

# **Financial Section**



## INDEPENDENT AUDITORS' REPORT

To the Members of the County Board  
Champaign County  
Urbana, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Champaign County, Illinois, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Champaign County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Champaign County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Champaign County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Members of the County Board  
Champaign County

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Champaign County, Illinois, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit for the year ended December 31, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise Champaign County's basic financial statements. The combining statements and individual fund statements and schedules for the year ended December 31, 2016 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2016, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and individual fund statements and schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2016.

The basic financial statements of Champaign County as of and for the year ended December 31, 2015 (not presented herein) were audited by other auditors whose report contained unmodified opinions on the respective financial statements of the the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Ther report of the other auditors dated September 4, 2016, stated that the combining statements and individual fund statements and schedules for the year ended December 31, 2015 were subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2015.

To the Members of the County Board  
Champaign County

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Champaign County's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 on our consideration of Champaign County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Champaign County's internal control over financial reporting and compliance.

*Baker Tilly Veichow Krause, LLP*

Oak Brook, Illinois  
December 7, 2017

**County of Champaign, Illinois****Management's Discussion and Analysis****December 31, 2016**

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As management of the County of Champaign, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the County of Champaign for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

**Financial Highlights**

- The assets/deferred outflows of the County of Champaign exceeded its liabilities/deferred inflows at the close of the most recent fiscal year by \$83,173,670 (*Total Net Position*). This represents an increase in net position of approximately \$1.5 million or 1.8% between 2015 and 2016. The net position related to Governmental Activities increased by \$3.1 million (5.0%) and the net position for the Business-Type Activities decreased by \$1.7 million or 8.8%.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$39,038,437, an increase of \$1.98 million from the prior year. \$34,610,797 of this fund balance is restricted to use for specific purposes such as Debt Service, Public Safety, Health & Education, Development, and Public Works by way of state statutes, grantor/donor stipulations, or debt covenants.
- For the fiscal year ended December 31, 2016, the unassigned fund balance for the County's General Fund was \$4,261,829, or 12.1% of total general fund expenditures. This was approximately 9.2% lower than the unassigned fund balance for fiscal year 2015.
- During FY2016, Champaign County issued new debt of \$3,775,000 as a current refunding of \$3,740,000 in Public Safety Sales Tax 2007A Bonds. Champaign County's total general bonded debt decreased by \$3,200,859, excluding this refunding.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Champaign County's basic financial statements. Champaign County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial

statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Champaign County's finances, in a manner similar to a private-sector business.

- The *Statement of Net Position* presents information on all of Champaign County's assets/deferred outflows and liabilities/deferred inflows, with the difference between these reported as *Total Net Position*. Over time, increases or decreases in the total net position may serve as a useful indicator of whether the financial position of Champaign County is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in total net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected sales taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County of Champaign include general government, justice and public safety, health, education, social services, development, and highways and bridges. The business-type activities of the County of Champaign include the Champaign County Nursing Home. The government-wide financial statements do not include funds classified as Fiduciary Funds (discussed further below), because the resources of those funds are not available to support the County's programs.

The government-wide financial statements are on pages 39-40 of this report.

**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 County of Champaign, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Champaign can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on

*balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County of Champaign maintains 49 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Mental Health Fund, and Regional Planning Commission Fund, all of which are considered to be major funds. Data from the other 46 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County of Champaign adopts an annual appropriated budget for all the governmental funds. A budgetary comparison statement has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget.

The basic governmental funds financial statements are presented on pages 41-44 of this report.

***Proprietary Funds.*** The County of Champaign maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County of Champaign uses one enterprise fund to account for its Nursing Home. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various functions of the County.

The County of Champaign uses internal service funds to account for its self-funded insurance and employee health insurance. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide information for the County Nursing Home, which is considered to be a major fund of the County of Champaign. Both internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the

internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary funds financial statements can be found on pages 45-48 of this report.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County of Champaign's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 51-52 of this report.

***Notes to the Financial Statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-89 of this report.

***Other Information.*** In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning (1) the County of Champaign's progress in funding its obligation to provide pension and other post-employment benefits to its employees; and (2) an actual to budget comparison for the County's major funds presented on the budgetary basis. This required supplementary information can be found in Exhibits XI, XII and XIII on pages 91-98 of this report.

