

Champaign-Urbana Public Health District

Accountants' Reports and Financial Statements

March 31, 2005

FILED
JUN 12 2006
March 31, 2005
CHAMPAIGN COUNTY CLERK

Champaign-Urbana Public Health District

March 31, 2005

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information.....	1
---	----------

Financial Statements

Statement of Net Assets	3
Statement of Activities.....	4
Balance Sheet – Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to Financial Statements	9

Required Supplementary Information

Budgetary Comparison Schedule — General Fund	18
Budgetary Comparison Schedule — Illinois Municipal Retirement Fund	19

Other Supplementary Information

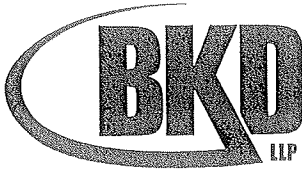
Schedule of Expenditures of Federal Awards	20
--	----

Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on the Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
--	-----------

Independent Accountants' Report on Compliance and Internal Control over Compliance with Requirements Applicable to Major Federal Awards Programs	25
---	-----------

Schedule of Findings and Questioned Costs.....	27
---	-----------

Summary Schedule of Prior Audit Findings.....	32
--	-----------



Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Champaign-Urbana Public Health District
Champaign, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Champaign-Urbana Public Health District (District) as of and for the year ended March 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Champaign-Urbana Public Health District as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, in 2005 the District changed its method of financial statement presentation and disclosure by retroactively restating prior years' financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2006, on our consideration of the District's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The accompanying budgetary information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

April 13, 2006

Champaign-Urbana Public Health District

Statement of Net Assets

March 31, 2005

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,356,589
Property taxes receivable	1,715,265
Revenues due from state	1,086,518
Revenue due from county	314,728
Prepaid expenses	45,775
Capital assets	676,656
Other assets	<u>27,559</u>
Total assets	\$ <u>6,223,090</u>
Liabilities	
Accounts payable	\$ 129,600
Accrued liabilities	11,980
Accrued compensated absences	154,733
Deferred revenue	<u>1,728,744</u>
Total liabilities	\$ <u>2,025,057</u>
Net Assets	
Invested in capital assets	\$ 676,656
Unrestricted	<u>3,521,377</u>
Total net assets	\$ <u>4,198,033</u>

Champaign-Urbana Public Health District
Statement of Activities
Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues		Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Administration	\$ 1,344,528	\$ 77,322	\$ 464,932	\$ (802,274)
Public health nursing	1,134,169	45,153	599,447	(489,569)
Environmental health	566,788	151,956	337,937	(76,895)
Dental health	233,956	64,622	—	(169,334)
Health education	677,790	11,244	633,921	(32,625)
Social services	1,541,176	4,489	1,505,319	(31,368)
Family health	<u>1,348,845</u>	<u>57,082</u>	<u>1,456,315</u>	<u>164,552</u>
Total governmental activities	\$ <u>6,847,252</u>	\$ <u>411,868</u>	\$ <u>4,997,871</u>	<u>(1,437,513)</u>
General Revenues				
Property taxes levied for general purposes				1,991,650
Investment income				34,785
Miscellaneous				<u>72</u>
Total general revenues				<u>2,026,507</u>
Change in Net Assets				588,994
Net Assets, Beginning of Year, as Previously Reported			\$ 3,132,135	
Cumulative Effect of Change in Accounting Principles			<u>476,904</u>	
Net Assets, Beginning of Year, as Restated				<u>3,609,039</u>
Net Assets, End of Year				\$ <u>4,198,033</u>

