress	<u>0</u>	<u>5,079,325</u>	<u>3,992</u>	<u>3,992</u>	<u>3,992</u>	<u>5,713,317</u>	
Subtotal	91,731,551	86,545,152	14,723,168	14,674,655	106,454,719	417,910,811	
Less:							
Accumulated Depreciation	-34,675,497	-32,513,088	-6,257,157	-5,640,393	-40,932,654	-38,153,481	
Total	57,056,054	54,032,064	8,466,011	9,034,262	65,522,065	63,066,327	

Table 4 Capital Assets December 31, 2009

At year-end, the County's investment in capital assets for both its governmental and businesstype activities was \$65.5 million dollars (net of accumulated depreciation). This represents an increase of \$2.4 million from the December 31, 2008 amount of \$63 million. The \$2.4 million increase in the Governmental activities is largely the \$5.7 million in the Buildings with the addition of the Community Outreach Building which was carried last year in the Construction in Progress line item at \$5 million. The Governmental infrastructure line item also increased by \$3 million and that increase includes the value of the curve relocation and resurfacing on South First Street valued at \$721,000, the resurfacing and widening with turn lanes of Peace Road at a cost of \$249,000, and the resurfacing of a section of Malta Road at a cost of \$370,000. There was also preliminary road work completed for the Shabbona Road Bridge, Suydam Road Bridge and the Perry Road Bridge at a cost of \$1.7 million.

- 1. The Vehicle asset line was increased at the Highway Department by a new truck with a snowplow, a new Caravan vehicle, a new ³/₄ ton pick up truck, and a new cab and chassis road maintenance vehicle, Planning and Zoning and Animal Control both purchased a new Vehicle during 2009 and the Sheriff's Department also spent \$247,000 on new vehicles.
- 2. The Business Type Activities assets were reduced by \$568,000 dollars and this was primarily the depreciation costs for the 2009 fiscal year.

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

VII. Long-Term Debt

As of December 31, 2009 the County had a total of \$5.7 million in bonded indebtedness outstanding. The bond issue of \$6.4 million was sold as a refunding bond issue in 2005. This 1997 issue of bonds by the DeKalb County Public Building Commission was for the construction of a new Health Facility. These original bonds were sold with an effective date of December 1, 1997, and were retired in full on December 1, 2007. The PBC entered into the refunding to achieve a cash flow savings of approximately \$500,000 and an economic gain of \$304,000. The County has abated 75% of its' property tax levy for debt service on these bonds every year and has used operating revenues from the DeKalb County Rehab and Nursing Center to pay this abatement.

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

	Governme	ental	Business	Туре		
	Activities		Activiti	Activities		;
	<u>2009</u>	<u>2008</u>	2009	<u>2008</u>	<u>2009</u>	<u>2008</u>
2005 Lease Revenue Bonds	<u>1,441,450</u>	<u>1,617,500</u>	<u>4,323,750</u>	<u>4,852,500</u>	<u>5,765,200</u>	<u>6,470,000</u>
Total	<u>1,441,450</u>	<u>1,617,500</u>	<u>4,323,750</u>	<u>4,852,500</u>	<u>5,765,200</u>	<u>6,470,000</u>

Table 5 Bonded Indebtedness December 31, 2009

Under the current state statutes, DeKalb County's general obligation bonded debt issuances are subject to a legal limitation based on 2.875 percent of total assessed value of real and personal property. That would allow the County to currently incur debt up to \$76,604,740. Alternate revenue bonds and Public Building Commission bonds are excluded from this limitation. As of December 31, 2009 DeKalb County's net general obligation bonded debt was zero.

VIII. Economic Factors And Next Year's Budget Issues

The taxable assessed valuation for the County grew by over \$116 million dollars from the previous year for a total of \$2,202,386,290. There is some concern that the commercial and industrial value only makes up about 20% of the property tax base which puts a lot of burden on residential property tax payers who make up 70% of the tax base. On-going efforts are in place, however, to bring increased economic development to the County that will help diversify that tax base. With the downturn in the economy and the almost standstill of the construction industry the outlook for future property tax increases seem to be not expected.

One of the efforts the County uses is participation in the DeKalb County Economic Development Corporation. This partnership of private and public interests work together to facilitate economic development. Of all revenues generated by the DeKalb County Economic Development Corporation, only 45% comes from governmental contributions. This partnership has been successful over the years as we recognize that economic growth can be contagious and that regional efforts are important as many issues simply cannot be constrained by municipal boundaries and that various communities can and do benefit with growth in a nearby community.

As of this writing, the FY 2009 financial year is well underway. The next budget to be developed will be the FY 2011 budget. It will be discussed in the early fall of 2010 for the fiscal year beginning January 1, 2011. Budget issues that the County Board and County staff will be facing include the overcrowding issues at the jail. The County voters narrowly defeated two public safety tax referendums. The referendums were each one half of one percent and were presented to the voters in March 2004 and November 2006. If passed these would have provided the dollars for a jail expansion. The initial measure would have also provided programs for alternative and rehabilitative answers to reduce jail population and repeat offenders. These needs and funding of them continue to be a focus for the County. Health insurance costs and pension costs for all employees will continue to be a major budget concern. There was a 3% premium increase in health insurance rates in January of 2010. Health insurance costs continue to be an ongoing concern for the County. The County also continues to fully comply with the Property Tax Extension Limitation Law (P-TELL) that was approved by the voters in April 1999. The challenge of providing the best services with the best staff and keeping costs in line with available revenues continues to be the goal of the County Board and the financial management of the County.

IX. Request for Information

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Gary H. Hanson, Deputy County Administrator, DeKalb County Government, Finance Office, 200 N. Main Street, Sycamore, IL 60178.

