

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, 2018, 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, 2018 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

As discussed in Note 1, Champaign County adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. Our opinions are 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 and 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, 2018 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, 2018 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, 2018, 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, 2018.

To the Members of the County Board
Champaign County

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Champaign County as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated December 19, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The combining statements and individual fund statements and schedules for the year ended December 31, 2017 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 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 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. In our opinion, the combining statements and individual fund statements and schedules is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2017.

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 July 8, 2020 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 solely 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 effectiveness of Champaign County's 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 Virchow Krause, LLP

Oak Brook, Illinois
July 8, 2020

County of Champaign, Illinois**Management's Discussion and Analysis****December 31, 2018**

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, 2018. This narrative does not take into consideration the impact of restatement and implementation of GASB 75 in 2018. 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 \$91,584,614 (*Total Net Position*). This represents an increase in net position of approximately \$2.6 million or 2.9% between 2017 and 2018. The net position related to Governmental Activities increased by \$2.2 million (2.9%) and the net position for the Business-Type Activities increased by \$401 thousand or 2.9%.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$40,472,551, an increase of \$143 thousand from the prior year. \$38,583,870 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, 2018, the unassigned fund balance for the County's General Fund was \$3,416,933, or 9.7% of total general fund expenditures. This was approximately \$1.4 million, or 29.5% lower than the unassigned fund balance for fiscal year 2017.
- Champaign County did not issue any new debt in fiscal year 2018. Total general bonded debt decreased by \$2,890,000 or 10.4% from fiscal year 2017.

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 that of 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 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 59-60 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 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, Early Childhood and Regional Planning Commission Fund, all of which are considered major funds. Data from the other 44 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 61-64.

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 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 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 65-68.

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 69-70 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 71-112 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 116-124 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 127-150 of this report.

In fiscal year 2018, the County implemented the Governmental Accounting Standards Board (GASB), Statement 75. This statement was designed to improve accounting and financial reporting for state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). As a result of this implementation, there were prior year adjustments to the beginning fund balance as follows- a reduction of \$735,137 to the beginning balance of governmental activities and an increase of \$169,876 to the beginning balance of the business activities. A more detailed discussion can be found in Note 24 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 \$91,584,614 at the close of the fiscal year ended December 31, 2018. 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 (\$70,671,940) or 77.2%) 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 \$37,001,965 represents resources that are subject to external restrictions on how they may be used. Of this amount, \$22,965,816 is restricted by state statute; \$12,229,076 is restricted by grantor/donor stipulations; and \$1,807,073 is restricted by debt covenants. This leaves an unrestricted deficit balance of (\$16,089,291) as the final component of the total net position. This deficit balance includes net pension liability of \$26,046,591, net deferred pension outflow/inflow of \$15,409,865; net liability of \$3,061,486 related to other Post-Employment Benefits (OPEB), and net deferred inflow of \$(153,054) related to OPEB.

It is worth noting that \$6,070,000 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 (\$13,059,209) unrestricted net position in the governmental activities as of December 31, 2018, would be significantly lower.

The unrestricted portion of the County's net position have typically been deficit balances. Between 2006 and 2017 these deficit balances have steadily decreased, except for 2014 when the deficit increased due to thirteen months of expenses offset by only twelve months of property tax revenues. In 2018, the deficit balance for the governmental activities continued to decline: to (\$13,059,209) from (\$13,169,558) in 2017. The business-type activities in 2018 also showed a significant decrease, of \$1,135,552 in the deficit balance to (\$3,030,082) in 2018 from (\$4,165,634) in 2017. A more detailed discussion related to the Enterprise Fund can be found under the Section for Business-Type Activities.

The following table presents a snapshot of Champaign County's Total Net Position for the fiscal year ended December 31, 2018 compared with December 31, 2017:

County of Champaign's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Current and Other Assets	\$ 91,078,640	\$ 86,961,471	\$ (315,731)	\$ 2,115,429	\$ 90,762,909	\$ 89,076,900
Capital Assets	73,730,506	74,520,845	17,344,199	18,079,028	91,074,705	92,599,873
Total Assets	164,809,146	161,482,316	17,028,468	20,194,457	181,837,614	181,676,773
Deferred Outflow of Resources	18,419,541	1,650,494	2,328,879	22,304	20,748,420	1,672,798
Total Assets & Deferred Outflow of Resources	183,228,687	163,132,810	19,357,347	20,216,761	202,586,034	183,349,571
Current and Other Liabilities	15,502,531	3,440,337	2,222,715	2,516,257	17,725,246	5,956,594
Long-term Liabilities	53,327,136	39,583,257	2,318,881	406,869	55,646,017	39,990,126
Total Liabilities	68,829,667	43,023,594	4,541,596	2,923,126	73,371,263	45,946,720
Deferred Inflow of Resources	37,128,523	44,990,460	501,634	3,380,241	37,630,157	48,370,701
Net Position:						
Invested in Capital Assets	53,327,741	52,464,699	17,344,199	18,079,028	70,671,940	70,543,727
Restricted	37,001,965	35,823,615	0	0	37,001,965	35,823,615
Unrestricted	(13,059,209)	(13,169,558)	(3,030,082)	(4,165,634)	(16,089,291)	(17,335,192)
Total Net Position	\$ 77,270,497	\$ 75,118,756	\$ 14,314,117	\$ 13,913,394	\$ 91,584,614	\$ 89,032,150

*Amounts for 2017 have not been adjusted for the County's implementation of GASB No. 75 in 2018.

Governmental Activities: The total net position reported for governmental activities increased by \$2.2 million or 2.9% between fiscal years 2018 and 2017. Approximately \$2.4 million of this was attributable to higher intergovernmental revenues with another \$1.2 million due to a reduction in debt service payments.

Business-Type Activities: The total net position reported in fiscal year 2018 for business-type activities was \$14.3 million, an increase of \$401 thousand or 2.9% from fiscal year 2017. The Nursing Home continued to suffer from a lack of cash during the year and it became more acute as the year progressed. As a result, the County Board took the following actions:

- Passed resolution 2018-335 dated 9/20/18 forgiving the outstanding balance of \$226,802 for a 2017 loan from the Capital Asset Replacement fund to the Nursing Home to replace the boiler system.
- Passed resolution 2018-380 dated 11/27/18 to forgive \$500,000 in loans issued by the General Corporate fund during fiscal year 2017.
- Passed resolutions 2018-70 dated 3/27/18 and 2018-412 dated 11/27/18 for short-term loans to meet any shortfall in the Home's bi-weekly payroll. These loans were repaid as soon as possible with the next available cash receipts for the NH. At the end of FY2018, there was \$285,000 outstanding in these payroll loans. This program continued into 2019 per County Board Resolution 2019-56 dated 2/22/19.
- Passed Resolution 2018-411 dated 11/22/18 to loan \$200,000 per month from the General Corporate Fund to the Home in order to settle urgent outstanding bills due to external vendors. At the end of fiscal year 2018, the Home owed the General Corporate Fund \$400,000 for these Accounts Payable loans.

- Transferred a total of \$2,172,072 to settle outstanding bills for external vendors by way of Resolutions 2018-82 dated 3/27/18; 2018-169 dated 5/24/18 and 2019-1 dated 1/15/19, with the expectation that repayments would be eventually made from the proceeds of the sale of the Nursing Home.
- Passed Resolution 2018-141 dated 5/24/18 to sell the Champaign County Nursing Home. This sale had been approved in a referendum by the taxpayers on April 4th, 2017. The sale was finalized on March 31st, 2019.

In 2018, the Self Insurance Fund made payments on behalf of the Nursing Home for attorney fees totaling \$238K plus another \$143K for their Liability Insurance Premiums. Furthermore, the Health Insurance Fund paid \$593K for the Health Life Insurance premiums on behalf of the Home. These amounts were outstanding at the end of the fiscal year.