The County's combining statements, referred to earlier in connection with non-major governmental funds and internal service funds, are presented immediately following the *Required Supplementary Information*. These statements can be found on pages 99-120 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, the total net position may serve over time as a useful indicator of a government's financial position. For Champaign County, assets and deferred outflows exceeded liabilities and deferred inflows by \$83,173,670 at the close of the close of the fiscal year ended December 31, 2016. The table **County of Champaign's Net Position**, presented below, reflects the condensed Statement of Net Position.

The largest component of the County of Champaign's total net position (\$62,998,007 or 75.7%) is its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any outstanding related debt used to acquire those assets. The County of Champaign uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another component of the County's total net position, totaling \$35,730,678, represents resources that are subject to external restrictions on how they may be used. Of this amount, \$22,498,372 is restricted by state statute; \$11,317,363 is restricted by grantor/donor stipulations; and \$1,914,943 is restricted by debt covenants. This leaves an unrestricted deficit balance of (\$15,555,015) as the final component of the total net position. This deficit balance includes (\$19,747,377) in net pension liability which has been offset by \$10,959,021 in pension related net deferred outflows.

It is worth noting that \$8,900,000 of outstanding debt, issued to finance construction of the 2006 Nursing Home facility, is not reflected in the business-type activities with the related capital assets. This debt is reported as part of the unrestricted net position in the governmental activities since it is being repaid using property taxes and sales taxes reported in governmental funds. Without this extra debt burden, the (\$14,073,880) unrestricted net position in the governmental activities as of December 31, 2016, would be significantly lower.

For the past ten years, the County has reported negative balances in unrestricted net position for the government as a whole; however, the size of the deficit had decreased between 2006 and 2016 with the exception of 2014. In 2014, the deficit increased due to thirteen months of expenses offset by only twelve months of property tax revenues.

The following table presents a snapshot of Champaign County's Total Net Position for the fiscal year ended December 31, 2016:

### County of Champaign's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 84,371,423	\$ 78,501,826	\$ 4,365,362	\$ 6,205,367	\$ 88,736,785	\$ 84,707,193
Capital Assets	68,281,880	71,818,191	18,746,696	18,918,498	87,028,576	90,736,689
Total Assets	152,653,303	150,320,017	23,112,058	25,123,865	175,765,361	175,443,882
Deferred Outflow of Resources	10,414,179	13,186,252	1,544,583	1,844,213	11,958,762	15,030,465
Total Assets & Deferred Outflow of Resources	163,067,482	163,506,269	24,656,641	26,968,078	187,724,123	190,474,347
Current and Other Liabilities	9,113,755	8,559,878	3,919,686	3,304,319	13,033,441	11,864,197
Long-term Liabilities	55,809,924	61,912,946	2,186,359	3,531,411	57,996,283	65,444,357
Total Liabilities	64,923,679	70,472,824	6,106,045	6,835,730	71,029,724	77,308,554
Deferred Inflow of Resources	32,235,694	30,259,384	1,285,035	1,195,322	33,520,729	31,454,706
Net Position:						
Invested in Capital Assets	44,251,311	45,880,763	18,746,696	18,918,498	62,998,007	64,799,261
Restricted	35,730,678	32,826,900	0	0	35,730,678	32,826,900
Unrestricted	(14,073,880)	(15,933,602)	(1,481,135)	18,528	(15,555,015)	(15,915,074)
Total Net Position	\$ 65,908,109	\$ 62,774,061	\$ 17,265,561	\$ 18,937,026	\$ 83,173,670	\$ 81,711,087

**Governmental Activities:** The total net position reported for governmental activities increased by \$3.13 million or 5.0% between fiscal year 2015 and fiscal year 2016. If we eliminate the impact of the pension liability, the net position for fiscal year 2016 would have been approximately \$3.12 million or 4.4% higher than fiscal year 2015. This \$3.12 million increase was due primarily to a similar reduction in long-term debt.

