

CITY OF URBANA, ILLINOIS

Urbana, Illinois

**Report of
Federal Financial Assistance**

**For the Year Ended
June 30, 2011**

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December 23, 2011

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, 2011, which collectively comprise the City of Urbana, Illinois' basic financial statements and have issued our report thereon dated December 23, 2011. 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' 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' 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 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' 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***.

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 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**

Compliance

We have audited the City of Urbana, Illinois' compliance with the types of compliance requirements described in the **OMB Circular A-133 Compliance Supplement** that could have a direct and material effect on the City of Urbana Illinois' major federal program for the year ended June 30, 2011. The City of Urbana, Illinois' major federal program is 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 its major federal program is the responsibility of the City of Urbana, Illinois' management. Our responsibility is to express an opinion on the City of Urbana, Illinois' 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' 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' compliance with those requirements.

In our opinion, the City of Urbana, Illinois, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

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' internal control over compliance with the 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 City of Urbana, Illinois' 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 internal control 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.

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, 2011, and have issued our report thereon dated December 23, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The 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 financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the Mayor and members of the Urbana City Council, management, others within the entity, 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
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CITY OF URBANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<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-09-DC-17-217	\$ 1,011,145
Community Development Block Grant	14.218	B-09-MC-17-0024	414,572
ARRA - Community Development Block Grant	14.253	B-09-MY-17-0024	5,097
Supportive Housing Program Grant	14.235	IL01B703003	196,879
Passed Through the State of Illinois Department of Public Health:			
Get the Lead Out	14.900	65380224	36,224
Total, U.S. Department of Housing and Urban Development			
U.S. Department of Energy:			
Direct Funding:			
ARRA - EECBG Grant	81.128	DE-EE0002198	53,651
U.S. Department of Justice:			
Passed Through the City of Champaign:			
Edward Byrne Memorial Justice Grant	16.738	2006-F0936-IL-DJ	<u>43,819</u>
Total, Federal Expenditures			<u>\$ 1,761,387</u>

* Denotes a major program

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, 2011. 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.

(Continues next page)

CITY OF URBANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Notes to Schedule of Expenditure of Federal Awards (continued)

NOTE C - SUBRECIPIENTS

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

	<u>CFDA Number</u>		
HOME Investment Partnership Program:	14.239		
City of Champaign, Illinois		\$	557,689
Homestead Corporation of Champaign-Urbana			23,189
Homestead Corporation-Crystal View			25,000
Homestead Crystal View			20,000
Homestead AHP 08-09, 09-10			5,387
Ecological Construction Laboratory			13,686
Champaign County			108,937
Total HOME Investment Partnership Program		<u>\$</u>	<u>753,888</u>
Community Development Block Grant:	14.218		
Public Facilities:			
Disabled Citizen's Foundation		\$	917
Center for Women in Transition/A Woman's Place			19,012
Community Elements/Elm Street Project			9,033
Public Services:			
CCRPC - Senior Services			3,662
Greater Community Aids Project			3,195
Community Elements/ Mental Health Center of Champaign County			3,880
Partnership Accounts for Individual Development (PAID)			500
Total Community Development Block Grant		<u>\$</u>	<u>40,199</u>
Supportive Housing Program Grant:	14.235		
Center for Women in Transition		\$	103,917
A Woman's Fund			62,912
The Salvation Army			26,905
Total Supportive Housing Program Grant		<u>\$</u>	<u>193,734</u>
TOTAL		<u>\$</u>	<u>987,821</u>

CITY OF URBANA
Urbana, Illinois

Schedule of Findings and Questioned Costs
For the Year ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the 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 major federal award programs expresses an unqualified opinion on the major federal programs.
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 programs tested as major programs include:
U.S. Department of Housing and Urban Development
HOME Investment Partnership Program CFDA # 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, 2011

NONE