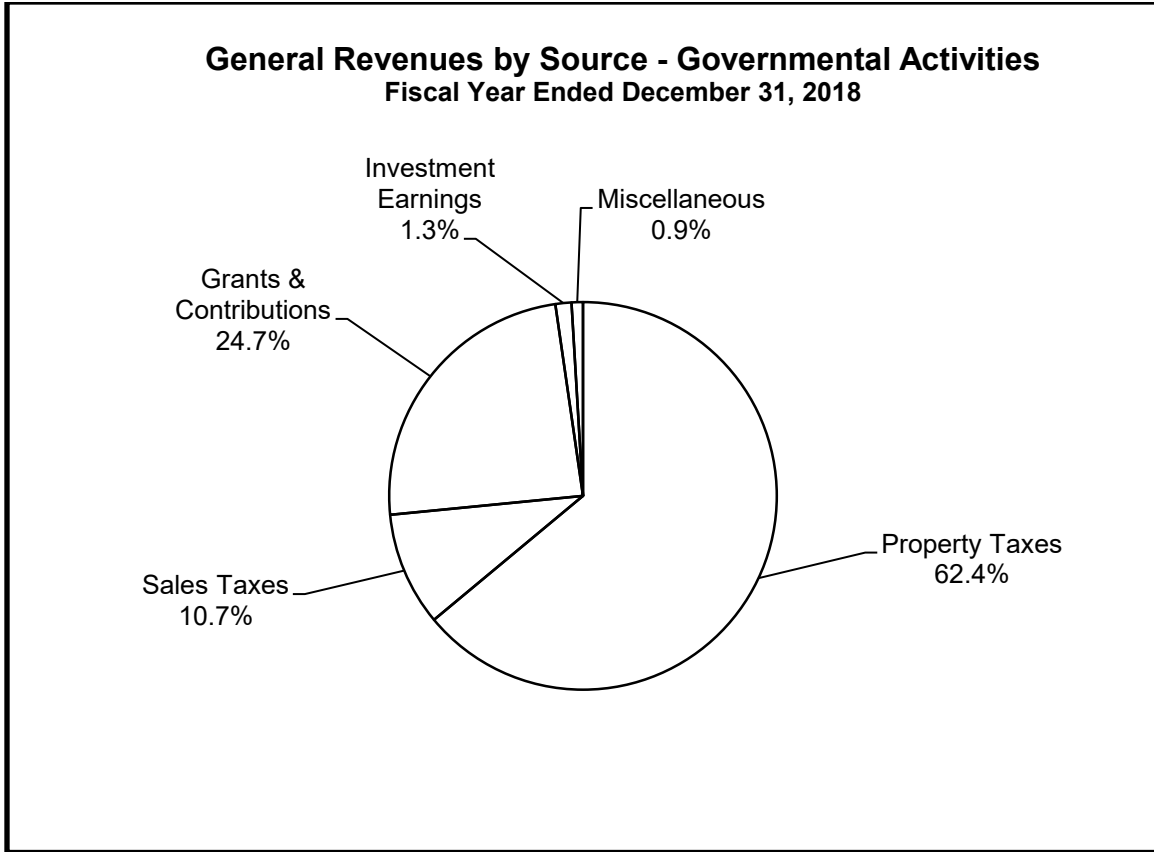
On 1/15/19, the County Board passed Resolution 2019-2 to write off a total of \$4,192,062 which represented outstanding Accounts Receivable over 210 days old and which had been recommended by the external auditors. The impact of this was somewhat mitigated by the fact that we recognized \$3.6 million in IGT revenues which were previously posted as a credit in the Accounts Receivable line. All the Board actions discussed above, and the payments made on behalf of the Home, resulted in a negative unrestricted fund balance of \$(3.4 million) compared with a negative unrestricted fund balance of \$(4.4 million) in 2017, a difference of \$1.0 million or 31.2% in 2018. There were very few additions to the Capital Assets of the Home due to the acute cash shortage. Depreciation expense of \$765,163 was the main reason for the \$734,829 reduction in the net investments in capital assets between 2017 and 2018.