Champaign-Urbana Public Health District

Balance Sheet Governmental Funds

March 31, 2005

	General Fund	Illinois Municipal Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,352,386	\$ —	\$ 4,203	\$ 2,356,589
Property taxes receivable	1,456,680	184,315	74,270	1,715,265
Revenues due from the state	1,055,875	24,959	5,684	1,086,518
Revenues due from the county	251,686	50,485	12,557	314,728
Due from other funds	264,670	—	—	264,670
Prepaid expenses	—	—	45,775	45,775
Other assets	<u>27,559</u>	<u>—</u>	<u>—</u>	<u>27,559</u>
Total assets	<u>\$ 5,408,856</u>	<u>\$ 259,759</u>	<u>\$ 142,489</u>	<u>\$ 5,811,104</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ —	\$ 195,921	\$ 68,749	\$ 264,670
Accounts payable	128,600	—	1,000	129,600
Accrued liabilities	11,980	—	—	11,980
Deferred revenue	<u>1,470,159</u>	<u>184,315</u>	<u>74,270</u>	<u>1,728,744</u>
Total liabilities	<u>1,610,739</u>	<u>380,236</u>	<u>144,019</u>	<u>2,134,994</u>
Fund Balances				
Unreserved and undesignated, reported in:				
General Fund	3,798,117	—	—	3,798,117
Special revenue funds	<u>—</u>	<u>(120,477)</u>	<u>(1,530)</u>	<u>(122,007)</u>
Total fund balances	<u>3,798,117</u>	<u>(120,477)</u>	<u>(1,530)</u>	<u>3,676,110</u>
Total liabilities and fund balances	<u>\$ 5,408,856</u>	<u>\$ 259,759</u>	<u>\$ 142,489</u>	<u>\$ 5,811,104</u>

Champaign-Urbana Public Health District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
March 31, 2005

Total fund balance for governmental funds \$ 3,676,110

Total net assets reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	25,000	
Buildings, net of \$456,772 accumulated depreciation		297,704	
Furniture and fixtures, net of \$59,738 accumulated depreciation		122,587	
Equipment, net of \$141,567 accumulated depreciation		<u>231,365</u>	
			676,656

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (154,733)

Total net assets of governmental activities \$ 4,198,033

Champaign-Urbana Public Health District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2005

	General Fund	Illinois Municipal Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,760,859	\$ 169,576	\$ 61,215	\$ 1,991,650
Licenses and permits	151,956	—	—	151,956
Intergovernmental	4,786,805	181,685	29,381	4,997,871
Interest	31,525	2,068	1,192	34,785
Charges for services	259,912	—	—	259,912
Miscellaneous	<u>72</u>	<u>—</u>	<u>—</u>	<u>72</u>
Total revenues	<u>6,991,129</u>	<u>353,329</u>	<u>91,788</u>	<u>7,436,246</u>
Expenditures				
Administration	1,308,150	43,597	37,800	1,389,547
Public Health Nursing	1,040,344	79,301	14,524	1,134,169
Environmental Health	499,544	56,430	10,814	566,788
Dental Health	206,026	22,339	5,591	233,956
Health Education	630,476	39,658	7,656	677,790
Social Services	1,464,253	60,779	16,144	1,541,176
Family Health	<u>1,178,633</u>	<u>142,947</u>	<u>27,265</u>	<u>1,348,845</u>
Total expenditures	<u>6,327,426</u>	<u>445,051</u>	<u>119,794</u>	<u>6,892,271</u>
Net Change in Fund Balances	663,703	(91,722)	(28,006)	543,975
Fund Balances, Beginning of Year	<u>3,134,414</u>	<u>(28,755)</u>	<u>26,476</u>	<u>3,132,135</u>
Fund Balances, End of Year	<u>\$ 3,798,117</u>	<u>\$ (120,477)</u>	<u>\$ (1,530)</u>	<u>\$ 3,676,110</u>

Champaign-Urbana Public Health District
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended March 31, 2005

Net change in fund balances — total governmental funds	\$	543,975
--	----	---------

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		10,249
--	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported or are reported in different periods as expenditures in governmental funds.		34,770
--	--	--------

Change in net assets of governmental activities	\$	<u>588,994</u>
---	----	----------------

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2005

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Champaign-Urbana Public Health District (District) was established in 1937 under the Coleman Act, which authorized the establishment and maintenance of health departments. The District is governed by the Board of Health, consisting of the Chairman of the Champaign County Board and one member from both the City of Champaign Township and the Cunningham Township. The District provides health care services for the residents of Champaign and Urbana except for specific intergovernmental programs.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the District and its component units. The District did not have any component units as of March 31, 2005.