STATEMENT OF NET ASSETS

December 31, 2009

	Pri	imary Governmer	nt
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and investments	\$ 47,645,744	\$ 4,219,277	\$ 51,865,021
Receivables, net of allowance			
where applicable			
Property taxes	20,605,000	-	20,605,000
Accounts	3,507,481	1,825,635	5,333,116
Accrued interest	97,785	693	98,478
Other	193,444	-	193,444
Prepaid expenses	851,201	83,219	934,420
Inventory	-	14,307	14,307
Due from other governments	951,645	-	951,645
Restricted assets			
Cash and investments	77,926	233,888	311,814
Deferred charges	14,481	43,447	57,928
Advances to (from) other funds	(1,254,649)	1,254,649	-
Capital assets		, ,	
Not depreciated	9,156,189	3,992	9,160,181
Depreciated (net of accumulated depreciation)	47,899,865	8,462,019	56,361,884
		, ,	, , ,
Total assets	129,746,112	16,141,126	145,887,238
LIABILITIES			
Accounts payable	1,964,255	473,377	2,437,632
Accrued payroll	679,572	233,671	913,243
Accrued interest payable	4,805	14,420	19,225
Retainage payable	3,000	-	3,000
Claims payable	481,390	158,338	639,728
Deferred property taxes	20,605,000	-	20,605,000
Unearned revenue	383,157	-	383,157
Due to others	34,349	-	34,349
Unamortized bond premium	31,054	93,162	124,216
Noncurrent liabilities		,	,
Due within one year	353,904	735,152	1,089,056
Due in more than one year	2,810,150	4,106,869	6,917,019
·			
Total liabilities	27,350,636	5,814,989	33,165,625
NET ASSETS			
Invested in capital assets, net of related debt	55,583,750	4,049,099	59,632,849
Restricted for		, ,	, ,
Retirement	1,685,429	-	1,685,429
Land acquisition	17,594	-	17,594
Land cash	9,988	-	9,988
Wetland mitigation	295,184	-	295,184
Specific purpose	31,228	-	31,228
Working cash	200,000	-	200,000
Debt service	77,926	219,468	297,394
Highways and streets	7,835,584		7,835,584
Health and welfare	4,820,193	-	4,820,193
Unrestricted	31,838,600	6,057,570	37,896,170
TOTAL NET ASSETS	\$ 102,395,476	\$ 10,326,137	\$ 112,721,613
IVIAL NET ADDETD	φ 102,375,470	φ 10,520,157	ψ 112,721,013

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

		Program Revenues					
		Charges		Operating			Capital
FUNCTIONS/PROGRAMS	Expenses	for Services		Grants			Grants
PRIMARY GOVERNMENT							
Governmental Activities							
General government	\$ 8,198,165	\$	2,149,637	\$	936,807	\$	28,955
Public safety	17,807,255		5,255,877		708,282		32,360
Highways and streets	6,003,739		711,198		1,755,931		1,534,906
Health and welfare	9,895,849		1,272,169		4,314,986		-
Culture and recreation	729,881		288,543		-		-
Interest	 189,670		-		-		-
Total governmental activities	 42,824,559		9,677,424		7,716,006		1,596,221
Business-Type Activities							
Nursing home	 13,195,888		12,559,028		100,000		30,030
Total business-type activities	 13,195,888		12,559,028		100,000		30,030
TOTAL PRIMARY GOVERNMENT	\$ 56,020,447	\$	22,236,452	\$	7,816,006	\$	1,626,251

	Net (Expense) Revenue and Change in Net Assets				
	Primary Government				
	Governmental	Business-Type			
	Activities	Activities	Total		
	\$ (5,082,766)	\$ - \$	(5,082,766)		
	(11,810,736)	-	(11,810,736)		
	(2,001,704)	-	(2,001,704)		
	(4,308,694)	-	(4,308,694)		
	(441,338)	-	(441,338)		
	(189,670)	-	(189,670)		
	(22.024.000)		(22.02.1.000)		
	(23,834,908)	-	(23,834,908)		
		(506,830)	(506,830)		
		(506,830)	(506,830)		
	(23,834,908)	(506,830)	(24,341,738)		
General revenues					
Taxes					
Property	20,369,320	_	20,369,320		
Replacement	577,432	_	577,432		
Sales	5,722,826	_	5,722,826		
Income	1,294,182	-	1,294,182		
Other	86,694	_	86,694		
Investment income	722,456	24,352	746,808		
Miscellaneous	255,127	117,046	372,173		
misonanoous	233,127	117,010	572,175		
Total	29,028,037	141,398	29,169,435		
CHANGE IN NET ASSETS	5,193,129	(365,432)	4,827,697		
NET ASSETS, JANUARY 1, 2009	97,202,347	10,691,569	107,893,916		
NET ASSETS, DECEMBER 31, 2009	\$ 102,395,476	\$ 10,326,137 \$	112,721,613		

BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2009

ASSETS	 General	Health	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 8,752,674	\$ 1,231,458	\$ 32,262,041	\$ 42,246,173
Receivables				
Property taxes	9,560,000	495,000	9,630,000	19,685,000
Accounts	2,365,781	202,034	912,376	3,480,191
Accrued interest	52,989	-	40,982	93,971
Other	193,250	-	194	193,444
Prepaid items	174,664	91,313	172,416	438,393
Due from other funds	130,000	1,000	50,000	181,000
Due from other governments	-	951,645	-	951,645
Advances to other funds	100,000	-	1,245,000	1,345,000
Restricted assets				
Cash and investments	 -	-	77,926	77,926
TOTAL ASSETS	\$ 21,329,358	\$ 2,972,450	\$ 44,390,935	\$ 68,692,743

	General	Health	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 770,911 \$	110,853	\$ 1,046,521	\$ 1,928,285
Accrued payroll	448,559	127,253	103,760	679,572
Retainage payable	-	-	3,000	3,000
Deferred property taxes	9,560,000	495,000	9,630,000	19,685,000
Other deferred revenues	448,016	-	36,074	484,090
Due to others	19,296	-	-	19,296
Due to other funds	51,000	-	130,000	181,000
Advances from other funds		-	2,599,649	2,599,649
Total liabilities	11,297,782	733,106	13,549,004	25,579,892
FUND BALANCES				
Reserved for prepaid items	174,664	91,313	172,416	438,393
Reserved for long-term receivables	100,000	-	1,245,194	1,345,194
Reserved for retirement	-	-	1,685,429	1,685,429
Reserved for land acquisition	-	-	17,594	17,594
Reserved for land cash	-	-	9,988	9,988
Reserved for wetland mitigation	-	-	295,184	295,184
Reserved for specific purpose	-	-	31,228	31,228
Reserved for working cash	-	-	200,000	200,000
Reserved for debt service	-	-	77,926	77,926
Reserved for highways and streets	-	-	7,835,584	7,835,584
Reserved for health and welfare	-	2,148,031	2,672,162	4,820,193
Unreserved				
Designated for cash flow	-	-	101,357	101,357
Undesignated				
General Fund	9,756,912	-	-	9,756,912
Special Revenue Funds	-	-	8,739,314	8,739,314
Capital Projects Funds		-	7,758,555	7,758,555
Total fund balances	10,031,576	2,239,344	30,841,931	43,112,851
TOTAL LIABILITIES AND				
FUND BALANCES	\$ 21,329,358 \$	5 2,972,450	\$ 44,390,935	\$ 68,692,743