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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 10,480,441	\$ 9,649,335	\$ 9,977,799	\$ 8,721,522	\$ 20,458,240	\$ 18,370,857
Operating Grants & Contributions	29,670,219	27,373,479	0	0	29,670,219	27,373,479
Capital Grants & Contributions	940,548	5,421,000	0	0	940,548	5,421,000
General Revenues:						
Property Taxes	31,569,590	31,591,443	1,261,661	1,205,269	32,831,251	32,796,712
Public Safety Sales Taxes	4,882,488	4,735,564	0	0	4,882,488	4,735,564
Hotel/Motel & Auto Rental Taxes	58,397	54,845	0	0	58,397	54,845
Grants & Contributions Not						
Restricted to Specific Programs	12,495,730	12,162,593	0	56,249	12,495,730	12,218,842
Investment Earnings	668,263	314,612	737	418	669,000	315,030
Miscellaneous	429,068	1,705,559	577	1,684	429,645	1,707,243
Total Revenues	91,194,744	93,008,430	11,240,774	9,985,142	102,435,518	102,993,572
Expenses:						
General Government	\$12,141,116	\$11,365,205	\$0	\$0	\$12,141,116	\$11,365,205
Justice & Public Safety	33,793,443	35,041,438	0	0	33,793,443	35,041,438
Health	9,383,843	9,345,836	0	0	9,383,843	9,345,836
Education	9,421,986	7,806,750	0	0	9,421,986	7,806,750
Social Services	40,797	90,262	0	0	40,797	90,262
Development	12,879,955	11,645,493	0	0	12,879,955	11,645,493
Highways & Bridges	6,884,902	6,682,549	0	0	6,884,902	6,682,549
Interest on Long-Term Debt	1,143,148	2,102,920	0	0	1,143,148	2,102,920
Nursing Home	0	0	13,628,603	13,054,639	13,628,603	13,054,639
Total Expenses	85,689,190	84,080,453	13,628,603	13,054,639	99,317,793	97,135,092
Change in Net Position						
Before Transfers	5,505,554	8,927,977	(2,387,829)	(3,069,497)	3,117,725	5,858,480
Transfers	(2,618,676)	282,670	2,618,676	(282,670)	0	0
Change in Net Position	2,886,878	9,210,647	230,847	(3,352,167)	3,117,725	5,858,480
Net Position-Beginning (As Restated)	74,383,619	65,908,109	14,083,270	17,265,561	88,466,889	83,173,670
Net Position-Ending	\$ 77,270,497	\$ 75,118,756	\$ 14,314,117	\$ 13,913,394	\$ 91,584,614	\$ 89,032,150

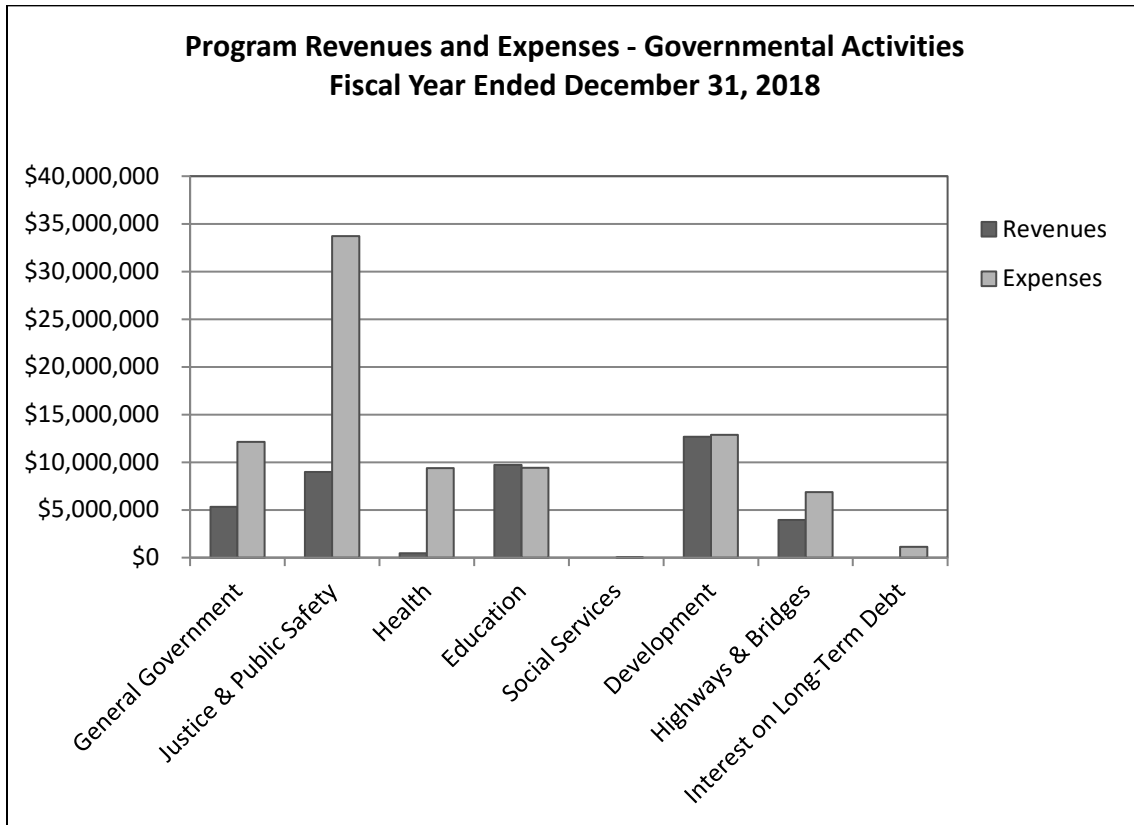
General revenues for the County’s governmental activities are derived from several sources which are dependent on different financial factors. As illustrated in the following chart, the major portion of general revenues (62%) are derived from property taxes, which provides long-term stability.



