

CHAMPAIGN-URBANA PUBLIC HEALTH DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2010

Champaign-Urbana Public Health District
June 30, 2010

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Champaign-Urbana Public Health District
June 30, 2010

SINGLE AUDIT SECTION (CONTINUED)

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Independent Auditor's Report

Board of Health
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 June 30, 2010, 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 June 30, 2010 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 a report dated December 8, 2010 on our consideration of Champaign-Urbana Public Health District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The budgetary comparison information and schedule of funding progress listed as required supplementary information in the table of contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The District has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Champaign-Urbana Public Health District's basic financial statements. The accompanying Illinois Department of Human Services Grant Report listed in the table of contents as other supplementary information is presented for additional analysis and is not a required part of the basic statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* 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.

Clifton Henderson LLP

Champaign, Illinois
December 8, 2010

Champaign-Urbana Public Health District
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Cash	\$ 3,325,574
Property Taxes Receivable, Net of Allowance - \$9,000	1,535,338
Revenues Due From State	1,899,517
Revenue Due From County	131,775
Revenues Due From Units of Local Government	14,332
Revenue Due From Others, Net of Allowance - \$7,409	59,573
Prepaid Expenses	96,073
Inventory	13,783
Capital Assets:	
Land	374,000
Other Capital Assets, Net of Accumulated Depreciation	5,434,951
Total Capital Assets	5,808,951
 Total Assets	 \$ 12,884,916
Liabilities	
Current Liabilities:	
Accounts Payable	263,209
Accrued Liabilities	227,600
Accrued Compensated Absences	193,642
Deferred Revenue - Grants	67,140
Deferred Revenue - Property Taxes	2,061,894
Deferred Revenue - Other	146,550
Current Portion of Long-Term Debt	130,917
Total Current Liabilities	3,090,952
Noncurrent Liabilities:	
Noncurrent Portion of Long-Term Debt	2,929,097
Total Liabilities	6,020,049
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,748,937
Unrestricted	4,115,930
Total Net Assets	\$ 6,864,867

See accompanying notes to financial statements.

Champaign-Urbana Public Health District
Statement of Activities
For the Year Ended June 30, 2010

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	2,094,803	\$ 256,168	\$ 609,873	\$ (1,228,762)
Environmental Health	1,161,292	271,810	924,871	35,389
Infectious Disease Prevention and Management	2,210,153	155,614	1,781,250	(273,289)
Maternal and Child Health	3,589,183	346,147	3,278,919	35,883
Public Health Institute for Research and Excellence	168,168	-	172,669	4,501
Wellness and Health Promotion	1,991,844	695,439	1,029,633	(266,772)
Total Governmental Activities	<u>\$ 11,215,443</u>	<u>\$ 1,725,178</u>	<u>\$ 7,797,215</u>	<u>(1,693,050)</u>
General Revenues				
Property Taxes				2,907,614
Investment Income				33,416
Miscellaneous				105,775
Total General Revenues				<u>3,046,805</u>
Change in Net Assets				1,353,755
Net Assets, Beginning of Year				<u>5,511,112</u>
Net Assets, End of Year				<u>\$ 6,864,867</u>

See accompanying notes to financial statements.

Champaign-Urbana Public Health District
Balance Sheet - Governmental Funds
June 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 3,313,222	\$ 12,352	\$ 3,325,574
Property Taxes Receivable	1,390,565	144,773	1,535,338
Revenues Due From State	1,804,958	94,559	1,899,517
Revenue Due From County	121,367	10,408	131,775
Revenues Due From Units of Local Government	14,332	-	14,332
Revenues Due From Others	59,392	181	59,573
Due From General Fund	-	296,725	296,725
Prepaid Expenses	55,832	36,883	92,715
Inventory	13,783	-	13,783
Total Assets	<u>\$ 6,773,451</u>	<u>\$ 595,881</u>	<u>\$ 7,369,332</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 268,084	\$ -	\$ 268,084
Accrued Liabilities	152,565	75,035	227,600
Due to Other Governmental Funds	296,725	-	296,725
Deferred Revenue - Grants	67,140	-	67,140
Deferred Revenue - Property Taxes	1,843,112	218,782	2,061,894
Deferred Revenue - Other	146,550	-	146,550
Total Liabilities	<u>2,774,176</u>	<u>293,817</u>	<u>3,067,993</u>
Fund Balances			
Reserved Reported in General Fund:			
Inventory	13,783	-	13,783
Unreserved and Undesignated, Reported in:			
General Fund	3,985,492	-	3,985,492
Special Revenue Funds	-	302,064	302,064
Total Fund Balances	<u>3,999,275</u>	<u>302,064</u>	<u>4,301,339</u>
Total Liabilities and Fund Balances	<u>\$ 6,773,451</u>	<u>\$ 595,881</u>	<u>\$ 7,369,332</u>

See accompanying notes to financial statements.