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

December 31, 2009

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 43,112,851
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 governmental funds	
Capital assets	57,056,054
Other long-term assets are not available to pay for current period expenditures and, therefore, are	
deferred in the governmental funds	423,131
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funda-	
therefore, are not reported in the governmental funds Bonds payable	(1,441,250)
Interest payable	(4,805)
Compensated absences and net OPEB payable	(1,722,804)
Unamortized bond premium	(31,054)
Deferred charges	14,481
The net assets of the internal service funds are	
included in the governmental activities in the	
statement of net assets	 4,988,872
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 102,395,476

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2009

	General	Health	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 16,011,166	\$ 487,253	\$ 10,580,114	\$ 27,078,533
Licenses and permits	174,137	378,856	90,279	643,272
Intergovernmental	1,218,060	3,915,444	3,260,028	8,393,532
Charges for services	4,361,265	685,436	2,421,789	7,468,490
Fines and forfeits	785,060	-	64,866	849,926
Investment income	151,500	20,541	550,415	722,456
Miscellaneous	157,881	102,301	591,234	851,416
Total revenues	22,859,069	5,589,831	17,558,725	46,007,625
EXPENDITURES				
Current				
General government	6,321,495	-	1,367,316	7,688,811
Public safety	16,209,717	-	1,419,436	17,629,153
Highways and streets	-	-	7,105,769	7,105,769
Health and welfare	-	5,965,113	3,576,742	9,541,855
Culture and recreation	-	-	726,723	726,723
Debt service	-	-	368,802	368,802
Capital outlay	-	-	2,094,098	2,094,098
Total expenditures	22,531,212	5,965,113	16,658,886	45,155,211
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	327,857	(375,282)	899,839	852,414

					Nonmajor	Total
					Governmental	Governmental
		General		Health	Funds	Funds
OTHER FINANCING SOURCES (USES)	¢		¢		¢ 25.700	¢ 25.700
Sale of capital assets	\$	-	\$	-	\$ 35,789	. ,
Transfers in		53,858		619,477	3,659,426	4,332,761
Transfers (out)		(1,836,400)		(34,500)	(2,461,861)	(4,332,761)
Total other financing sources (uses)		(1,782,542)		584,977	1,233,354	35,789
NET CHANGE IN FUND BALANCES		(1,454,685)		209,695	2,133,193	888,203
FUND BALANCES, JANUARY 1, 2009]	11,486,261		2,029,649	28,708,738	42,224,648
FUND BALANCES, DECEMBER 31, 2009	\$ 1	10,031,576	\$	2,239,344	\$ 30,841,931	\$ 43,112,851

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 888,203
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditure; however, they are capitalized and depreciated in the statement of activities	4,608,290
Contributions of capital assets are reported only in the statement of activities	1,174,950
The change in interest payable and repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	179,132
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds Depreciation Change compensated absences and net OPEB payable	(2,759,250) (10,424)
Revenues in the statement of activities that are not available in governmental funds are not reported as revenue in governmental funds until available	(51,139)
The change in net assets of certain activities of internal service funds is reported with governmental activities	 1,163,367
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 5,193,129

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

December 31, 2009

	Business- Type Activities Nursing Home		Governmental Activities Internal Service Funds	
		inomig Home		
CURRENT ASSETS				
Cash and investments	\$	4,219,277	\$	5,399,571
Receivables				
Property taxes		-		920,000
Accounts		1,825,635		27,290
Accrued interest		693		3,815
Prepaid expenses		83,219		412,808
Inventory		14,307		-
Deferred charges		43,447		-
Restricted assets				
Cash and investments		233,888		-
Total current assets		6,420,466		6,763,484
NONCURRENT ASSETS				
Advance to other funds		1,254,649		-
CAPITAL ASSETS				
Not depreciated		3,992		-
Depreciated, net of accumulated depreciation		8,462,019		-
Total capital assets		8,466,011		-
Total noncurrent assets		9,720,660		-
Total assets		16,141,126		6,763,484

(This statement is continued on the following page.)

STATEMENT OF NET ASSETS (Continued) PROPRIETARY FUNDS

December 31, 2009

	A	usiness- Type ctivities sing Home	Governmental Activities Internal Service Funds		
CURRENT LIABILITIES					
Accounts payable	\$	473,377	\$	35,971	
Accrued payroll	Ψ	233,671	Ψ	-	
Claims payable		158,338		481,390	
Flexible benefit payable		-		15,053	
Deferred property taxes		_		920,000	
Deferred revenue		_		322,198	
Compensated absences payable		187,652		522,170	
Unamortized bond premium		93,162		_	
Liabilities payable from restricted assets		75,102		_	
Interest payable		14,420			
Revenue bonds payable		547,500		-	
Revenue bonds payable		547,500			
Total current liabilities		1,708,120		1,774,612	
NONCURRENT LIABILITIES					
Compensated absences payable		330,619		_	
Revenue bonds payable		3,776,250		_	
Revenue bondis puyuble		3,110,230			
Total noncurrent liabilities		4,106,869		-	
Total liabilities		5,814,989		1,774,612	
NET ASSETS					
Invested in capital assets, net of related debt		4,049,099		_	
Restricted for debt service		219,468		_	
Unrestricted		6,057,570		4,988,872	
		-,		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
TOTAL NET ASSETS	\$ 1	0,326,137	\$	4,988,872	

