

Financial Section

INDEPENDENT AUDITORS' REPORT

Board of Directors
Champaign County, Illinois
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, 2015, and the related notes to the financial statements, which collectively comprise the entity'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 relevant to the entity'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 the entity'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.

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, 2015, 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.

Emphasis-of-Matter

Comparative Information

The prior year summarized comparative information presented with the supplementary information on pages 117-231 has been derived from Champaign County, Illinois' 2014 financial statements and, in our report dated July 30, 2015, we expressed unmodified opinions on those statements.

Change in Accounting Principle

During fiscal year ended December 31, 2015, Champaign County, Illinois, adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. As a result of the implementation of this standard, Champaign County, Illinois, reported a restatement for the change in accounting principle (see Note 23). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress (OPEB), and schedules of changes in net pension liability and related ratios, including schedule of employer contributions, on pages 26-40 and 89-93 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Champaign County, Illinois's basic financial statements. The combining financial statements, individual fund statements and schedules, capital asset schedules, and introductory and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining financial statements, individual fund statements and schedules, capital asset schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2016 on our consideration of Champaign County, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in Champaign County, Illinois' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Champaign, Illinois
September 4, 2016

County of Champaign, Illinois

Management's Discussion and Analysis

December 31, 2015

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, 2015. 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 of the County of Champaign exceeded its liabilities at the close of the most recent fiscal year by \$81,711,087 (*Total Net Position*). This represents a decrease in net position of approximately \$1.7 million or 2.0% from 2014, as restated, to 2015. The net position related to Governmental Activities decreased by \$1.4 million or 7.0%; and the net position for the Business-Type Activities decreased by \$0.3 million or 0.4%.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$37,054,896. The majority of this amount, \$32,248,915, is restricted to use for specific purposes because of state statutes, grantor/donor stipulations, or debt covenants. The fund balance as of December 31, 2015 represents an increase of \$4.2 million from the prior year. FY2014 was a 13-month year to accommodate the change in the fiscal year start from December 1 to January 1 and reflected thirteen months of expenses but only 12 months of Property Taxes, our main source of revenue.
- For the fiscal year ended December 31, 2015, the unassigned fund balance for the County's General Fund was \$4,693,369, or 13.4% of total general fund expenditures. In 2014, the unassigned fund balance was 10.9% of total general fund expenditures.
- During the fiscal year ended December 31, 2015, Champaign County issued debt of \$2,535,000 to advance refund \$2,505,000 in the Nursing Home 2006A Bonds. During this fiscal year, Champaign County's total general bonded debt decreased by \$3,025,492, 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 and 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 can be found on pages 43-46 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 48 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 45 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 can be found on pages 47-50.

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 County's various functions. 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 47-50.

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 53-88 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 89-93 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 95-116 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 \$81,711,087 at the close of the close of the fiscal year ended December 31, 2015. 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 (\$64,799,261 or 79.3%) 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 \$32,826,900, represents resources that are subject to external restrictions on how they may be used. Of this amount, \$20,562,327 is restricted by state statutes, \$10,378,374 is restricted by grantor/donor stipulations, and \$1,886,199 is restricted by debt covenants. This leaves an unrestricted deficit balance of (\$15,933,602) as the final component of the total net position. Included in this deficit balance is \$(23,909,500) in net pension liability offset by \$14,071,145 in pension related net deferred outflows. The pension liability related to the employees defined benefit plan provided by the Illinois Municipal Retirement Fund (IMRF) has been reported for the first time in the current fiscal year per GASB Standard 68.

It is worth noting that \$10,195,000 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 unrestricted net position in the governmental activities as of December 31, 2015, would reflect a significantly lower deficit.

