

Champaign-Urbana Public Health District

Accountants' Reports and Financial Statements

March 31, 2007

Champaign-Urbana Public Health District

March 31, 2007

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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, 2007, 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, 2007, 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 April 30, 2008, 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 considered in assessing 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 auditing 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 30, 2008

Champaign-Urbana Public Health District
Statement of Net Assets
March 31, 2007

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,746,362
Restricted cash	2,680,407
Property taxes receivable	1,889,298
Revenues due from state	991,754
Revenue due from county	243,862
Prepaid expenses	69,424
Capital assets	3,749,031
Other assets	<u>8,141</u>
Total assets	<u>11,378,279</u>
Liabilities	
Current liabilities:	
Accounts payable	96,306
Accrued liabilities	326,608
Accrued compensated absences	133,770
Deferred revenue	2,061,894
Current portion of long-term debt	<u>10,913</u>
Total current liabilities	2,629,491
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>4,023,474</u>
Total liabilities	6,652,965
Net Assets	
Invested in capital assets, net of related debt	809,589
Restricted for:	
Capital projects	1,060,558
Unrestricted	<u>2,855,167</u>
Total net assets	<u>\$ 4,725,314</u>

Champaign-Urbana Public Health District
Statement of Activities
Year Ended March 31, 2007

Functions/Programs	Expenses	<u>Program Revenues</u>		Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Administration	\$ 1,599,583	\$ 81,954	\$ 603,938	\$ (913,691)
Public health nursing	629,877	102,854	507,371	(19,652)
Environmental health	700,941	249,061	352,050	(99,830)
Dental health	482,622	198,061	4,192	(280,369)
Health education	592,689	5,345	572,241	(15,103)
Social services	2,235,988	129,857	1,579,603	(526,528)
Family health	1,727,059	65,862	1,225,119	(436,078)
	<u>\$ 7,968,759</u>	<u>\$ 832,994</u>	<u>\$ 4,844,514</u>	<u>(2,291,251)</u>
General Revenues				
Property taxes levied for general purposes				2,292,072
Investment income				197,228
Miscellaneous				<u>2,601</u>
				<u>2,491,901</u>
Change in Net Assets				200,650
Net Assets, Beginning of Year				<u>4,524,664</u>
Net Assets, End of Year				<u>\$ 4,725,314</u>

Champaign-Urbana Public Health District
Balance Sheet — Governmental Funds
March 31, 2007

	General Fund	Illinois Municipal Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,409,037	\$ -	\$ 17,732	\$ 4,426,769
Property taxes receivable	1,591,643	185,365	112,290	1,889,298
Revenues due from the state	961,325	23,060	7,369	991,754
Revenues due from the county	201,773	18,690	23,399	243,862
Due from other funds	543,513	205,358	31,852	780,723
Prepaid expenses	-	-	69,424	69,424
Other assets	8,141	-	-	8,141
	<u>8,141</u>	<u>-</u>	<u>-</u>	<u>8,141</u>
Total assets	<u>\$ 7,715,432</u>	<u>\$ 432,473</u>	<u>\$ 262,066</u>	<u>\$ 8,409,971</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ 237,210	\$ 433,604	\$ 109,909	\$ 780,723
Accounts payable	88,306	-	8,000	96,306
Accrued liabilities	224,269	62,595	39,744	326,608
Deferred revenue	1,764,239	185,365	112,290	2,061,894
	<u>1,764,239</u>	<u>185,365</u>	<u>112,290</u>	<u>2,061,894</u>
Total liabilities	<u>2,314,024</u>	<u>681,564</u>	<u>269,943</u>	<u>3,265,531</u>
Fund Balances				
Unreserved and undesignated, reported in:				
General Fund	5,401,408	-	-	5,401,408
Special revenue funds	-	(249,091)	(7,877)	(256,968)
	<u>-</u>	<u>(249,091)</u>	<u>(7,877)</u>	<u>(256,968)</u>
Total fund balances	<u>5,401,408</u>	<u>(249,091)</u>	<u>(7,877)</u>	<u>5,144,440</u>
Total liabilities and fund balances	<u>\$ 7,715,432</u>	<u>\$ 432,473</u>	<u>\$ 262,066</u>	<u>\$ 8,409,971</u>

