Committee of the Whole

Items for Distribution
April 12, 2016

VIII. <u>Finance</u>

B. <u>Auditor</u>

2. Nursing Home Financial Update – Additional Information

C. <u>Nursing Home Monthly Report</u>

G. <u>County Administrator</u>

1. Recommendation for Award of Contract for Financial Auditing Services
2. Five-Year Financial Forecast for General Corporate & Public Safety Sales Tax Funds
3. ERP Replacement Project
   b. Project Charter for ERP System Replacement

Nursing Home Transfers & Loans from General Corp. Fund ***4/8/2016***

Date	***Transfers***	***Transfer Repaid***	***Balance***
2005 - 2007	$1,583,380.00		$1,583,380.00
2/6/2006		-$100,000.00	$1,483,380.00

Date	***Loans***	***Loans Forgiven***	***Loans Repaid***	***Balance***
3/29/2007	$300,000.00			$300,000.00
7/26/2007	$61,015.00			$361,015.00
12/18/2007	$380,000.00			$741,015.00
4/1/2008	$775,000.00			$1,516,015.00
6/2/2008			-$142,880.81	$1,373,134.19
6/19/2008	$592,127.00			$1,965,261.19
6/25/2008			-$306,533.52	$1,658,727.67
7/17/2008			-$13,515.83	$1,645,211.84
8/27/2008			-$70,741.57	$1,574,470.27
9/19/2008			-$241,328.27	$1,333,142.00
8/20/2009		-$1,000,000.00		$333,142.00
2/13/2013		-$333,142.00		$0.00

Nursing Home Fund Balance: **02/05/2015**
Source: County Treasurer

Date	Totals	Cash	Investments	Depreciation
Dec.1998	$995,749.83	$132,516.08	($728.96)	$863,962.71
	$933,126.81	$65,677.46	$728.96	$866,720.39
	$1,066,731.02	$497,331.22	$0.00	$569,399.80
	$1,408,221.86	$335,738.92	$500,000.00	$572,482.94
	$1,413,666.56	$135,506.20	$700,392.90	$577,767.46
	$1,696,896.06	$415,883.18	$703,097.69	$577,915.19
	$1,761,874.67	$208,683.85	$805,888.93	$747,301.89
	$1,703,712.45	$93,371.46	$858,538.60	$751,802.39
	$2,020,193.28	$103,254.20	$1,161,648.53	$755,290.55
	$2,061,432.99	$71,316.66	$1,234,526.40	$755,589.93
	$2,179,685.24	$182,225.61	$1,237,592.36	$759,867.27
	$2,089,678.53	$65,057.34	$1,259,503.63	$765,117.56
Dec.1999	$1,877,330.15	$312,212.59	$800,000.00	$765,117.56
	$1,865,237.41	$295,480.36	$800,000.00	$769,757.05
	$1,969,574.08	$393,719.42	$800,000.00	$775,854.66
	$2,162,412.03	$586,174.29	$800,000.00	$776,237.74
	$2,246,897.64	$670,239.44	$800,000.00	$776,658.20
	$2,280,976.23	$698,333.10	$800,000.00	$782,643.13
	$2,191,173.78	$608,051.35	$800,000.00	$783,122.43
	$2,296,986.02	$605,192.95	$800,000.00	$891,793.07
	$2,304,547.74	$612,238.63	$800,000.00	$892,309.11
	$2,127,308.37	$434,664.84	$800,000.00	$892,643.53
	$2,124,805.81	$425,551.12	$800,000.00	$899,254.69
	$2,200,677.23	$501,052.81	$800,000.00	$899,624.42
Dec.2000	$1,886,824.74	$187,200.32	$800,000.00	$899,624.42
	$1,868,780.39	$272,164.04	$800,000.00	$796,616.35
	$2,254,338.03	$531,963.89	$800,000.00	$922,374.14
	$1,847,162.15	$474,418.15	$450,000.00	$922,744.00
	$1,928,804.04	$544,809.62	$450,000.00	$933,994.42
	$1,768,031.63	$383,786.16	$450,000.00	$934,245.47
	$1,892,879.17	$508,371.68	$450,000.00	$934,507.49
	$1,690,701.25	$295,721.86	$450,000.00	$944,979.39
	$1,926,678.00	$531,427.17	$450,000.00	$945,250.83
	$1,595,243.13	$199,719.93	$450,000.00	$945,523.20
	$1,688,572.51	$734,869.18	$0.00	$953,703.33
	$1,441,591.80	$487,502.71	$0.00	$954,089.09
Dec. 2001	$1,037,127.76	$483,038.67	$0.00	$554,089.09
	$1,009,293.11	$450,242.82	$0.00	$559,050.29
	$932,305.01	$372,582.73	$0.00	$559,722.28
	$660,822.22	$100,683.70	$0.00	$560,138.52
	$836,457.52	$380,609.29	$0.00	$455,848.23
	$1,014,279.04	$557,699.94	$0.00	$456,579.10
	$1,197,809.88	$740,582.80	$0.00	$457,227.08
	$1,503,078.19	$1,045,224.17	$0.00	$457,854.02
	$1,417,354.08	$758,854.35	$200,000.00	$458,499.73
	$1,403,761.08	$744,627.15	$200,000.00	$459,133.93
	$1,163,707.74	$503,964.02	$200,000.00	$459,743.72
	$1,298,323.14	$637,942.20	$200,000.00	$460,380.94
Dec. 2002	$925,734.48	$265,353.54	$200,000.00	$460,380.94
	$1,011,779.27	$350,929.20	$200,000.00	$460,850.07

