

# **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 thirteen month period ended December 31, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the thirteen month period then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The prior year summarized comparative information presented with the supplementary information on pages 113-227 has been derived from Champaign County, Illinois' 2013 financial statements and, in our report dated July 18, 2014, we expressed unmodified opinions on those statements.

Effective January 1, 2015, the County will change its fiscal year end from November 30 to December 31, which resulted in a thirteen-month fiscal transition period from December 1, 2013 to December 31, 2014.

## **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, and schedule of funding progress on pages 26-40 and 87-88 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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining financial statements, capital asset schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates 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 July 30, 2015 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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Champaign, Illinois  
July 30, 2015

## County of Champaign, Illinois

### Management's Discussion and Analysis

December 31, 2014

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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 thirteen months ended December 31, 2014. 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 \$90,002,866 (*Total Net Position*). This represents an increase in net position of approximately \$0.4 million from 2013, as restated, to 2014. The net position related to Governmental Activities increased by \$0.5 million from 2013, as restated, to 2014. This was off-set by a \$0.1 million decrease in the net position for the Business-Type Activities from 2013 to 2014.
- In March, 2013, the County Board voted to change the fiscal year of the County from December 1<sup>st</sup> to November 30<sup>th</sup> to a fiscal year based on a calendar year from January 1<sup>st</sup> to December 31<sup>st</sup>. In order to implement this change in the fiscal year, the County Board adopted the 2014 budget for a 13-month period from December 1<sup>st</sup>, 2013 through December 31<sup>st</sup>, 2014.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$32,848,122. The majority of this amount, \$29,134,504, is restricted to use for specific purposes because of state statutes, grantor/donor stipulations, or debt covenants. The fund balance as of December 31, 2014 represents a decrease of (\$6.9 million) from the prior year. The change in the fiscal year start from December 1<sup>st</sup> to January 1<sup>st</sup> added a 13<sup>th</sup> month in 2014. This resulted in an approximate 8.3% increase in current expenditure that was not offset by a similar increase in total revenue. Property Taxes which are collected between the months of May and November were not affected by the addition of the 13<sup>th</sup> month. Expenditure for debt service increased by \$4.7 million due to the second annual principal repayment and the third semi-annual interest payment made in the 13<sup>th</sup> month.
- For the 13-month period ended December 31, 2014, the unassigned fund balance for the County's General Fund was \$4,022,935, or 10.9% of total general fund expenditures, a 6.7% decrease from the 17.6% for FY2013.

- In the thirteen months ended December 31, 2014, Champaign County issued debt of \$9,795,000 with a refunding premium of \$1,968,593 to advance refund \$11,625,000 in Public Safety 2005B Bonds. During this thirteen-month period, Champaign County's total general bonded debt decreased by \$6,048,284, 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, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other 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 and liabilities, with the difference between the two reported as *Total Net Position*. Over time, increases or decreases in the total net position may serve as a useful indicator of whether 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 period. 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 41-42 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 50 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 47 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 43-46.

***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 53-85 of this report.

***Other Information.*** As part of 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 and XII on pages 87-88 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 89-110 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 exceeded liabilities by \$90,002,866 at the close of the thirteen-month period ended December 31, 2014. 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 (\$65,858,339 or 73.2%) 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 \$30,079,369, represents resources that are subject to external restrictions on how they may be used. Of this amount, \$17,609,432 is restricted by state statutes, \$10,816,420 is restricted by grantor/donor stipulations, and \$1,653,517 is restricted by debt covenants. This leaves an unrestricted deficit balance of (\$5,934,842) as the final component of the total net position.

It is worth noting that \$11,420,000 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, 2014, would reflect a surplus rather than a deficit.

For the last eight years, the County has had to report negative balances in unrestricted net position for the government as a whole; however, the size of the deficit has decreased over the last seven years.