Champaign-Urbana Public Health District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
March 31, 2007

Total fund balance for governmental funds		\$ 5,144,440
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	\$ 399,000	
Buildings, net of \$589,387 accumulated depreciation	1,990,552	
Furniture, fixtures, and equipment, net of \$441,316 accumulated depreciation	619,501	
Construction work in progress	<u>739,978</u>	
		3,749,031
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(4,168,157)</u>
Total net assets of governmental activities		<u><u>\$ 4,725,314</u></u>

Champaign-Urbana Public Health District
Statement of Revenues, Expenditures,
and Changes in Fund Balances — Governmental Funds
Year Ended March 31, 2007

	General Fund	Illinois Municipal Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,933,143	\$ 270,657	\$ 88,272	\$ 2,292,072
Licenses and permits	231,846	-	-	231,846
Intergovernmental	4,509,395	257,567	77,552	4,844,514
Interest	185,300	7,332	4,596	197,228
Charges for services	601,148	-	-	601,148
Miscellaneous	2,601	-	-	2,601
Total revenues	7,463,433	535,556	170,420	8,169,409
Expenditures				
Administration	1,179,888	90,720	62,075	1,332,683
Public health nursing	587,080	33,478	9,319	629,877
Environmental health	617,841	62,968	20,132	700,941
Dental health	433,344	39,625	9,653	482,622
Health education	539,277	44,403	9,009	592,689
Social services	2,098,173	113,894	23,921	2,235,988
Family health	1,534,619	159,647	32,793	1,727,059
Capital outlay	3,195,165	-	-	3,195,165
Total expenditures	10,185,387	544,735	166,902	10,897,024
Excess of revenues over expenditures	(2,721,954)	(9,179)	3,518	(2,727,615)
Other Financing Sources				
Proceeds from general obligation bonds	4,000,000	-	-	4,000,000
Net Change in Fund Balances	1,278,046	(9,179)	3,518	1,272,385
Fund Balances, Beginning of Year	4,123,362	(239,912)	(11,395)	3,872,055
Fund Balances, End of Year	\$ 5,401,408	\$ (249,091)	\$ (7,877)	\$ 5,144,440

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, 2007

Net change in fund balances — total governmental funds \$ 1,272,385

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

2,941,306

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

(4,000,000)

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.

(13,041)

Change in net assets of governmental activities

\$ 200,650

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2007

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, 2007.

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, 2007

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, 2007

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 within 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 2006 levy which will be collected and recognized during the fiscal year ended March 31, 2007. The related revenue is deferred until it is received and available for expenditure. Deferred revenue as of March 31, 2007 was \$1,889,298.

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, 2007

Net Assets

Net assets of the District are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors or grantors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

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, 2007, none of the District's bank balance of \$4,627,708 was exposed to custodial credit risk.

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2007

Note 3: Capital Assets

Capital assets activity for the year ended March 31, 2007 was:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 25,000	\$ 374,000	\$ -	\$ 399,000
Buildings and improvements	754,475	1,825,464	-	2,579,939
Furniture, fixtures and equipment	810,000	255,723	(4,906)	1,060,817
Construction work in process	-	739,978	-	739,978
	<u>1,589,475</u>	<u>3,195,165</u>	<u>(4,906)</u>	<u>4,779,734</u>
Less accumulated depreciation				
Buildings and improvements	(511,516)	(77,871)	-	(589,387)
Furniture, fixtures and equipment	(317,244)	(124,072)	-	(441,316)
	<u>(828,760)</u>	<u>(201,943)</u>	<u>-</u>	<u>(1,030,703)</u>
Net Capital Assets	<u>\$ 760,715</u>	<u>\$ 2,993,222</u>	<u>\$ (4,906)</u>	<u>\$ 3,749,031</u>

During February 2008, the District sold the previous headquarters for \$750,000, recognizing a gain of approximately \$565,000.