	$890,663.26	$428,874.93	$0.00	$461,788.33
	$837,370.61	$375,181.97	$0.00	$462,188.64
	$1,002,655.90	$990,028.53	$0.00	$12,627.37
	$1,136,358.30	$1,123,614.34	$0.00	$12,743.96
	$1,246,829.10	$1,234,072.44	$0.00	$12,756.66
	$1,320,922.82	$1,295,168.26	$0.00	$25,754.56
	$1,336,922.51	$1,311,167.95	$0.00	$25,754.56
	$1,403,521.48	$1,377,782.67	$0.00	$25,738.81
	$1,606,835.69	$1,581,096.81	$0.00	$25,738.88
	$1,523,207.50	$1,497,468.54	$0.00	$25,738.96
Dec. 2003	$1,387,237.68	$1,361,498.72	$0.00	$25,738.96
	$1,311,745.95	$1,286,000.62	$0.00	$25,745.33
	$1,228,259.97	$1,202,495.16	$0.00	$25,764.81
	$1,214,307.05	$1,188,523.64	$0.00	$25,783.41
	$942,334.22	$916,530.53	$0.00	$25,803.69
	$797,105.94	$771,282.98	$0.00	$25,822.96
	$1,207,615.58	$1,181,772.87	$0.00	$25,842.71
	$1,147,759.20	$1,121,896.46	$0.00	$25,862.74
	$1,371,644.11	$1,345,756.07	$0.00	$25,888.04
	$1,074,764.93	$1,048,848.09	$0.00	$25,916.84
	$1,133,522.50	$1,107,574.71	$0.00	$25,947.79
	$1,016,084.11	$990,100.85	$0.00	$25,983.26
Dec. 2004	$845,574.69	$819,591.43	$0.00	$25,983.26
	$621,942.73	$595,917.53	$0.00	$26,025.20
	$517,958.07	$491,850.67	$0.00	$26,107.40
	$473,227.48	$473,227.48	$0.00	$0.00
	$15,943.70	$15,943.70	$0.00	$0.00
	$265,953.29	$265,953.29	$0.00	$0.00
	$320,518.91	$320,518.91	$0.00	$0.00
	$314,496.71	$314,496.71	$0.00	$0.00
	$672,316.00	$672,316.00	$0.00	$0.00
	$224,289.60	$224,289.60	$0.00	$0.00
	$270,243.10	$270,243.10	$0.00	$0.00
	$221,674.18	$221,674.18	$0.00	$0.00
Dec. 2005	$164,385.48	$164,385.48	$0.00	$0.00
	$477,739.06	$477,739.06	$0.00	$0.00
	$200,097.55	$200,097.55	$0.00	$0.00
	$42,335.06	$42,335.06	$0.00	$0.00
	$155,019.51	$155,019.51	$0.00	$0.00
	$439,806.65	$439,806.65	$0.00	$0.00
	$323,419.33	$323,419.33	$0.00	$0.00
	$305,685.09	$305,685.09	$0.00	$0.00
	$330,151.69	$330,151.69	$0.00	$0.00
	$131,599.65	$131,599.65	$0.00	$0.00
	$55,234.98	$55,234.98	$0.00	$0.00
	$90,485.24	$90,485.24	$0.00	$0.00
Dec.2006	$294,195.91	$294,195.91	$0.00	$0.00
	$916,646.84	$916,646.84	$0.00	$0.00
	$341,609.45	$341,609.45	$0.00	$0.00
	$219,408.62	$219,408.62	$0.00	$0.00
	$305,231.61	$305,231.61	$0.00	$0.00
	$1,169,719.08	$1,169,719.08	$0.00	$0.00
	$494,813.30	$494,813.30	$0.00	$0.00
	$879,341.95	$879,341.95	$0.00	$0.00