Champaign-Urbana Public Health District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total Fund Balance for Governmental Funds \$ 4,301,339

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 and Improvements, Net of \$370,089		
Accumulated Depreciation	5,076,547	
Furniture, Fixtures, and Equipment, Net of \$793,076		
Accumulated Depreciation	<u>358,404</u>	5,808,951

Other short-term assets are not due and payable in the current period and therefore are not reported in the funds 8,233

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. (3,253,656)

Total Net Assets of Governmental Activities \$ 6,864,867

See accompanying notes to financial statements.

Champaign-Urbana Public Health District
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 2,596,298	\$ 311,316	\$ 2,907,614
Licenses and Permits	248,048	-	248,048
Intergovernmental	7,475,084	322,131	7,797,215
Interest	33,416	-	33,416
Charges For Services	1,477,130	-	1,477,130
Miscellaneous	105,775	-	105,775
Total Revenues	<u>11,935,751</u>	<u>633,447</u>	<u>12,569,198</u>
Expenditures			
Administration	1,464,830	159,633	1,624,463
Environmental Health	1,099,367	60,692	1,160,059
Infectious Disease Prevention and Management	2,106,287	106,145	2,212,432
Maternal and Child Health	3,459,079	128,597	3,587,676
Public Health Institute for Research and Excellence	163,180	4,988	168,168
Wellness and Health Promotion	1,873,485	116,370	1,989,855
Debt Service:			
Principal	140,601	-	140,601
Interest	151,830	-	151,830
Capital Outlay	764,555	-	764,555
Total Expenditures	<u>11,223,214</u>	<u>576,425</u>	<u>11,799,639</u>
Excess of Revenues Over Expenditures	<u>712,537</u>	<u>57,022</u>	<u>769,559</u>
Other Financing Sources (Uses)			
Transfers In	-	72	72
Transfers Out	(72)	-	(72)
	<u>(72)</u>	<u>72</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	712,465	57,094	769,559
Fund Balances, Beginning of Year	<u>3,286,810</u>	<u>244,970</u>	<u>3,531,780</u>
Fund Balances, End of Year	<u>\$ 3,999,275</u>	<u>\$ 302,064</u>	<u>\$ 4,301,339</u>

See accompanying notes to financial statements.

**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
For the Year Ended June 30, 2010**

Net Change in Fund Balances — Total Governmental Funds \$ 769,559

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.

451,504

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.

140,601

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.

(7,909)

Change in Net Assets of Governmental Activities

\$ 1,353,755

See accompanying notes to financial statements.

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

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's public health services include, but are not limited to environmental health inspections and permits; disease tracking reporting and investigation; HIV counseling and testing, prevention and management; sexually transmitted disease testing and treatment; dental services for children; education and health promotion; preventive services and case management for women; immunizations; and array of other services to pregnant women, children, teenagers, and adults of all ages all for the residents of Champaign and Urbana except for specific intergovernmental programs.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the *Codification of Government Accounting and Financial Reporting Standards*, Section 2100. The financial reporting entity consists of (a) the primary government, Champaign-Urbana Public Health District, which has a separately elected governing body, is legally separate and fiscally independent of other state and local governments, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

There are no component units of Champaign-Urbana Public Health District nor is Champaign-Urbana Public Health District dependent on any other entity.

Basis of Presentation

The District's financial statements consists 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.

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Basis of Presentation (Continued)

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.

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 fund is the General Fund. 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.

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Governmental Funds (Continued)

Additionally, the District reports special revenue funds, which are combined as nonmajor funds.

Basis of Accounting/Measurement Focus

The financial statements of the District have been prepared in conformity with generally accepted accounting principles 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
June 30, 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

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 generally accepted accounting principles 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 2009 levy which will be collected and recognized during the year ended June 30, 2010. The related revenue is recognized equally over twelve months based on those amounts received during the time frame of April to March with the remainder being deferred until it is received and available for expenditures. Deferred property tax revenue as of June 30, 2010 was \$2,061,894.

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 November.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Receivables and Payables (Continued)

Accounts receivable in the Governmental Funds are reported net of allowance for uncollectibles, as estimated. The allowance for uncollectibles is adjusted annually.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on an accrual basis

Inventories

The District follows the consumption method of accounting for inventories. Inventories are carried at cost, as determined using the average costing method.

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

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of assets.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures. The District issued no new debt in fiscal year 2010.

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

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. At June 30, 2010, approximately \$240,000 of the District's balance of \$3,499,207 was exposed to custodial credit risk.