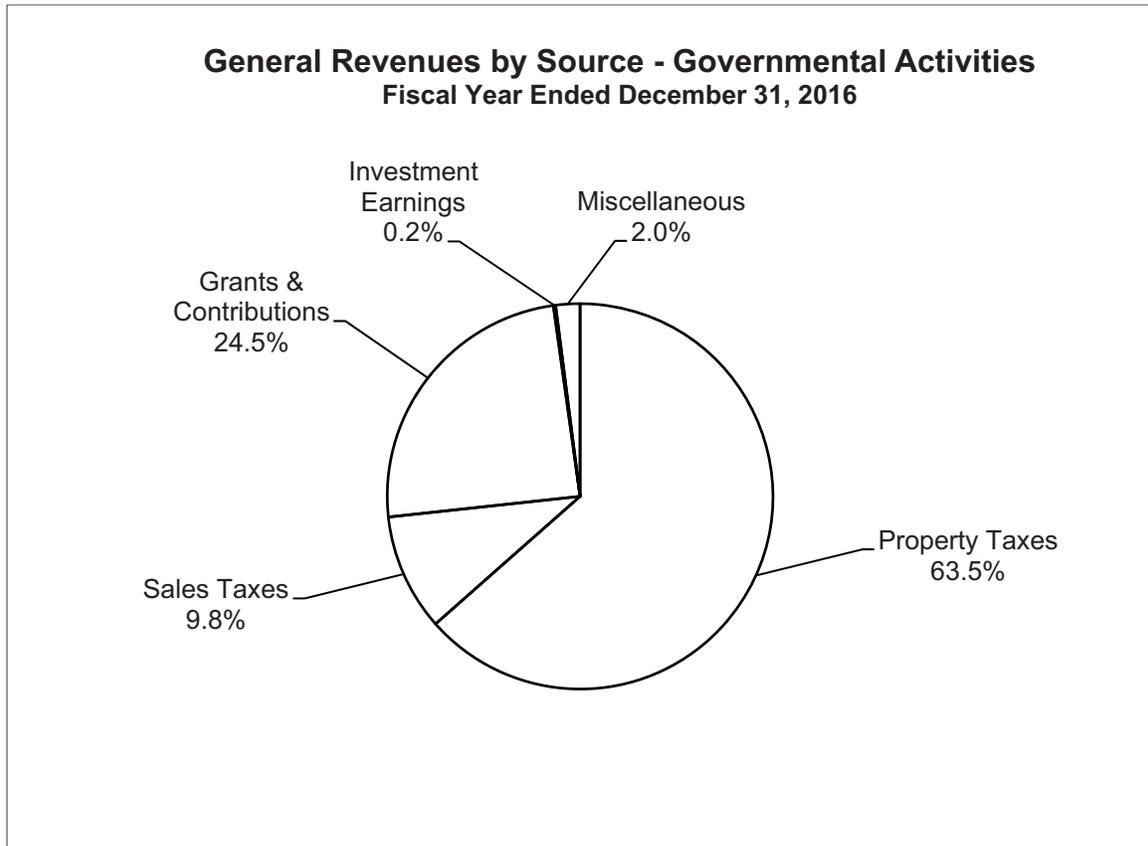
**Business-Type Activities:** The total net position reported in fiscal year 2016 for business-type activities was \$17.3 million, a decrease of \$1.7 million or 8.8% from fiscal year 2015. Similarly, if we eliminate the impact of the pension liability, the net position for fiscal year 2016 would have been approximately \$2.7 million or 13.3% lower than fiscal year 2015. The main components of the \$2.7 million deficit were an increase of \$1,244,669 in payables to outside vendors, a tribute to the poor collections experienced by the Nursing Home; and a reduction of \$1,227,759 in Patient Accounts and Intergovernmental Receivables due to significant bad debt.

