



INTRODUCTORY SECTION

DEKALB COUNTY, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2009

LEGISLATIVE

Ruth Ann Tobias, Chairman

Larry Anderson, Vice-Chairman

Sharon Holmes, Clerk

Marlene Allen

Patricia LaVigne

Kenneth Anderson

Jeffery Metzger, Sr

Jerry Augsburger

Scott M. Newport

Kevin Chamblis

Riley N. Oncken

Sally Defauw

Paul Stoddard

Eileen Dubin

Michael Stuckert, Sr

John C. Emerson

Mark A. Todd

Julia Fauci

Anita Jo Turner

John Gudmunson

Derek Tyson

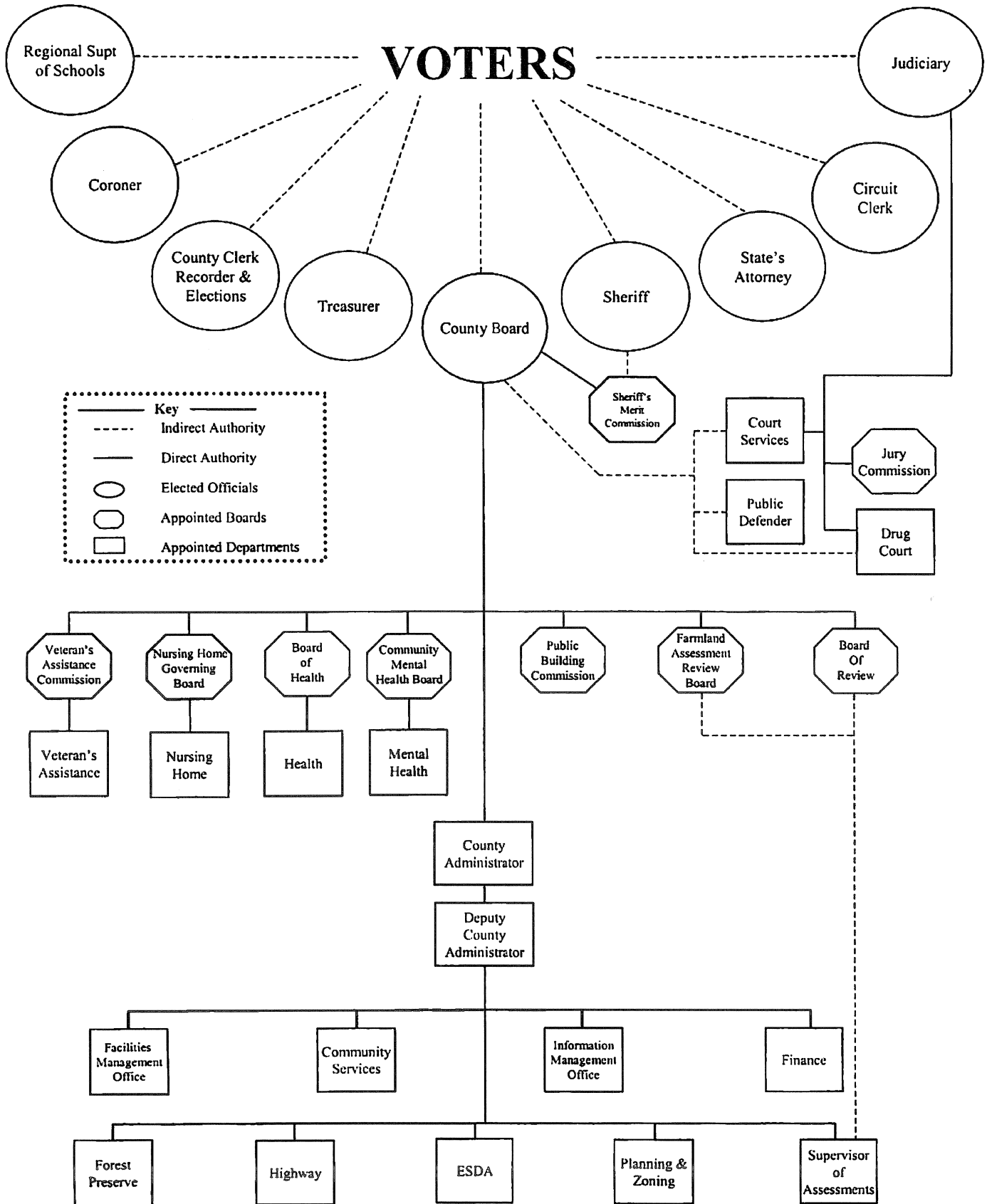
Michael Haines

Patricia R. Vary

John Hulseberg

Stephen R. Walt

DeKalb County Government Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

DeKalb County Government
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



DeKalb County Finance Office

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

April 9, 2010

To the Citizens of DeKalb County:

The comprehensive annual financial report of DeKalb County for the fiscal year ended December 31, 2009, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with DeKalb County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and the changes in financial position of the various funds of DeKalb County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included. We encourage readers to consider the information presented here along with additional information included in the Management Discussion and Analysis.

