

Champaign-Urbana Public Health District

Accountants' Reports and Financial Statements

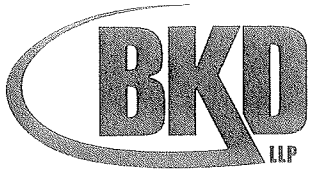
March 31, 2006

Champaign-Urbana Public Health District

March 31, 2006

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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, 2006, 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, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2007, 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

May 29, 2007

Champaign-Urbana Public Health District

Statement of Net Assets

March 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,721,733
Property taxes receivable	1,763,364
Revenues due from state	1,109,517
Revenue due from county	262,569
Prepaid expenses	41,306
Capital assets	760,725
Other assets	<u>50,753</u>
Total assets	<u>6,709,967</u>
Liabilities	
Accounts payable	73,942
Accrued liabilities	92,407
Accrued compensated absences	108,116
Deferred revenue	<u>1,910,838</u>
Total liabilities	2,185,303
Net Assets	
Invested in capital assets	760,725
Unrestricted	<u>3,763,939</u>
Total net assets	<u>\$ 4,524,664</u>

Champaign-Urbana Public Health District

Statement of Activities

Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Administration	\$ 1,471,636	\$ 77,864	\$ 485,838	\$ (907,934)
Public health nursing	764,285	17,092	496,466	(250,727)
Environmental health	661,276	176,917	259,791	(224,568)
Dental health	313,442	153,382	—	(160,060)
Health education	582,838	7,216	590,484	14,862
Social services	1,899,745	49,099	1,669,393	(181,253)
Family health	<u>1,739,330</u>	<u>61,956</u>	<u>1,430,544</u>	<u>(246,830)</u>
Total governmental activities	\$ <u>7,432,552</u>	\$ <u>543,526</u>	\$ <u>4,932,516</u>	<u>(1,956,510)</u>
General Revenues				
Property taxes levied for general purposes				2,144,875
Investment income				86,998
Miscellaneous				<u>51,268</u>
Total general revenues				<u>2,283,141</u>
Change in Net Assets				326,631
Net Assets, Beginning of Year				<u>4,198,033</u>
Net Assets, End of Year				\$ <u>4,524,664</u>

Champaign-Urbana Public Health District

Balance Sheet Governmental Funds

March 31, 2006

	General Fund	Illinois Municipal Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,711,288	\$ —	\$ 10,445	\$ 2,721,733
Property taxes receivable	1,460,007	228,734	74,623	1,763,364
Revenues due from the state	1,077,291	24,355	7,871	1,109,517
Revenues due from the county	204,487	46,582	11,500	262,569
Due from other funds	369,024	—	—	369,024
Prepaid expenses	—	—	41,306	41,306
Other assets	<u>50,753</u>	<u>—</u>	<u>—</u>	<u>50,753</u>
Total assets	<u>\$ 5,872,850</u>	<u>\$ 299,671</u>	<u>\$ 145,745</u>	<u>\$ 6,318,266</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ —	\$ 298,164	\$ 70,860	\$ 369,024
Accounts payable	64,052	—	9,890	73,942
Accrued liabilities	77,955	12,685	1,767	92,407
Deferred revenue	<u>1,607,481</u>	<u>228,734</u>	<u>74,623</u>	<u>1,910,838</u>
Total liabilities	<u>1,749,488</u>	<u>539,583</u>	<u>157,140</u>	<u>2,446,211</u>
Fund Balances				
Unreserved and undesignated, reported in:				
General Fund	4,123,362	—	—	4,123,362
Special revenue funds	<u>—</u>	<u>(239,912)</u>	<u>(11,395)</u>	<u>(251,307)</u>
Total fund balances	<u>4,123,362</u>	<u>(239,912)</u>	<u>(11,395)</u>	<u>3,872,055</u>
Total liabilities and fund balances	<u>\$ 5,872,850</u>	<u>\$ 299,671</u>	<u>\$ 145,745</u>	<u>\$ 6,318,266</u>

