



CliftonLarsonAllen

CliftonLarsonAllen LLP
2 East Main Street, Suite 120, PO Box 16
Danville, IL 61834
217-442-1643 | fax 217-443-5470
www.cliftonlarsonallen.com



October 14, 2013

Finance Committee
Vermilion County
6 N. Vermilion, Room 311
Danville, IL 61832

Dear Committee Members:

We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the compilation services CliftonLarsonAllen LLP (CLA) will provide for Vermilion Manor Nursing Home, a facility operated by Vermilion County, Illinois ("you," "your," or "the entity") for the period December 1, 2012 through July 31, 2013.

Hope Wheeler is responsible for the services provided to you. She will be assisted by Sandy Cook, who is responsible for the performance of the compilation engagement.

Compilation services

We will compile, from information you provide, the State of Illinois Department of Healthcare and Family Services Financial and Statistical Report (Cost Report) for Long-Term Care Facilities of Vermilion Manor Nursing Home, a facility operated by Vermilion County, Illinois for the period December 1, 2012 through July 31, 2013, and issue an accountants' report thereon in accordance with Statements on Standards for Accounting and Review Services (SSARS) issued by the American Institute of Certified Public Accountants (AICPA).

Compilation engagement objective, responsibilities, procedures, and limitations

The objective of a compilation is to assist you in presenting financial information in the form of financial statements. We will utilize information that is your representation without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with accounting principles generally accepted in the United States of America.

You are responsible for:

- a. the preparation and fair presentation of the State of Illinois Department of Healthcare and Family Services Financial and Statistical Report (Cost Report) for Long-Term Care Facilities in accordance with accounting principles generally accepted in the United States of America.
- b. designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the State of Illinois Department of Healthcare and Family Services Financial and Statistical Report (Cost Report) for Long-Term Care Facilities.
- c. preventing and detecting fraud.
- d. identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.

- e. making all financial records and related information available to us and for the accuracy and completeness of that information.

We are responsible for conducting the compilation engagement in accordance with SSARS issued by the AICPA.

A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, we will not express an opinion or provide any assurance regarding the financial statements being compiled.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our compilation procedures that fraud may have occurred. In addition, we will inform you of any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement. You agree that we shall not be responsible for any misstatements in the entity's financial statements that we may not identify as a result of misrepresentations made to us by you.

If, for any reason, we are unable to complete the compilation of the State of Illinois Department of Healthcare and Family Services Financial and Statistical Report (Cost Report) for Long-Term Care Facilities, we will not issue a report on such statements as a result of this engagement.

Use of the State of Illinois Department of Healthcare and Family Services Financial and Statistical Report (Cost Report) for Long-Term Care Facilities

The State of Illinois Department of Healthcare and Family Services Financial and Statistical Report (Cost Report) for Long-Term Care Facilities and our report thereon are for management's use and the State of Illinois. If you intend to reproduce and publish the State of Illinois Department of Healthcare and Family Services Financial and Statistical Report (Cost Report) for Long-Term Care Facilities and our report thereon, they must be reproduced in their entirety. Inclusion of the State of Illinois Department of Healthcare and Family Services Financial and Statistical Report (Cost Report) for Long-Term Care Facilities in a document, such as an annual report or an offering document, should be done only with our prior approval of the document. You are responsible to provide us the opportunity to review such documents before issuance.

We may issue a preliminary draft of the State of Illinois Department of Healthcare and Family Services Financial and Statistical Report (Cost Report) for Long-Term Care Facilities to you for your review. Any preliminary draft report should not be relied on or distributed.

Engagement administration and other matters

A list of information we expect to need for our compilation and the dates required will be provided in a separate communication.

The workpapers supporting the services we perform are the sole and exclusive property of CLA and constitute confidential and proprietary information. We do not provide access to our workpapers to you or anyone else in the normal course of business. Unless required by law or regulation to the contrary, we retain our workpapers in accordance with our record retention policy that typically provides for a retention period of seven years.