	$121,802.65	$121,802.65	$0.00	$0.00
	$285,021.75	$285,021.75	$0.00	$0.00
	$762,310.95	$762,310.95	$0.00	$0.00
Dec. 2007	$146,226.92	$146,226.92	$0.00	$0.00
	$253,692.36	$253,692.36	$0.00	$0.00
	$508,006.21	$508,006.21	$0.00	$0.00
	$268,110.77	$268,110.77	$0.00	$0.00
	$62,354.58	$62,354.58	$0.00	$0.00
	$785,007.84	$785,007.84	$0.00	$0.00
	$452,024.38	$452,024.38	$0.00	$0.00
	$407,495.16	$407,495.16	$0.00	$0.00
	$182,961.09	$182,961.09	$0.00	$0.00
	$196,371.26	$196,371.26	$0.00	$0.00
	$175,940.22	$175,940.22	$0.00	$0.00
	$345,444.64	$345,444.64	$0.00	$0.00
	$144,764.02	$144,764.02	$0.00	$0.00
Dec. 2008	$852,600.01	$852,600.01	$0.00	$0.00
	$403,279.56	$403,279.56	$0.00	$0.00
	$453,935.65	$453,935.65	$0.00	$0.00
	$1,068,264.48	$1,068,264.48	$0.00	$0.00
	$534,172.31	$534,172.31	$0.00	$0.00
	$968,053.58	$968,053.58	$0.00	$0.00
	$1,362,836.97	$1,362,836.97	$0.00	$0.00
	$677,679.61	$677,679.61	$0.00	$0.00
	$332,191.59	$332,191.59	$0.00	$0.00
	$815,209.24	$815,209.24	$0.00	$0.00
	$389,674.77	$389,674.77	$0.00	$0.00
	$690,656.92	$690,656.92	$0.00	$0.00
Dec. 2009	$871,915.72	$871,915.72	$0.00	$0.00
	$623,932.84	$623,932.84	$0.00	$0.00
	$943,592.82	$943,592.82	$0.00	$0.00
	$470,800.55	$470,800.55	$0.00	$0.00
	$571,228.28	$571,228.28	$0.00	$0.00
	$921,708.98	$921,708.98	$0.00	$0.00
	$857,967.70	$857,967.70	$0.00	$0.00
	$800,582.16	$800,582.16	$0.00	$0.00
	$617,224.63	$617,224.63	$0.00	$0.00
	$705,765.20	$705,765.20	$0.00	$0.00
	$724,350.70	$724,350.70	$0.00	$0.00
	$1,001,575.09	$1,001,575.09	$0.00	$0.00
Dec. 2010	$246,564.02	$246,564.02	$0.00	$0.00
	$400,195.10	$400,195.10	$0.00	$0.00
	$346,114.19	$346,114.19	$0.00	$0.00
	$676,106.42	$676,106.42	$0.00	$0.00
	$671,854.58	$671,854.58	$0.00	$0.00
	$721,628.83	$721,628.83	$0.00	$0.00
	$242,919.64	$242,919.64	$0.00	$0.00
	$111,429.88	$111,429.88	$0.00	$0.00
	$257,242.74	$257,242.74	$0.00	$0.00
	$351,398.07	$351,398.07	$0.00	$0.00
	$281,831.72	$281,831.72	$0.00	$0.00
	$451,277.61	$451,277.61	$0.00	$0.00
Dec.2011	$1,455,572.00	$1,455,572.00	$0.00	$0.00
	$1,085,869.05	$1,085,869.05	$0.00	$0.00