Champaign-Urbana Public Health District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
March 31, 2006

Total fund balance for governmental funds \$ 3,872,055

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 \$511,516 accumulated depreciation	242,959	
Furniture, fixtures, and equipment, net of \$317,244 accumulated depreciation	<u>492,766</u>	
		760,725

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (108,116)

Total net assets of governmental activities \$ 4,524,664

Champaign-Urbana Public Health District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2006

	General Fund	Illinois Municipal Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,887,253	\$ 183,487	\$ 74,135	\$ 2,144,875
Licenses and permits	176,917	—	—	176,917
Intergovernmental	4,657,304	215,061	60,151	4,932,516
Interest	77,563	5,853	3,582	86,998
Charges for services	366,609	—	—	366,609
Miscellaneous	<u>51,268</u>	<u>—</u>	<u>—</u>	<u>51,268</u>
Total revenues	<u>7,216,914</u>	<u>404,401</u>	<u>137,868</u>	<u>7,759,183</u>
Expenditures				
Administration	1,440,292	86,703	75,325	1,602,320
Public Health Nursing	705,922	51,590	6,774	764,286
Environmental Health	587,982	61,867	11,427	661,276
Dental Health	277,651	29,639	6,152	313,442
Health Education	537,602	39,259	5,977	582,838
Social Services	1,803,241	80,048	16,457	1,899,746
Family Health	<u>1,538,979</u>	<u>174,730</u>	<u>25,621</u>	<u>1,739,330</u>
Total expenditures	<u>6,891,669</u>	<u>523,836</u>	<u>147,733</u>	<u>7,563,238</u>
Net Change in Fund Balances	325,245	(119,435)	(9,865)	195,945
Fund Balances, Beginning of Year	<u>3,798,117</u>	<u>(120,477)</u>	<u>(1,530)</u>	<u>3,676,110</u>
Fund Balances, End of Year	<u>\$ 4,123,362</u>	<u>\$ (239,912)</u>	<u>\$ (11,395)</u>	<u>\$ 3,872,055</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, 2006

Net change in fund balances — total governmental funds	\$ 195,945
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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	84,069
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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.	<u>46,617</u>
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Change in net assets of governmental activities	\$ <u>326,631</u>
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Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2006

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, 2006.

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, 2006

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, 2006

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, 2006 was \$1,910,838.

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, 2006

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, 2006, none of the District's bank balance of \$2,714,399 was exposed to custodial credit risk.

Note 3: Capital Assets

Capital assets activity for the year ended March 31, 2006 was:

	2006			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 25,000	\$ —	\$ —	\$ 25,000
Buildings and improvements	754,475	—	—	754,475
Furniture, fixtures and equipment	<u>555,258</u>	<u>254,752</u>	<u>—</u>	<u>810,010</u>
	1,334,733	254,752	—	1,589,485
Less accumulated depreciation				
Buildings and improvements	(456,772)	(54,744)	—	(511,516)
Furniture, fixtures and equipment	<u>(201,305)</u>	<u>(115,939)</u>	<u>—</u>	<u>(317,244)</u>
	<u>(658,077)</u>	<u>(170,683)</u>	<u>—</u>	<u>(828,760)</u>
Net Capital Assets	<u>\$ 676,656</u>	<u>\$ 84,069</u>	<u>\$ —</u>	<u>\$ 760,725</u>

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2006

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, 2006 was \$83,877. 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, 2006.

	<u>Amounts</u>
2007	\$ 93,709
2008	51,650
2009	<u>8,383</u>
	\$ <u>153,742</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 2005 was 7.70% 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, 2005 was 27 years.

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2006

For December 31, 2005, the District's annual pension cost of \$258,416 was equal to the District's required and actual contributions. The required contribution was determined as part of the December 31, 2003 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% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% 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 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 2005 actuarial valuation were based on the 2002-2004 experience study.