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

### County of Champaign's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 10,324,495	\$ 10,720,789	\$ 11,356,472	\$ 13,348,143	\$ 21,680,967	\$ 24,068,932
Operating Grants & Contributions	25,055,638	24,374,319	0	0	25,055,638	24,374,319
Capital Grants & Contributions	35,500	0	0	0	35,500	0
General Revenues:						
Property Taxes	30,706,904	30,961,498	1,162,511	1,175,543	31,869,415	32,137,041
Public Safety Sales Taxes	4,686,884	4,694,293	0	0	4,686,884	4,694,293
Hotel/Motel & Auto Rental Taxes	55,432	62,443	0	0	55,432	62,443
Grants & Contributions Not Restricted to Specific Programs	11,846,184	12,034,643	0	0	11,846,184	12,034,643
Investment Earnings	92,191	68,058	545	488	92,736	68,546
Miscellaneous	981,757	665,223	4,542	5,400	986,299	670,623
Gain - Disposal of Capital Assets	0	0	0	0	0	0
<b>Total Revenues</b>	<b>83,784,985</b>	<b>83,581,266</b>	<b>12,524,070</b>	<b>14,529,574</b>	<b>96,309,055</b>	<b>98,110,840</b>
Expenses:						
General Government	\$11,200,745	\$12,036,975	\$0	\$0	\$11,200,745	\$12,036,975
Justice & Public Safety	34,326,016	35,752,493	0	0	34,326,016	35,752,493
Health	9,355,002	9,477,523	0	0	9,355,002	9,477,523
Education	6,771,662	7,353,134	0	0	6,771,662	7,353,134
Social Services	79,883	129,150	0	0	79,883	129,150
Development	10,721,605	10,467,839	0	0	10,721,605	10,467,839
Highways & Bridges	6,191,176	6,511,463	0	0	6,191,176	6,511,463
Interest on Long-Term Debt	2,290,662	2,417,145	0	0	2,290,662	2,417,145
Nursing Home	0	0	13,909,721	15,652,614	13,909,721	15,652,614
<b>Total Expenses</b>	<b>80,936,751</b>	<b>84,145,722</b>	<b>13,909,721</b>	<b>15,652,614</b>	<b>94,846,472</b>	<b>99,798,336</b>
Change in Net Position						
Before Transfers	2,848,234	(564,456)	(1,385,651)	(1,123,040)	1,462,583	(1,687,496)
Transfers	285,814	307,490	(285,814)	(307,490)	0	0
Change in Net Position	3,134,048	(256,966)	(1,671,465)	(1,430,530)	1,462,583	(1,687,496)
Net Position-Beginning	62,774,061	63,031,027	18,937,026	20,367,556	81,711,087	83,398,583
<b>Net Position-Ending</b>	<b>\$ 65,908,109</b>	<b>\$ 62,774,061</b>	<b>\$ 17,265,561</b>	<b>\$ 18,937,026</b>	<b>\$ 83,173,670</b>	<b>\$ 81,711,087</b>

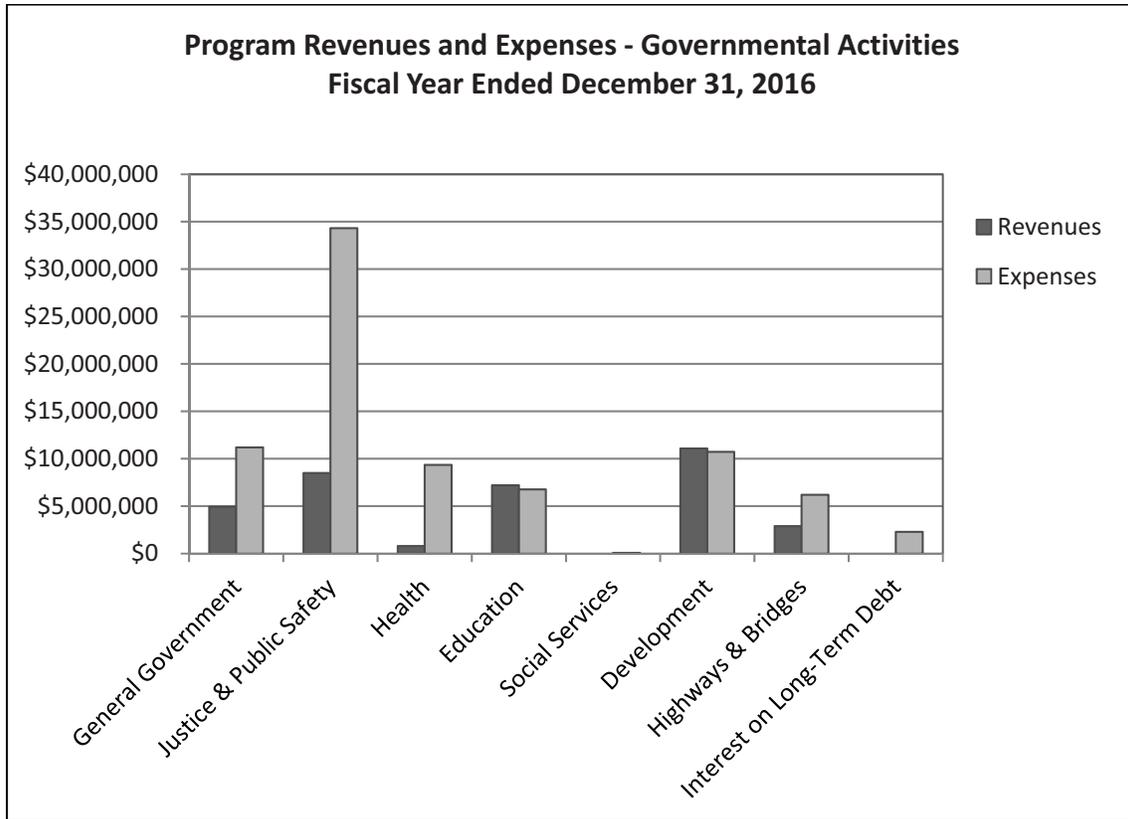
General revenues for the County’s governmental activities are derived from a number of different sources which are dependent on different financial factors. As illustrated in the following chart, the majority of general revenues (63.5%) are derived from property taxes, which provides long-term stability.