Note 4: Long-term Liabilities

The following is a summary of long-term obligation transactions for the District for the year ended March 31, 2007:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases					
General Obligation bonds payable	\$ —	\$ 4,000,000	\$ —	\$ 4,000,000	\$ —
Capital lease obligations	—	47,000	(12,613)	34,387	10,913
Total bonds and capital leases	<u>\$ —</u>	<u>\$ 4,047,000</u>	<u>\$ (12,613)</u>	<u>\$ 4,034,387</u>	<u>\$ 10,913</u>

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2007

General Obligation Bonds Payable

On October 26, 2006, the District issued \$4,000,000 of general obligation bonds. The bonds bear interest, payable monthly at a rate of 4.76% and are due in monthly installments, which began December 2007. Principal maturities began June 2008, and continue until 2026. Proceeds from the issuance of these bonds will be used to purchase and remodel a new operating facility.

The debt service requirements as of March 31, 2007, are as follows:

	Total to be Paid	Principal	Interest
2008	\$ 193,573	\$ —	\$ 193,573
2009	305,882	114,861	191,021
2010	328,344	143,955	184,389
2011	328,344	151,058	177,286
2012	328,344	158,056	170,288
2013 – 2017	1,641,719	917,386	724,333
2018 – 2022	1,641,719	1,167,291	474,428
2023 – 2026	<u>1,504,910</u>	<u>1,347,393</u>	<u>157,517</u>
	<u>\$ 6,272,835</u>	<u>\$ 4,000,000</u>	<u>\$ 2,272,835</u>

Capital Lease Obligations

The District is obligated under a lease accounted for as a capital lease. Assets under capital leases at March 31, 2007 totaled \$47,000, net of accumulated depreciation of \$0. The following is a schedule by year of future minimum lease payments under the capital lease together with the present value of the future minimum lease payments as of March 31, 2007:

2008	\$ 12,613
2009	12,613
2010	<u>12,614</u>
Total minimum lease payments	37,840
Less amount representing interest	<u>3,453</u>
Present value of future minimum lease payments	<u>\$ 34,387</u>

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2007

Note 5: 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, 2007 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, 2007.

	Amounts
2008	\$ 49,200
2009	11,068
2010	1,872
2011	1,872
2012	1,872
	\$ 65,884

Note 6: 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 2006 was 8.12% 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, 2006 was 26 years.

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2007

For December 31, 2006, the District's annual pension cost of \$283,319 was equal to the District's required and actual contributions. The required contribution was determined as part of the December 31, 2004 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 2006 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
12/31/2006	\$ 283,819	100%	\$ -
12/31/2005	258,416	100%	-
12/31/2004	213,094	100%	-

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)
12/31/2006	\$ 5,316,331	\$ 5,018,546	\$ (297,785)	105.93%	\$ 3,495,313	0.00%
12/31/2005	4,952,773	4,601,421	(351,352)	107.64%	3,356,055	0.00%
12/31/2004	4,653,078	4,312,949	(340,129)	107.89%	3,185,258	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$5,851,208. On a market basis, the funded ratio would be 116.59%.

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2007

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2006 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.
- SLEP member contribution rate changed from 6.50% to 7.50% effective June 1, 2006.

Note 7: 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, 2007, the liability for accrued vacation, compensatory, and sick leave is \$133,770.

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
Compensated Absences	\$ 108,116	\$ 25,654	\$ -	\$ 133,770

Note 8: 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 plan 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, 2007

Note 9: Deficit Fund Balances

The following funds had a deficit balance as of March 31, 2007. The deficits will be resolved by decreasing future expenditures.

Illinois Municipal Retirement Fund	\$ (249,091)
Insurance Fund	(17,642)

Note 10: Loss Exposure

Significant losses are covered by commercial insurance for all major programs: property, liability and workers' compensation. During the year ended March 31, 2007, 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 11: 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.