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

This report includes all funds of DeKalb County. DeKalb County provides a full range of services. These services include public safety, highways and roads, health and social services, recreation areas, planning and zoning, and general administrative services. In addition to general county government activities, the County Board also serves as the DeKalb County Forest Preserve District Board of Commissioners. Further, the County Board appoints the members of the DeKalb County Public Building Commission and the Commission generates its revenues entirely through long-term lease agreements with the County. Therefore, the activities of both the Forest Preserve District and the Public Building Commission are included in the reporting entity. However, other governmental units throughout the County, such as municipalities, schools, townships, etc. are excluded from the reporting entity. The aforementioned entities are separately governed taxing bodies and are not dependent on or controlled by DeKalb County.

PROFILE OF DEKALB COUNTY

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

Citizens of DeKalb County
April 9, 2010

DeKalb County Farm Bureau was the first Farm Bureau in the nation and represents and advances farming interests at the County level.

In 1895 Northern Illinois State Normal School opened. Although the school has been renamed Northern Illinois University (NIU), it has grown to accommodate an annual enrollment of approximately 25,000 students and is the County's largest employer.

The years between 1940 and 1970 saw significant growth in the County's population and a steady growth of the regional industrial base. The population of DeKalb County in 2009 was 107,333. DeKalb County is rectangular in size, north/south dimension is 36 miles long and the east/west dimension is 18 miles wide. The County represents approximately 636 square miles (406,151 acres) and is comprised of 19 Townships. The County also has fourteen municipalities that are partially or entirely within the County.

DeKalb County is governed by a County Board. The County Board is divided into twelve (12) two person Districts based on population. Members are elected for four-year terms. One member is elected in each District every two years. However, all twenty-four (24) members are elected at the November General Election in the second year following a decennial census. The County Board has eight (8) standing committees. Members of the County Board serve concurrently as Commissioners of the DeKalb County Forest Preserve. The County Clerk and Recorder, Regional Superintendent of Schools, County Circuit Clerk, County Treasurer, County Sheriff, States Attorney, and Coroner are elected officials. The County Board appoints, among others, the County Administrator, Deputy County Administrator, Supervisor of Assessments, Director of Information Management, Forest Preserve Superintendent, County Engineer, Facilities Manager and the Community Services Director.

DeKalb County Government provides a full range of services. Those services include Police, Highways and Streets, Planning and Zoning, Code Enforcement, Cultural and Recreation, Health, Nursing and Rehabilitation, Financial and General Administrative.

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

Of the 2009 equalized assessed valuation (EAV) of \$2,202,386,290, 70% is residential, 21% is commercial/industrial and 9% farm. The County continues to actively pursue economic development with the goal of broadening and diversifying the long-term tax base.

The annual budget is the primary guiding document for the County's financial planning and control. In addition, the County maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the County Governing Board. The level of budgetary control (that is, the level at which

Citizens of DeKalb County
April 9, 2010

expenditures cannot legally exceed the budgeted amount) is established at the object level.

ECONOMIC CONDITION AND OUTLOOK

Infrastructure improvements continue to be a necessity to encourage development and a strong economy. While the County had previously completed a multi-year project of building and upgrading most of Peace Road, in 2009 the County completed a project of .189 miles on Perry Road that widened with turn lanes and resurfacing south of Bethany Road. Shabbona Road Bridge, Suydam Road Bridge and Perry Road Bridge were all built and the roads were open at the end of 2009. Other road projects were completed on South First Street, Malta Road and Somonauk Road resurfacing at a cost of \$1.2 million.