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 3: Capital Assets

Capital assets activity for the year ended June 30, 2010 was:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 374,000	\$ -	\$ -	\$ 374,000
Capital assets being depreciated:				
Buildings and Improvements	4,754,017	692,619	-	5,446,636
Furniture, Fixtures and Equipment	1,181,940	71,936	(102,396)	1,151,480
Total assets being depreciated	<u>5,935,957</u>	<u>764,555</u>	<u>(102,396)</u>	<u>6,598,116</u>
	<u>6,309,957</u>	<u>764,555</u>	<u>(102,396)</u>	<u>6,972,116</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(245,439)	(124,650)	-	(370,089)
Furniture, Fixtures and Equipment	(704,809)	(188,401)	100,134	(793,076)
	<u>(950,248)</u>	<u>(313,051)</u>	<u>100,134</u>	<u>(1,163,165)</u>
Net Capital Assets	<u>\$ 5,359,709</u>	<u>\$ 451,504</u>	<u>\$ (2,262)</u>	<u>\$ 5,808,951</u>

Depreciation expense was charged to the administration function on the Statement of Activities.

Note 4: Long-Term Liabilities

The following is a summary of long-term liabilities for the District for the year ended June 30, 2010:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
General Obligation Bonds Payable	\$ 3,173,506	\$ -	\$ (119,268)	\$ 3,054,238	\$ 125,141
Capital Lease Obligations	27,109	-	(21,333)	5,776	5,776
Total	<u>\$ 3,200,615</u>	<u>\$ -</u>	<u>\$ (140,601)</u>	<u>\$ 3,060,014</u>	<u>\$ 130,917</u>

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 4: Long-Term Liabilities (Continued)

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 June 30, 2010, are as follows:

	Total To Be		
	Paid	Principal	Interest
2011	\$ 269,808	\$ 125,141	\$ 144,667
2012	269,809	130,936	138,873
2013	269,809	137,777	132,032
2014	269,809	144,576	125,233
2015	269,808	151,709	118,099
2016-2020	1,349,040	877,890	471,150
2021-2025	1,349,040	1,117,456	231,584
2026-2027	382,228	368,753	13,475
	\$ 4,429,351	\$ 3,054,238	\$ 1,375,113

Capital Lease Obligations

The District is obligated under leases accounted for as capital leases. Assets under capital leases at June 30, 2010 totaled \$20,011, net of accumulated depreciation of \$69,726. 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 June 30, 2010:

2011	\$ 5,915
Less Amount Representing Interest	(139)
Present Value of Future Minimum Lease Payments	\$ 5,776

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 5: Operating Leases

The District is obligated to leases accounted for as operating leases. Rental expense incurred in the fiscal year ended June 30, 2010 was \$24,945. 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 June 30, 2010:

	Amount
2011	\$ 22,905
2012	3,435
2013	3,060
2014	1,530
	\$ 30,930

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 District's 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, the District's plan members are required to contribute 4.5 percent of their annual covered salary. The statutes require 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 2009 was 8.69 percent 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 fiscal year ending December 31, 2009, the District's annual pension cost of \$375,531 for regular plan was equal to the required and actual contributions.

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 6: Pension Plan (Continued)

Three-Year Trend Information for the Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2009	\$ 375,531	100%	\$0
12/31/2008	336,543	100%	0
12/31/2007	322,752	100%	0

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, 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% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the District's regular 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 regular plan's unfunded 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 23 years.

Funded Status and Finding Progress. As of December 31, 2009, the most recent actuarial valuation date, the regular plan was 67.70 percent funded. The actuarial accrued liability for benefits was \$5,873,250 and the actuarial value of assets was \$3,976,064, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,897,186. The covered payroll (annual payroll of active employees covered by the plan) was \$4,321,421 and the ratio of the UAAL to the covered payroll was 44 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

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

**Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010**

Note 7: Compensated Absences

Eligible employees accrue vacation and sick leave time at the end of each month. The District allows employees to carry forward any unused vacation time on their anniversary date as long as it does not exceed fifteen days. Upon separation, the District will pay for all accumulated vacation. Employees are not paid for unused sick leave upon termination.

As of June 30, 2010, the liability for accrued vacation is \$193,642.

Accrued Compensated Absences	\$ 179,762	\$ 13,880	\$ -	\$ 193,642
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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 participant (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 governmental accounting standards, plan balances and activities are not reflected in the District's financial statements.

Note 9: Other Post Employment Benefits

Plan Description. The District offers other post employment benefits (OPEB) for all of its retirees through the District's Group Health insurance, defined benefit plan administered by Health Alliance that meet all of the specified criteria: (1) must be less than age 65, (2) retire through Illinois Municipal Retirement Fund (IMRF), and (3) elect coverage at the time of retirement. Spouses of eligible members are also eligible to sign up as long as they do so at the time the employee retires. Once the retiree and/or spouse reach age 65 years, they are automatically terminated from the plan, unless they waive coverage prior to that. Once the retiree waives coverage, they are no longer eligible under the OPEB plan. The premiums are paid 100 percent by the retiree.

There was no unfunded liability as of June 30, 2010 that was required to be recorded.