Total expenses of \$99,317,793 increased by \$2.2 million (2.3%) from fiscal year 2017. Governmental activities accounted for \$1.6 million of this increase in expenses between the two years, while Proprietary Funds accounted for another \$0.6 million of the increase.

Justice and Public Safety expenses of \$33,793,443 (39.4%) constituted the largest single expense category within total governmental activities of \$85,689,190. Development expenses were the next largest at \$12,879,955 or 15.0% of total expenses, followed closely by General Government at \$12,141,116 or 14.2%. In fiscal year 2017, the Justice and Public Safety expenses were 41.7% of total expenses, Development was 13.8% and General Government was 13.5% of total expenses. Development is funded mainly through federal and state grants and contributions which were \$1.39 million higher than 2017. Education which is also funded through federal and state grants had a similar increase of \$1.8 million from 2017.

The following chart provides program expenses by function along with the related program revenues for FY2018:



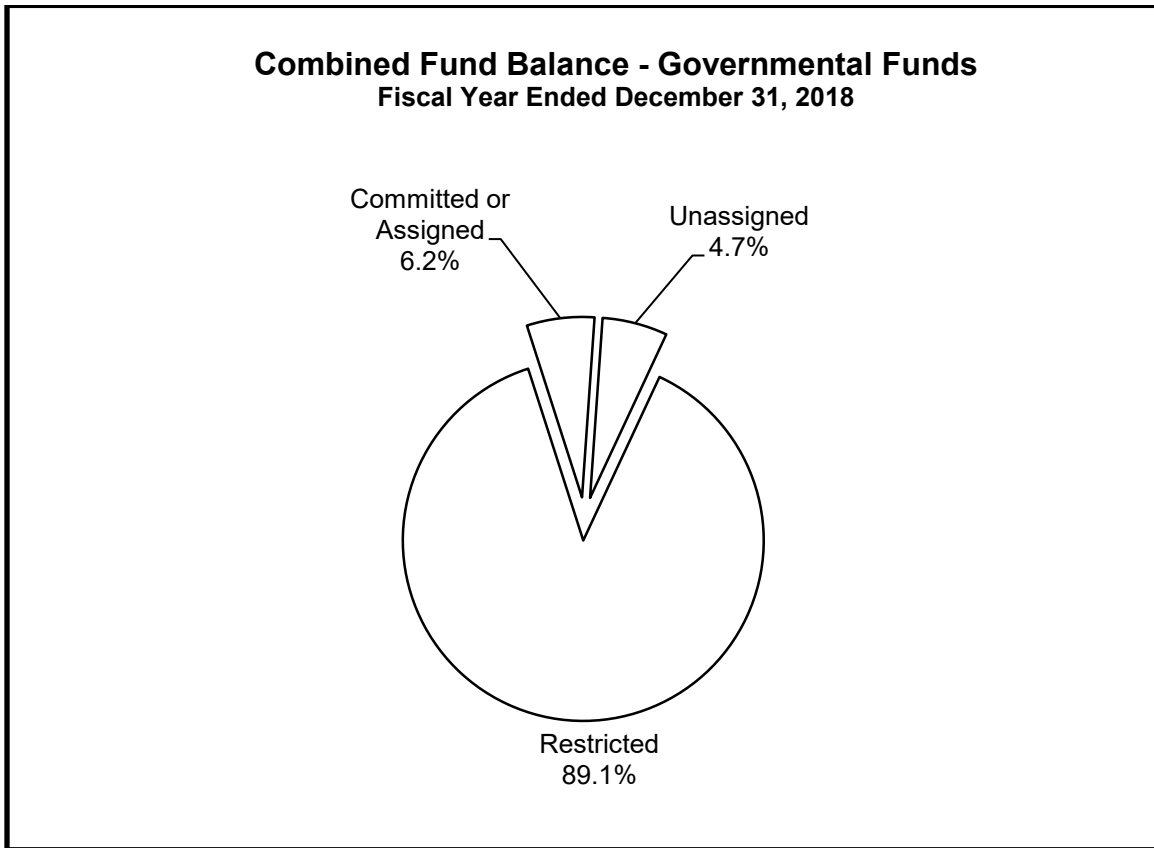
Financial Analysis of the Government’s Funds