For the past nine 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 2013. 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, 2015:

County of Champaign's Net Position

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$78,501,826	\$74,257,654	\$6,205,367	\$6,925,817	\$84,707,193	\$81,183,471
Capital Assets	71,818,191	73,893,473	18,918,498	19,311,400	90,736,689	93,204,873
Total Assets	150,320,017	148,151,127	25,123,865	26,237,217	175,443,882	174,388,344
Deferred Outflow of Resources	13,186,252	4,677,099	1,844,213	692,704	15,030,465	5,369,803
Total Assets & Deferred Outflow of Resources	163,506,269	152,828,226	26,968,078	26,929,921	190,474,347	179,758,147
Current and Other Liabilities	\$8,559,878	\$7,023,912	\$3,304,319	\$2,282,767	\$11,864,197	\$9,306,679
Long-term Liabilities	61,912,946	53,488,548	3,531,411	3,144,644	65,444,357	56,633,192
Total Liabilities	70,472,824	60,512,460	6,835,730	5,427,411	77,308,554	65,939,871
Deferred Inflow of Resources	\$30,259,384	\$29,284,739	\$1,195,322	\$1,134,954	\$31,454,706	\$30,419,693
Net Position:						
Invested in Capital Assets	\$45,880,763	\$46,546,939	\$18,918,498	\$19,311,400	\$64,799,261	\$65,858,339
Restricted	32,826,900	30,079,369	0	0	32,826,900	30,079,369
Unrestricted	(15,933,602)	(13,595,281)	18,528	1,056,156	(15,915,074)	(12,539,125)
Total Net Position	62,774,061	63,031,027	18,937,026	20,367,556	81,711,087	83,398,583

Governmental Activities: The total net position reported for governmental activities decreased by a mere \$0.26 million or (0.4% between fiscal year 2014, as restated for pension liability, and fiscal year 2015. If we eliminate the impact of the pension liability, the net position for fiscal year 2015 would have been approximately \$2.6 million or 3.7% higher than fiscal year 2014.

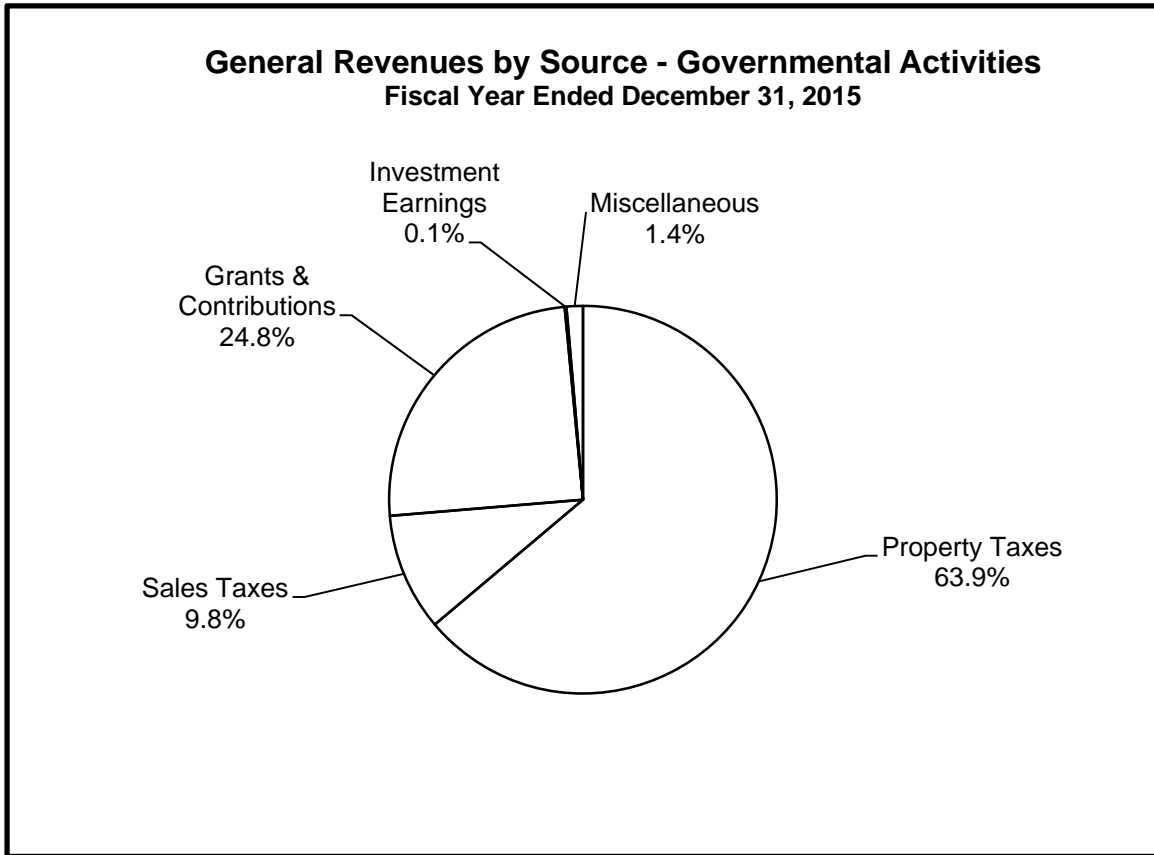
Business-Type Activities: The total net position reported for business-type activities decreased by \$1.4 million or 7.6% from fiscal year 2014, as restated for pension liability, to fiscal year 2015. Similarly, if we eliminate the impact of the pension liability, the net position for fiscal year 2015 would have been approximately \$1.0 million or 4.8% lower than fiscal year 2014.