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended December 31, 2009

	Business- Type Activities Nursing Home	Governmental Activities Internal Service Funds		
OPERATING REVENUES Charges for services	\$ 12,559,028	\$ 5,137,160		
OPERATING EXPENSES Administration Operations Depreciation	1,255,219 11,094,915 644,100	4,890,233		
	12.004.224	1 000 000		
Total operating expenses	12,994,234	4,890,233		
OPERATING INCOME (LOSS)	(435,206)	246,927		
NONOPERATING REVENUES (EXPENSES) Property taxes Investment income Other income Loss on disposal of capital assets Interest expense	124,352 124,652 (7,606) (201,654)	850,461 65,979 - - -		
Total nonoperating revenues (expenses)	39,744	916,440		
INCOME (LOSS) BEFORE CONTRIBUTIONS	(395,462)	1,163,367		
CONTRIBUTIONS	30,030	-		
CHANGE IN NET ASSETS	(365,432)	1,163,367		
NET ASSETS, JANUARY 1, 2009	10,691,569	3,825,505		
NET ASSETS, DECEMBER 31, 2009	\$ 10,326,137	\$ 4,988,872		

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2009

	Business- Type Activities	Governmental Activities	
	Nursing Home	Internal Service Funds	
CASH FLOWS FROM OPERATING ACTIVITIES Receipts from customers and users Receipts from interfund service transactions Payments to suppliers Payments to employees	\$ 13,643,249 (3,796,870) (8,651,496)	\$ 5,163,813 (5,402,514) 	
Net cash from operating activities	1,194,883	(238,701)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES Receipt of general property taxes Advance to other funds	225,783	850,461	
Net cash from noncapital financing activities	225,783	850,461	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Interest paid on revenue bonds	(196,990)		
Payments for capital acquisition	(190,990) (542,058) (83,455)	-	
Net cash from capital and related financing activities	(822,503)		
CASH FLOWS FROM INVESTING ACTIVITIES Receipt of interest	127,193	80,005	
Net cash from investing activities	127,193	80,005	
NET INCREASE IN CASH AND CASH EQUIVALENTS	725,356	691,765	
CASH AND CASH EQUIVALENTS, JANUARY 1, 2009	3,727,809	4,707,806	
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2009	\$ 4,453,165	\$ 5,399,571	

STATEMENT OF CASH FLOWS (Continued) PROPRIETARY FUNDS

For the Year Ended December 31, 2009

		Business- Type Activities ursing Home	Governmental Activities Internal Service Funds	
	140	inshing monthe	50	vice i unus
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$	(435,206)	\$	246,927
Adjustments to reconcile operating income (loss) to				
net cash from operating activities		<i>C</i> 1 1 100		
Depreciation		644,100 124,652		-
Receipts of miscellaneous income Receipts of donations		30,030		-
Effects of changes in operating assets and liabilities		30,030		-
Accounts receivable		929,539		7,611
		37,365		(412,808)
Prepaid expenses		(745)		(412,808)
Inventory Accounts payable		(291,288)		5,309
Accounts payable Accrued payroll		23,247		5,509
Claims payable		151,048		(104,782)
Deferred revenue		151,040		19,042
Compensated absences payable		(17,859)		-
compensated absences payable		(17,057)		
NET CASH FROM OPERATING ACTIVITIES	\$	1,194,883	\$	(238,701)
NONCASH TRANSACTIONS				
Contribution of capital assets	\$	30,030	\$	-

See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2009

	Agency Funds
ASSETS Coch and investments	¢ 5 961 734
Cash and investments Receivables	\$ 5,861,724
Accounts	249,419
TOTAL ASSETS	\$ 6,111,143
LIABILITIES	
Due to others	\$ 6,111,143
TOTAL LIABILITIES	\$ 6,111,143

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of DeKalb County, Illinois (the County), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

a. Reporting Entity

The County was incorporated under the laws of the State of Illinois in 1837 and operates under an elected 24-member County Board. As required by generally accepted accounting principles, these financial statements present the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

b. Component Units

Blended Component Units

The DeKalb County Forest Preserve District (the DCFPD) operates and maintains the public forest preserves in the County. Although it is legally separate from the County, the DCFPD is reported as if it were part of the primary government because the governing board of the DCFPD is composed entirely of the DeKalb County Board serving ex-officio. The operations of the DCFPD are included in the financial statements as a blended component unit.

The DeKalb County Public Building Commission (the PBC) is governed by a five-member board appointed by the County Board. Although it is legally separate from the County, the PBC is reported as if it were part of the primary government because its sole purpose is to finance, construct and maintain the County's public buildings. The operations of the PBC are included in the financial statements as a blended component unit.

Separate financial statements for these component units may be obtained at:

DeKalb County Finance Office 200 North Main Street Sycamore, IL 60178

c. Fund Accounting

The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a county's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general capital assets (capital projects funds), the servicing of general long-term debt (debt service fund) and the management of funds held in trust that can be used for governmental services (permanent fund). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. The County's fiduciary funds consist of agency funds which are used to account for assets that the County holds on behalf of others as their agent.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the County has chosen to apply all GASB pronouncements as well as those pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 to account for its enterprise funds.

d. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The General Fund accounts for the resources devoted to finance the services traditionally associated with local government. Any other activity for which a special fund has not been created is accounted for in the General Fund.

The Health Fund accounts for revenues and expenditures associated with providing public health services to the citizens of the County.

The County reports the following major enterprise fund:

The Nursing Home Fund is used to account for the revenues and expenses associated with the operation of the DeKalb County Nursing Home.

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

The County reports the following internal service funds:

The Medical Insurance Fund is used to account for revenues and expenses related to the County's employee health plan.

The Tort and Liability Fund is used to account for the revenues and expenses associated with providing for the County's workers' compensation, unemployment, property and liability self-insurance programs.

The County reports the following permanent fund:

The Working Cash Fund is used to account for monies used to provide temporary loans to operating funds during periods of diminished revenue.

The County reports a variety of agency funds as fiduciary funds to account for assets held by county officials on behalf of others.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements (except the agency funds which do not have a measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues and expenses are directly attributable to the operation of the proprietary funds. Nonoperating revenue/expenses are incidental to the operations of these funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County recognizes property taxes when they become both measurable and available in the year intended to finance. A 60-day availability period is used for revenue recognition for most other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt is recognized when due.