Total expenses of \$94,846,472 decreased by \$4.95 million (5.0%) from fiscal year 2015. Governmental activities accounted for \$3.2 million of this reduction in expenses between the two years.

Justice and Public Safety expenses of \$34,326,016 (42.4%) constituted the largest single expense category within total governmental activities of \$80,936,751. General Government expenses were the next largest at \$11,200,745, or 13.8% of total expenses, followed closely by Development at \$10,721,605 or 13.3%. In fiscal year 2015, the Justice and Public Safety expenses were 42.5% of total expenses, General Government was 14.3% and Development was 12.4% of total expenses. Development is funded mainly through federal and state grants and contributions. In 2015, revenues from grants and contributions suffered due to the lack of a State budget which resulted in a tightening of spending. However, in 2016, Operating grants and contributions were \$0.7 million higher than in 2015.

The following chart provides program expenses by function along with the related program revenues for FY2016:



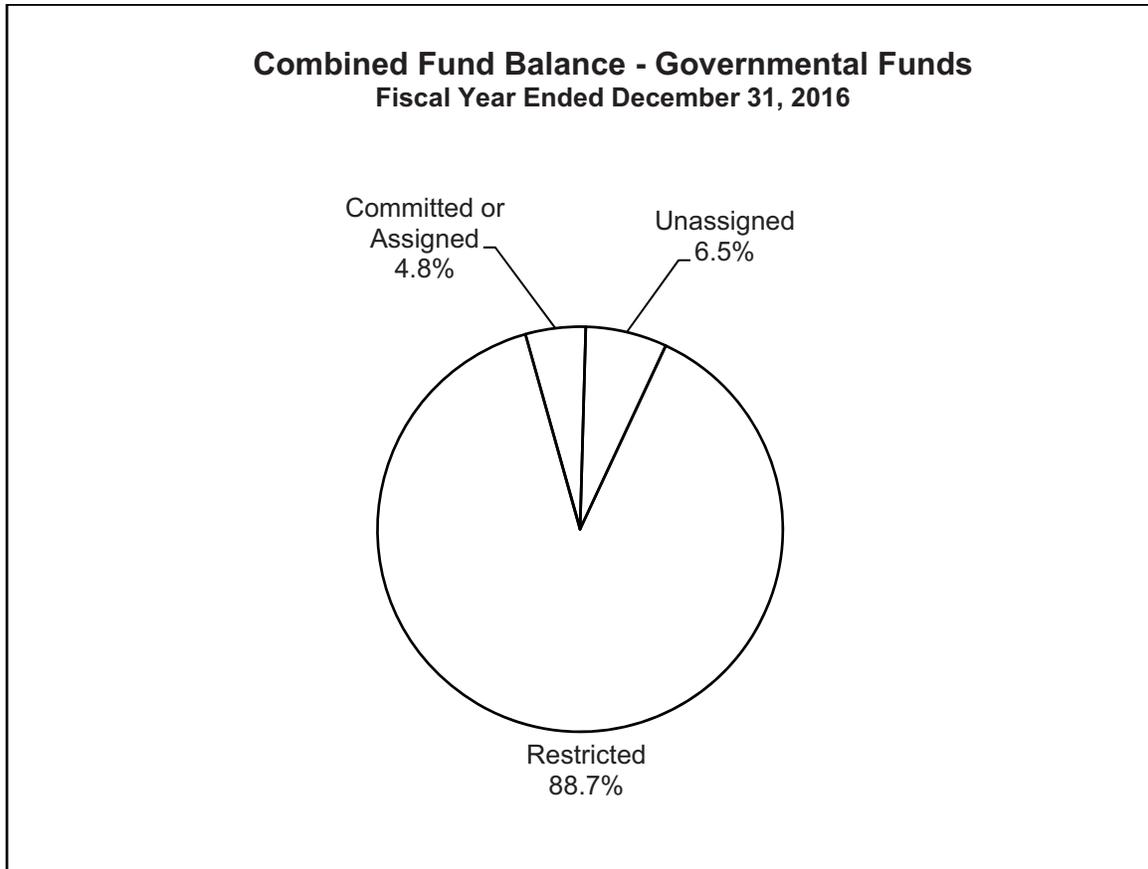
**Financial Analysis of the Government’s Funds**

