

Champaign-Urbana Public Health District

Accountants' Reports and Financial Statements

March 31, 2008

Champaign-Urbana Public Health District
March 31, 2008

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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, 2008, 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, 2008, and the respective changes in financial position thereof 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 September 22, 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 and pension 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

September 22, 2008

Champaign-Urbana Public Health District
Statement of Net Assets
March 31, 2008

	Governmental Activities
Assets	
Cash	\$ 1,481,281
Restricted cash	758,065
Property taxes receivable, net of allowance - \$10,900	2,108,303
Revenues due from state	1,342,412
Revenue due from county	142,859
Prepaid expenses	73,077
Capital assets	5,508,528
Other assets	8,597
Total assets	11,423,122
Liabilities	
Current liabilities:	
Accounts payable	159,603
Accrued liabilities	290,383
Accrued compensated absences	175,718
Deferred revenue	2,201,020
Current portion of long-term debt	114,066
Total current liabilities	2,940,790
Noncurrent liabilities:	
Noncurrent portion of long-term debt	3,230,765
Total liabilities	6,171,555
Net Assets	
Invested in capital assets, net of related debt	2,163,697
Restricted for:	
Capital projects	758,065
Unrestricted	2,329,805
Total net assets	\$ 5,251,567

Champaign-Urbana Public Health District
Statement of Activities
Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Administration	\$ 2,256,662	\$ 83,125	\$ 810,174	\$ (1,363,363)
Public health nursing	863,218	52,258	652,800	(158,160)
Environmental health	641,954	263,761	385,547	7,354
Dental health	720,456	420,233	3,451	(296,772)
Health education	460,730	7,214	359,027	(94,489)
Social services	2,283,303	118,225	1,733,767	(431,311)
Family health	<u>2,733,163</u>	<u>102,121</u>	<u>2,353,780</u>	<u>(277,262)</u>
Total governmental activities	<u>\$ 9,959,486</u>	<u>\$ 1,046,937</u>	<u>\$ 6,298,546</u>	<u>(2,614,003)</u>
General Revenues				
Property taxes levied for general purposes				2,465,129
Investment income				135,687
Miscellaneous				19,200
Special item - gain on sale of building				<u>520,240</u>
Total general revenues				<u>3,140,256</u>
Change in Net Assets				526,253
Net Assets, Beginning of Year				<u>4,725,314</u>
Net Assets, End of Year				<u>\$ 5,251,567</u>

Champaign-Urbana Public Health District

Balance Sheet — Governmental Funds

March 31, 2008

	General Fund	Illinois Municipal Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 2,239,346	\$ -	\$ -	\$ 2,239,346
Property taxes receivable	1,631,913	293,451	182,939	2,108,303
Revenues due from the state	1,307,855	27,964	6,593	1,342,412
Revenues due from the county	128,483	12,001	2,375	142,859
Prepaid expenses	9,140	-	63,937	73,077
Other assets	8,597	-	-	8,597
	<u>\$ 5,325,334</u>	<u>\$ 333,416</u>	<u>\$ 255,844</u>	<u>\$ 5,914,594</u>
Total assets				
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 141,603	\$ -	\$ 18,000	\$ 159,603
Accrued liabilities	185,854	67,834	36,545	290,233
Deferred revenue	1,859,995	293,601	182,939	2,336,535
	<u>2,187,452</u>	<u>361,435</u>	<u>237,484</u>	<u>2,786,371</u>
Total liabilities				
Fund Balances				
Unreserved and undesignated, reported in:				
General Fund	3,137,882	-	-	3,137,882
Special revenue funds	-	(28,019)	18,360	(9,659)
	<u>3,137,882</u>	<u>(28,019)</u>	<u>18,360</u>	<u>3,128,223</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 5,325,334</u>	<u>\$ 333,416</u>	<u>\$ 255,844</u>	<u>\$ 5,914,594</u>

Champaign-Urbana Public Health District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
March 31, 2008