Basis of Presentation

The District's financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the nonfiduciary financial activities of the District. These statements report those activities of the District that are governmental (i.e. generally supported by taxes and intergovernmental revenues).

The statement of net assets presents the financial position of the District's governmental activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions (including related investment earnings) that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues.

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2005

Fund Financial Statements

The District maintains fund accounting in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column.

Governmental Funds

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's major governmental funds are the General and Illinois Municipal Retirement Funds. The General Fund is the District's primary operating fund. It is used to account for all financial transactions, except those required to be accounted for in other funds. The Illinois Municipal Retirement Fund is used to account for the District's contributions to FICA and the Illinois Municipal Retirement Fund.

Basis of Accounting/Measurement Focus

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local governmental units.

Government-Wide Financial Statements

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program expenses are incurred, there may be both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical grants, and then by general revenues.

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2005

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when measurable and available. Available means collectible with the current period or soon enough thereafter to be used to pay current liabilities. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recognized and recorded when incurred. Capital outlay is considered an expenditure in the year incurred and capital assets are not recognized and depreciated in the fund financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes receivable consist of the estimated collectible portion of the 2004 levy which will be collected and recognized during the fiscal year ended March 31, 2006. The related revenue is deferred until it is received and available for expenditure. Deferred revenue as of March 31, 2005 was \$1,728,744.

The tax levy ordinance is passed in December of each year. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments on June 1 and September 1. Champaign County bills and collects the property taxes and remits the money to the District in installments between May and October.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

Buildings and improvements	20 – 40 years
Furniture, fixtures and equipment	3 – 10 years

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2005

Note 2: Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires that all funds on deposit in excess of Federal Deposit Insurance Corporation limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent third party institution in the name of the District. As such, at March 31, 2005, none of the District's bank balance of \$2,443,337 was exposed to custodial credit risk.

Note 3: Capital Assets

Capital assets activity for the year ended March 31, 2005 was:

	Beginning Balance	2005		Ending Balance
		Additions	Disposals	
Land	\$ 25,000	\$ —	\$ —	\$ 25,000
Buildings and improvements	754,475	—	—	754,475
Furniture, fixtures and equipment	<u>403,577</u>	<u>151,681</u>	<u>—</u>	<u>555,258</u>
	1,183,052	151,681	—	1,334,733
Less accumulated depreciation				
Buildings and improvements	(402,028)	(54,744)	—	(456,772)
Furniture, fixtures and equipment	<u>(114,617)</u>	<u>(86,688)</u>	<u>—</u>	<u>(201,305)</u>
	<u>(516,656)</u>	<u>(141,432)</u>	<u>—</u>	<u>(658,077)</u>
Net Capital Assets	\$ <u>666,407</u>	\$ <u>10,249</u>	\$ <u>—</u>	\$ <u>676,656</u>

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2005

Note 4: Operating Leases

The District has obligated leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the District's financial statements. Rental expense incurred in the fiscal year ended March 31, 2005 was \$94,411. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of March 31, 2005.

	<u>Amounts</u>
2006	\$ 83,804
2007	84,004
2008	50,300
2009	<u>8,383</u>
	<u>\$ 226,491</u>

Note 5: Pension Plan

The District's agent multiple-employer defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The District is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 6.69% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (over funded liability amortized on open basis). The amortization period at December 31, 2004 was 10 years.

For December 31, 2004, the District's annual pension cost of \$213,094 was equal to the District's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% per year, attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2005

IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 experience study.