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	
	Restated		Restated		Restated	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$10,720,789	\$10,898,911	\$13,348,143	\$15,890,140	\$24,068,932	\$26,789,051
Operating Grants & Contributions	24,374,319	29,870,621	0	0	24,374,319	29,870,621
Capital Grants & Contributions	0	0	0	0	0	0
General Revenues:						
Property Taxes	30,961,498	29,130,875	1,175,543	1,096,991	32,137,041	30,227,866
Public Safety Sales Taxes	4,694,293	5,178,925	0	0	4,694,293	5,178,925
Hotel/Motel & Auto Rental Taxes	62,443	68,591	0	0	62,443	68,591
Grants & Contributions Not Restricted to Specific Programs	12,034,643	12,786,626	0	0	12,034,643	12,786,626
Investment Earnings	68,058	51,311	488	442	68,546	51,753
Miscellaneous	665,223	707,712	5,400	8,785	670,623	716,497
Gain - Disposal of Capital Assets	0	0	0	0	0	0
Total Revenues	83,581,266	88,693,572	14,529,574	16,996,358	98,110,840	105,689,930
Expenses:						
General Government	\$12,036,975	\$12,775,897	\$0	\$0	\$12,036,975	\$12,775,897
Justice & Public Safety	35,752,493	38,645,805	0	0	35,752,493	38,645,805
Health	9,477,523	10,499,261	0	0	9,477,523	10,499,261
Education	7,353,134	7,855,178	0	0	7,353,134	7,855,178
Social Services	129,150	109,796	0	0	129,150	109,796
Development	10,467,839	14,015,290	0	0	10,467,839	14,015,290
Highways & Bridges	6,511,463	7,392,291	0	0	6,511,463	7,392,291
Interest on Long-Term Debt	2,417,145	2,955,501	0	0	2,417,145	2,955,501
Nursing Home	0	0	15,652,614	17,646,736	15,652,614	17,646,736
Total Expenses	84,145,722	94,249,019	15,652,614	17,646,736	99,798,336	111,895,755
Change in Net Position						
Before Transfers	(564,456)	(5,555,447)	(1,123,040)	(650,378)	(1,687,496)	(6,205,825)
Transfers	307,490	307,665	(307,490)	(307,665)	0	0
Change in Net Position	(256,966)	(5,247,782)	(1,430,530)	(958,043)	(1,687,496)	(6,205,825)
Net Position-Beginning (As restated)	63,031,027	68,278,809	20,367,556	21,325,599	83,398,583	89,604,408
Net Position-Ending	62,774,061	63,031,027	18,937,026	20,367,556	81,711,087	83,398,583