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

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales and motor fuel taxes, collected and held by the state at year end on behalf of the County also are recognized as revenue. Fines and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidelines. Monies that are virtually unrestricted as to purpose of expenditure, which are usually revocable only for failure to comply with prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

The County reports deferred/unearned revenue on its financial statements. Deferred/unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" or "earned" criteria for recognition in the current period. Deferred/unearned revenues also arise when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred/unearned revenue is removed from the financial statements and revenue is recognized.

f. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, the County's proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

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

g. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans, if any, are also classified as "due from other funds" or "due to other funds." Long-term interfund loans, if any, are classified as "advances from other funds" and "advances to other funds."

h. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are expensed when consumed.

i. Inventories

Inventories are valued at cost, which approximates market, using the average cost method.

j. Restricted Assets

Restricted assets include cash on deposit in the sinking fund for the payment of interest on the 2005 Series revenue bonds.

k. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, bridges, storm sewer), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as individual assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year, except for infrastructure, where the cost must be greater than \$20,000, computers, where the cost must be greater than \$30,000, and land improvements, where the cost must be greater than \$50,000. The DeKalb County Nursing Home, an enterprise fund, uses a threshold of \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

k. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years				
Buildings	40				
Improvements	8-20				
Equipment, furniture and fixtures	3-25				
Vehicles	7-20				
Infrastructure	15-50				

l. Compensated Absences

County employees are entitled to vacation/sick leave based on their length of employment. Vacation/sick leave either vests or accumulates and is accrued when earned.

Vested or accumulated vacation/sick leave attributable to employees who were no longer employed as of December 31, 2009 but have yet to be paid out 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 in the fund financial statements. Historically, the General Fund has been used to liquidate these liabilities. Vested or accumulated vacation/sick leave is recorded as an expense and liability of the proprietary funds at all levels and governmental activities at the government-wide level as the benefits accrue to employees.

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

m. Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, 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 funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

n. Fund Balances/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the County's net assets are restricted as a result of enabling legislation adopted by the County. Invested in capital assets, net of related debt is the net cost (book value) of the capital assets, less the principal of any long-term debt outstanding that was issued to construct, purchase or otherwise acquire the capital asset.

o. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used and reimbursements, are reported as transfers.

p. Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from resident, third-party payors and others for services rendered.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the County's funds.

Investment of county funds, by statute, is vested with the County Treasurer. The County Treasurer's investment policy guides the investments of the County. The investment policy permits the County and the DCFPD (a blended component unit) to make deposits\ investments in insured commercial banks located within and in close proximity to the County, obligations of the U.S. Treasury (bills), money market mutual funds with portfolios of securities issued or guaranteed (implicitly or explicitly) by the United States and the Public Treasurer's Investment Pool.

It is the policy of the County to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the County and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is legality, safety (preservation of capital and protection of investment principal), liquidity and yield.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's investment policy requires pledging of collateral with a fair value of 105% (110% if collateral pledged is not guaranteed by the U.S. Government) for all bank balances in excess of federal depository insurance with the collateral held by an independent third party acting as the County's agent. All of the County's deposits were covered by either FDIC or collateral at December 31, 2009.

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments

The following table presents the investments and maturities of the County's debt securities as of December 31, 2009:

				n Years)				
Investment Type	Fair Value		Less	than 1	1-5		6-	10
Illinois Funds	\$	3,270	\$	3,270	\$	-	\$	_
TOTAL	\$	3,270	\$	3,270	\$	-	\$	_

In accordance with its investment policy, the County limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a short-term (annual) period. The investment policy does not limit the maximum maturity length of investments. However, the policy does require the County to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

The County limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by only allowing investments in U.S. Treasury obligations, insured or collateralized certificates of deposits with financial institutions and money market mutual funds with portfolios of securities issued or guaranteed (implicitly or explicitly) by the United States. Illinois Funds is rated AAA by Standard and Poor's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the County will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the County's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the County's agent separate from where the investment was purchased. Illinois Funds is not subject to custodial credit risk.

Concentration of credit risk - the County's investment requires diversification of the portfolio but does not contain any specific diversification targets.

3. RECEIVABLES - PROPERTY TAXES

Property taxes for 2008 attached as an enforceable lien on January 1, 2008, on property values assessed as of the same date. Taxes are levied by December of the same fiscal year (by passage of a Tax Levy Ordinance). Tax bills were prepared by the County and issued on or about May 1, 2009, and were payable in two installments on or about June 1, 2009 and September 1, 2009. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy to reflect actual collection experience.

The County has elected, under governmental accounting standards, to match its property tax revenues to the fiscal year that the tax levy is intended to finance. Therefore, the entire 2009 tax levy has been recorded as a receivable and deferred revenue on the financial statements.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 6,811,963	\$ 781,080	\$ -	\$ 7,593,043
Land right of way	1,506,328	56,818	-	1,563,146
Construction in progress	5,079,325	-	5,079,325	-
Total capital assets not being depreciated	13,397,616	837,898	5,079,325	9,156,189
Capital assets being depreciated				
Land improvements	1,731,986	87,225	-	1,819,211
Buildings and improvements	23,764,332	5,632,044	-	29,396,376
Vehicles	3,509,717	559,200	262,557	3,806,360
Equipment	4,647,704	316,302	388,943	4,575,063
Infrastructure	39,493,797	3,484,555	-	42,978,352
Total capital assets being depreciated	73,147,536	10,079,326	651,500	82,575,362
Less accumulated depreciation for				
Land improvements	729,367	87,185	-	816,552
Buildings and improvements	10,354,446	729,458	-	11,083,904
Vehicles	1,888,038	326,536	261,816	1,952,758
Equipment	2,504,299	348,884	335,025	2,518,158
Infrastructure	17,036,938	1,267,187	-	18,304,125
Total accumulated depreciation	32,513,088	2,759,250	596,841	34,675,497
Total capital assets being depreciated, net	40,634,448	7,320,076	54,659	47,899,865
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 54,032,064	\$ 8,157,974	\$ 5,133,984	\$ 57,056,054

4. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 3,992	\$ -	\$ -	\$ 3,992
Total capital assets not being depreciated	3,992	-	-	3,992
Capital assets being depreciated				
Improvements	721,039	49,879	-	770,918
Buildings	12,176,529	-	-	12,176,529
Furniture and fixtures	829,437	11,523	23,618	817,342
Equipment	943,658	22,053	11,324	954,387
Total capital assets being depreciated	14,670,663	83,455	34,942	14,719,176
Less accumulated depreciation for				
Improvements	214,314	60,948	-	275,262
Buildings	4,255,582	445,710	-	4,701,292
Furniture and fixtures	645,817	68,648	16,012	698,453
Equipment	524,680	68,794	11,324	582,150
Total accumulated depreciation	5,640,393	644,100	27,336	6,257,157
Total capital assets being depreciated, net	9,030,270	(560,645)	7,606	8,462,019
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 9,034,262	\$ (560,645)	\$ 7,606	\$ 8,466,011