The following table presents a snapshot of Champaign County's Total Net Position for the thirteen months ended December 31, 2014:

### County of Champaign's Net Position

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$74,257,654	\$79,647,165	\$6,925,817	\$4,253,780	\$81,183,471	\$83,900,945
Capital Assets	73,893,473	74,674,565	19,311,400	20,002,304	93,204,873	94,676,869
Total Assets	148,151,127	154,321,730	26,237,217	24,256,084	174,388,344	178,577,814
Current and Other Liabilities	\$7,023,912	\$8,470,861	\$3,691,940	\$1,667,424	\$10,715,852	\$10,138,285
Long-term Liabilities	43,059,119	48,694,010	190,814	165,188	43,249,933	48,859,198
Total Liabilities	50,083,031	57,164,871	3,882,754	1,832,612	53,965,785	58,997,483
Deferred Inflow of Resources	\$29,284,739	\$28,425,884	\$1,134,954	\$1,097,873	\$30,419,693	\$29,523,757
Net Position:						
Net Investment in Capital Assets	\$46,546,939	\$44,332,971	\$19,311,400	\$20,002,304	\$65,858,339	\$64,335,275
Restricted	30,079,369	33,208,292	0	0	30,079,369	33,208,292
Unrestricted	(7,842,951)	(9,262,454)	1,908,109	1,323,295	(5,934,842)	(7,939,159)
Total Net Position	68,783,357	68,278,809	21,219,509	21,325,599	90,002,866	89,604,408

**Governmental Activities.** The net position reported for governmental activities increased by only \$0.5 million or 0.7% between 2013, as restated, and 2014. This small increase was due primarily to increased expenditure as a result of the 13<sup>th</sup> month in FY2014 which was not fully off-set by the same level of revenue increases.

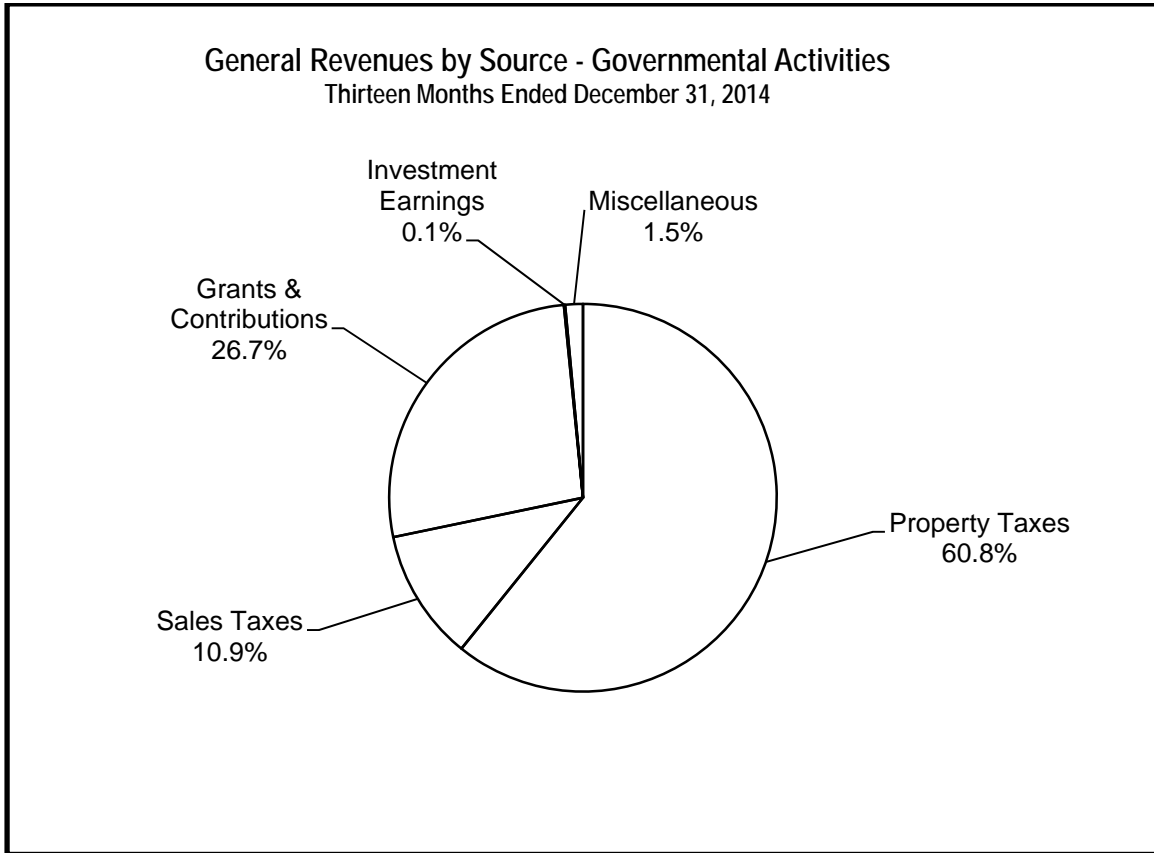
**Business-Type Activities.** The net position reported for business-type activities decreased by \$0.1 million from 2013 to 2014. Unlike the governmental activities, the business-type activities are more capable of matching revenues and expenses within the 13-month year. Net program revenues in the thirteen months ended December 31, 2014 were (\$904,643) compared with (\$1,732,476) in FY2013. In addition, the Nursing Home still receives a subsidy from property taxes. Without this subsidy, the total net position would have decreased by an additional \$1.1 million in the thirteen months ended December 31, 2014.