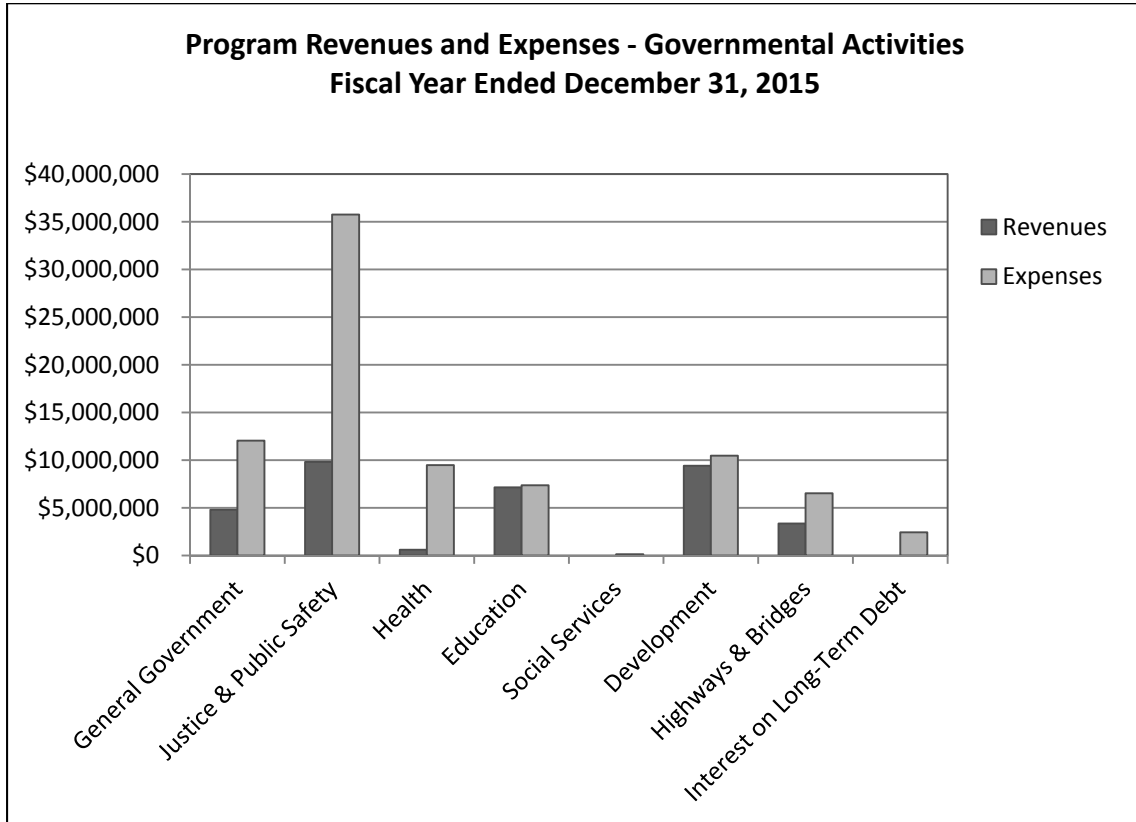
General revenues for the County’s governmental activities are derived from a number of different sources which are dependent on different financial factors. As illustrated in the following chart, the majority of general revenues (62.8%) are derived from property taxes, which provides long-term stability.



Justice and Public Safety expenses constituted the largest single category of expense within governmental activities totaling \$35,752,493, or 42.5% of total expenses of \$84,145,722. General Government expenses were the next largest at \$12,036,975, or 14.3% of total expenses, followed by Development at \$10,467,839 or 12.4%. In fiscal year 2014, as restated, the Justice and Public Safety and General Government expenses were respectively 41.0% and 13.6% of total expenses for governmental activities. Development expenses were, however, 14.9% which was 2.5% higher than the comparable ratio for 2015. 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 in turn led to lower expenses.

Total expenses for the fiscal year ended December 31, 2015 decreased by \$(12.1) million or (10.8%) from fiscal year 2014, as restated. Since FY2014 was a 13-month year, if we annualize the expenses and compare them with 2015 the result is that total expenses for fiscal year 2015 would be approximately (\$4.0) million or (3.8%) lower than fiscal year 2014.

The following chart provides program expenses by function along with the related program revenues for FY2015:



Prior Year Adjustment

GASB 68 requires that the full pension liability be reported in the government-wide reports. Therefore, expenses for the thirteen months ended December 31, 2014, have been restated to include reported pension expense of \$6,604,283 of which \$5,752,330 was related to governmental activities and \$851,953 was related to business-type activities. Further discussion of the impact of this new GASB can be found in Note 24 and the Required Supplementary Information in Exhibits XI and XII on pages 89 to 92. The following table provides details of the prior period adjustment for governmental activities:

Prior Period Adjustment for Pension Expense

	Original 2014	Pension Expense	Restated 2014
Expenses by Function/Program			
Governmental Activities:			
General Government	\$11,956,965	\$818,932	\$12,775,897
Justice & Public Safety	35,059,679	3,586,126	38,645,805
Health	10,433,218	66,043	10,499,261
Education	7,379,670	475,508	7,855,178
Social Services	109,796	0	109,796
Development	13,486,948	528,342	14,015,290
Highways & Bridges	7,114,912	277,379	7,392,291
Interest on Long-Term Debt	2,955,501	0	2,955,501
Total Governmental Activities	<u>88,496,689</u>	<u>5,752,330</u>	<u>94,249,019</u>
Ending Net Position			
Invested in Capital Assets, Net of Related Debt	\$46,546,939	\$0	\$46,546,939
Restricted	30,079,369	0	30,079,369
Unrestricted	(7,842,951)	(5,752,330)	(13,595,281)
Total Governmental Activities	<u>68,783,357</u>	<u>(5,752,330)</u>	<u>63,031,027</u>

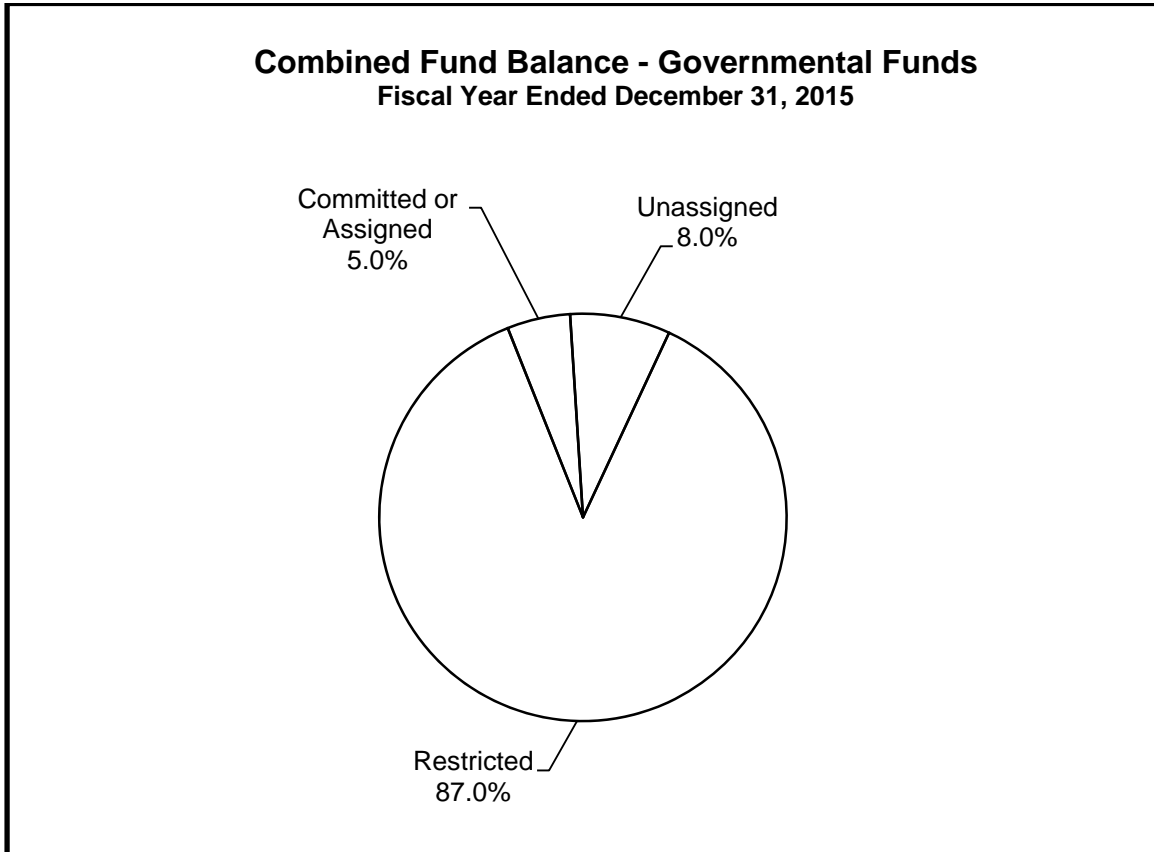
Financial Analysis of the Government's Funds