Overall, the economic outlook in DeKalb County has continued to slow as it follows the national downturn. Unemployment rates based on a twelve-month average have gone up by a significant amount from 4.7% in 2007 to 8.1% in 2008 and 11.6% in December of 2009. The growth that previously had been seen along Sycamore Road between the City of DeKalb and the City of Sycamore has continued the slow pace started in 2008. The housing industry continues to move very slowly. The unemployment rate rose over 3% in one year. This causes one of the most pressing problems to be employment opportunities and affordable housing for the community.

MAJOR INITIATIVES FOR THE YEAR AND THE FUTURE

Current Year

DeKalb County completed a new office building on the same campus as the DeKalb County Rehab and Nursing Home and the Public Health Department. This building is called the Community Outreach Building and beginning in February 2009 it housed the Veteran's Assistance Commission, the Regional Office of Education, the Home Health Nursing Department and the Mental Health Department. This building is using a Geo-Thermal concept of heating and cooling and should be consistent with the County's "Green" philosophy with energy costs. During 2009 a Green Infrastructure Workshop was held on May 7th at the Kishwaukee Community College's Conference Center. The title of the conference was *New Jobs in A Green Infrastructure*. The conference was held in conjunction with National County Government Week and the theme was "Greening our Future". Anyone interested in job creation and sustainable infrastructure was encouraged to attend the event and topics covered were retrofitting, entrepreneurship, innovation and new jobs in developing a green infrastructure.

The DeKalb County Rehab and Nursing Home was the first department of the County to switch to a voice-over internet protocol (VoIP) phone system during 2008. The Information Management Office (IMO) department was responsible for the research and installation of the system. When the County Departments moved into the Community Outreach Building they were also switched to the new phone system. The County has met their goal of having all departments on this new phone system during 2009. The IMO department also took on the responsibility of doing the training on the VOIP system for all departments.

In the past the County has elected to assume most of its own liability for risk exposure. Self-insurance continued during 2009 for worker's compensation and excess liability. By assuming risk, the County has been able

Citizens of DeKalb County
April 9, 2010

to keep its tax levy lower than normal over the last several years for the Tort and Liability Insurance Fund. At the same time, the County has built a retained balance for potential claims. That retained balance, in a period of twenty-one years for which this self-insured philosophy has been in place, has gone from a negative balance to over \$4,008,898 for the 2009 fiscal year. It is anticipated that the tax levy for insurance policies and claims should be able to remain relatively constant. Property insurance is purchased on all buildings. The County now purchases Health insurance and Life insurance. Health insurance costs continue to grow each year and the County must face the costs becoming a larger portion of the total budget each year. Efforts to keep the cost increases in line are ongoing and the increase in 2009 was 3%.

The Stormwater Management Planning committee has also been busy during 2009. The committee has been working on Stage 2 of the Countywide Stormwater Management Plan over the course of the year. The primary feature of this phase will be the creations of "County-wide Surface Water Maps". The main project for Stage 2 was to add county-wide two foot contour intervals (topography), wetlands, and watershed boundaries into the County's digital maps. At the end of 2008 and going into 2009 there was renewed interest in wind towers being placed on rural land in the southwestern part of DeKalb County. A public hearing was held in March 2009 which resulted in the passing of an ordinance in June 2009 for a special use permit for wind farms on various properties in townships in southern DeKalb County.

DeKalb County began negotiating a Governmental Agreement with the Prairie Band Potawatomi Nation during 2007. The Prairie Band Potawatomi "Nation" is a federally recognized Indian tribe with all rights and powers attendant thereto. The Nation attests that in 1829, Article III of the Treaty of Prairie du Chien, reserved for Chief Shab-eh-nay and his band land which consisted of 1,280 acres located near the present Village of Shabbona, Illinois and within DeKalb County. The Nation has purchased 128 acres of land within the Shab-eh-nay Reserve. The Nation and DeKalb County developed the final Governmental Agreement on February 20, 2008. This Governmental Agreement allows the two parties to consult and cooperate with regard to the development of Tribal Project Lands. The agreement also says the Tribal Project Lands are limited to a Class II gaming facility under the Indian Gaming Regulatory Act, 25 U.S.C., including food service and complementary retail, a 2,500 square foot government center with limited office space and a welcome center and parking to serve both. Payments to the County will be in lieu of Property Taxes and shall be based on the amount calculated by the County Tax Extension Clerk, as such calculations for all real property in the County are calculated. Upon commencement of gaming activities the County will also receive an annual contribution based on net revenues from the gaming operations of the Nation. The entire Governmental Agreement between DeKalb County and the Nation is contingent upon the issuance of a written Indian land determination by the National Indian Gaming Commission ("NIGC") or the U.S. Department of the Interior. This determination would say that the Shab-eh-nay Reserve legally qualifies for gaming under the Indian Gaming Regulatory Act. If this qualification does not occur the governmental agreement shall terminate immediately. The 2009 year again brought no decision from the Department of the Interior of Federal Government on the determination.