Required Supplementary Information

Champaign-Urbana Public Health District
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,630,884	\$ 1,630,884	\$ 1,933,143	\$ 302,259
Licenses and permits	258,406	258,406	231,846	(26,560)
Intergovernmental	5,132,499	5,132,499	4,509,395	(623,104)
Interest	72,220	72,220	185,300	113,080
Charges for services	785,763	785,763	601,148	(184,615)
Miscellaneous income	6,000	6,000	2,601	(3,399)
	<u>7,885,772</u>	<u>7,885,772</u>	<u>7,463,433</u>	<u>(422,339)</u>
Total revenues				
Expenditures				
Administration	1,263,509	1,263,509	1,179,888	83,621
Public health nursing	808,926	808,926	587,080	221,846
Environmental health	625,145	625,145	617,841	7,304
Dental health	414,407	414,407	433,344	(18,937)
Health education	721,045	721,045	539,277	181,768
Social services	2,452,319	2,452,319	2,098,173	354,146
Family health	1,602,421	1,602,421	1,534,619	67,802
Capital outlay	-	-	3,195,165	(3,195,165)
	<u>7,887,772</u>	<u>7,887,772</u>	<u>10,185,387</u>	<u>(2,297,615)</u>
Total expenditures				
Excess of revenues over expenditures	(2,000)	(2,000)	(2,721,954)	(2,719,954)
Other Financing Sources				
Proceeds from general obligation bonds	-	-	4,000,000	4,000,000
	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>4,000,000</u>
Net Change in Fund Balance	(2,000)	(2,000)	1,278,046	1,280,046
Fund Balance, Beginning of Year	<u>4,123,362</u>	<u>4,123,362</u>	<u>4,123,362</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 4,121,362</u>	<u>\$ 4,121,362</u>	<u>\$ 5,401,408</u>	<u>\$ 1,280,046</u>

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

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, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 400,342	\$ 400,342	\$ 270,657	\$ (129,685)
Intergovernmental	203,405	203,405	257,567	54,162
Interest	500	500	7,332	6,832
Total revenues	<u>604,247</u>	<u>604,247</u>	<u>535,556</u>	<u>(68,691)</u>
Expenditures				
Administration	88,085	88,085	90,720	(2,635)
Public health nursing	57,774	57,774	33,478	24,296
Environmental health	73,929	73,929	62,968	10,961
Dental health	43,678	43,678	39,625	4,053
Health education	49,397	49,397	44,403	4,994
Social services	101,224	101,224	113,894	(12,670)
Family health	190,160	190,160	159,647	30,513
Total expenditures	<u>604,247</u>	<u>604,247</u>	<u>544,735</u>	<u>59,512</u>
Net Change in Fund Balance	-	-	(9,179)	(9,179)
Fund Balance, Beginning of Year	<u>(239,912)</u>	<u>(239,912)</u>	<u>(239,912)</u>	-
Fund Balance, End of Year	<u>\$ (239,912)</u>	<u>\$ (239,912)</u>	<u>\$ (249,091)</u>	<u>\$ (9,179)</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, 2007

Federal Agency Pass-through Entity/ Cluster Title/ Program	CFDA Number	4/1/2006 through 6/30/2006	7/1/2006 through 3/31/2007	Amount
U.S. Department of Agriculture				
Passed through Illinois Department of Public Health				
Summer Food Service Program For Children	10.559	\$ -	\$ 300	\$ 300
Passed through Illinois Department of Health and Human Services				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	120,100	376,200	496,300
Special Supplemental Nutrition Program for Women, Infants and Children - noncash	10.557	-	-	963,225
Farmers' Market Nutrition Program for Women, Infants and Children	10.572	-	1,000	<u>1,000</u>
Total U.S. Department of Agriculture				<u>1,460,825</u>
U. S. Department of Housing and Urban Development				
Passed through Illinois Department of Public Health				
Housing Opportunities for Persons with Aids	14.241	13,019	77,630	90,649
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	900	1,350	<u>2,250</u>
Total U. S. Department of Housing and Urban Development				<u>92,899</u>
Environmental Protection Agency				
Passed through Illinois Department of Public Health				
Performance Partnership Grants	66.605	425	850	<u>1,275</u>
Total Environmental Protection Agency				<u>1,275</u>
U.S. Department of Health and Human Services				
Passed through Illinois Department of Public Health				
HIV Care Formula Grants	93.917	228,174	595,556	823,730
Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.283	109,246	299,427	408,673
Project Grants and Cooperative Agreement for Tuberculosis Control	93.116	6,000	9,643	15,643
Immunization Grants	93.268	-	-	170,291
HIV/AIDS Surveillance	93.944	-	5,680	5,680
Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups	93.943	-	189,010	189,010
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	2,828	27,716	30,544