	$1,289,599.61	$1,289,599.61	$0.00	$0.00
	$1,105,697.08	$1,105,697.08	$0.00	$0.00
	$1,241,375.87	$1,241,375.87	$0.00	$0.00
	$959,377.27	$959,377.27	$0.00	$0.00
	$798,959.18	$798,959.18	$0.00	$0.00
	$845,822.44	$845,822.44	$0.00	$0.00
	$524,769.80	$524,769.80	$0.00	$0.00
	$956,255.76	$956,255.76	$0.00	$0.00
	$1,139,927.51	$1,139,927.51	$0.00	$0.00
	$798,349.29	$798,349.29	$0.00	$0.00
Dec.2012	$1,378,510.49	$1,378,510.49	$0.00	$0.00
	$1,140,708.46	$1,140,708.46	$0.00	$0.00
	$1,059,767.98	$1,059,767.98	$0.00	$0.00
	$1,184,826.96	$1,184,826.96	$0.00	$0.00
	$1,059,109.09	$1,059,109.09	$0.00	$0.00
	$1,033,336.40	$1,033,336.40	$0.00	$0.00
	$631,408.29	$631,408.29	$0.00	$0.00
	$784,008.33	$784,008.33	$0.00	$0.00
	$589,154.80	$589,154.80	$0.00	$0.00
	$478,200.19	$478,200.19	$0.00	$0.00
	$413,069.35	$413,069.35	$0.00	$0.00
	$366,493.77	$366,493.77	$0.00	$0.00
Dec.2013	$681,973.36	$681,973.36	$0.00	$0.00
	$610,422.27	$610,422.27	$0.00	$0.00
	$491,937.52	$491,937.52	$0.00	$0.00
	$659,638.55	$659,638.55	$0.00	$0.00
	$556,265.36	$556,265.36	$0.00	$0.00
	$369,477.08	$369,477.08	$0.00	$0.00
	$778,118.68	$778,118.68	$0.00	$0.00
	$997,366.24	$997,366.24	$0.00	$0.00
	$781,117.24	$781,117.24	$0.00	$0.00
	$691,322.94	$691,322.94	$0.00	$0.00
	$316,804.62	$316,804.62	$0.00	$0.00
	$179,318.95	$179,318.95	$0.00	$0.00
Dec.2014	$704,010.13	$704,010.13	$0.00	$0.00

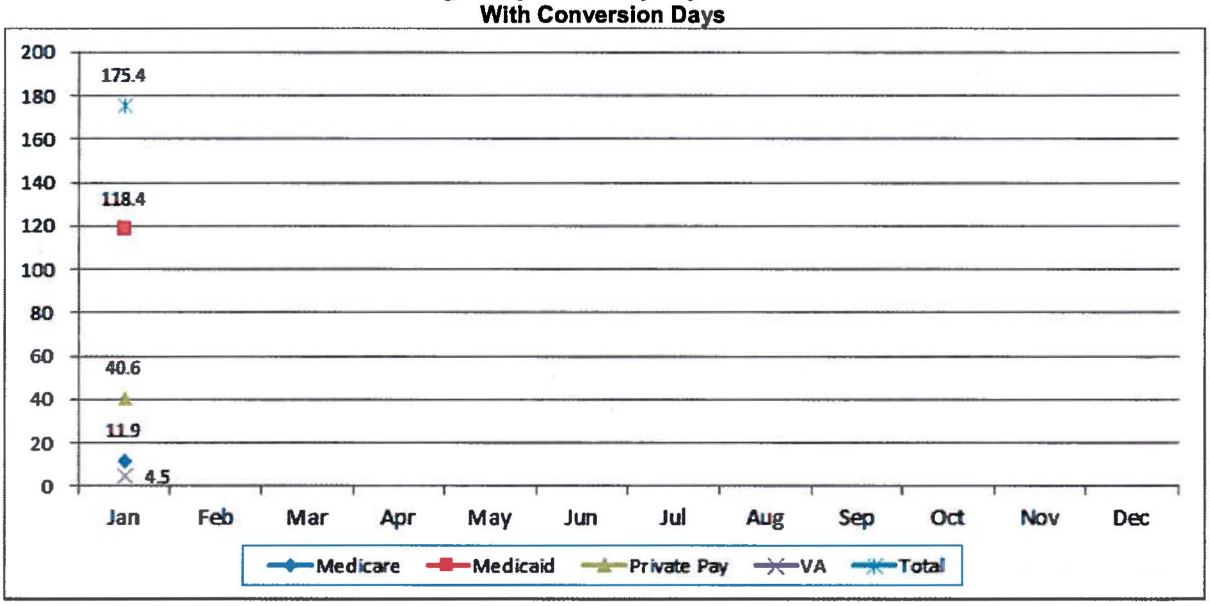
To:	Nursing Home Board of Directors Champaign County Nursing Home
From:	Scott Gima Manager
Date:	April 6, 2016
Re:	January 2016 Financial Management Report

Statistics

January's census averaged 175.4 with 11.9 Medicare and 4.5 VA. There were 454 conversion days.