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 10: Risk Management

Significant losses are covered by commercial insurance for all major programs: property, liability and workers' compensation. During the year ended June 30, 2010, 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.

Note 12: Other Required Disclosures

Generally accepted accounting principles require disclosure, as part of the basic financial statements of certain information concerning individual funds including:

a) Individual interfund receivables and payable balances at June 30, 2010 are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ -	\$ 296,725
IMRF Fund	258,481	-
Insurance Fund	<u>38,244</u>	<u>-</u>
Total	<u>\$ 296,725</u>	<u>\$ 296,725</u>

The interfund balances are primarily the result of reimbursements due for expenditures paid on behalf of one fund by another fund and/or corrections of allocations or deposits.

Champaign-Urbana Public Health District
Notes to Financial Statements
June 30, 2010

Note 12: Other Required Disclosures (Continued)

b) Transfers between funds for year ended June 30, 2010 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 72
Insurance Fund	<u>72</u>	<u>-</u>
	<u>\$ 72</u>	<u>\$ 72</u>

c) Deficit fund balances of individual funds:

There were no funds with deficit fund balances as of June 30, 2010.

d) Excess expenditures over budget:

General fund expenditures exceeded budget for the fiscal year by \$1,589,017. This occurred because noncash vouchers received and used related to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) were recorded as expenditures in the financial statements in the amount of \$1,725,881, which were not accounted for in the budget process since not a cash expenditure.

Note 13: Future Changes in Accounting Principles

In February 2009, the Governmental Accounting Standards Board issued a new accounting statement for Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The District will be required to adopt the new accounting standard in its June 30, 2011 financial statements. The District has not determined the effect, if any, the adoption of new accounting standard will have on the District's net assets.

This information is an integral part of the accompanying financial statements.

Required Supplementary Information

Champaign-Urbana Public Health District
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property Taxes	\$ 2,443,768	\$ 2,443,768	\$ 2,596,298	\$ 152,530
Intergovernmental	5,246,296	5,246,296	7,475,084	2,228,788
Charges for Services	1,460,271	1,460,271	1,725,178	264,907
Miscellaneous Income	104,793	104,793	139,191	34,398
Total Revenues	<u>9,255,128</u>	<u>9,255,128</u>	<u>11,935,751</u>	<u>2,680,623</u>
Expenditures				
Administration	1,378,621	1,345,729	1,464,830	(119,101)
Environmental Health	1,248,148	1,223,738	1,099,367	124,371
Infectious Disease				
Prevention and Management	2,156,889	2,246,756	2,106,287	140,469
Maternal and Child Health	1,741,173	1,741,173	3,459,079	(1,717,906)
Public Health Institute				
for Research and Excellence	186,214	186,214	163,180	23,034
Wellness and Health Promotion	1,981,162	1,924,747	1,873,485	51,262
Debt Service:				
Principal	128,670	128,670	140,601	(11,931)
Interest	151,280	151,280	151,830	(550)
Capital Outlay	685,890	685,890	764,555	(78,665)
Total Expenditures	<u>9,658,047</u>	<u>9,634,197</u>	<u>11,223,214</u>	<u>(1,589,017)</u>
Excess (Deficiency) of Revenues Over Expenditures	(402,919)	(379,069)	712,537	1,091,606
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(24,159)	(24,159)	(72)	24,087
	<u>(24,159)</u>	<u>(24,159)</u>	<u>(72)</u>	<u>24,087</u>
Net Change in Fund Balance	(427,078)	(403,228)	712,465	1,115,693
Fund Balance, Beginning of Year	<u>3,286,810</u>	<u>3,286,810</u>	<u>3,286,810</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,859,732</u>	<u>\$ 2,883,582</u>	<u>\$ 3,999,275</u>	<u>\$ 1,115,693</u>

**Champaign-Urbana Public Health District
 Illinois Municipal Retirement
 Schedule of Funding Progress
 For the Year Ended June 30, 2010**

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)
12/31/2009	\$ 3,976,064	\$ 5,873,250	\$ 1,897,186	67.70%	\$ 4,321,421	43.90%
12/31/2008	3,440,834	5,213,875	1,773,041	65.99%	4,222,628	41.99%
12/31/2007	5,543,835	5,376,875	(166,960)	103.11%	4,132,545	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$3,781,185. On a market basis, the funded ratio would be 64.38%.

Champaign-Urbana Public Health District
Notes to Required Supplementary Information
For the Year Ended June 30, 2010

Notes to Schedule

Appropriated Budget

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

Excess Expenditures Over Budget

General fund expenditures exceeded budget for the fiscal year by \$1,589,017. This occurred because noncash vouchers received and used related to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) were recorded as expenditures in the financial statements in the amount of \$1,725,881, which were not accounted for in the budget process since not a cash expenditure.

