

CITY OF URBANA, ILLINOIS

Urbana, Illinois

**Report of
Federal Financial Assistance**

**For the Year Ended
June 30, 2008**

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December 19, 2008

**Honorable Laurel Lunt Prussing, Mayor
and Members of the Urbana City Council
Urbana, IL**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Illinois, (the City) as of and for the year ended June 30, 2008, which collectively comprise the City of Urbana, Illinois's basic financial statements and have issued our report thereon dated December 19, 2008. 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 City of Urbana, Illinois'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 City of Urbana, Illinois's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Urbana's internal control over financial reporting.

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 combination of control deficiencies, that adversely affects the City of Urbana, Illinois'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 City of Urbana, Illinois's financial statements that is more than inconsequential will not be prevented or detected by City of Urbana, Illinois's internal control.

A material weakness is a significant deficiency, or 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 City of Urbana, Illinois'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Urbana, Illinois's basic 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 that are required to be reported under **Government Auditing Standards**.

This report is intended solely for the information and use of the Mayor and members of the Urbana City Council, management, others within the entity 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.


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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of Urbana, Illinois, 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 its major federal program for the year ended June 30, 2008. The City of Urbana, Illinois'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 City of Urbana, Illinois's management. Our responsibility is to express an opinion on the City of Urbana, Illinois'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 the City of Urbana, Illinois'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 of the City of Urbana, Illinois's compliance with those requirements.

In our opinion, the City of Urbana, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Urbana, Illinois, 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 City of Urbana, Illinois'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 City of Urbana, Illinois'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 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Illinois, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Urbana, Illinois's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended solely for the information of the Mayor and members of the Urbana City Council, management, 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.



BRAY, DRAKE, LILES & RICHARDSON LLP

CITY OF URBANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Total Awards Expended</u> |
|--|------------------------|-------------------------|----------------------------------|
| U.S. Department of Housing and Urban Development: | | | |
| Direct Funding: | | | |
| HOME Investment Partnership Program * | 14.239 | M-07-DC-17-217 | \$ 758,207 |
| Community Development Block Grant | 14.218 | B-07-MC-17-0024 | 390,838 |
| Supportive Housing Program Grant | 14.235 | IL01B603003 | 225,639 |
| Passed Through the State of Illinois Department of Public Health: | | | |
| Get the Lead Out | 14.900 | 65380224 | 21,810 |
| Total, U.S. Department of Housing and Urbana Development | | | 1,396,494 |
| U.S. Department of Justice: | | | |
| Direct Funding: | | | |
| Bulletproof Vest Partnership Grant | 16.592 | ** | 6,193 |
| Passed Through the City of Champaign | | | |
| Justice Assistance Grant Program | 16.738 | ** | 5,468 |
| Total, Federal Expenditures | | | \$ 1,408,155 |

* Denotes a major program

** Information not provided by grantor or pass-through agency

Notes to Schedule of Expenditure of Federal Awards

NOTE A - SIGNIFICANT ACCOUNTING POLICY

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the City of Urbana, Illinois, federal award programs presented on the accrual basis of accounting for the year ended June 30, 2008. 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 the basic financial statements.

NOTE B - INSURANCE

The City of Urbana, Illinois has purchased commercial insurance to cover risks associated with torts, theft, damage to assets, errors and omissions, and natural disasters. The City self-insures up to \$450,000 per individual claim for worker's compensation claims with the excess covered by commercial insurance.

NOTE C - SUBRECIPIENTS

The City of Urbana provided federal awards to subrecipients as follows:

| | <u>CFDA Number</u> | |
|--|------------------------|------------|
| HOME Investment Partnership Program: | | |
| City of Champaign, Illinois | 14.239 | \$ 228,492 |
| Urban League Development Corp. of Champaign County | | 71,981 |
| Homestead Corporation of Champaign-Urbana | | 51,181 |
| Ecological Construction Laboratory | | 42,356 |
| Center for Women in Transition | | 6,430 |
| Total HOME Investment Partnership Program | | 400,440 |
| Community Development Block Grant: | | |
| Community Health Improvement Center | 14.218 | 3,500 |
| PACE | | 5,000 |
| Crisis Nursery | | 3,500 |
| Mental Health Center of Champaign County | | 4,500 |
| Total Community Development Block Grant | | 16,500 |
| Supportive Housing Program Grant: | | |
| Center for Women in Transition | 14.218 | 103,917 |
| A Woman's Fund | | 84,101 |
| The Salvation Army | | 31,970 |
| Total Supportive Housing Program Grant | | 219,988 |
| TOTAL | | \$ 636,928 |

CITY OF URBANA

Urbana, Illinois

Schedule of Findings and Questioned Costs

For the Year ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Urbana, Illinois.
2. No significant deficiencies relating to the audit of the financial statements are reported in the **Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***.
3. No instances of noncompliance material to the financial statements of City of Urbana were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the **Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**.
5. The auditor's report on compliance for the only major federal award program expresses an unqualified opinion on that major federal program.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as the only major program was: U.S. Department of Housing and Urban Development, HOME Investment Partnership Program, CFDA No. 14.239.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Urbana, Illinois qualified as a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF URBANA

Urbana, Illinois

Summary Schedule of Prior Audit Findings

For the Year ended June 30, 2008

Finding 07-02 Community Development Block Grant – Small Cities Program (CDBG) – 14.218

Current Status: Management corrected the process causing the finding.