Future

A major item facing the County has always been a need to do adequate planning for the potential growth in the County. The Regional Planning

Citizens of DeKalb County
April 9, 2010

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

Moving forward with the Regional Planning Commission objectives will be a continuing process in the County. The Regional Planning Commission will work with the municipal governments throughout the County with any issue that can best be addressed with a regional outlook. The RPC will continue to serve as a clearing house for regional issues, such as flood control, waterways, and transportation will be a challenge to all units of local government. Because Illinois has so many units of local government, this will be a difficult challenge, both in logistics and politics, to try and bring governments together for these common purposes. The decision was made by the RPC to update the County Unified Comprehensive Plan during 2010. During 2009 the downturn of both the labor market and affordable housing due to market and banking issues led to very little movement necessary to address significant progress in attracting new industry to the County.

The DeKalb County Stormwater Management Planning Committee continued to meet in 2009. The law requires that a countywide management plan must be prepared and submitted to the County Board for adoption by a stormwater planning committee. The committee is comprised of one municipal and one county representative for each of six districts that cover the entire county. In discussing the next steps it was noted that the 2007 flooding in DeKalb County highlights the need for more coordinated, regional based regulation and management of water. The committee also noted that there is a concurrent effort underway for planning for ground water and that ground water and stormwater are related issues. Some good planning practices attempt to tie stormwater management to ground-water management recharge and water quality. Some of these techniques are rain gardens, grass filtration strips within parking lots and encouraging use of rain barrels to capture water from roofs for use in watering gardens, landscaping and lawns. The committee has committed to meeting on a monthly basis to bring ideas to the table. The goal is to survey the communities to identify problem areas related to stormwater and attempt to mitigate areas that are highlighted by the survey.

Along with population and development growth, there's also a concern for maintaining adequate open space. Of course, the funding of any land acquisitions also presents challenges. In a very creative approach, the Forest Preserve District has also established a Wetland Bank. It is hoped that in the future, as developers need to establish or replace wetlands, they can satisfy that requirement by purchasing part of the Forest Preserve Wetland that is held in a type of "bank", just for that purpose. Monies from the sale of Wetlands is then reserved for future land acquisitions by the Forest Preserve District. Work continued during 2009 on the wetlands. The County Board made the decision to ask the voters for a referendum to increase the general corporate tax rate from .0325% to .06% for the Forest Preserve. The referendum passed with a margin of 52%. The Forest Preserve was unable to purchase additional land during 2009 but the beginning of 2010 brings renewed hope for several different properties that may become available adjacent to

Citizens of DeKalb County
April 9, 2010

the existing Forest Preserves. The Forest Preserve was also awarded a grant in 2008 for \$381,400.00 from the State of Illinois that will be used for purchase of land to be used as open space by the DeKalb County Forest Preserve, the land that was to be purchased became unattainable when the property became part of an estate after a death.

One of the fastest growing service areas for the County continues to be the court system. Not only is the case load expanding rapidly, but the number of complex cases is also increasing. To begin to meet the records management needs of this, the County has been relying on greater computer enhancements and also newer technologies for documentation storage. Both areas will need continual attention in the future. Additionally, the County will need to put some energy into connecting the various components of the judicial system together via a computer network. Access to the Internet and E-mail systems should also enhance communication and the flow of information.

Beginning in June of 2002 the DeKalb County Sheriff approached his committee with concerns regarding the overcrowding conditions at the County Jail. An Ad Hoc Committee was formed and a consultant was hired in 2003. A decision to place a referendum issue of ½ of one-cent public safety tax was made. The question was given to the voters of DeKalb County on the ballot in March 2004 and defeated with a vote of 53% no vote. The DeKalb Board again placed a half-cent Public Safety Sales Tax referendum on the ballot for November of 2006 and again it was defeated by a margin of 57%. The jail continues to be overcrowded even after implementing electronic home monitoring, graduated sentences, and work release expansion and the costs of housing prisoners at other jail facilities has created budget shortfalls. Number of prisoners and costs of housing prisoners at other facilities did drop slightly during 2009. The Sheriff and the County Board continue to look at these costs and try to find ways to contain costs.