Total fund balance for governmental funds		\$ 3,128,223
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	\$ 374,000	
Buildings, net of \$93,775 accumulated depreciation	4,512,267	
Furniture, fixtures, and equipment, net of \$469,006 accumulated depreciation	617,261	
Construction work in progress	5,000	5,508,528
Other long-term assets are not available to pay for current-period expenditure and therefore are deferred in the funds		135,365
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(3,520,549)
Total net assets of governmental activities		\$ 5,251,567

Champaign-Urbana Public Health District
Statement of Revenues, Expenditures,
and Changes in Fund Balances — Governmental Funds
Year Ended March 31, 2008

	General Fund	Illinois Municipal Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 2,168,907	\$ 184,503	\$ 111,719	\$ 2,465,129
Licenses and permits	242,189	-	-	242,189
Intergovernmental	5,869,270	328,776	100,500	6,298,546
Interest	135,562	16	109	135,687
Charges for services	804,748	-	-	804,748
Miscellaneous	19,200	-	-	19,200
Total revenues	9,239,876	513,295	212,328	9,965,499
Expenditures				
Administration	2,475,403	128,256	72,516	2,676,175
Public health nursing	798,823	51,655	12,740	863,218
Environmental health	564,361	60,732	16,861	641,954
Dental health	596,488	72,234	51,734	720,456
Health education	417,891	38,459	4,380	460,730
Social services	2,136,268	123,580	23,455	2,283,303
Family health	2,514,066	185,309	33,788	2,733,163
Capital outlay	2,306,592	-	-	2,306,592
Total expenditures	11,809,892	660,225	215,474	12,685,591
Excess (deficiency) of revenues over expenditures	(2,570,016)	(146,930)	(3,146)	(2,720,092)
Other Financing Sources (Uses)				
Proceeds from sale of building	703,875	-	-	703,875
Transfers in	3,982	368,002	33,365	405,349
Transfers out	(401,367)	-	(3,982)	(405,349)
	306,490	368,002	29,383	703,875
Net Change in Fund Balances	(2,263,526)	221,072	26,237	(2,016,217)
Fund Balances, Beginning of Year	5,401,408	(249,091)	(7,877)	5,144,440
Fund Balances, End of Year	\$ 3,137,882	\$ (28,019)	\$ 18,360	\$ 3,128,223

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, 2008

Net change in fund balances — total governmental funds \$ (2,016,217)

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

1,989,256

In the statement of activities, only the gain on the sale of the building is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the net book value of the building

(272,496)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

135,365

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.

732,292

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.

(41,947)

Change in net assets of governmental activities

\$ 526,253

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2008

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, 2008.

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, 2008

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, 2008

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 2007 levy which will be collected and recognized during the fiscal year ended March 31, 2008. The related revenue is deferred until it is received and available for expenditure. Deferred revenue as of March 31, 2008 was \$2,108,303.

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, 2008

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, 2008, none of the District's bank balance of \$2,256,430 was exposed to custodial credit risk.

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2008

Note 3: Capital Assets

Capital assets activity for the year ended March 31, 2008 was:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 399,000	\$ -	\$ (25,000)	\$ 374,000
Buildings and improvements	2,579,939	2,780,578	(754,475)	4,606,042
Furniture, fixtures and equipment	1,060,817	260,992	(235,542)	1,086,267
Construction work in process	739,978	5,000	(739,978)	5,000
	<u>4,779,734</u>	<u>3,046,570</u>	<u>(1,754,995)</u>	<u>6,071,309</u>
Less accumulated depreciation				
Buildings and improvements	(589,387)	(113,077)	608,689	(93,775)
Furniture, fixtures and equipment	(441,316)	(204,259)	176,569	(469,006)
	<u>(1,030,703)</u>	<u>(317,336)</u>	<u>785,258</u>	<u>(562,781)</u>
Net Capital Assets	<u>\$ 3,749,031</u>	<u>\$ 2,729,234</u>	<u>\$ (969,737)</u>	<u>\$ 5,508,528</u>

During February 2008, the District sold the previous headquarters for \$750,000, recognizing a gain of approximately \$520,240.