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, 2015, the County of Champaign's governmental funds reported combined ending fund balance of \$37,054,896, an increase of \$4,206,774 compared with the prior year. Of the ending fund balance, \$32,248,915 (87.0%) is externally *restricted* by state statutes, grantor/donor stipulations, or debt covenants, and may only be used for specified purposes. Another 5% is either *committed* to a specific purpose by County Board resolution or *assigned* to a specific purpose by County

officials. The remaining \$2,948,346 (8%) 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, 2015, the total fund balance of the general fund was \$5,228,061 or 14.9% of total general fund expenditures. Fund balance of \$227,265 was restricted for repayment of debt; \$307,427 was assigned for future tax liability, leaving \$4,693,369 unassigned and available for spending on any purpose. During the fiscal year ended December 31, 2015, the total fund balance of the General Fund increased by \$1.1 million or 26.8%.

Of the other two major governmental funds, the Regional Planning Commission Fund, which mostly relies on funding from grants and contracts with other governmental agencies, had a small decrease in fund balance of \$24,552 or 3.4% in 2015 following an increase of \$167,691, or 30.0% in 2014. Under the majority of grants and contracts, spending occurs first, and then the Regional Planning Commission must wait for reimbursement from the granting agencies.

The Mental Health Fund had an increase of \$617,414 or 31.3% in FY2015 compared with a loss of \$93,378 in the prior year. This increase in fund balance was mainly due to a cash infusion of \$551,250 from National City Bank which took the form of a Debenture

Note. In 2015, the Mental Health Fund undertook a project to purchase two homes that are a part of a Community Integrated Living Arrangement. The Debenture Note provided the resources for the purchase and modification of the two properties.

During the fiscal year ended December 31, 2015, there was a \$5.4 million or 12.9% decrease in intergovernmental revenue. Since FY2014 was a 13-month year, the 12-month annualized revenue would have been approximately \$38.9 million, a decrease of \$2.2 million or 5.7% mainly due to the lack of a State Budget. In FY2015, there was a small decrease of \$290,455 or 3.5% increase in charges for services. However, after annualizing the 2014 revenues, the result is an increase of \$344,182 or 4.5% in FY2015. Part of this increase over the annualized revenues is due to fee increases that took effect in FY2015.

Governmental Expenditures for 2015 were \$15.1 million or 15.6% lower than those of FY2014. In the thirteenth month of FY2014, the County made one additional principal and interest payment for General Obligation Bonds. If we eliminate the debt service in both 2014 and 2015 and annualize the resulting net expenditure for FY2014, the result is that expenditure in 2015 is only \$3.5 million or 4.4% lower than in FY2014. This is, however, appropriate given the lower revenue trends experienced by the County.

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 \$18,937,026. Of this amount, \$18,918,498 is invested in capital assets and is not available to be spent leaving an unrestricted positive balance of \$18,528. Pension expense of \$417,195 was recorded in the proprietary fund during FY2015. Without this pension expense, the proprietary fund would have had a positive net position of \$435,723. In FY2014, the Proprietary Fund had an unrestricted balance of \$1,909,109 prior to restatement. With the restatement for the pension expense, however, that balance was lower by \$851,953.

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 have been made 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, in 2015, the Nursing Home has continued to struggle with these issues and they have had a negative impact on the

Home's cash position. At the end of FY2015, the Nursing Home had a cash balance of \$366,629 compared with \$705,187 as of December 31, 2014.

General Fund Budgetary Highlights

The FY2014 budget was a 13-month budget which accounted for an increase of 5.3%. The original budget for FY2015 was planned with a \$1.3 million or 3.5% decrease in revenues which would be a reduction of 1.8% from FY2014. The original revenue budget for FY2015 totaled \$34,361,602 which was a reduction of \$784,569 or 2.2% from the FY2014 budget. Some of the highlights were as follows:

- \$620,725 increase in Property Taxes.
- \$991,718 or 15.2% reduction in fees. Approximately \$540,000 of this reduction is due to the 13th month in FY2014 while the remaining 7% reduction due to an overall decline in fees collected through the Criminal Justice System and in Real Estate Fees/Transactions.
- \$109,467 increase in Intergovernmental Revenues is primarily due to the 13-month budget for FY14. These revenues are considered to be flat.
- \$501,572 decrease in Interfund transfers. Approximately \$228,000 is due to a discontinued program. In 2014, about \$240,000 was transferred to cover additional debt service payments. However, this will not be necessary in a 12-month year, and
- \$477,418 reduction in licenses and permits is based on lower revenue stamps.