The Drug Court continued operations during 2009 and there have been four graduation ceremonies with a total of 21 graduates since it began in 2007. This felony court works with non-violent addicted felons who must plead guilty and admit addiction. This is a highly structured supervised program that at a minimum lasts 14 months. The State of Illinois passed two statutes to allow fines to be collected on guilty traffic violations and guilty felony pleas to help provide funding for the Drug Court. These monies pay salary costs as well as treatment providers of counseling and intervention specialists. The Special Court Administrator for the DeKalb County Drug Court submitted a Federal Department of Justice grant in April of 2008 and was notified that the County had been awarded the grant in October 2008. This grant will be for three years and will help provide a probation officer as well as counseling costs for the program for three years. The Drug Court continues to provide another means of keeping non-violent offenders out of the County Jail that will in turn help with overcrowding issues that continue. A second grant has been applied for and Drug Court is awaiting the decision of whether they will receive additional monies from this grant.

The State's Attorney Office is opening a DUI Court that will be based on some of the same principles of the Drug Court. Offenders will be given the opportunity to get treatment and counseling with intervention specialists and with successful completion of the program will not remain in the court system.

Transportation planning is a key to DeKalb County's future. Because of commuting patterns, both in and out of the County, DeKalb County is now

Citizens of DeKalb County
April 9, 2010

considered a part of the Chicago Metropolitan Statistical Area. When the 2000 Census figures indicated that the cities of DeKalb, Sycamore and Cortland were greater than 50,000 in population, it was required that a Metropolitan Planning Organization (MPO) for Transportation be started in DeKalb County. This joint planning organization, known as DeKalb, Sycamore Area Transportation Study (DSATS) is the point of receipt or flow through of federal transportation dollars that will be used for roads and bridges as well as public transportation in the MPO area.

DeKalb County has become involved in a venture with the private sector for the development of a Supportive Living Facility. Supportive Living is a program funded by the Illinois Department of Public Aid (IPA) and is characterized as the Medicaid version of assisted living. Supportive Living Facilities (SLF) feature apartment units rather than institutional semi-private accommodations of a Nursing Home. Serving low-income seniors remains a critical part of the County's mission in long-term care. As we are often the provider of last resort, we see a clear link between Supportive Living and our mission of service. The beginning of 2007 brought zoning and building permit approval as well as Environmental Protection Agency (EPA) permits for water and sewer. The finance team also got the financing in place for the construction of the Supportive Living Facility. The building opened in 2008 and has 76 apartment units. All of the apartments have been filled during 2009 and there are waiting lists for individuals interested in this type of facility.

In early 1999, the voters approved a referendum which will limit any future property tax increases to (a) the cost of living or 5%, whichever is less, plus (b) an amount reflective of new construction for the previous year. This new limitation was effective January 1, 2000 and it first affected the FY 2001 budget which was approved by the County Board in November, 2000. This limiting referendum will present significant challenges to the County Board to provide for services in the future should the demand and need exceed the annual allowable increment.

The DeKalb School District #428, after many attempts, passed a \$110 million school referendum in February 2008. The money is being used to build a new high school and do major repairs on the old high school to convert it to a middle school. The old middle school will be converted to an elementary school. The new high school should be ready for students in the fall of 2011. The overcrowding at the high school has been a major problem for the district. The larger high school is now controversial in that the District used predictions based on larger numbers of students due to the building that was happening at the time when the school was planned. The building boom is no longer a reality here or elsewhere and with the economy downturn that has reduced the number of new students that may attend the new high school. The lack of reimbursement dollars due from the State of Illinois were needed to meet budget costs. The DeKalb District, the largest in the County, as well as other districts in the County are all needing to consider reducing teachers and other employees in order to meet the budget reductions. The DeKalb School District did reduce teaching staff for the 2010-2011 school year and are waiting for the State of Illinois to make decisions before hiring any of the staff to return in the fall of 2010.

Citizens of DeKalb County
April 9, 2010

OTHER INFORMATION

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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to DeKalb County for its comprehensive annual financial report for the fiscal period ended December 31, 2008. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. DeKalb County has received a Certificate of Achievement for the last twenty-three consecutive years (fiscal years ended 1986-2008). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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

Respectfully submitted,



Gary H. Hanson
Deputy County Administrator

Respectfully submitted,



Karen S. Kahl
Accounting Supervisor