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2007

Federal Agency Pass-through Entity/ Cluster Title/ Program	CFDA Number	4/1/2006 through 6/30/2006	7/1/2006 through 3/31/2007	Amount
(Continued)				
U.S. Department of Health and Human Services (Continued)				
Passed through Illinois Department of Healthcare and Family Services				
Medical Assistance Program	93.778	\$ -	\$ -	\$ 401,161
Passed through Illinois Department of Health and Human Services				
Maternal and Child Health Services Block Grant	93.994	24,007	22,500	46,507
Cooperative Agreement for State-based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	4,000	10,800	14,800
Social Services Block Grant	93.667	17,100	-	<u>17,100</u>
Total U.S. Department of Health and Human Services				<u>2,123,139</u>
Total Expenditures of Federal Awards				<u>\$ 3,678,138</u>

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2007

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, 2007, and have issued our report thereon dated April 30, 2008, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01 and 07-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-02 to be 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 30, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

April 30, 2008



**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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

April 30, 2008

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs
Year Ended March 31, 2007

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:

Significant deficiency(ies) noted considered material weakness(es)?

Yes **No**

Significant deficiency(ies) 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:

Significant deficiency(ies) noted considered material weakness(es)?

Yes **No**

Significant deficiency(ies) 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, 2007

7. The Organization's major programs were:

Cluster/Program	CFDA Number
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
HIV Care Formula Grants	93.917
Medical Assistance Program	93.778
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, 2007**

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
Maintaining Accurate Accounting Records		
07-01	<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 — We concur with the finding. During fiscal year 2008, CUPHD implemented various improvements to internal control structure as follows:</p> <ul style="list-style-type: none"> > Modified existing job duties to provide better segregation of duties > Reduced the number of employees authorized to make entries or adjustments to the payroll records > Established more effective documentation procedures for cash receipts > Implemented a policy that required the Division Directors to sign all purchase orders, check requests, and invoices pertaining to their division. Amounts of \$250 or greater require an additional level of approval and must be signed by the Public Health Administrator > Accounts Payable can be entered by several different employees, but other compensating controls are in place. The District's Treasurer counter-signs the majority of the accounts payable checks, and reviews all check registers. 	None

**Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2007**

Reference Number	Finding	Questioned Costs
Maintaining Accurate Accounting Records		
07-02	<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 testing, that because 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 high level 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 Action — We concur with finding. Since the hiring of our new Director of Finance on March 10, 2008, Andrea Wallace has been working diligently to rectify the errors noted and to improve the future reporting processes to ensure more accurate and timely financial information. This will be an ongoing process; however we expect the improvements to be implemented as soon as reasonably possible. We want to ensure that the corrections are made efficiently; therefore it may require more time to work through the processes and establish adequate procedures. Some of those enhanced procedures will be to reconcile the bank statements to the general ledger on a monthly basis and investigating and correcting any variances immediately; reconcile material asset and liability account balances on a monthly basis, and immaterial accounts on a quarterly basis, investigating any variances and correcting immediately; on a monthly basis reconcile the subsidiary ledgers to the general ledger. In addition, beginning in fiscal year ended June 30, 2009, CUPHD will be utilizing the accounts receivable module of the accounting system to track all grant billings and receipts.</p>	None

Champaign-Urbana Public Health District
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2007

Reference Number	Summary of Finding	Status
06-01	Maintaining Accurate Accounting Records	Repeated as 07-01
06-02	Untimely Filing of Expenditure Reports	Corrective action was taken during the current fiscal year
06-03	Untimely Filing of Expenditure Reports	Corrective action was taken during the current fiscal year