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

**Governmental Funds:** The focus of the County of Champaign’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County of Champaign’s financing requirements. Fund balances are classified to indicate the extent to which a government is bound to honor constraints on the specific purposes for which the funds can be spent.

At the end of December 31, 2016, the County of Champaign’s governmental funds reported combined ending fund balance of \$39,038,437, an increase of \$1,983,541 or 5.4% compared with the prior year. Of the ending fund balance, \$34,610,797 (88.7%) is *externally restricted* by state statutes, grantor/donor stipulations, or debt covenants, and may only be used for specified purposes. Another 4.8% is either *committed* to a specific purpose by County Board resolution or *assigned* to a specific purpose by County officials.

The remaining \$2,555,124 (6.5%) is *unassigned* and free to be used for any purpose at the discretion of the County Board. Please see fund balance chart below:



The General Fund is the chief operating fund of the County of Champaign. For the fiscal year ended December 31, 2016, the general fund modified accrual balance was \$4,822,782 or 13.6% of general fund expenditures. Fund balance of \$20,316 represented non-spendable balances for prepaid items, \$233,210 was restricted for repayment of debt; \$307,427 was assigned for future tax liability, leaving \$4,261,829 unassigned and available for spending on any purpose. During the fiscal year ended December 31, 2016, the General Fund balance decreased by \$0.4 million (7.8%).

Of the other two major governmental funds on the modified accrual basis, the Regional Planning Commission Fund, which relies primarily on funding from grants and contracts with other governmental agencies, had a small increase in fund balance of \$12,552 or 1.8% in 2016 following a decrease of \$24,552, or 3.4% in 2015. Under the majority of grants and contracts, spending occurs first, then the Regional Planning Commission awaits reimbursement from the granting agencies.

The Mental Health Fund experienced a decrease of \$67,740 (2.6%) in FY2016. Part of the reason for this decrease in fund balance was due to a transfer of fund balance of \$79,421 from Mental Health to a new Fund 101 created for the Community Integrated Living Arrangement. Without this transfer of fund balance, the Mental Health Fund would have had a small positive increase over 2015.

At the end of FY2016, governmental revenues on the modified accrual basis were almost flat when compared with the prior year at \$0.5 million (0.55%) less than FY2015. Lower revenues for Fines & Forfeitures and Charges for Services accounted for most of this revenue reduction.

In 2016, Governmental Expenditures increased by \$5.1 million (5.8%). The most significant increase was \$3.9 million for the retirement of debt principal. Of this \$3.7 million was for the refunded 2007A Public Safety Bonds. Expenditures for Justice & Public Safety were \$1.1 million higher than 2015. This is primarily due to \$1.3 million increases in fringe benefit cost due to a significant increase in the number of the retirees/resignations and voluntary separations during the year off-set by reductions in other areas.

***Proprietary Funds.*** The proprietary fund statements display the County's only enterprise fund, which is the Champaign County Nursing Home, along with the internal service funds. The Nursing Home ended the period with a total net position of \$17,334,525. Of this amount, \$18,746,696 is invested in capital assets and is not available to be spent leaving an unrestricted negative balance of \$(1,412,171).