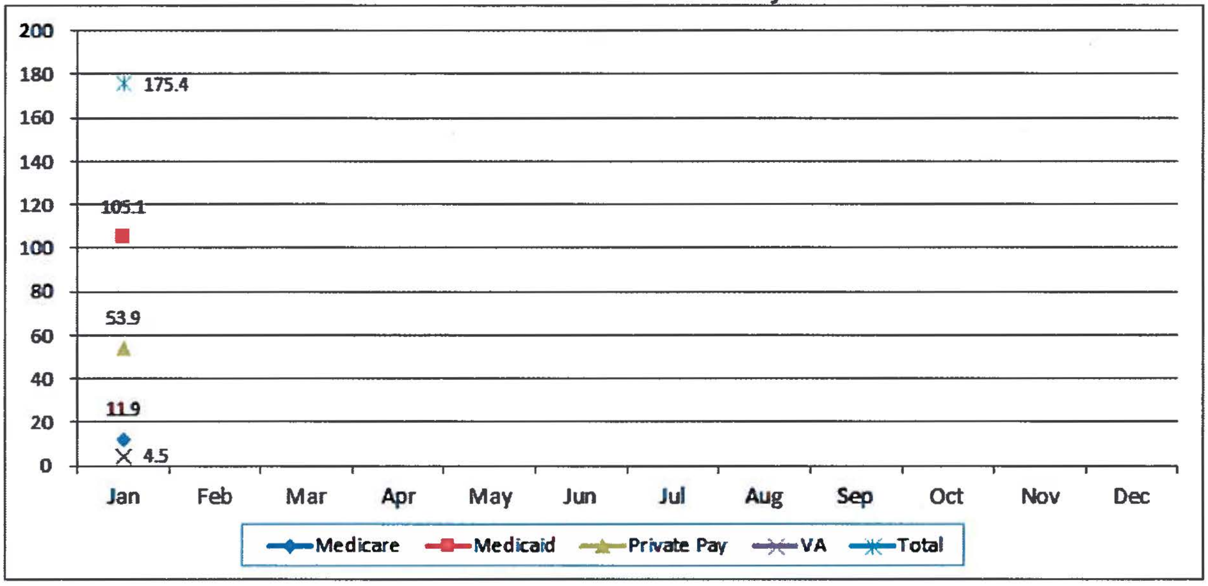
The February census is expected to average 172.2 with 14.9 Medicare and 6.1 VA. The March census is expected to be 168.9 with 13.7 Medicare and 5.6 VA.

Average Daily Census by Payor – FY2016
With Conversion Days



The table below summaries the census without Medicaid conversion days and provides a clearer picture of the payor mix of residents actually in the facility each month.

Average Daily Census by Payor – FY2016
Without Medicaid Conversion Days

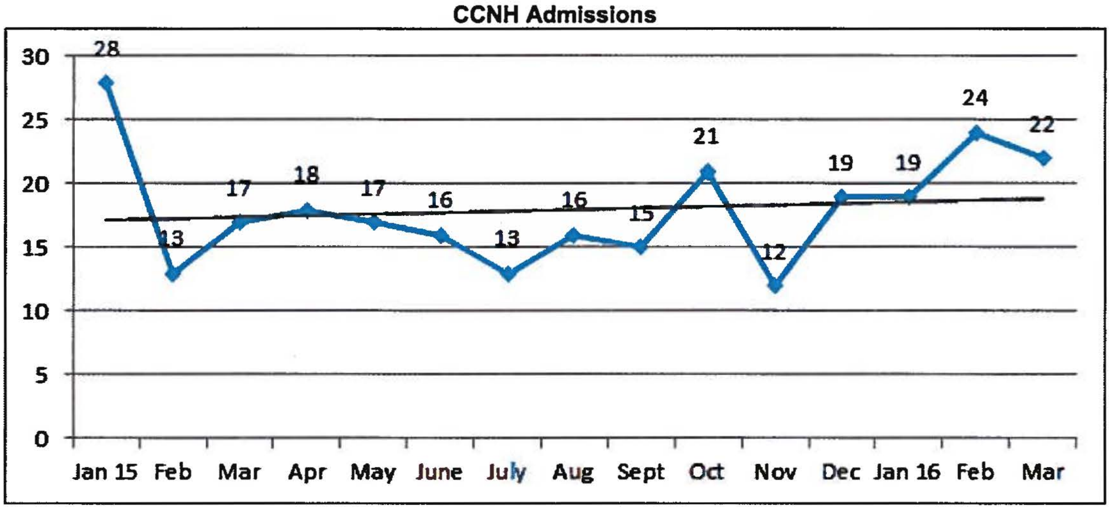


January showed 19 admissions, which is no change from December. Medicare admissions increased slightly from 11 to 12 between the two months. Medicare admissions in February was very strong, totaling 18. Total admission were also high at 24. March admissions totaled 22, another strong month, but Medicare admissions fell to 10. Discharges remain high with 22 in January, 19 in February and 26 in March. The continued high number of discharges continues to keep census and occupancy down. In February, 12 of the 13 discharges went home. In March, 17 of the 18 discharges went home.