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/04	\$ 213,094	100%	\$ 0
12/31/03	182,336	100%	0
12/31/02	172,050	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/04	\$4,653,078	\$4,312,949	\$ (340,129)	107.89%	\$3,185,258	0.00%
12/31/03	4,471,035	3,959,393	(511,640)	112.92%	3,132,918	0.00%
12/31/02	4,485,883	3,924,658	(561,225)	114.30%	3,083,326	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$4,666,475. On a market basis, the funded ratio would be 108.20%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2004 are based on the 1999-2001 Experience Study. The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For regular members, fewer normal and early retirements are expected to occur.

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2005

Note 6: Compensated Absences

The District allows employees to accumulate unlimited unused sick leave based upon the termination payment method. Earned vacation time is generally required to be used within one year of accrual. Upon separation, the District will pay for all accumulated vacation; however, compensation for sick leave depends upon whether the employee is retiring or terminating. Upon IMRF retirement, the District will pay all sick leave accumulated prior to January 1, 1999 at the employee's December 31, 1998 salary. Upon termination, the District will pay half of the sick leave accumulated prior to January 1, 1999 at the employee's December 31, 1998 salary. Employees will not be paid for unused sick leave earned after December 31, 1998.

As of March 31, 2005, the liability for accrued vacation, compensatory, and sick leave is \$154,733.

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
Compensated Absences	\$ <u>189,503</u>	\$ <u>13,772</u>	\$ <u>(48,542)</u>	\$ <u>154,733</u>

Note 7: Deferred Compensation Plan

The District offers all full-time employees a deferred compensation plan established in accordance with the requirements of Internal Revenue Code Section 457. The assets of the plans are held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian of the trust holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the District's financial statements.

Note 8: Deficit Fund Balances

The following funds had a deficit balance as of March 31, 2005. The deficits will be resolved by decreasing future expenditures.

Illinois Municipal Retirement Fund	\$ (120,477)
Insurance Fund	(2,594)

Note 9: Loss Exposure

Significant losses are covered by commercial insurance for all major programs: property, liability and workers' compensation. During the year ended March 31, 2005, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2005

Note 10: Commitments and Contingencies

Claims and Litigation

The District is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The District administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the District.

Note 11: Change in Accounting Principles

During 2005, the District retroactively changed its method of financial statement presentation and disclosure by adopting the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended.

The changes in financial statement presentation provide a comprehensive look at the total governmental entity, require recording of depreciation on capital assets and include a narrative management's discussion and analysis (MD&A) of the government's financial activities. Prior to the adoption of GASB No. 34, the District did not maintain a complete set of detail historical cost records on its capital assets. To comply with the requirements of these statements, the District has prepared detail cost records on all of its capital assets and the related accumulated depreciation on those capital assets as of April 1, 2004. The District will also record the amount for accrued compensated absences that was previously reported in the general long-term debt account group. The cumulative effect of adjusting the District's capital assets and related accumulated depreciation to the detail records at April 1, 2004, as well as recording the accrued compensated absences is as follows:

Adjustment to record capital assets carrying amounts to agree to detailed cost records	\$ 1,183,052
Adjustment to record accumulated depreciation on capital assets	(516,645)
Adjustment to record accrued compensated absences	<u>(189,503)</u>
Increase to net assets at April 1, 2004	\$ <u>476,904</u>

In addition to the capital asset and related depreciation changes described above, there was a significant change in the overall form and content of the District's financial statements.

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2005

GASB Statement No. 40 – *Deposit and Investment Risk Disclosures*

The District adopted the provisions of GASB No. 40. This new standard revises the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Adoption of GASB 40 had no effect on net assets or the change in net assets in the prior or current year.