Champaign County Management and the County Board have spent a considerable amount of time in recent years addressing the problems at the Nursing Home. This included several Interfund loans to the Nursing Home between 2004 and 2008. At the end of 2008, the Nursing home owed the General Fund \$1,333,142. However, the County Board voted in 2010 and again in 2013 to forgive this outstanding debt. In exchange, it was agreed in 2010 that the Nursing Home would reimburse the General Fund for the annual interest and principal on the bonds that were issued to finance the HVAC re-design and mold mediation at the new Nursing Home facility.

In 2008, a separate Nursing Home Board of Directors was established to oversee the Nursing Home's policies and operations, and a consulting firm was hired to provide operational management of the Nursing Home. Under the new management structure, several seemingly positive changes were supposed to be implemented at the Nursing Home, with the aim of increasing patient census, reducing over-reliance on contract nursing, and generally improving the finances of the facility. However, the Nursing Home has continued to struggle with these issues and they have had a negative impact on the Home's cash position. By the end of the fiscal year, the Nursing Home had approximately \$0.6 million in outstanding bills due to the County plus an additional loan balance of \$0.2 million due to the County for emergency replacement of boilers. Amounts due to outside vendors also totaled \$2.6 million. At the end of FY2016, the Nursing Home had a cash

balance of \$313,060 compared with \$366,629 as of December 2015 and \$705,187 as of December 31, 2014.

### **General Fund Budgetary Highlights**

The original budget for FY2016 included a mere \$0.3 million or 0.82% increase in revenues from the original FY2015 budget. The original revenue budget for FY2015 totaled \$35,881,562. Some of the highlights were as follows:

- \$464,979 increase in Property Taxes.
- \$163,828 (3.0%) reduction in fees. This is due to overstatement in fees on the FY2015 budget. However, the fees were expected to be slightly higher than the FY2015 actual results.
- \$40,098 (0.3%) decrease in State Shared Revenues is a net figure comprising \$389,050 (25.6%) decrease in the 1% sales tax for unincorporated areas; \$99,950 (9.8%) decrease in corporate property replacement tax; and an increase of \$363,712 or 18.5% for state revenues to fund positions in Probation & Court Services.
- \$166,064 (13.5%) decrease in Interfund transfers. This is more of a process change where certain expenditures such as a reentry program grant will be paid directly out of the Public Safety Sales Tax fund.
- \$66,322 or 5.1% increase in licenses and permits is based on increases in revenue stamps.

The \$35,835,644 original expenditure budget for the fiscal year ended December 31, 2016 was \$247,550 or 0.7% higher than the original budget for FY2015. The initial direction from the County Board was to prepare the budgets with an overall 4% decrease. However, this did not occur in all departments, especially where it may have resulted in a negative impact related to positions that were critical for continuing operations. Additional details are as follows:

- \$160,793 or 0.65% increase in Personnel costs resulted from a combination of : \$85,000 reduction for positions that were shifted to special revenue funds; attrition and turnover in several General Fund departments; wage increases between 1.5% and 2.0% for non-bargaining employees; and, a \$118,834 or 4% increase in Health Insurance Costs
- \$116,338 or -5.6% decrease in the cost of commodities due mainly to department heads implementing the 4% budget cuts where feasible.
- \$380,714 or 5.5% increase in the cost of Services. This increase is attributable to the following:
  - \$178,032 increase for unfunded mandate from the State for counties to increase Jurors pay form \$10/day to \$25 the first day of service and \$50/day for each succeeding day of service
  - \$70,000 increase for election judges and workers in a Presidential election year

- \$90,607 increase for Technology needs at the METCAD 911 Dispatch Center
- \$124,776 increase for ADA expenditures based on a settlement with the Department of Justice.
- \$100,000 decrease for a re-entry program grant now paid out of the Public Safety Sales Tax Fund.
- \$180,000 (75.8%) decrease in Capital Outlay. \$230,000 was eliminated through the Sheriff's decision not to replace his squad cars in 2016. An additional \$50,000 was included for expenditure related to the ADA settlement

During the course of the year, additional spending authority of \$1,551,793 was approved shared by salaries & fringe benefits, commodities, services and capital outlay.