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

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

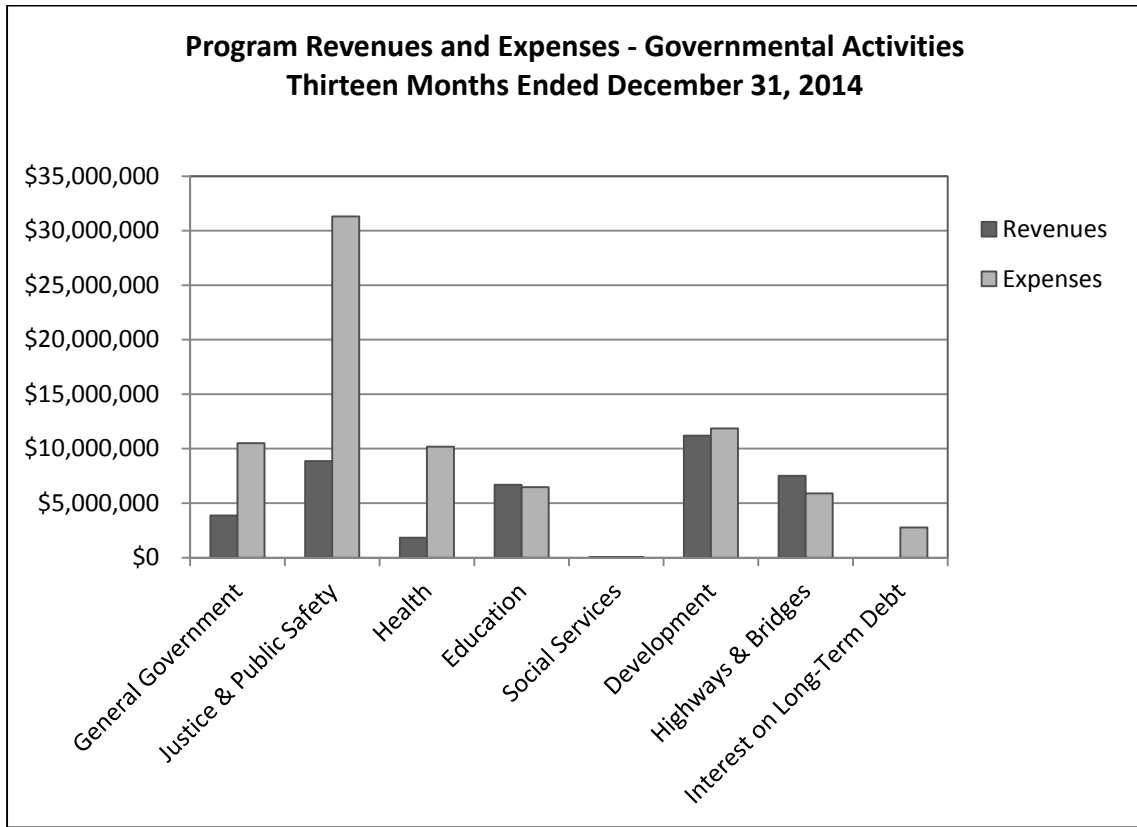
	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$10,898,911	\$10,030,891	\$15,890,140	\$13,199,415	\$26,789,051	\$23,230,306
Operating Grants & Contributions	29,870,621	25,607,103	0	0	29,870,621	25,607,103
Capital Grants & Contributions	0	4,354,209	0	0	0	4,354,209
General Revenues:						
Property Taxes	29,130,875	27,765,286	1,096,991	1,052,169	30,227,866	28,817,455
Public Safety Sales Taxes	5,178,925	4,619,739	0	0	5,178,925	4,619,739
Hotel/Motel & Auto Rental Taxes	68,591	60,775	0	0	68,591	60,775
Grants & Contributions Not						
Restricted to Specific Programs	12,786,626	11,399,918	0	0	12,786,626	11,399,918
Investment Earnings	51,311	22,144	442	563	51,753	22,707
Miscellaneous	707,712	821,604	8,785	9,448	716,497	831,052
Gain - Disposal of Capital Assets	0	0	0	0	0	0
Total Revenues	88,693,572	84,681,669	16,996,358	14,261,595	105,689,930	98,943,264
Expenses:						
General Government	\$11,956,965	\$10,544,874	\$0	\$0	\$11,956,965	\$10,544,874
Justice & Public Safety	35,059,679	31,509,188	0	0	35,059,679	31,509,188
Health	10,433,218	10,177,646	0	0	10,433,218	10,177,646
Education	7,379,670	6,462,831	0	0	7,379,670	6,462,831
Social Services	109,796	256,646	0	0	109,796	256,646
Development	13,486,948	11,851,253	0	0	13,486,948	11,851,253
Highways & Bridges	7,114,912	5,900,689	0	0	7,114,912	5,900,689
Interest on Long-Term Debt	2,955,501	2,771,322	0	0	2,955,501	2,771,322
Nursing Home	0	0	16,794,783	14,931,891	16,794,783	14,931,891