The original expenditure budget for the fiscal year ended December 31, 2015 was \$2,181,307 or 5.9% lower than the original budget for FY2014. Approximately \$660,000 of this reduction is due to the thirteenth month in FY2014. Additional details are as follows:

- \$1,440,723 or 5.5% decrease in Personnel costs. However, the annualized 12-month budget reflected an increase of \$740,868, due to approved wage increases of 2%, a 12% increase in health insurance premiums and an additional 2.5 full time employees.
- \$32,947 decrease in the cost of commodities. There was a 12-month annualized increase of \$142,692 or 6.1% is due to an increase in demand for commodities such as Tasers and Ballistic vests for the Sheriff's office.
- \$293,522 or 4.1% decrease in Services. However, the 12-month annualized expenditures reflect an increase of \$304,298 or 3.9% is due to a general increase in demand for services.
- \$407,615 or 42.6% decrease in Debt Service expenditure. A decrease of \$327,940 or 31.3% is due to one additional annual principal repayment and one additional semi-annual interest payment on the General Obligation Debt being scheduled in the 13th month of the period ended December 31, 2014.

During the course of the year, additional spending authority of \$712,475 was approved shared by commodities, services and capital outlay.

General Fund Revenues were \$703,228 or 19.2% lower than the final budget. The main areas of shortfall were:

- \$131,417 in Charges for Services due primarily to volume.
- \$188,534 in Licenses & Fees again due to volume. The County Recorder’s office experienced a shortfall of \$210,918 which was off-set by increases in other departments.
- \$175,723 in Transfers not made due to program changes.

Expenditures were under budget by \$1.2 million or 3.4% mainly due to lower personnel costs of \$0.5 million, \$0.3 million less for commodities, and \$0.4 million in lower costs for services resulting primarily from delays in the start of planned programs. Under the final amended budget, the projected net change in fund balance was an increase of \$184,769. The actual net change in fund balance on the budgetary basis turned out to be an increase of \$922,833 which is 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, 2015, amounted to \$90,736,689, 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	
	2015	2014	2015	2014	2015	2014
Land	\$1,977,270	\$1,750,912	\$0	\$0	\$1,977,270	\$1,750,912
Construction in Progress	2,110,116	3,361,219	0	0	2,110,116	3,361,219
Infrastructure	28,557,127	27,581,181	0	0	28,557,127	27,581,181
Buildings and Improvements	36,906,041	38,638,708	18,440,538	18,868,086	55,346,579	57,506,794
Equipment	2,267,637	2,561,453	477,960	443,314	2,745,597	3,004,767
Total	71,818,191	73,893,473	18,918,498	19,311,400	90,736,689	93,204,873

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	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$36,651,240	\$39,923,614	\$0	\$0	\$36,651,240	\$39,923,614
Debenture Note	551,250	0	0	0	551,250	0
Intergovernmental Loans	19,688	72,188	0	0	19,688	72,188
Net OPEB Liability	2,180,880	1,940,129	212,537	190,814	2,393,417	2,130,943
Compensated Absences	2,867,544	2,955,750	293,186	351,941	3,160,730	3,307,691
Estimated Claims Payable	3,580,323	1,929,101	0	0	3,580,323	1,929,101
Total	45,850,925	46,820,782	505,723	542,755	46,356,648	47,363,537

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 6.1%, Champaign County's unemployment rate is significantly lower than 8.2% in 2013 and 8.0% in 2012. However, it is still slightly higher than the state average of 6.0% and the national average of 5.5%. Per capita personal income has risen approximately 5.5% from \$37,544 in 2012 to \$39,637 in 2013. Data is not yet available to see if that trend continued in 2014.

The equalized assessed value (EAV) of taxable property in Champaign County, for taxes payable in 2014, decreased by approximately 1.5% to \$3.48 billion, compared with \$3.53 billion the year before. Residential properties made up 60.2% of the EAV, while commercial development constituted 30.8%, and farmland 9.0%.

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 Office of the County Auditor, 1776 E. Washington, Urbana, IL 61802.