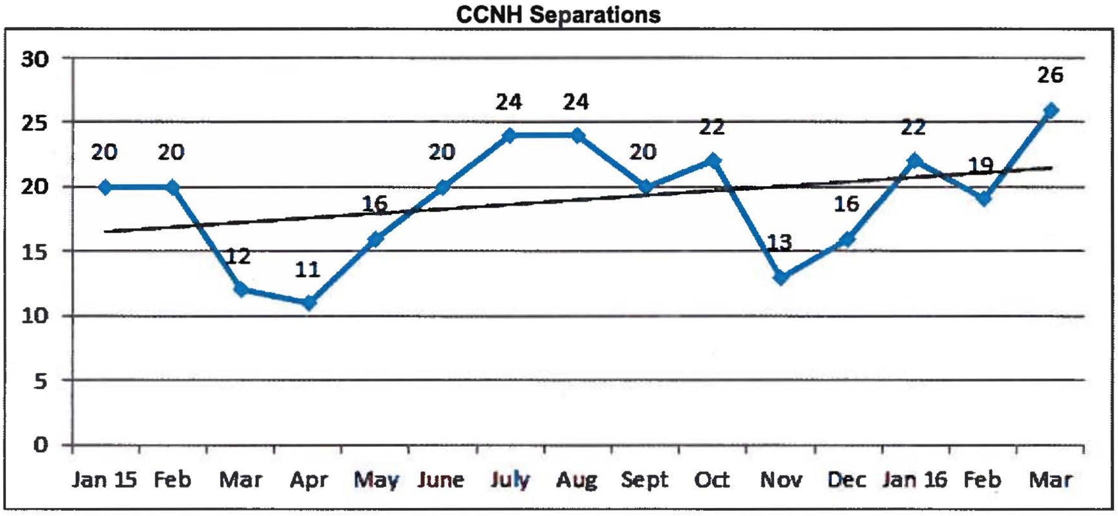
Admissions and Discharges
January 2015 to March 2016

	Medicare Admits	Non-Medicare Admits	Total Admits	Discharges	Expirations	Total Discharges/Expirations
Jan	11	17	28	11	9	20
Feb	7	6	13	14	6	20
Mar	10	7	17	8	4	12
Apr	8	10	18	9	2	11
May	8	9	17	10	6	16
June	7	9	16	13	7	20
July	9	4	13	14	10	24
Aug	7	9	16	17	7	24
Sept	8	7	15	11	9	20
Oct	13	8	21	12	10	22
Nov	6	6	12	10	3	13
Dec	11	8	19	10	6	16
Jan	12	7	19	15	7	22
Feb	18	6	24	13	6	19
Mar	10	12	22	18	8	26

The chart below summarizes the monthly admissions. In FY2012, monthly admissions averaged 22.2 per month. FY2013 admissions averaged 25.5. The monthly average for 2014 was 22.9. The 2015 YTD average is 16.4. Through March, the 2016 average is 21.7.



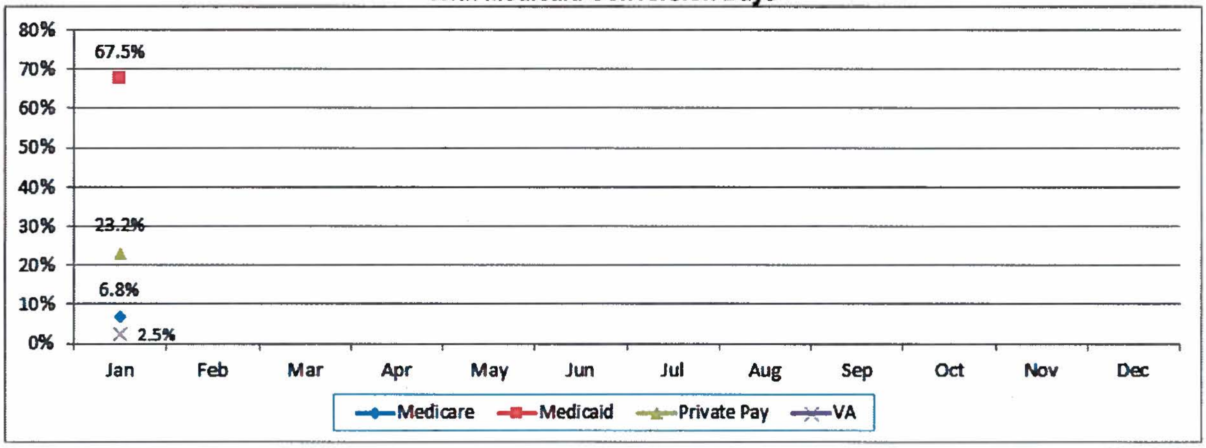
The next chart summarizes separations. In FY2012, the average separations per month was 23.5. The monthly average for FY2013 was 28.1. For 2014, the monthly average was 23.4. The 2015 YTD average is 17.6. For 2016, the YTD average is 22.3.