Note 4: Long-term Liabilities

The following is a summary of long-term obligation transactions for the District for the year ended March 31, 2008:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases					
General obligation bonds payable	\$ 4,000,000	\$ —	\$ (703,875)	\$ 3,296,125	\$ 94,007
Capital lease obligations	<u>34,387</u>	<u>42,736</u>	<u>(28,417)</u>	<u>48,706</u>	<u>20,059</u>
Total bonds and capital leases	<u>\$ 4,034,387</u>	<u>\$ 42,736</u>	<u>\$ (732,292)</u>	<u>\$ 3,344,831</u>	<u>\$ 114,066</u>

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2008

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 were used to purchase and remodel a new operating facility.

The debt service requirements as of March 31, 2008, are as follows:

	Total to be Paid	Principal	Interest
2009	\$ 193,573	\$ 94,007	\$ 193,573
2010	305,882	117,818	191,021
2011	328,344	123,632	184,389
2012	328,344	129,356	177,286
2013	328,344	136,115	170,288
2014 – 2018	1,641,719	787,868	724,333
2019 – 2023	1,641,719	1,002,491	474,428
2024 – 2027	<u>1,504,910</u>	<u>904,838</u>	<u>157,517</u>
	<u>\$ 6,272,835</u>	<u>\$ 3,296,125</u>	<u>\$ 2,272,835</u>

Capital Lease Obligations

The District is obligated under leases accounted for as capital leases. Assets under capital leases at March 31, 2008 totaled \$89,736, net of accumulated depreciation of \$20,796. 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, 2008:

2009	\$ 22,753
2010	22,754
2011	<u>7,605</u>
Total minimum lease payments	53,112
Less amount representing interest	<u>(4,406)</u>
Present value of future minimum lease payments	<u>\$ 48,706</u>

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2008

Note 5: Operating Leases

The District has obligated leases accounted for as operating leases. Rental expense incurred in the fiscal year ended March 31, 2008 was \$100,759. 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, 2008.

	Amounts
2009	\$ 12,478
2010	1,872
2011	1,872
2012	936
	\$ 17,158

Note 6: Pension Plan

Plan Description. The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2007 was 7.81% of annual covered payroll. The District also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For 2007, the District's annual pension cost of \$322,752 was equal to your employer's required and actual contributions.

Champaign-Urbana Public Health District

Notes to Financial Statements

March 31, 2008

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2007	\$ 322,752	100%	\$ -
12/31/2006	283,819	100%	-
12/31/2005	258,416	100%	-

The required contribution was determined as part of the December 31, 2005 , actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2005, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between actuarial and market value of assets. The plan's overfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, was 25 years.

Funded Status and Finding Progress. As of December 31, 2007, the most recent actuarial valuation date, the plan was 103.33% funded. The actuarial accrued liability for benefits was \$5,020,578 and the actuarial value of assets was \$5,187,538, resulting in an overfunded actuarial accrued liability (UAAL) of \$166,960. The covered payroll (annual payroll of active employees covered by the plan) was \$4,132,545 and since the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2008

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, 2008, the liability for accrued vacation, compensatory, and sick leave is \$175,718.

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Compensated Absences	\$ 133,770	\$ 41,948	\$ -	\$ 175,718

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.

Note 9: Deficit Fund Balances

The following funds had a deficit balance as of March 31, 2008. The deficits will be resolved by decreasing future expenditures.

Illinois Municipal Retirement Fund	\$ (28,019)
Audit Fund	(18,000)

Champaign-Urbana Public Health District
Notes to Financial Statements
March 31, 2008