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

GOVERNMENTAL ACTIVITIES		
General government	\$	397,052
Public safety		497,608
Health and welfare		212,640
Culture and recreation		47,969
Highway and streets	1	,603,981
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 2	2,759,250

5. LONG-TERM DEBT

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

	Balances anuary 1, 2009	Ad	lditions	Re	eductions	Balances ecember 31, 2009	Current Portion
GOVERNMENTAL ACTIVITIES Compensated absences Revenue bonds Public Building Commission Lease Revenue Refunding Bonds,	\$ 1,708,170	\$	29,667	\$	23,796	\$ 1,714,041	\$ 171,404
Series 2005 Other postemployment benefit	1,617,500 4,210		- 4,553		176,250	1,441,250 8,763	182,500
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,329,880	\$	34,220	\$	200,046	\$ 3,164,054	\$ 353,904
BUSINESS-TYPE ACTIVITIES Compensated absences Revenue bonds Public Building Commission Lease	\$ 536,130	\$	31,229	\$	49,088	\$ 518,271	\$ 187,652
Revenue Refunding Bonds, Series 2005	 4,852,500		-		528,750	4,323,750	547,500
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 5,388,630	\$	31,229	\$	577,838	\$ 4,842,021	\$ 735,152

Lease Obligations

On June 1, 2005, the PBC issued \$7,155,000 Lease Revenue Refunding Bonds, dated June 1, 2005 to advance refund, through a crossover refunding, the 2008 - 2016 principal maturities of the 1997 Lease Revenue Bonds on December 1, 2007 (the crossover date) and to pay the interest on the 2005 Lease Revenue Refunding Bonds through December 1, 2007. The 2005 bonds are due serially from December 1, 2008 through December 1, 2016 in amounts ranging from \$685,000 to \$925,000. Interest is payable semi-annually each June 1 and December 1 at amounts ranging from 3.50% to 4.25%.

Furthermore, since the PBC is a blended component unit, the lease payable/receivable between the PBC and the County has been eliminated and the series 2005 lease revenue bonds have been reported as a liability of the County, payable 25% from the Public Building Maintenance Fund (governmental activities) and 75% from the DeKalb County Nursing Home (business-type activities).

5. LONG-TERM DEBT (Continued)

Lease Obligations (Continued)

Debt service to maturity on the revenue bonds and the lease payments are as follows (payable 25% from governmental activities and 75% from business-type activities):

Fiscal	2005 Lease Revenue Bonds						
Year]	Principal		Interest		Total	
2010	\$	730,000	\$	230,723	\$	960,723	
2011		760,000		203,713		963,713	
2012		790,000		173,312		963,312	
2013		820,000		141,712		961,712	
2014		855,000		108,913		963,913	
2015		885,000		74,712		959,712	
2016		925,000		39,313		964,313	
TOTAL	\$5	,765,000	\$	972,398	\$ (6,737,398	

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

Fiscal Year	Lease Payments
2010	\$ 972,218
2011	973,513
2012	972,513
2013	970,313
2014	971,813
2015	967,013
2016	969,656
Total lease payments	6,797,039
Less interest and expenses	(1,032,039)
NET LEASE RECEIVABLE	\$ 5,765,000

6. INTERFUND ASSETS/LIABILITIES

Due to/from other funds at December 31, 2009 consist of the following:

	Due From		Due To
General Health Nonmajor Governmental	\$	- 130,000	\$ 1,000 50,000
Health General		1,000	-
Nonmajor Governmental General		50,000	130,000
TOTAL	\$	181,000	\$ 181,000

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

- \$130,000 due from in the General Fund is due from the Nonmajor Governmental Funds; \$100,000 is due from the Retirement Fund and \$30,000 is due from the Veteran's Assistance Fund. These will be repaid within one year.
- \$50,000 due from in the Nonmajor Governmental Funds (Public Building Commission Maintenance) is due from the General Fund for start-up costs. It will be repaid within one year.

Advances from/to other funds at December 31, 2009 consisted of the following:

	 Advance To	Advance From
General Community Outreach	\$ 100,000	\$ -
Capital Improvement Reserve Community Outreach	1,245,000	-
Nursing Home Tollway Access Loan	1,254,649	-
Community Outreach General Capital Improvement Reserve	-	100,000 1,245,000
Tollway Access Loan Nursing Home	 _	1,254,649
TOTAL	\$ 2,599,649	\$ 2,599,649

6. INTERFUND ASSETS/LIABILITIES (Continued)

During the fiscal year 2006, the Nursing Home Fund advanced the Tollway Access Loan Fund \$2,300,000, which it paid to the City of DeKalb as part of an intergovernmental agreement for tollway interchange improvements. The amount will be repaid in future years with sales tax revenue received from the City of DeKalb. In fiscal year 2009, a payment of \$225,783 was made.

During the fiscal year 2007, the Community Outreach Building Fund was advanced \$2,000,000. The advance was \$200,000 from the General Fund, \$1,500,000 from the Capital Improvement Reserve, \$300,000 from the County Farm Fund. The amount will be repaid in future years. In fiscal year 2009, a payment of \$355,000 was made.

Transfers to/from other funds at December 31, 2009 consist of the following:

	Transfer	Transfer
	From	То
General Health Nonmajor Governmental	\$ 5,500 48,358	\$ 575,000 1,261,400
Health		
General	575,000	5,500
Nonmajor Governmental	44,477	29,000
Nonmajor Governmental		
General	1,261,400	48,358
Health	29,000	44,477
Nonmajor Governmental	 2,369,026	2,369,026
TOTAL	\$ 4,332,761	\$ 4,332,761

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

- \$575,000 was transferred from the General Fund to the Health Fund for FICA and IMRF costs and to cover the operating costs of the animal control department. This transfer will not be repaid.
- \$1,261,400 was transferred from the General Fund to the Nonmajor Governmental Funds; \$697,400 to the Asset Replacement Fund for replacement of vehicles and computer equipment on a scheduled basis, \$350,000 to the Special Projects Fund that is a yearly allocation, \$150,000 to the Community Outreach Building Fund for construction costs, \$50,000 to the PBC Maintenance Fund for start-up funding and \$14,000 to the History Room Fund for salary and benefits for the part-time director. These transfers will not be repaid.