Other Supplementary Information

Champaign-Urbana Public Health District

Illinois Department of Human Services Grant Report - Grant Allowable Cost Summary

For the Year Ended June 30, 2010

Page 1 of 2 -- Grant Allowable Cost Summary

Agency Name: Champaign Urbana Public Health District

FEIN: 37-6005435

		DHS GRANT-FUNDED SERVICES							All Other Programs	Management & General	Total
		Program 1	Program 2	Program 3	Program 4	Program 5	Program 6	Program 7			
	Program Name Contract Number Other Identification	Coordinated School Health Education 11GL071000 L11GL071372	Diabetes Program 11GL071000 L11GL071660	Family Case Management - Downstate 11GL071000 L11GL071300	Healthworks Health Care Network 11GL071000 L11GL071390	School Health Centers 11GL071000 L11GL071371	WIC Farmer's Market 11GL071000 L11GL071920	Supplemental Nutrition Program For Women Infants and Children 11GL071000 L11GL071900			
A	Direct Program expenses	27,867	8,458	601,947	84,699	113,300	1,000	610,084	8,180,315	2,172,042	11,799,712
B	Allocate Management and General Costs (Note 1)	-	-	-	-	-	-	-	-	-	-
C	SUBTOTAL A + B	27,867	8,458	601,947	84,699	113,300	1,000	610,084	8,180,315	2,172,042	11,799,712
D	Subtract Unallowable costs per page 2	-	-	-	-	-	-	-	-	-	-
E	Add other approved uses (attach documentation)	-	-	-	-	-	-	-	-	-	-
F	TOTAL Allowable costs	27,867	8,458	601,947	84,699	113,300	1,000	610,084			
G	Special provisions (see instructions)	NONE	NONE	NONE	NONE	NONE	NONE	NONE			
H	Interest Earned (see instructions)	-	-	-	-	-	-	-			

NOTE 1: Management and General costs are allocated based on: ____direct salaries, ____total direct costs, ____other basis.

Champaign-Urbana Public Health District

Illinois Department of Human Services Grant Report - Grant Unallowable Costs Report
For the Year Ended June 30, 2010

Page 2 of 2 -- UNALLOWABLE COSTS REPORT

FEIN: 37-6005435

DHS GRANT-FUNDED SERVICES						
	Program 1	Program 2	Program 3	Program 4	Program 5	Program 6
Program Name	Coordinated School Health Education	Diabetes Program	Family Case Management - Downstate	Healthworks Health Care Network	School Health Centers	WIC Farmer's Market
Contract Number	11GL071000	11GL071000	11GL071000	11GL071000	11GL071000	11GL071000
Other Identification	L11GL071372	L11GL071660	L11GL071300	L11GL071390	L11GL071371	L11GL071920
compensation of governing body	-	-	-	-	-	-
entertainment	-	-	-	-	-	-
association dues	-	-	-	-	-	-
meetings & conventions	-	-	-	-	-	-
fundraising	-	-	-	-	-	-
bad debt	-	-	-	-	-	-
charity & grants	-	-	-	-	-	-
unallowable interest	-	-	-	-	-	-
inventories	-	-	-	-	-	-
depreciation on DHS-funded assets	-	-	-	-	-	-
cost of production	-	-	-	-	-	-
in-kind expenses	-	-	-	-	-	-
alcoholic beverages	-	-	-	-	-	-
personal automobiles	-	-	-	-	-	-
finest & penalties	-	-	-	-	-	-
personal use items	-	-	-	-	-	-
lobbying	-	-	-	-	-	-
unallowable relocation	-	-	-	-	-	-
gratuities	-	-	-	-	-	-
political contributions	-	-	-	-	-	-
related party transactions	-	-	-	-	-	-
cost where a conflict of interest exists	-	-	-	-	-	-
Unallowable costs if Program is Federally funded or cost-restricted by Contract (See Instructions) Explain:	-	-	-	-	-	-
Explain:	-	-	-	-	-	-
TOTAL UNALLOWABLE COSTS (to line D of Grant Report)	-	-	-	-	-	-
See below if NONE:	-	-	-	-	-	-

If no unallowable costs are listed, sign and date as follows:

I certify that no unallowable costs are included in either direct costs or allocated Management and General costs on the Grant Report.