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, 2018, the County of Champaign’s governmental funds reported combined ending fund balance of \$40,472,551 an increase of \$143,114 or 0.4% compared with the prior year. Of the ending fund balance, \$36,049,361 (89.1%) is *externally restricted* by state statutes, grantor/donor stipulations, or debt covenants, and may only be used for specified purposes. Another 6.2% is either *committed* to a specific purpose by County Board resolution or *assigned* to a specific purpose by County officials. The

remaining \$1,888,681 (4.7%) 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, 2018, the general fund’s modified accrual balance was \$4,017,827 or 11.4% of general fund expenditures. Fund balance of \$4,092 represented non-spendable balances for prepaid items, \$289,375 was restricted for repayment of debt; \$307,427 was assigned for future tax liability, leaving \$3,416,933 unassigned and available for spending on any purpose. During the fiscal year ended December 31, 2018, the General Fund balance decreased by \$(1,397,969) or (4.0%) of general fund expenditures.

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 an increase in fund balance of \$334,219 or 32.4% in 2018 following an increase of \$317,379, or 44.4% in 2017. For most of the grants and contracts, spending occurs first, then the Regional Planning Commission awaits reimbursement from the granting agencies.

The Mental Health Fund also experienced an increase of \$168,916 or 5.7% in FY2018 compared with an increase of \$314,921 or 11.9% in the prior year.

At the end of FY2018, governmental revenues on the modified accrual basis were \$91,780,270, which was \$2,626,643 or 3.0% higher than FY2017. The major variances were as follows:

- \$2.4 million in Intergovernmental revenues resulting from higher grant revenues for Education-\$1.5million; Development- \$1.9 million. These were offset by small reductions for General Government, Health, and Highways & Bridges,
- \$0.5 million increase in licenses and permits which is directly attributable to the increases in revenue stamps for the Recorder's office, and
- \$0.3 million increase in charges for services primarily from the Regional Planning Commission.

In fiscal year 2018, Governmental expenditures increased by \$0.9 million (0.9%). The most significant variances included the following:

- \$2.7 million decrease in expenditures for roads and bridges and related expenses
- \$1.2 million reduction in debt service expenditures primarily due to the final repayment of the 2000 Series Public Safety Bonds in 2017.
- \$1.8 million increase in overall spending for Education, and \$1.5 increase in overall spending for Development, both of which are commensurate with the higher level of revenues experienced in FY18.
- \$0.75 million increase in General Government and \$0.67million increase in Justice & Public Safety expenditures again in keeping with increased revenues.

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 \$13,969,884. Of this amount, \$17,344,199 is invested in capital assets and is not available to be spent leaving an unrestricted negative balance of (\$3,374,315).

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. However, the Nursing Home has been unable to meet this commitment over the past three years due to severe limitations on their cash flow.

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 problems, and they have had a negative impact on the Home's cash position. Most of the action taken by the Board has been discussed in the section on the Proprietary Funds earlier in this narrative. By the end of the fiscal year, the Nursing Home had approximately \$5.2 million in outstanding bills and loans due to the County compared with \$3.1 in FY17. Amounts due to outside vendors totaled \$1.9 million. At the end of FY2018, the Nursing Home showed a slight improvement in their cash position - \$316,579 compared with \$266,654 in FY17.

General Fund Budgetary Highlights

The original revenue budget for FY2018 totaled \$37,259,883 which was \$478,476 or 1.3% higher than the original budget for FY2017.

Some of the highlights were as follows:

- \$433,154 (8.6%) reduction in fees and fines. This is in keeping with recent trends.
- \$102,754 (0.6%) decrease in State Shared Revenues is a net figure comprising \$83,135 for the loss of the Justice & Mental Health Collaboration Program; \$119,847 decrease in corporate property replacement tax; and a small increase of \$100,228 in grants.
- \$249,300 or 23.4% increase in Interfund transfers. This includes an increase of \$414,211 from Public Safety Sales Tax towards facilities; \$97,046 increase from Probation Services to replace reductions in the Administrative Service of the Illinois Courts (AOIC); and a reduction of \$282,670 for transfers from the Champaign County Nursing Home.
- \$91,152 or 6.2% increase in licenses and permits is based on increases in revenue stamps of \$100,000 off set by other minor reductions.