Total Expenses	88,496,689	79,474,449	16,794,783	14,931,891	105,291,472	94,406,340
Change in Net Position						
Before Transfers	196,883	5,207,220	201,575	(670,296)	398,458	4,536,924
Transfers	307,665	(23,052)	(307,665)	23,052	0	0
Change in Net Position	504,548	5,184,168	(106,090)	(647,244)	398,458	4,536,924
Net Position-Beginning (As restated)	68,278,809	63,094,641	21,325,599	21,972,843	89,604,408	85,067,484
Net Position-Ending	68,783,357	68,278,809	21,219,509	21,325,599	90,002,866	89,604,408

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 (60.8%) 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 \$35,059,679, or 39.6% of total expenses of \$88,496,689. Development expenses were the next largest at \$13,486,948, or 15.2% of total expenses, followed by General Government at \$11,956,965 or 13.5%. These percentages trend very closely to FY2013. Expenses for the 13-month period ended December 31, 2014 increased by \$9.02 million or 11.35% over the previous fiscal year. If we prorated the actual expenses for 2014 from 13 months to 12 months, the calculated increase in expenses would be approximately \$2.2 million or 2.78% with 8.57% of total 2014 expenses attributable to the 13<sup>th</sup> month. Based on the afore-mentioned proration, other results were as follows: Justice & Public Safety, increased by \$853,593 or 2.7%; Development increased by \$598,237 or 5%; General Government increased by \$492,324 or 4.7%; Education increased by \$349,172 or 5.4%; and Highways & Bridges increased by \$666,922 or 11.3%.