6. INTERFUND ASSETS/LIABILITIES (Continued)

\$2,369,026 was transferred between the Nonmajor Governmental Funds; \$500,000 was transferred to the Building Fund from the Opportunity Fund for construction of a future County building, \$425,000 was transferred to the Community Outreach Building Fund for building costs (\$200,000 from Veteran's Assistance Fund, \$175,000 from PBC Maintenance Fund, and \$50,000 from Document Storage Fund), \$370,000 was transferred to the PBC Maintenance Fund for future renewal and replacement projects (\$300,000 from Opportunity Fund and \$70,000 from Capital Improvement Reserve Fund), \$350,000 was transferred to the Highway Fund from the County Motor Fuel Tax Fund to repay amounts due from prior years, \$307,032 was transferred to the Land Acquisition Fund from the Opportunity Fund for future land acquisition, \$305,728 was transferred from the PBC Maintenance Fund to the Public Building Commission Lease Fund to create a separate fund, \$48,029 was transferred to the Engineering Fund from the Federal Highway Matching Fund to repay amounts due from prior years, \$47,000 was transferred to the PBC Administration Fund to reimburse overhead costs (\$25,000 from Community Outreach Building Fund and \$22,000 from PBC Maintenance Fund), \$7,000 was transferred to the Senior Services Fund from the Community Service Fund to transfer tax funds, \$4,637 was transferred to the Drug Court Fund from the Mental Health Fund to reimburse for services and \$4,600 was transferred to the Asset Replacement Fund for computer purchases (\$2,900 from Veteran's Assistance Fund and \$1,700 from Mental Health Fund). None of these transfers will be repaid.

7. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The County is self-insured for general liability, workers' compensation and other risks accounted for in the Tort and Liability Insurance Fund (an internal service fund) and the Nursing Home Fund. The County has also purchased property insurance.

The County is also exposed to risks of loss relating to medical insurance claims of its employees. The County has established a Medical Insurance Fund (an internal service fund) to account for its medical insurance claims. Each participating fund makes payments to the Medical Insurance Fund for amounts which are actuarially determined.

Such payments are displayed on the fund financial statements as revenues and expenditures/expenses (interfund service transactions). Effective January 1, 2003, the County discontinued its self-insurance program for employee health benefits and instead purchased third-party indemnity insurance to limit its exposure. Accordingly, there is no liability for health claims payable at December 31, 2009.

7. RISK MANAGEMENT (Continued)

For insured programs, there have been no significant reductions in insurance coverage other than noted above for the excess workers' compensation policies. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims payable, including claims incurred, but not reported, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims payable are recorded in the Tort and Liability Insurance Fund and the Nursing Home Fund at December 31, 2009.

Changes in the Tort and Liability Isurance Fund and Nursing Home Fund claims payable in fiscal year 2009 and 2008 were:

			(Current Year				Balance,
Fiscal Year	В	eginning of	of Claims and					Fiscal
Ended	F	Fiscal Year		Changes in Claims			Y	ear Ended
December 31,		Liability		Estimates		Paid	De	ecember 31
2008	\$	599,426	\$	159,227	\$	150,966	\$	607,687
2009		607,687		288,120		256,079		639,728

8. CONTINGENT LIABILITIES

a. Litigation

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's attorney that resolution of these matters will not have a material adverse effect on the financial condition of the County.

b. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

8. CONTINGENT LIABILITIES (Continued)

c. Property Tax Appeals

The County currently has various property tax appeals pending in front of the Property Tax Appeal Board. The outcome of these appeals is uncertain at this time. In the event the County does not prevail, property taxes collected from these property owners would need to be refunded.

d. Medicaid

During fiscal year 2009, the DeKalb County Nursing Home was notified by the Illinois Department of Healthcare and Family Services (IDHFS) of prior year rate adjustments related to its Medicaid payments. At December 31, 2009, the amount of potential paybacks resulting from the rate adjustments had not been determined by IDHFS and, accordingly, no liability has been accrued.

9. EMPLOYEE RETIREMENT SYSTEMS

The County contributes to three agent multiple-employer defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF - County), Illinois Municipal Retirement Fund (IMRF - Forest Preserve District) and the Sheriff's Law Enforcement Personnel (also administered by IMRF). The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report upon that includes financial statements and supplementary information for the plan as a whole, but not by individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

a. Plan Descriptions

Illinois Municipal Retirement Fund - County

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The County is required to contribute the remaining amounts necessary to fund the IMRF as specified by statute. The employer contribution for the year ended December 31, 2009 was 8.65% of covered payroll.

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund - Forest Preserve District

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The County is required to contribute the remaining amounts necessary to fund the IMRF as specified by statute. The employer contribution for the year ended December 31, 2009 was 13.28% of covered payroll.

Sheriff's Law Enforcement Personnel

Sheriff's Law Enforcement Personnel (SLEP) having accumulated at least 20 years of SLEP service and terminating IMRF participation on or after January 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. SLEP members meeting these two qualifications are entitled to an annual retirement benefit payable monthly for life, in an amount equal to 2 1/2% of their final rate of earnings for each year of credited service up to 20 years, 2% of their final earnings rate for the next 10 years of credited service and 1% for each year thereafter. For SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies. SLEP also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statute. Participating members are required to contribute 7.5% of their annual salary to SLEP. The County is required to contribute the remaining amounts necessary to fund SLEP as specified by statute. The employer contribution for the year ended December 31, 2009 was 18.17% of covered payroll.

b. Annual Pension Costs

Employer contributions have been determined as follows:

_	Illinois Municipal Retirement (County)	Illinois Municipal Retirement (Forest Preserve District)	Sheriff's Law Enforcement Personnel
Actuarial valuation date	December 31,	December 31,	December 31,
	2007	2007	2007
Actuarial cost method	Entry-age	Entry-age	Entry-age
	Normal	Normal	Normal
Asset valuation method	5 Year	5 Year	5 Year
	Smoothed	Smoothed	Smoothed
	Market	Market	Market
Amortization method	Level	Level	Level
	Percentage	Percentage	Percentage
	of Payroll	of Payroll	of Payroll
Amortization period	23 Years,	23 Years,	23 Years,
	Closed	Closed	Closed
Significant actuarial assumptionsa) Rate of return on present and future assets	7.50% Compounded Annually	7.50% Compounded Annually	7.50% Compounded Annually
b) Projected salary increase - attributable to inflation	4.00% Compounded Annually	4.00% Compounded Annually	4.00% Compounded Annually
c) Additional projected salary increases - seniority/merit	.40% to 10.00%	.40% to 10.00%	.40% to 10.00%