Required Supplementary Information

Champaign-Urbana Public Health District
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,820,150	\$ 1,737,047	\$ 1,760,859	\$ 23,812
Licenses and permits	161,000	176,000	151,956	(24,044)
Intergovernmental	4,181,645	4,408,445	4,786,805	378,360
Interest	27,220	29,520	31,525	2,005
Charges for services	60,080	515,100	259,912	(255,188)
Miscellaneous income	<u>1,000</u>	<u>2,500</u>	<u>72</u>	<u>(2,428)</u>
Total revenues	<u>6,251,095</u>	<u>6,868,612</u>	<u>6,991,129</u>	<u>122,517</u>
Expenditures				
Administration	1,170,962	1,212,659	1,308,150	(95,491)
Public Health Nursing	1,156,257	1,089,468	1,040,344	49,124
Environmental Health	539,565	556,969	499,544	57,425
Dental Health	339,874	270,596	206,026	64,570
Health Education	627,348	670,295	630,476	39,819
Social Services	1,606,581	1,654,370	1,464,253	190,117
Family Health	<u>1,296,218</u>	<u>1,340,293</u>	<u>1,178,633</u>	<u>161,660</u>
Total expenditures	6,736,805	6,794,650	6,327,426	467,224
Net Change in Fund Balance	(485,710)	73,962	663,703	589,741
Fund Balance, Beginning of Year	<u>3,134,414</u>	<u>3,134,414</u>	<u>3,134,414</u>	<u>-----</u>
Fund Balance, End of Year	<u>\$ 2,648,704</u>	<u>\$ 3,208,376</u>	<u>\$ 3,798,117</u>	<u>\$ 589,741</u>

Note to Schedule

Appropriated Budget

An appropriated budget is legally adopted on an annual fiscal year basis for the General and Illinois Municipal Retirement funds. The level of budgetary control is by fund. Funds are budgeted annually under the modified accrual basis of accounting.

Champaign-Urbana Public Health District
Budgetary Comparison Schedule
Illinois Municipal Retirement Fund
Year Ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 172,800	\$ 172,800	\$ 169,576	\$ (3,224)
Intergovernmental	194,600	194,600	181,685	(12,915)
Interest	<u>500</u>	<u>500</u>	<u>2,068</u>	<u>1,568</u>
Total revenues	<u>367,900</u>	<u>367,900</u>	<u>353,329</u>	<u>(14,571)</u>
Expenditures				
Administration	75,091	75,091	43,597	31,494
Public Health Nursing	90,106	90,106	79,301	10,805
Environmental Health	57,135	57,135	56,430	705
Dental Health	33,305	33,305	22,339	10,966
Health Education	43,862	43,862	39,658	4,204
Social Services	56,646	56,646	60,779	(4,133)
Family Health	<u>140,089</u>	<u>140,089</u>	<u>142,947</u>	<u>(2,858)</u>
Total expenditures	496,234	496,234	445,051	51,183
Net Change in Fund Balance	(128,334)	(128,334)	(91,722)	36,612
Fund Balance, Beginning of Year	<u>(28,755)</u>	<u>(28,755)</u>	<u>(28,755)</u>	<u>—</u>
Fund Balance, End of Year	<u>\$ (157,089)</u>	<u>\$ (157,089)</u>	<u>\$ (120,477)</u>	<u>\$ 36,612</u>

Note to Schedule

Appropriated Budget

An appropriated budget is legally adopted on an annual fiscal year basis for the General and Illinois Municipal Retirement funds. The level of budgetary control is by fund. Funds are budgeted annually under the modified accrual basis of accounting.