The following chart shows program expenses along with the related program revenues:



**Prior Year Adjustment**

GASB 65 requires that all bond issuance costs should be treated as period costs. At the end of FY2013, the County had \$452,166 in deferred, unamortized bond issuance costs. The FY2013 expenses and ending fund balance were restated to show the impact of treating these unamortized expenses as period costs. The table below provides details of the prior period adjustment:

**Prior Period Adjustment for Unamortized Bond Issuance Costs**

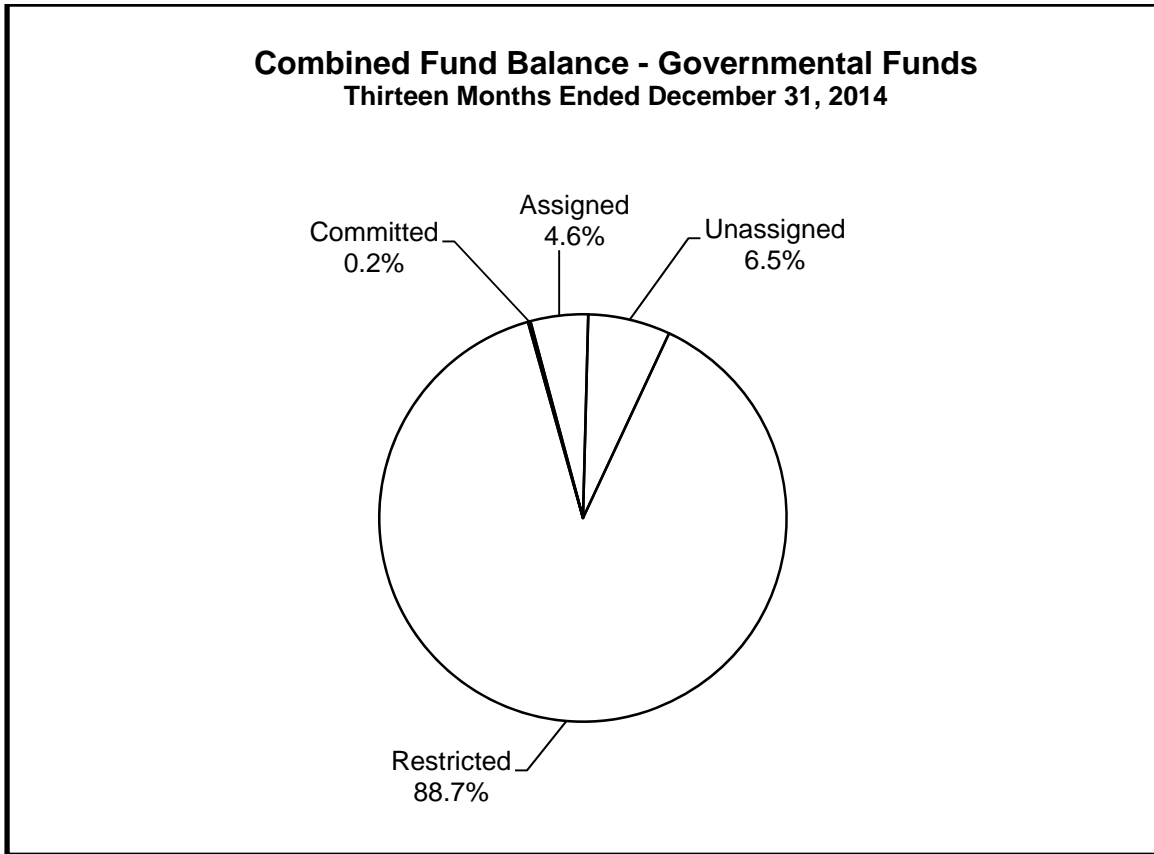
	Original 2013	Unamortized Bond Issuance Cost	Restated 2013
<b>Expenses by Function/Program</b>			
Governmental Activities:			
General Government	\$10,505,835	\$39,039	\$10,544,874
Justice & Public Safety	31,309,294	199,894	31,509,188
Health	10,177,646	0	10,177,646
Education	6,462,831	0	6,462,831
Social Services	50,618	206,028	256,646
Development	11,851,253	0	11,851,253
Highways & Bridges	5,900,689	7,205	5,907,894
Interest on Long-Term Debt	2,771,322	0	2,771,322
Total Governmental Activities	79,029,488	452,166	79,481,654
<b>Ending Net Position</b>			
Invested in Capital Assets, Net of Related Debt	\$44,332,971	\$0	\$44,332,971
Restricted	33,454,028	(245,736)	33,208,292
Unrestricted	(9,056,024)	(206,430)	(9,262,454)
Total Governmental Activities	68,730,975	(452,166)	68,278,809