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, 2008, 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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 2,038,083	\$ 2,038,083	\$ 2,168,907	\$ 130,824
Licenses and permits	245,220	245,220	242,189	(3,031)
Intergovernmental	5,139,829	5,139,829	5,869,270	729,441
Interest	113,147	113,147	135,562	22,415
Charges for services	670,450	670,450	804,748	134,298
Miscellaneous income	68,544	68,544	19,200	(49,344)
Total revenues	<u>8,275,273</u>	<u>8,275,273</u>	<u>9,239,876</u>	<u>964,603</u>
Expenditures				
Administration	1,743,039	1,722,970	2,475,403	(752,433)
Public health nursing	1,016,983	842,899	798,823	44,076
Environmental health	560,833	545,301	564,361	(19,060)
Dental health	593,957	584,251	596,488	(12,237)
Health education	453,678	441,618	417,891	23,727
Social services	2,297,968	2,275,763	2,136,268	139,495
Family health	1,608,815	1,628,395	2,514,066	(885,671)
Capital outlay	-	226,236	2,306,592	(2,080,356)
Total expenditures	<u>8,275,273</u>	<u>8,267,433</u>	<u>11,809,892</u>	<u>(3,542,459)</u>
Excess (deficiency) of revenues over expenditures	-	7,840	(2,570,016)	(2,577,856)
Other Financing Sources (Uses)				
Proceeds from sale of building	-	-	703,875	703,875
Transfers in	-	-	3,982	3,982
Transfers out	-	-	(401,367)	(401,367)
	<u>-</u>	<u>-</u>	<u>306,490</u>	<u>306,490</u>
Net Change in Fund Balance	-	7,840	(2,263,526)	(2,271,366)
Fund Balance, Beginning of Year	<u>5,401,408</u>	<u>5,401,408</u>	<u>5,401,408</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,401,408</u>	<u>\$ 5,409,248</u>	<u>\$ 3,137,882</u>	<u>\$ (2,271,366)</u>

Champaign-Urbana Public Health District
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2008

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 286,379	\$ 286,379	\$ 184,503	\$ (101,876)
Intergovernmental	445,095	445,095	328,776	(116,319)
Interest	-	-	16	16
Total revenues	<u>731,474</u>	<u>731,474</u>	<u>513,295</u>	<u>(218,179)</u>
Expenditures				
Administration	165,878	165,878	128,256	37,622
Public health nursing	50,467	50,467	51,655	(1,188)
Environmental health	68,864	68,864	60,732	8,132
Dental health	72,328	72,328	72,234	94
Health education	44,118	44,118	38,459	5,659
Social services	133,918	133,918	123,580	10,338
Family health	195,901	195,901	185,309	10,592
Total expenditures	<u>731,474</u>	<u>731,474</u>	<u>660,225</u>	<u>71,249</u>
Other Financing Sources				
Transfers in	-	-	368,002	368,002
Net Change in Fund Balance	-	-	221,072	221,072
Fund Balance, Beginning of Year	<u>(249,091)</u>	<u>(249,091)</u>	<u>(249,091)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (249,091)</u>	<u>\$ (249,091)</u>	<u>\$ (28,019)</u>	<u>\$ 221,072</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
Schedule of Funding Progress
Year Ended March 31, 2008

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)
12/31/2007	\$ 5,187,538	\$ 5,020,578	\$ (166,960)	103.33%	\$ 4,132,545	0.00%
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%

Other Supplementary Information

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2008

Federal Agency Pass-through Entity/ Cluster Title/ Program	Federal CFDA Number	Pass- Through Entity Identifying Number	4/1/2007 through 6/30/2007	7/1/2007 through 3/31/2008	Federal Expenditures
U.S. Department of Agriculture					
Passed through Illinois Department of Public Health Summer Food Service Program For Children	10.559	N/A	\$ -	\$ 800	\$ 800
Passed through Illinois Department of Human Services Special Supplemental Nutrition Program for Women, Infants, and Children (m)	10.557	711G7071000	91,696		91,696
	10.557	811G8071900		314,300	314,300
Special Supplemental Nutrition Program for Women, Infants, and Children - noncash (m)	10.557		-	-	835,752
					1,241,748
Farmers' Market Nutrition Program for Women, Infants and Children	10.572	811G8071900	-	1,000	1,000
Total U.S. Department of Agriculture					1,243,548
U. S. Department of Housing and Urban Development					
Passed through Illinois Department of Public Health Housing Opportunities for Persons with AIDS	14.241	75780306	-	93,114	93,114
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	65380229	900	450	1,350
Total U. S. Department of Housing and Urban Development					94,464
U.S. Department of Health and Human Services					
Passed through Illinois Department of Public Health HIV Care Formula Grants	93.917	65780395	202,081	-	202,081
	93.917	65780455	5,461	-	5,461
	93.917	75780920	-	452,885	452,885
					660,427