Signature

10/18/2010
Date

Andrea N. Wallace, Director of Finance

Printed Name and Title

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Agency Pass-through Entity/ Cluster Title/ Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through Illinois Department of Public Health Summer Food Service Program For Children	10.559	95280796	\$ 925
Passed through Illinois State Board of Education Summer Food Service Program For Children	10.559	2009-09010059P00	2,174
	10.559	2010-09010059P00	5,345
	Subtotal CFDA #10.559		<u>8,444</u>
Passed through Illinois Department of Human Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	L11GL071900	583,755
	10.557	L11GL071980	1,500
Special Supplemental Nutrition Program for Women, Infants, and Children - noncash	10.557	N/A	1,725,881
	M Subtotal CFDA #10.557		<u>2,311,136</u>
WIC Farmers' Market Nutrition Program (FMNP)	10.572	L11GL071920	1,000
Total U.S. Department of Agriculture			<u>2,320,580</u>
U. S. Department of Housing and Urban Development			
Passed through Illinois Department of Public Health Housing Opportunities for Persons with AIDS	14.241	05780420	48,927
	14.241	95780743	93,108
	Subtotal CFDA #14.241		<u>142,035</u>
American Recovery and Reinvestment Act - Lead- Based Paint Hazard Control in Privately-Owned Housing	14.900	95380479	2,250
Total U. S. Department of Housing and Urban Development			<u>144,285</u>
U.S. Department of Health and Human Services			
Food and Drug Administration Food Safety and Security Monitoring Project	93.448	HHSF222200960019M	2,000
Passed through Illinois Department of Public Health HIV Care Formula Grants	93.917	95780765	744,375
	93.917	05780438	80,120
	M Subtotal CFDA #93.917		<u>824,495</u>

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Agency Pass-through Entity/ Cluster Title/ Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Centers for Disease Control & Prevention - Investigations and Technical Assistance	93.283	03281114	4,500
	93.283	06180005	238,740
	93.283	06180038	47,000
	93.283	93283015	6,370
	93.283	95380200	7,000
	93.283	96180076	70,590
M Subtotal CFDA #93.283			<u>374,200</u>
Project Grants and Cooperative Agreement for Tuberculosis Control Programs	93.116	95180791	15,500
	93.116	05180459	4,000
Subtotal CFDA #93.116			<u>19,500</u>
Immunization Grant	93.268	N/A	700
Immunization Grants - noncash	93.268	N/A	88,106
Subtotal CFDA #93.268			<u>88,806</u>
Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups (Note 2)	93.943	95780634	156,597
	93.943	05780443	39,475
Subtotal CFDA #93.943			<u>196,072</u>
State and Territorial and Technical Assistance Capacity			
Development Minority HIV/AIDS Demonstration Program	93.006	00180034	30,000
	93.006	90180115	15,846
	93.006	90180115	3,212
Subtotal CFDA #93.006			<u>49,058</u>
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	05180280	9,430
Environmental Public Health and Emergency Response	93.070	03283010	3,091
American Recovery and Reinvestment Act - Immunization	93.712	05180317	2,814

Champaign-Urbana Public Health District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Agency Pass-through Entity/ Cluster Title/ Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Public Health Emergency Preparedness	93.069	07181010	81,985
	93.069	07181227	159,505
	93.069	07181132	109,553
	93.069	97181122	497,970
	93.069	97181010	25,649
Passed through Champaign County Board of Health Public Health Emergency Preparedness	93.069	97181009	4,695
	93.069	07181009	61,143
	93.069	07181131	71,414
	93.069	07181226	135,729
M Subtotal CFDA #93.069			<u>1,147,643</u>
Passed through Illinois Department of Healthcare and Family Services			
Medical Assistance Program	93.778	N/A	607,283
	93.778	MTA-6	163,239
	Subtotal CFDA #93.778		<u>770,522</u>
Children's Health Insurance Program	93.767	N/A	<u>14,021</u>
Passed through Illinois Department of Public Health Maternal and Child Health Services Block Grant to the States	93.994	03480137	4,002
Passed through Illinois Department of Human Services Maternal and Child Health Services Block Grant to the States (Note 2)	93.994	L11GL071371	18,100
	93.994	L11GL071372	27,000
	Subtotal CFDA #93.994		<u>49,102</u>
Social Services Block Grant	93.667	L11GL071300	13,200
	93.667	L11GL071840	156
	Subtotal CFDA #93.667		<u>13,356</u>
Passed through National Association of County and City Health Officials			
Medical Reserve Corps Small Grant Program	93.008	MRC10-410	5,000
	93.008	MRC09-410	714
	Subtotal CFDA #93.008		<u>5,714</u>
Total U.S. Department of Health and Human Services			<u>3,569,824</u>
Total Expenditures of Federal Awards			<u>\$ 6,034,689</u>

(M) Denotes Major Program

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

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

We have audited the financial statements of Champaign-Urbana Public Health District (District) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010. 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 Champaign-Urbana Public Health 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as Findings 2010-01 and 2010-02 to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Champaign-Urbana Public Health 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2010-2.

We noted a certain matter that we reported to management of Champaign-Urbana Public Health District in a separate letter dated December 8, 2010.

Champaign-Urbana Public Health District's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Champaign-Urbana Public Health 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 Health, 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.

Clifton Henderson LLP

Champaign, Illinois
December 8, 2010

**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Board of Health
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 could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. Champaign-Urbana Public Health 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 Champaign-Urbana Public Health District's management. Our responsibility is to express an opinion on Champaign-Urbana Public Health District's compliance 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 Champaign-Urbana Public Health 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 Champaign-Urbana Public Health 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questioned costs as Findings 2010-4 and 2010-7.