**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, 2014, the County of Champaign's governmental funds reported combined ending fund balance of \$32,848,122, a decrease of \$6,863,399 compared with the prior year. Of the ending fund balance, \$29,134,504 (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 \$2,144,573 (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 13-month period ended December 31, 2014, the total fund balance of the General Fund was \$4,123,636 or 10.9% of total General Fund expenditures. Fund balance of \$100,701 was restricted for repayment of debt, leaving \$4,022,935 unassigned and available for spending on any purpose. During the thirteen months ended December 31, 2014, the total fund balance of the General Fund decreased by (\$1.9 million) or (-31.7%).

Of the other two major governmental funds, the Mental Health Fund had a small decrease in fund balance of (\$93,378) (-4.5%) in 2014. The Regional Planning Commission Fund, which mostly relies on funding from grants and contracts with other governmental agencies, experienced an increase in fund balance of \$167,691, or 30.0% in 2014, following a decrease of (\$72,316) (-11.5%) in 2013. Under the majority of grants and contracts, spending occurs first, and then the Regional Planning Commission must wait for reimbursement from the granting agencies. In the thirteen months ended December 31, 2014, there was a 17.6% increase in intergovernmental revenue and a 10.8% increase in charges for services. However, expenses also increased by about 13.7%.

**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 \$21,219,509. Of



this amount, \$19,311,400 is invested in capital assets and is not available to be spent leaving an unrestricted surplus of \$1,908,109.

From 2004-2008, the County Board transferred \$1,593,380 to the Nursing Home Fund from the General Fund. In addition, by the end of 2008, the Nursing Home owed \$1,333,142 to the General Fund for outstanding interfund loans. In August, 2009, the County Board voted to forgive \$1,000,000 worth of loans owed by the Nursing Home to the General Fund. In exchange, it was determined that starting in 2010, the Nursing Home would reimburse the General Fund for the annual interest and principal payments on the bonds that were issued to finance the HVAC re-design and mold remediation at the new Nursing Home facility. However, in February, 2013, the County Board voted to forgive the remaining balance of \$333,142 of this interfund loan.

Champaign County Management and the County Board have spent a considerable amount of time in recent years addressing the problems at the Nursing Home. 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. In the thirteen months ended December 31, 2014 the Nursing Home again experienced a negative change in net position (\$106,090). However this was significantly lower than the (\$647,244) change in net position in FY2013.

In 2014, the Nursing Home received a distribution of \$438,053 from the Illinois Department of Healthcare and Family Services. This distribution was primarily to cover significant outstanding liability associated with services provided to residents with pending Medicaid applications. Initially, this advance was due to be repaid by June 30, 2015. However, there is ongoing discussion about extending the timeframe for the repayment of this distribution. Without this distribution, the Nursing Home would only have \$267,134 in cash at the end of December 2014.