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/05	258,416	100%	\$ 0
12/31/04	213,094	100%	0
12/31/03	182,336	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)
12/31/05	4,952,773	4,601,421	(351,352)	107.64%	3,356,055	0.00%
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%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$5,029,911. On a market basis, the funded ratio would be 109.31%.

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2006

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2005 are based on the 2002-2004 Experience Study. The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For regular members, fewer normal and more early retirements are expected to occur.

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, 2006, the liability for accrued vacation, compensatory, and sick leave is \$108,116.

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
Compensated Absences	\$ <u>154,733</u>	\$ <u>—</u>	\$ <u>46,617</u>	\$ <u>108,116</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.

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2006

Note 8: Deficit Fund Balances

The following funds had a deficit balance as of March 31, 2006. The deficits will be resolved by decreasing future expenditures.

Illinois Municipal Retirement Fund	\$ (239,912)
Insurance Fund	(14,851)

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, 2006, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

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: Subsequent Events

Subsequent to March 31, 2006, the District purchased a new location in Champaign, Illinois, and signed a contract for remodeling of the building. The purchase price of the building was approximately \$2,143,000 and the obligation for the remodeling is approximately \$2,780,000. The remodeling project is expected to be complete in the fall of 2007.

In order to finance the projects noted above, the District issued \$4,000,000 in General Obligation (limited Tax) Debt Certificates on October 26, 2006. The Debt Certificates bear an interest rate of 4.76% and mature in 2026.

Required Supplementary Information

Champaign-Urbana Public Health District
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,842,417	\$ 1,842,417	\$ 1,887,253	\$ 44,836
Licenses and permits	160,166	160,166	176,917	16,751
Intergovernmental	4,346,827	4,346,827	4,657,304	310,477
Interest	27,520	27,520	77,563	50,043
Charges for services	591,649	591,649	366,609	(225,040)
Miscellaneous income	<u>2,500</u>	<u>2,500</u>	<u>51,268</u>	<u>48,768</u>
Total revenues	<u>6,971,079</u>	<u>6,971,079</u>	<u>7,216,914</u>	<u>245,835</u>
Expenditures				
Administration	1,259,985	1,259,985	1,440,292	(180,307)
Public Health Nursing	861,907	861,907	705,922	155,985
Environmental Health	577,132	577,132	587,982	(10,850)
Dental Health	371,727	371,727	277,651	94,076
Health Education	754,315	754,315	537,602	216,713
Social Services	1,938,204	1,938,204	1,803,241	134,963
Family Health	<u>1,566,593</u>	<u>1,566,593</u>	<u>1,538,979</u>	<u>27,614</u>
Total expenditures	<u>7,329,863</u>	<u>7,329,863</u>	<u>6,891,669</u>	<u>438,194</u>
Net Change in Fund Balance	(358,784)	(358,784)	325,245	684,029
Fund Balance, Beginning of Year	<u>2,645,288</u>	<u>2,645,288</u>	<u>3,798,117</u>	<u>1,152,829</u>
Fund Balance, End of Year	<u>\$ 2,286,504</u>	<u>\$ 2,286,504</u>	<u>\$ 4,123,362</u>	<u>\$ 1,836,858</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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 185,000	\$ 185,000	\$ 183,487	\$ (1,513)
Intergovernmental	390,797	390,797	215,061	(175,736)
Interest	<u>500</u>	<u>500</u>	<u>5,853</u>	<u>5,353</u>
Total revenues	<u>576,297</u>	<u>576,297</u>	<u>404,401</u>	<u>(171,896)</u>
Expenditures				
Administration	89,690	89,690	86,703	2,987
Public Health Nursing	59,774	59,774	51,590	8,184
Environmental Health	65,665	65,665	61,867	3,798
Dental Health	41,237	41,237	29,639	11,598
Health Education	49,518	49,518	39,259	10,259
Social Services	85,045	85,045	80,048	4,997
Family Health	<u>184,806</u>	<u>184,806</u>	<u>174,730</u>	<u>10,076</u>
Total expenditures	575,735	575,735	523,836	51,899
Net Change in Fund Balance	562	562	(119,435)	(119,997)
Fund Balance, Beginning of Year	<u>29,048</u>	<u>29,048</u>	<u>(120,477)</u>	<u>(149,525)</u>
Fund Balance, End of Year	<u>\$ 29,610</u>	<u>\$ 29,610</u>	<u>\$ (239,912)</u>	<u>\$ (269,522)</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, 2006