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2008

Federal Agency Pass-through Entity/ Cluster Title/ Program	Federal CFDA Number	Pass- Through Entity Identifying Number	4/1/2007 through 6/30/2007	7/1/2007 through 3/31/2008	Amount
(Continued)					
Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.283	67181107		\$ 30	\$ 30
	93.283	73281114	-	3,600	3,600
	93.283	75380118	-	13,000	13,000
	93.283	76180007	58,265	56,511	114,776
	93.283	77181010	22,486	50,975	73,461
	93.283	77181105	-	33,794	33,794
	93.283	86180078	-	139,080	139,080
	93.283	N/A	-	(2,331)	(2,331)
					<u>375,410</u>
Project Grants and Cooperative Agreement for Tuberculosis Control	93.116	N/A	-	7,500	<u>7,500</u>
Immunization Grants	93.268				<u>109,680</u>
Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups	93.943	65780373	28,838	-	28,838
	93.943	75780227	12,060	-	12,060
	93.943	75780893	-	156,597	156,597
	93.943	85780339	-	8,924	8,924
					<u>206,419</u>
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	70180340	2,440	5,528	7,968
	93.006	80180129	-	6,120	6,120
	93.006	N/A	-	14,243	14,243
					<u>28,331</u>
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	75180889	9,108	39,381	<u>48,489</u>
Public Health Emergency Preparedness	93.069	87181010	-	39,469	<u>39,469</u>

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2008

Federal Agency Pass-through Entity/ Cluster Title/ Program	Federal CFDA Number	Pass- Through Entity Identifying Number	4/1/2007 through 6/30/2007	7/1/2007 through 3/31/2008	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		\$ 126,683	\$ 399,557	<u>\$ 526,240</u>
Passed through Illinois Department of Public Health					
Maternal and Child Health Services Block Grant	93.994	N/A	660	1,823	2,483
Passed through Illinois Department of Human Services					
Maternal and Child Health Services Block Grant	93.994	711G7071000	13,000	-	13,000
	93.994	811G8071371	-	-	-
	93.994	811G8071372	-	45,400	<u>45,400</u>
					<u>60,883</u>
Cooperative Agreement for State-based Diabetes Control					
Programs and Evaluation of Surveillance Systems	93.988	711G7071000	3,200	-	3,200
	93.988	811G8071660	-	7,200	<u>7,200</u>
					<u>10,400</u>
Social Services Block Grant					
	93.667	711G7071000	14,200	-	14,200
	93.667	811G8071840	-	32,040	<u>32,040</u>
					<u>46,240</u>
Total U.S. Department of Health and Human Services					<u>2,119,488</u>
Total Expenditures of Federal Awards					<u>\$ 3,457,500</u>

(m) Denotes major program

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2008

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

Program	CFDA Number	Subrecipient	Federal Amount Provided
Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups	93.943	Community Health Improvement Center	\$ 14,847
		McLean County Health Department	18,282
		McLean County AIDS Task Force	10,214
		Sisters and Brothers Helping Each Other	7,206
			<u>50,549</u>
			<u>\$ 50,549</u>

Note 3: Loans

There were no federal loans, loan guarantees or insurance outstanding at March 31, 2008 and during the year then ended.



**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, 2008, and have issued our report thereon dated September 22, 2008, which contained explanatory paragraphs regarding omission and inclusion 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 deficiency described in the accompanying schedule of findings and questioned costs as item 08-01 to be a significant deficiency 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, we believe that the significant deficiency described above is not 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 September 22, 2008.

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

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

September 22, 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, 2008. 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, 2008.

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

September 22, 2008

Champaign-Urbana Public Health District
Schedule of Findings and Questioned Costs (continued)
Year Ended March 31, 2008

7. The Organization's major programs were:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Special Supplemental Nutrition Program for Women, Infants and Children	10.557

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, 2008**

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
Maintaining Accurate Accounting Records		
08-01	<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 — Misstatements in the financial statements or 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. At the end of fiscal year 2008, the District implemented various improvements to the 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, 2008

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.

Champaign-Urbana Public Health District
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2008

Reference Number	Summary of Finding	Status
07-01	Maintaining Accurate Accounting Records	Repeated as 08-01
07-02	Maintaining Accurate Accounting Records	Corrective action was taken during the current fiscal year