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

b. Annual Pension Costs (Continued)

	Calendar Year	Illinois Municipal Retirement (County)	Illinois Municipal Retirement (Forest Preserve District)	Sheriff's Law Enforcement Personnel	
Annual pension cost (APC)	2007	\$ 1,439,423	\$ 28,286	\$ 975,060	
	2008	1,483,400	32,675	1,083,070	
	2009	1,563,321	35,753	1,173,652	
Actual contribution	2007	\$ 1,439,423	\$ 28,286	\$ 975,060	
	2008	1,483,400	32,675	1,083,070	
	2009	1,563,321	35,753	1,173,652	
Percentage of APC contributed	2007	100.00%	100.00%	100.00%	
	2008	100.00%	100.00%	100.00%	
	2009	100.00%	100.00%	100.00%	
Net pension obligation (NPO)	2007	\$ -	\$ -	\$ -	
	2008	-	-	-	
	2009	-	-	-	

c. Funded Status

The funded status of the plans as of December 31, 2009 is based on actuarial valuations performed as of December 31, 2009 for IMRF (County and DCFPD) and SLEP and is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer APC of the plans as disclosed in Note 9-b.

	Illinois Municipal Retirement (County)	Illinois Municipal Retirement (Forest Preserve District)	Sheriff's Law Enforcement Personnel	
Actuarial accrued liability (AAL)	\$ 45,861,620	 \$ 1,411,149 1,055,551 355,598 74.80% \$ 269,221 132.08% 	\$ 25,421,838	
Actuarial value of plan assets	36,437,402		15,130,033	
Unfunded actuarial accrued liability (UAAL)	9,424,218		10,291,805	
Funded ratio (actuarial value of plan assets/AAL)	79.45%		59.52%	
Covered payroll (active plan members)	\$ 18,073,079		\$ 6,459,286	
UAAL as a percentage of covered payroll	52.15%		159.33%	

c. Funded Status (Continued)

See the schedules of funding progress in the required supplementary information immediately following the notes to financial statements for additional information related to the funded status of the plans.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

a. Plan Description

In addition to providing pension benefits, the County and the DCFPD are required by Illinois Compiled Statutes (ILCS) to provide certain health care benefits for retired employees. Substantially all of the County's and the DCFPD's employees may become eligible for those benefits if they reach normal retirement age while working for the County or the DCFPD and retire through IMRF. Retiree participants electing those benefits are required to contribute \$362 to \$500 monthly for single coverage and \$840 to \$1,380 monthly for family coverage which is equal to the premium for the coverage. The cost of retiree health care is recognized as an expenditure as claims are paid.

b. Benefits Provided

The County and the DCFPD provide continued health insurance coverage at the blended employee rate to all eligible retirees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the County's or the DCPDF's retirement plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a medicare supplement plan from the County's insurance provider.

c. Membership

At December 31, 2009, membership consisted of:

	County	DCFPD
Retirees and beneficiaries currently receiving benefits Terminated employees entitled to benefits but not	10	-
yet receiving them Active employees	- 461	- 4
TOTAL	471	4
Participating employers	1	1

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

d. Funding Policy

The County and the DCFPD are not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

e. Annual OPEB Costs and Net OPEB Obligation

The County and the DCFPD's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008 and 2009 is as follows (information for three years is not available as the County and DCFPD implemented the provisions of this statement for the year ended December 31, 2008):

	Fiscal Year Ended	Annual OPEB Cost	mployer	Percentage of Annual OPEB Cost Contributed	et OPEB oligation
County County DCFPD DCFPD	December 31, 2008 December 31, 2009 December 31, 2008 December 31, 2009	\$ 24,898 25,280 308 268	\$ 20,995 20,995 -	84.3% 83.0% 0.0% 0.0%	\$ 3,902 8,187 308 576

The net OPEB obligation as of December 31, 2009 was calculated as follows:

	County	DCFPD	
Annual required contribution	\$ 25,215	\$ 263	
Interest on net OPEB obligation	195	15	
Adjustment to annual required contribution	(130)	(10)	
Annual OPEB cost	25,280	268	
Contributions made	20,995	-	
Increase in net OPEB obligation	4,285	268	
Net OPEB obligation beginning of year	3,902	308	
NET OPEB OBLIGATION END OF YEAR	\$ 8,187	\$ 576	

10. OTHER POSTEMPLOYMENT BENEFITS (OBEB) (Continued)

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

Funded Status and Funding Progress - The funded status of the plan as of December 31, 2009 was as follows:

	 County	DCFPD		
Actuarial accrued liability (AAL)	\$ 294,626	\$	5,047	
Actuarial value of plan assets	-		-	
Unfunded actuarial accrued liability (UAAL)	294,626		5,047	
Funded ratio (actuarial value of plan assets/AAL)	0.0%		0.0%	
Covered payroll (active plan members)	\$ 24,834,815	\$	227,962	
UAAL as a percentage of covered payroll	1.2%		1.8%	

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a discount rate of 5% and an initial healthcare cost trend rate of 8% with an ultimate healthcare inflation rate of 6%. Both rates include a 3% inflation assumption. The actuarial value of assets was not determined as the DCFPD has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 30 years.

11. RELATED ORGANIZATIONS

The County's officials are also responsible for appointing the members of the boards of other organizations; however, the County's accountability for these organizations does not extend beyond making the appointments as specified by state statute, local statute or the organization's by-laws. The Board Chairman and/or the Board of DeKalb County appoint the board members of the following organizations:

DeKalb County Nursing Home Foundation Emergency Telephone Service Board Metropolitan Exposition, Auditorium and Office Building Authority Natural Resources Education Foundation Board DeKalb County Cooperative Extension Board Housing Authority of DeKalb County Fairdale Street Lighting District DeKalb Sanitary District Various fire protection districts within DeKalb County Various cemetery associations within DeKalb County Various drainage districts within DeKalb County