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 Champaign-Urbana Public Health District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2010-3, 2010-4, 2010-5, 2010-6, and 2010-7. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Champaign-Urbana Public Health 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 Champaign-Urbana Public Health 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 Health, 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.

Clifton Henderson LLP

Champaign, Illinois
December 8, 2010

**CHAMPAIGN-URBANA PUBLIC HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unqualified opinion

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness? Yes None reported

Type of auditor’s report issued on compliance for major programs: unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
93.917	HIV Care Formula Grants
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance
93.069	Public Health Emergency Preparedness

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000
Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

FINDING NO. 2010-1 – LACK OF SEGREGATION OF DUTIES OVER RECEIPTS

Criteria or Specific Requirement: Internal control is the process, affected by management and other personnel, designed to provide reasonable assurance that transactions are properly recorded and accounted for and that transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Segregation of duties is an aspect of an internal control environment, along with review of accounting information.

Condition: During our internal control testing of cash receipts, we noted that the Director of Finance is allowed access to all steps within the bank deposit process, along with final review and authorization, and general ledger access.

Context: There are cash receipts on a daily basis. While the Director of Finance is not involved in the process daily, she does assist in the process at times.

**CHAMPAIGN-URBANA PUBLIC HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section II – Financial Statement Findings (Continued)

**FINDING NO. 2010-1 – LACK OF SEGREGATION OF DUTIES OVER RECEIPTS
(CONTINUED)**

Effect: Weaknesses in internal control create a risk of errors or irregularities occurring and not being detected in a timely manner.

Cause: There are limited personnel with accounting experience and capacity.

Recommendation: We recommend reviewing the Director of Finance duties and segregating the duties as much as possible to maintain adequate controls. At times, ideal segregation of duties is not possible due to size or ability of personnel. In these cases, continued review of financial information at department head and other management levels is the best means of reducing risks.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. CUPHD will continue to work to improve segregation of duties, however it becomes more difficult as we now have three other staff besides the Director of Finance with very specific job duties that does not allow them time to be assigned additional duties that are within their ability, so we will need to investigate an additional review process or some other form of segregation.

FINDING NO. 2010-2 – LACK OF ADEQUATE COLLATERAL

Criteria or Specific Requirement: District policy requires bank balances to be collateralized.

Condition: The District's bank account balances were not fully insured or collateralized at year end.

Context: Approximately \$240,000 of the District's cash balance of \$3,499,207 was undercollateralized at June 30, 2010.

Effect: Inadequate collateral can lead to a loss of funds in the event of the failure of a financial institution in which a District might place cash or investments in excess of FDIC insurance.

Cause: Monitoring of bank balances as compared to FDIC insurance and collateral was inadequate.

Recommendation: Management needs to review the balance in the bank accounts periodically as compared to the amount of FDIC insurance provided or collateral held at the bank to ensure the District's funds are properly secured.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. It was our understanding that the Federal Reserve Bank automatically adjusted the pledged collateral according to our bank balances each month; however this did not happen in June 2010. We will review this monthly with the bank statements to ensure that the pledged collateral is sufficient to cover funds on hand.

**CHAMPAIGN-URBANA PUBLIC HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2010-3 – UNAUTHORIZED TIMECARD

Federal Agency/Program/Year: Department of Health and Human Services – CFDA # 93.917 – HIV Care Formula Grants – all years

Questioned Costs: None

Criteria or Specific Requirement: Employee timecards are required to be authorized by the Department Director prior to the payroll being processed.

Condition: An employee's timecard was not properly authorized by the Department Director before the payroll was processed.

Context: One of the 60 employee timecards tested was not approved by the Department Director.

Effect: Authorization of employee timecards verifies that Department Directors are reviewing hours worked and ensures payroll expenses are recorded to the appropriate grant program.

Cause: Oversight by Department Director and lack of additional internal control within payroll system to detect the oversight.

Recommendation: We recommend that all employee timecards be reviewed for by the Department Director. In addition we recommend researching functionality of the controls within the payroll software, for availability of edit reports to reflect a lack of approval.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We are unsure how the payroll timecards were allowed to be exported without the proper approvals; however we have since contacted our accounting support consultant to assist in securing the edit checks for future processing to ensure this does not recur in the future. In addition we will review each employee's setup to ensure that only appropriate personnel have authorization to approve timecards of assigned personnel in the software.

FINDING NO. 2010-4 – LACK OF SERVICE CONTRACT

Federal Agency/Program/Year: Department of Health and Human Services – CFDA# 93.283 – CDC Investigations and Technical Assistance – all years

Questioned Costs: None

Criteria or Specific Requirement: The District is required to have service contracts with all service providers that participants have scheduled appointments with, per federal requirements.