The FY2013 payor mix was Medicare – 8.7%, Medicaid – 56.3% and Private pay 35.0%. The 2014 payor mix for the year was Medicare – 7.5%, Medicaid – 58.3%, Private pay – 32.8%, and VA – 1.3%. For 2015, the 12 month payor mix is Medicare – 6.1%, Medicaid – 70.1%, Private pay – 22.8%, and VA – 1.0%.

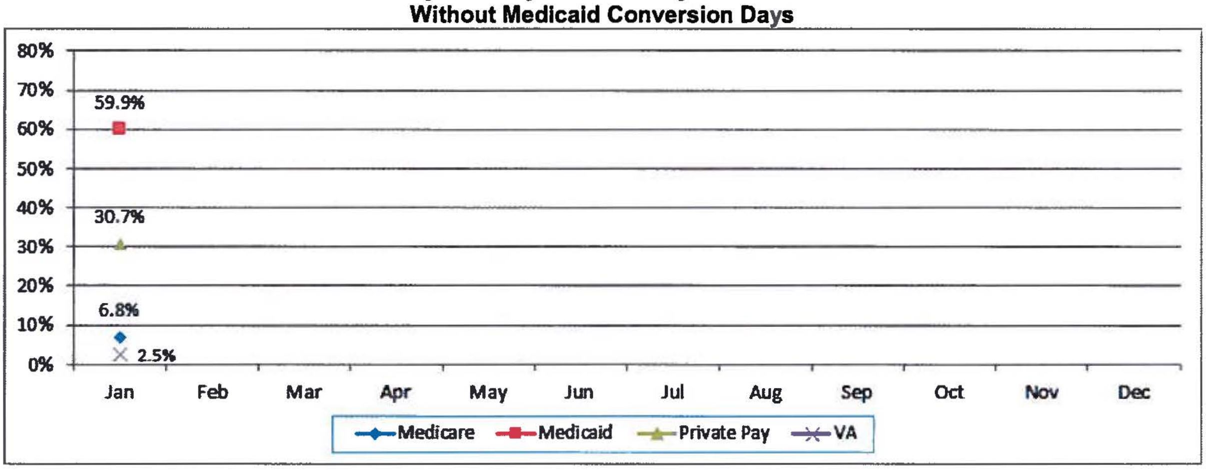
In January 2016, the payor mix is Medicare – 6.8%, Medicaid – 67.5%, Private pay – 23.2%, and VA – 2.5%.

Payor Mix by Resident Days – FY2016
With Medicaid Conversion Days



The 2015 payor mix without conversion days is Medicare – 6.1%, Medicaid – 57.2%, Private pay – 35.8% and VA – 1.0%. In January, the payor mix is Medicare – 6.8%, Medicaid – 59.9%, Private pay – 30.7% and VA – 2.5%

Payor Mix by Resident Days – FY2016
Without Medicaid Conversion Days



Net Income/(Loss) & Cash from Operations
January showed a net loss of $76,533 and cash loss after depreciation of -$17,744.

Revenues

- Operating revenues totaled $1.103 million in January, down slightly from $1.121 million in December. Medicare revenue increased from $128k in November, $151k in December and $182k in January. There were 454 conversion days which adjusted revenue by -$18,000.

Expenses

- Expenses increased from $1.223 million in December to $1.278 million in January. Expenses per day increased from $224.90 to $235.07.