Pursuant to authority given by law or regulation, we may be requested to make certain workpapers available to the State of Illinois for their regulatory oversight purposes. We will notify you of any such request. Access to the requested workpapers will be provided to the regulators under the supervision of CLA personnel and at a location designated by our firm. Furthermore, upon request, we may provide copies of selected workpapers to such regulators. The regulators may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our relationship with you is limited to that described in this letter. As such, you understand and agree that we are acting solely as independent accountants. We are not acting in any way as a fiduciary or assuming any fiduciary responsibilities for you. We are not responsible for the preparation of any report to any governmental agency, or any other form, return, or report or for providing advice or any other service not specifically recited in this letter.

Limitation of remedies

Our role is strictly limited to the engagement described in this letter, and we offer no assurance as to the results or ultimate outcomes of this engagement or of any decisions that you may make based upon our communications with, or our reports to, you. You agree that it is appropriate to limit the liability of CLA, its partners, principals, directors, officers, employees, and agents ("we" or "us") and that this limitation of remedies provision is governed by the laws of the state of Minnesota, without giving effect to choice of law principles.

You further agree that you will not hold us liable for any claim, cost, or damage, whether based on warranty, tort, contract, or other law, arising from or related to this agreement, the services provided under this agreement, the work product, or for any plans, actions, or results of this engagement, except to the extent authorized by this agreement. In no event shall we be liable to you for any indirect, special, incidental, consequential, punitive, or exemplary damages, or for loss of profits or loss of goodwill, costs, or attorneys' fees.

The exclusive remedy available to you shall be the right to pursue claims for actual damages that are directly caused by acts or omissions that are breaches by us of our duties under this agreement, but any recovery on any such claims shall not exceed the fees actually paid under this agreement by you to CLA.

Time limitation

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between us. The parties (you and CLA) agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, any action or legal proceeding by you against us must be commenced within twenty-four (24) months ("Limitation Period") after the date when we deliver our final compilation report under this agreement to you, regardless of whether we do other services for you relating to the compilation report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery.

The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

Fees

Our fees for these services will be based on the time involved and the degree of responsibility and skills required, plus expenses including internal and administrative charges. Based on our preliminary estimates, the fee for the engagement should approximate \$6,800. The fee estimate is based on anticipated cooperation from your personnel and their assistance with preparing requested schedules. If the requested items are not available on the dates required or are not accurate, the estimated fee for services will likely be higher. If unexpected circumstances require significant additional time, we will advise you before undertaking work that would require a substantial increase in the fee estimate. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Unanticipated services

We do not anticipate encountering the need to perform additional services beyond those described in this letter. Below are listings of services considered to be outside the scope of our engagement. If any such service needs to be completed before the compilation can proceed in an efficient manner, we will notify you and provide a fair and reasonable price for providing the service. We will bill you for the service at periodic dates after the additional service has been performed.

Changes in accounting and SSARS

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in the letter increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

Other fees

You also agree to compensate us for any time and expenses, including time and expenses of legal counsel, we may incur in responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings that we are asked to respond to on your behalf. You and your attorney will receive a copy

of every subpoena or request we are asked to respond to. You can control the costs of any discovery process or document request by informing us which requests you would like us to act on.

Finance charges and collection expenses

You agree that if any statement is not paid within 30 days from its date, the unpaid balance shall accrue interest at the monthly rate of one and one-quarter percent (1.25%), which is an annual percentage rate of 15%. In the event that any collection action is required to collect unpaid balances due us, reasonable attorney fees and expenses shall be recoverable.

Agreement

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. This letter constitutes the entire agreement regarding these services and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between us. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign, date, and return the enclosed copy to us.

Sincerely,

Clifton Larson Allen LLP

HW:pt

Enclosure

#01030 Comp eng ltr – Manor – period ended 7-31-13

Response:

This letter correctly sets forth the understanding of Vermilion Manor Nursing Home, a facility operated by Vermilion County, Illinois for the period December 1, 2012 through July 31, 2013.

Authorized Signature: *Gary Warrick*

Title: *CHAIRMAN of the BOARD*

Date: *11-6-13*