Condition: A service contract was not created between the District and one of its service providers.

Context: One of the six providers tested did not have a service agreement with the District.

Effect: Noncompliance with grant requirements can lead to loss of funding.

**CHAMPAIGN-URBANA PUBLIC HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section III – Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 2010-4 – LACK OF SERVICE CONTRACT (CONTINUED)

Cause: Oversight by Department Director and program staff.

Recommendation: We recommend routine inspections of all provider agreements are completed to ensure the District is in compliance with grant requirements. Documentation of the inspections should be maintained in an inspection log, noting who performed the inspection, when it was performed, and what changes were made, if any.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. Beginning in September 2010 all subcontract agreements are now reviewed by District legal counsel prior to being issued. We will also create an inspection log to ensure that all current subcontractors are in compliance with grant requirements and written documentation of such review is maintained.

FINDING NO. 2010-5 – LACK OF FORMAL REVIEW OF REPORTS

Federal Agency/Program/Year: Department of Health and Human Services – CFDA# 93.283 –
CDC Investigations and Technical Assistance – all years

Questioned Costs: None

Criteria or Specific Requirement: The District is required to file various progress reports with the State of Illinois notifying them of their future action plans and provide various information on progress of the grant.

Condition: We noted there is no formal review process over the grant reports submitted.

Context: Four of the four progress reports were not formally reviewed before submission.

Effect: No review of progress reports can lead to errors in the reports and could jeopardize future funding.

Cause: Lack of independent review by Department Director and Program Coordinator(s).

Recommendation: We recommend the District implement a formal review and authorization process over progress reports. Documentation of this authorization process should be maintained.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. In the past the Program Coordinators were responsible for all grant deliverables, if a program did not have a coordinator, then the Director would draft the progress reports. The Program Coordinator reports monthly data to the Department Director, however no formal review was performed. We will implement an independent review system whereby the Director or another employee in a supervisory position other than the individual writing the progress report will review the report, sign off and date prior to the report being submitted to the grantor.

**CHAMPAIGN-URBANA PUBLIC HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section III – Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 2010-6 – INCOMPLETE CLIENT CERTIFICATION FORMS

Federal Agency/Program/Year: Department of Agriculture – CFDA# 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children – all years

Questioned Costs: None

Criteria or Specific Requirement: Client Certification Forms are required to be completed for individuals participating in the nutrition program. The form is used to classify the individual's qualification for supplemental nutritious foods, nutrition educations, and referrals to health and social services.

Condition: We noted participant Client Certification Forms that were not properly signed, in some cases by the client and in others by District personnel.

Context: Five of the 60 Client Certification Forms were not properly signed by the required individual(s).

Effect: Inadequate controls over Client Certification Forms can lead to errors in eligibility determination.

Cause: Oversight by the In-take Coordinator and/or applicant/guardian as well as other review processes.

Recommendation: We recommend the District monitor controls to ensure all controls are being performed as designed.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. On December 1, 2010 all personnel in this department were retrained on required documentation. We will begin to chart reviews on a quarterly basis and select 20 files documenting the findings, if any; who performed the review, and the date completed.

FINDING NO. 2010-7 – LACK OF PROPER DOCUMENTATION

Federal Agency/Program/Year: Department of Agriculture – CFDA# 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children – all years

Questioned Costs: None

Criteria or Specific Requirement: The District is required to maintain documentation on eligible participants that receive benefits.

Condition: A participant's file containing documentation of eligibility and treatment information could not be located.

**CHAMPAIGN-URBANA PUBLIC HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section III – Federal Award Findings and Questioned Costs (Continued)

FINDING NO. 2010-7 – LACK OF PROPER DOCUMENTATION (CONTINUED)

Context: One of the 60 participant's files tested could not be located. Eligibility of the client was confirmed, therefore, there is no questioned cost.

Effect: Failure to maintain appropriate documentation could result in errors in eligibility determination.

Cause: Oversight by WIC personnel.

Recommendation: We recommend the District maintain a filing system that allows them to easily access participant's files.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. On December 1, 2010 all staff within this department were retrained on file room procedures for check-in/check-out of client files. The new procedure requires that all charts be returned to the file room at the end of the day and re-checked out again the following morning.

**CHAMPAIGN-URBANA PUBLIC HEALTH DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

YEAR ENDED JUNE 30, 2009

**FINDING NO. 09-01 - OBTAIN REIMBURSEMENTS FOR EXPENDITURES
INCURRED DURING PERIOD OF AVAILABILITY**

Condition: The District obtained reimbursement for expenditures incurred during the prior grant year.

Condition not repeated.

**FINDING NO. 09-02 - OBTAIN REIMBURSEMENTS FOR EXPENDITURES
INCURRED DURING PERIOD OF AVAILABILITY**

Condition: The District obtained reimbursement for expenditures incurred during the prior grant year.

Condition not repeated.