The \$36,775,795 original expenditure budget for the fiscal year ended December 31, 2018 was \$355,729 or 1% higher than the original budget for FY2017. Additional details are as follows:

- \$513,289 or 2% increase in Personnel costs resulted from a combination of: attrition and turnover in several General Fund departments; wage increases between 1.8% and 2.5% for non-bargaining employees and negotiated contracts; and, the addition of an Elected County Executive position. In November 2016, the taxpayers of Champaign County voted to establish the County Executive form of Government with the new County Executive starting in December 2018.
- \$26,220 or 1.3% increase in the cost of commodities the majority of which is for document stamps
- \$20,963 or (0.3%) decrease in the cost of Services. For the most part departments held their costs flat.
- \$127,500 or (46.8%) decrease in capital outlay mainly attributable to the elimination of funding for ADA -related facility projects.
- \$31,445 (3.6%) decrease in interfund transfers. \$20,000 was for the elimination of the transfer from the Circuit Court to the Court Automation Fund. There was a

\$33,805 increase to the Capital Asset Replacement Fund off-set by a decrease of \$41,000 in transfers to the Highway Department for vehicle maintenance.

During fiscal year 2018, additional spending authority of \$669,031 was approved. \$439,884 of this increase related to commodities; \$153,144 for salaries & fringe benefits, and \$131,634 for capital outlay.

General Fund Revenues on the budgetary basis were \$500,786 or 1.3% higher than the final budget. The areas with significant variances are as follows:

- Increase of \$677,874 or 4.3% in federal & state grants.
- Increase of \$100,484 or 862.5% in investment earnings due to higher interest rates experienced throughout 2018.
- Decrease of \$176,097 (4.5%) in Charges for Services which was spread over several departments

Expenditures were under budget by \$1.1 million or (2.8%) mainly due to lower personnel costs of \$700,461 which was spread over several departments; \$115,437 less for commodities; and \$291,195 million in lower costs for services resulting primarily from delays in the start of planned programs. The departments with the largest spending shortfalls included the General County, Public Properties and the Correctional Center.

Under the final amended budget, the projected net change in fund balance was a decrease of \$2,964,887. The actual net change in fund balance on the budgetary basis turned out to be a decrease of \$1,348,314, 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, 2018, amounted to \$91,074,705, net of accumulated depreciation. This investment in capital assets include 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	
	2018	2017	2018	2017	2018	2017
Land	\$2,027,080	\$2,027,080	\$0	\$0	\$2,027,080	\$2,027,080
Construction in Progress	1,948,858	4,207,721	0	0	1,948,858	4,207,721
Infrastructure	35,661,173	32,983,298	0	0	35,661,173	32,983,298
Buildings and Improvements	31,531,055	33,012,065	17,114,065	17,760,762	48,645,120	50,772,827
Equipment	2,562,340	2,290,681	230,134	318,266	2,792,474	2,608,947
Total	73,730,506	74,520,845	17,344,199	18,079,028	91,074,705	92,599,873

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, 2018, the County of Champaign had total long-term liabilities of \$37,162,329. 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	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$26,616,669	\$29,784,055	\$0	\$0	\$26,616,669	\$29,784,055
Debenture Note	398,003	447,753	0	0	398,003	447,753
Capital Lease Obligations	66,204	101,344	0	0	66,204	101,344
Total OPEB Liability	3,061,486	2,499,106	67,471	234,266	3,128,957	2,733,372
Compensated Absences	2,697,620	2,696,118	168,626	172,602	2,866,246	2,868,720
Estimated Claims Payable	4,086,250	4,054,881	0	0	4,086,250	4,054,881
Total	36,926,232	39,583,257	236,097	406,868	37,162,329	39,990,125

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 13,934 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 4.4%, Champaign County's unemployment rate is significantly lower than 6.1% in 2014 and 8.2% in 2013. While it is about equal to that of the state average of 4.3%, it is still higher than the national average of 3.9%. Per capita personal income has risen approximately 4% from \$43,584 in 2017 to \$45,328 in 2018.

The equalized assessed value (EAV) of taxable property in Champaign County, for taxes payable in 2017, increased by approximately 4.4% to \$4.0 billion, compared with \$3.8 billion the year before. Residential properties made up 59.7% of the EAV, while commercial development constituted 31.6%, and farmland 8.7%.

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.

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