Other Supplementary Information

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2005

Federal Agency Pass-through Entity/ Cluster Title/ Program	CFDA Number	4/1/2004 through 6/30/2004	7/1/2004 through 3/31/2005	Amount
U.S. Department of Agriculture				
Passed through Illinois Department of Public Health				
Summer Food Service Program For Children	10.559	\$ —	\$ 1,050	\$ 1,050
Passed through Illinois Department of Health and Human Services				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	130,600	347,400	478,000
Special Supplemental Nutrition Program for Women, Infants and Children - noncash	10.557	914,913	998,094	<u>1,913,007</u>
Total U.S. Department of Agriculture				<u>2,392,057</u>
U. S. Department of Housing and Urban Development				
Passed through Illinois Department of Public Health				
Housing Opportunities for Persons with Aids	14.241	18,722	90,459	<u>109,182</u>
Total U. S. Department of Housing and Urban Development				<u>109,182</u>
U.S. Department of Transportation				
Passed through Illinois Department of Transportation				
State and Community Highway Safety	20.600	19,934	56,119	<u>76,053</u>
Total U.S. Department of Transportation				<u>76,053</u>
Environmental Protection Agency				
Passed through Illinois Department of Public Health				
Performance Partnership Grants	66.605	—	438	<u>438</u>
Total Environmental Protection Agency				<u>438</u>
U.S. Department of Health and Human Services				
Passed through Illinois Department of Public Health				
HIV Care Formula Grants	93.917	230,696	242,651	473,347
HIV Prevention Activities – Health Department Based	93.940	173,886	238,815	412,700
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	—	144,282	144,282
Centers for Disease Control & Prevention – Investigations and Technical Assistance	93.283	194,797	104,719	299,516

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2005

Federal Agency Pass-through Entity/ Cluster Title/ Program	CFDA Number	4/1/2004 through 6/30/2004	7/1/2004 through 3/31/2005	Amount
(Continued)				
U.S. Department of Health and Human Services				
(Continued)				
Project Grants and Cooperative Agreement for Tuberculosis Control	93.116	\$ —	\$ 4,790	\$ 4,790
Immunization Grants	93.268	—	—	135,243
HIV/AIDS Surveillance	93.944	—	7,990	7,990
Preventive Health Services – Sexually Transmitted Diseases Control Grant	93.977	11,500	17,588	29,088
Passed through Illinois Department of Health and Human Services				
Social Services Block Grant	93.667	18,100	13,200	31,300
Maternal and Child Health Services Block Grant	93.994	22,755	50,962	73,717
Cooperative Agreement for State-based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	3,600	12,240	15,840
Total U.S. Department of Health and Human Services				<u>1,627,813</u>
Total Expenditures of Federal Awards				<u>\$ 4,205,543</u>

(Continued)

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2005

Note 1: Basis of Presentation

This schedule includes the federal awards activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Subrecipients

Of the federal expenditures presented in this schedule, the District provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
HIV Prevention Activities – Health Department Based	93.940	McLean County Public Health Department	\$ 12,512
HIV Prevention Activities – Health Department Based	93.940	Sisters and Brothers	23,384
HIV Prevention Activities – Health Department Based	93.940	Kanakee Health Department	2,792
HIV Prevention Activities – Health Department Based	93.940	Community Health Training Center	<u>6,660</u>
			<u>\$ 45,348</u>



**Independent Accountants' Report on
Internal Control over Financial Reporting and on Compliance and Other
Matters Based on the Audit of the Financial Statements Performed in
Accordance With Government Auditing Standards**

Board of Directors
Champaign-Urbana Public Health District
Champaign, Illinois

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Champaign-Urbana Public Health District (District) as of and for the year ended March 31, 2005, and have issued our report thereon dated April 13, 2006, which contained explanatory paragraphs regarding omission of required supplementary information and regarding a change in accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-01 and 05-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the District's management in a separate letter dated April 13, 2006.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Decatur, Illinois
April 13, 2006



Independent Accountants' Report on Compliance and Internal Control over Compliance with Requirements Applicable to Major Federal Awards Programs

Board of Directors
Champaign-Urbana Public Health District
Champaign, Illinois

Compliance

We have audited the compliance of Champaign-Urbana Public Health District (District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the compliance of Champaign-Urbana Public Health District based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Champaign-Urbana Public Health District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

Internal Control Over Compliance

The management of Champaign-Urbana Public Health District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Decatur, Illinois
April 13, 2006

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs
Year Ended March 31, 2005

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:

☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

Reportable condition(s) noted considered material weakness(es)?