Federal Agency Pass-through Entity/ Cluster Title/ Program	CFDA Number	4/1/2005 through 6/30/2005	7/1/2005 through 3/31/2006	Amount
U.S. Department of Agriculture				
Passed through Illinois Department of Public Health				
Summer Food Service Program For Children	10.559	\$ —	\$ 375	\$ 375
Passed through Illinois Department of Health and Human Services				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	115,900	319,200	435,100
Special Supplemental Nutrition Program for Women, Infants and Children - noncash	10.557	—	—	<u>963,844</u>
Total U.S. Department of Agriculture				<u>1,399,319</u>
U. S. Department of Housing and Urban Development				
Passed through Illinois Department of Public Health				
Housing Opportunities for Persons with Aids	14.241	2,326	89,678	<u>92,004</u>
Total U. S. Department of Housing and Urban Development				<u>92,004</u>
U.S. Department of Transportation				
Passed through Illinois Department of Transportation				
State and Community Highway Safety	20.600	4,121	36,051	<u>40,172</u>
Total U.S. Department of Transportation				<u>40,172</u>
Environmental Protection Agency				
Passed through Illinois Department of Public Health				
Performance Partnership Grants	66.605	388	1,187	<u>1,575</u>
Total Environmental Protection Agency				<u>1,575</u>
U.S. Department of Health and Human Services				
Passed through Illinois Department of Public Health				
HIV Care Formula Grants	93.917	341,912	240,145	582,057
HIV Prevention Activities – Health Department Based	93.940	—	14,361	14,361
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	—	118,923	118,923
Centers for Disease Control & Prevention – Investigations and Technical Assistance	93.283	137,874	339,433	477,307

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2006

Federal Agency Pass-through Entity/ Cluster Title/ Program	CFDA Number	4/1/2005 through 6/30/2005	7/1/2005 through 3/31/2006	Amount
(Continued)				
U.S. Department of Health and Human Services				
(Continued)				
Project Grants and Cooperative Agreement for Tuberculosis Control	93.116	\$ 1,157	\$ 4,652	\$ 5,809
Immunization Grants	93.268	—	—	156,550
HIV/AIDS Surveillance	93.944	2,771	100	2,871
Preventive Health Services – Sexually Transmitted Diseases Control Grant	93.977	—	71,466	71,466
Epidemiologic Research Studies of AID and HIV Infection in Selected Population Groups	93.943	—	195,690	195,690
Injury Prevention and Control Research	93.136	—	2,100	2,100
Passed through Illinois Department of Healthcare and Family Services				
Medical Assistance Program	93.778	—	—	137,941
Passed through Illinois Department of Health and Human Services				
Maternal and Child Health Services Block Grant	93.994	46,702	17,500	64,202
Cooperative Agreement for State-based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	4,700	9,360	14,060
Total U.S. Department of Health and Human Services				<u>1,843,337</u>
Total Expenditures of Federal Awards				<u>\$ 3,376,407</u>

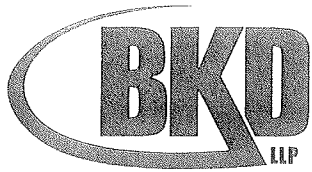
Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2006

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

The District did not provide any federal awards to subrecipients.



**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, 2006, and have issued our report thereon dated May 29, 2007, which contained explanatory paragraphs regarding omission of required supplementary information. 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. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-01.

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

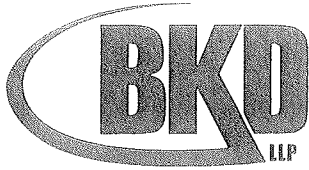
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 May 29, 2007.