General Fund Revenues on the budgetary basis were \$2,094,997 or 5.7% lower than the final budget. The main areas of shortfall were:

- \$1,392,640 (8.5%) in intergovernmental revenue due to reduction in Sales tax revenues, and several months of not receiving Administrative Offices of the Illinois Courts (AOIC) salary reimbursements; and \$120,729 written off of Personal Property Replacement taxes due to an over-distribution by the State
- \$319,863 (30.7%) in Fines & Forfeitures due to changes in procedures and assessing fewer fines over all.

Expenditures were under budget by \$1.5 million or 4.1% mainly due to lower personnel costs of \$0.6 million; \$0.2 million less for commodities; \$0.6 million in lower costs for services resulting primarily from delays in the start of planned programs; and \$0.1 million less for capital outlay. Under the final amended budget, the projected net change in fund balance was decrease of \$102,298. The actual net change in fund balance on the budgetary basis turned out to be an even higher decrease of \$669,488, explained by the variances in revenue and expenditures above.

### **Capital Asset and Debt Administration**

**Capital Assets:** The County of Champaign's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounted to \$87,028,576, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, and bridges. Following is a comparative schedule of capital assets, net of accumulated depreciation:

**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,977,270	\$1,977,270	\$0	\$0	\$1,977,270	\$1,977,270
Construction in Progress	2,574,415	2,110,116	0	0	2,574,415	2,110,116
Infrastructure	26,174,525	28,557,127	0	0	26,174,525	28,557,127
Buildings and Improvements	34,955,958	36,906,041	18,387,153	18,440,538	53,343,111	55,346,579
Equipment	2,599,712	2,267,637	359,543	477,960	2,959,255	2,745,597
<b>Total</b>	<b>68,281,880</b>	<b>71,818,191</b>	<b>18,746,696</b>	<b>18,918,498</b>	<b>87,028,576</b>	<b>90,736,689</b>

Additional information on the County of Champaign's capital assets can be found in Note 11 in the Notes to Financial Statements of this report.

**Long-Term Debt:** At December 31, 2015, the County of Champaign had total long-term liabilities of \$46,356,648. The entire amount is backed by the full faith and credit of the County of Champaign. Following is a comparative schedule of outstanding debt:

**Long-Term Liabilities**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$33,208,125	\$36,651,240	\$0	\$0	\$33,208,125	\$36,651,240
Debenture Note	497,503	551,250	0	0	497,503	551,250
Capital Lease Obligations	135,819	0	0	0	135,819	0
Intergovernmental Loans	0	19,688	0	0	0	19,688
Net OPEB Liability	2,337,395	2,180,880	224,375	212,537	2,561,770	2,393,417
Compensated Absences	2,721,032	2,867,544	265,860	293,186	2,986,892	3,160,730
Estimated Claims Payable	3,645,353	3,580,323	0	0	3,645,353	3,580,323
<b>Total</b>	<b>42,545,227</b>	<b>45,850,925</b>	<b>490,235</b>	<b>505,723</b>	<b>43,035,462</b>	<b>46,356,648</b>

Additional information on the County's long-term debt can be found in Note 18 in the Notes to Financial Statements of this report.

**Economic Factors**

The main campus of the University of Illinois lies in the center of Champaign County and it provides a great deal of stability to the area's economy, as the University is the area's largest employer (with over 30,000 employees), and is a major purchaser of various goods and services. As a result, the revenues of Champaign County tend to be more stable than those of many other counties. In keeping with the national trend, at 5.0%, Champaign County's unemployment rate is significantly lower than 6.1% in 2014 and 8.2 % in 2013. While, it is still lower than the state average of 5.7%, it is still higher than the national average of 4.7%. Per capita personal income has risen approximately 2.3% from \$41,276 in 2014 to \$42,243 in 2015. Data is not yet available to see if that trend continued in 2016.

The equalized assessed value (EAV) of taxable property in Champaign County, for taxes payable in 2016, increased by approximately 1.9% to \$3.60 billion, compared with \$3.53 billion the year before. Residential properties made up 59.2% of the EAV, while commercial development constituted 31.2%, and farmland 9.6%.

**Requests for Information**

This financial report is designed to provide a general overview of the County of Champaign's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Deputy Auditor, Office of the County Auditor, 1776 E. Washington, Urbana, IL 61802.