### **General Fund Budgetary Highlights**

The original revenue budget for the thirteen months ended December 31, 2014 was \$4,356,490 or 13.4% higher than the FY2013 original budget. Approximately 5.3% of this increase is due to the 13<sup>th</sup> month in the period ended December 31, 2014. Other increases include:

- \$838,487 in fees based on new fee schedules adopted by the County Board
- \$435,945 in annual rent payment
- \$502,775 in licenses and permits as a result of the continued growth in the real estate market
- \$397,268 in state-shared revenues, and

- \$341,550 in Property Taxes

The original expenditure budget for the thirteen months ended December 31, 2014 was \$5,194,591 or 15.9% higher than the original budget for FY2013. Approximately 8.3% of this increase is due to the 13<sup>th</sup> month in the budget to accommodate the transition from a December 1<sup>st</sup> fiscal year start to a calendar year January 1<sup>st</sup> fiscal year start. Significant budget increases were as follows:

- \$2,747,032 or 11.7% increase in Personnel costs of which \$1.95 million can be attributed to the 13<sup>th</sup> month. The remaining \$0.8 million in increases were due to approved wage increases of 2%, an 8% increase in health insurance premiums and an additional 4.5 full time employees.
- \$920,112 or 14.6% increase in the cost of Services of which \$507,203 or 8% is due to the 13<sup>th</sup> month. The remaining \$412,909 or 6.6% is due to an increase in demand for services
- \$730,739 or 244% increase in Transfers. \$532,261 of this increase was transferred to the Capital Asset Replacement fund for Facilities Capital Projects.
- \$419,409 or 76% increase in Debt Service expenditure due to one additional annual principal repayment and one additional semi-annual interest payment on the General Obligation Debt being scheduled in the 13<sup>th</sup> month of the period ended December 31, 2014.

During the course of the year, additional spending authority of \$212,839 was approved primarily for commodities.

General Fund Revenues were \$1.24 million or 3.5% lower than the final budget. The main areas of shortfall were:

- \$990,056 in Charges for Services due primarily to volume. \$504,114 of this shortfall was from the County Recorder's Office with an additional \$212,295 shortfall from the Circuit's Clerk's Office.
- \$228,828 in Licenses & Fees again due to volume. The County Recorder's office experienced a shortfall of \$334, 422 which was off-set by increases in other departments.

Expenditures were under budget by \$1.0 million or 2.76% mainly due to lower personnel costs of \$0.5 million and \$0.4 million in lower costs for services resulting primarily from delays in the start of planned programs. The original budget projected a planned deficit of (\$963,996), due to the 13-month reporting period. Under the final amended budget, the projected net change in fund balance was a decrease of (\$1,126,122), but the actual net change in fund balance on the budgetary basis turned out to be a decrease of (\$1,775,519) 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, 2014, amounted to

\$93,204,873 (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	
	2014	2013	2014	2013	2014	2013
Land	\$1,750,912	\$1,749,092	\$0	\$0	\$1,750,912	\$1,749,092
Construction in Progress	3,361,219	2,137,963	0	0	3,361,219	2,137,963
Infrastructure	27,581,181	27,081,518	0	0	27,581,181	27,081,518
Buildings and Improvements	38,638,708	40,976,970	18,868,086	19,533,323	57,506,794	60,510,293
Equipment	2,561,453	2,729,022	443,314	468,981	3,004,767	3,198,003
Total	73,893,473	74,674,565	19,311,400	20,002,304	93,204,873	94,676,869

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, 2014, the County of Champaign had total long-term liabilities of \$43,249,933. 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	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$39,117,701	\$45,103,982	\$0	\$0	\$39,117,701	\$45,103,982
Intergovernmental Loans	72,188	129,063	0	0	72,188	129,063
Net OPEB Liability	1,940,129	1,670,647	190,814	165,188	2,130,943	1,835,835
Estimated Claims Payable	1,929,101	1,790,318	0	0	1,929,101	1,790,318
Total	43,059,119	48,694,010	190,814	165,188	43,249,933	48,859,198

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.