☐ Yes ☒ No

Reportable condition(s) noted that are not considered to be a material weakness?

☒ Yes ☐ No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

☐ Yes ☒ No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

Reportable condition(s) noted considered material weakness(es)?

☐ Yes ☒ No

Reportable condition(s) noted that are not considered to be a material weakness?

☐ Yes ☒ No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133?

☐ Yes ☒ No

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2005

7. The Organization's major programs were:

Cluster/Program	CFDA Number
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
HIV Prevention Activities – Health Department Based	93.940

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☐ Yes ☒ No

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2005

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
	Maintaining Accurate Accounting Records	
05-01	<p>Criteria or Specific Requirement— General ledger account balances should be reconciled to supporting details in a timely manner.</p> <p>Condition— We noted during our testing, that because the general ledger account balances are not reviewed on a monthly basis and are not reconciled to their supporting detail, many variances exist.</p> <p>Context— Prudent business practice would require that all material accounts be reconciled to the subsidiary ledger in a timely manner.</p> <p>Effect— Failure to reconcile accounts in a timely manner can lead to a lengthy year-end closing process, numerous adjustments, and inaccurate monthly financial information.</p> <p>Cause— During the year, the District's accounting department experienced nearly complete turnover.</p> <p>Recommendation— We recommend that the District implement a process whereby all material accounts are reconciled monthly and all other general ledger accounts are reviewed monthly for reasonableness.</p> <p>Views of Responsible Officials and Planned Corrective Actions— CUPHD concurs with the auditor that general ledger account balances should be reconciled to supporting details in a timely manner. CUPHD has taken the following corrective action in fiscal year 2006:</p> <ul style="list-style-type: none"> • Recruited a qualified Director of Finance. • Reviewed existing policies and procedures for determining needed changes. • Implemented a month-end close procedure. <p>We believe that substantial improvements have been made already, and will continue to monitor this issue during the next fiscal year</p>	None

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2005

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
Segregation of Duties		
05-02	<p>Criteria or Specific Requirement— Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition— We noted that various individuals have incompatible duties in the cash receipts, payroll and purchasing areas.</p> <p>Context— Various accounting responsibilities related to accounts receivable and cash receipts are able to be performed by a number of individuals. Also, several employees have the ability to access payroll records, can make changes to payroll information, record payroll in the general ledger and reconcile the payroll reports to the general ledger. Finally, various accounting personnel have the ability to authorize invoices for payment, prepare purchase orders and record accounts payable through the computer system.</p> <p>Effect— Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause— Duties in the revenue/cash receipts, expense/payable and payroll transactions cycle are not adequately segregated and monitoring or other compensating controls are insufficient.</p> <p>Recommendation— Management should periodically evaluate the costs versus the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p>	None

Champaign-Urbana Public Health District

Schedule of Findings and Questioned Costs (continued)

Year Ended March 31, 2005

Views of Responsible Officials and Planned Corrective Actions—

CUPHD concurs that effective internal control over financial reporting is necessary to the extent that it is also cost effective for the organization. CUPHD has implemented the following corrective action in fiscal year 2006:

- Changed the existing job duties to provide better segregation of duties.
- Reduced the number of employees authorized to make entries or adjustments to payroll records.
- Established more effective documentation procedures for cash receipts.
- Implemented a policy that requires Division Directors to sign all purchase orders, check requests, and credit card charges pertaining to their division. Amounts \$1000 or greater require an additional level of approval and must be signed by the Public Health Administrator.
- Accounts payable can still be entered by several different employees, but other compensating controls are in place. The CUPHD Treasurer counter-signs most accounts payable checks and reviews all check registers.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
No matters are reportable		

Champaign-Urbana Public Health District
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2005
Tentative Draft — Subject to Revisions

Reference Number	Summary of Finding	Status
---------------------	--------------------	--------

No matters are reportable