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
May 29, 2007



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, 2006. 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-02 and 06-03.

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
May 29, 2007

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs
Year Ended March 31, 2006

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, 2006

7. The Organization's major programs were:

Cluster/Program	CFDA Number
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
Centers for Disease Control & prevention – Investigations and Technical Assistance	93.283

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, 2006

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
Maintaining Accurate Accounting Records		
06-01	<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> <p>Views of Responsible Officials and Planned Corrective Actions— Champaign-Urbana Public Health District (the District) concurs that effective internal control over financial reporting is necessary to the extent that it is also cost effective for the organization. The District had implemented the following corrective action in fiscal year 2008:</p> <ul style="list-style-type: none"> • 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. 	None

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2006

- 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 of \$1,000 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 District's Treasurer counter-signs most accounts payable checks and reviews all check registers.

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2006

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
06-02	<p style="text-align: center;">Untimely Filing of Expenditure Reports</p> <p>CFDA No. 10.557, Special Supplemental Nutrition Program for Women, Infants and Children, U. S. Department of Agriculture, Passed Through Illinois Department of Health and Human Services, Program Year 2006</p> <p>Criteria or Specific Requirement— Reporting</p> <p>Condition— Grant required reports were not filed in accordance with the grant agreement.</p> <p>Context— Two of the four expenditure reports due within the grant year were filed 18 to 64 days late.</p> <p>Effect— Grant payments could be delayed if expenditure reports are not received by the grantor agency in a timely manner.</p> <p>Cause— There was nearly complete turnover in the accounting department during the grant year.</p> <p>Recommendation— Management should establish procedures to ensure that expenditure report deadlines are known by all parties involved, and to ensure that reports are filed in accordance with the deadlines required by the grant.</p> <p>Views of Responsible Officials and Planned Corrective Actions— Champaign-Urbana Public Health District (the District) concurs that procedures ensuring expenditure report deadlines should be known by all parties involved and deadlines required by grants be followed. The District had implemented the following corrective action in fiscal year 2008:</p> <ul style="list-style-type: none"> ◦ Cross-training of grant details and requirements have been implemented and procedures have been written up that allows another to step in and complete grant expenditure reporting should the need arise. 	None

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2006

Reference Number	Finding	Questioned Costs
06-03	<p style="text-align: center;">Untimely Filing of Expenditure Reports</p> <p>CFDA No. 93.283, Centers for Disease Control & Prevention – Investigations and Technical Assistance, U. S. Department of Health and Human Services, Passed Through Illinois Department of Public Health, Program Year 2006</p> <p>Criteria or Specific Requirement— Reporting</p> <p>Condition— Grant required reports were not filed in accordance with the grant agreement.</p> <p>Context— Five of the twenty-one expenditure reports due within the grant year were filed 1 to 20 days late.</p> <p>Effect— Grant payments could be delayed if expenditure reports are not received by the grantor agency in a timely manner.</p> <p>Cause— There was nearly complete turnover in the accounting department during the grant year.</p> <p>Recommendation— Management should establish procedures to ensure that expenditure report deadlines are known by all parties involved, and to ensure that reports are filed in accordance with the deadlines required by the grant.</p> <p>Views of Responsible Officials and Planned Corrective Actions— Champaign-Urbana Public Health District (the District) concurs that procedures ensuring expenditure report deadlines should be known by all parties involved and deadlines required by grants be followed. The District had implemented the following corrective action in fiscal year 2008:</p> <ul style="list-style-type: none"> • Cross-training of grant details and requirements have been implemented and procedures have been written up that allows another to step in and complete grant expenditure reporting should the need arise. 	None

Champaign-Urbana Public Health District
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2006

Reference Number	Summary of Finding	Status
05-01	Maintaining Accurate Accounting Records	Corrective action was taken during current fiscal year
05-02	Segregation of Duties	Repeated as 06-1