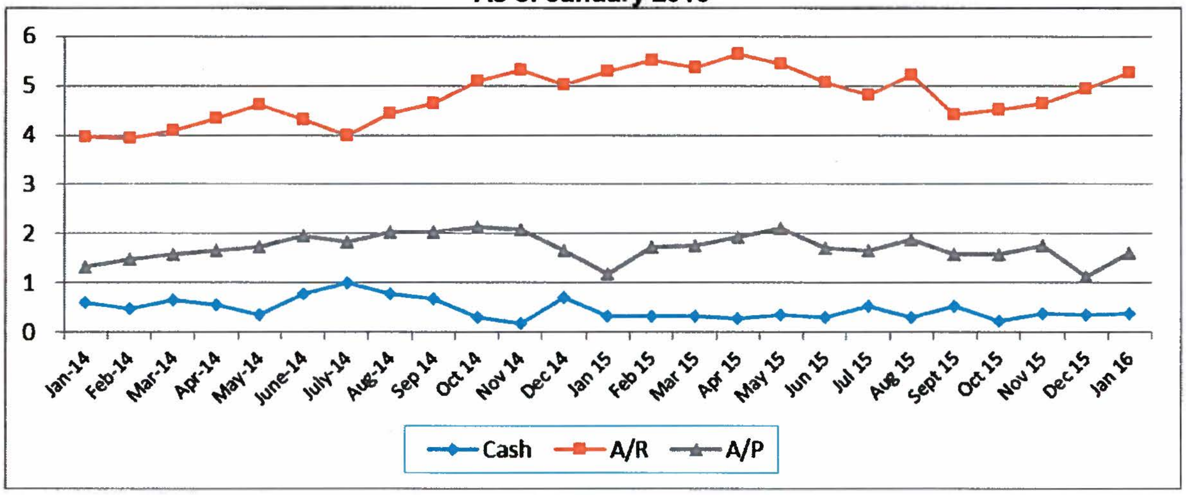
- Wages increased dropped from $527,551 to $509,228. Wages per day also declined from $97.05 to $93.66. The significant expense item in January was benefit costs which rose from $147k in December to $192k in January. TOPs expenses increased by $45k from December.

- Non-labor expenses increased from $548k to $576k. Non-labor expenses per day increased from $100.79 to $106.02. Nursing non-labor expenses form Medicare pharmacy, equipment rentals and conference/training were up but are reflective of operational needs.

Cash Position

January's ending cash balance was $386,844. Accounts receivable increased from $4.912 million in December to $5.265 million in January, an increase of $323k. Accounts payable increased from $1.139 million in December to $1.599 million in January.

Cash, Accounts Receivable & Accounts Payable
As of January 2016



Please see attached cash memo for a update on the current cash situation.

To:	Board of Directors Champaign County Nursing Home
From:	Scott T Gima Manager
Date:	April 6, 2016
Re:	Cash

To recap, two issues have impacted Medicaid cash flow, the OIG Medicaid overpayments and the Medicaid application loan repayments that began in January without any prior notification from HFS. Combined, the two repayments reduced cash by $388k through March.

The OIG audit repayments deducted $51,179.37 per month in December, January and February totaling $153,538. The OIG has agreed to a restructured repayment plan for the remaining $153,538 starting July 1st and will be repaid over six months.

The Medicaid application loan repayments began without prior notification from HFS beginning in January. $78,008.05 was deducted for January, February and March totaling $234,024. Because there was no prior notification by HFS, the reason for the deduction was not determined until late February. HFS was immediately contacted. As of last week, HFS has agreed to discuss the matter, but last week, postponed the scheduling of a meeting. The good news is that HFS is not saying no.

Payables are being delayed to conserve cash. A typical month average $800k. In January, $379k as paid. In February, $380k was paid. In March, $424k was paid. We continue to work with our vendors and prioritize payments as needed. Some vendors will not be flexible and one of our staffing agencies for example has been unwilling to work with us. Because CNA hires have been strong in recent months, agency usage is down and CCNH has contracts with other agencies.

Receivables is obviously a key issue. The IGT reconciliation is not a high priority for HFS. Not that it helps CCNH, but DeKalb's IGT receivables is also exceeds $1 million. Medicaid applications is the second largest receivable issue totaling $600k owed and about $100k in monthly lost revenue. CCNH is currently working with a consultant to assist in expediting the processing of existing applications and will be used to assist with new applications. LeadingAge, the Illinois not-for-profit organization has assisted county homes with IGT matters in the past but they also have been unsuccessful in getting HFS to attend to this matter. I have very frequent conversations with LeadingAge regarding all of the above issues.

The third receivables piece is the MMAI. Between Health Alliance and Molina, approximately $200k is still outstanding that is more than 30 days out. Continued regular communication and pressure continues.

Census is the final variable. Medicare and VA census has been increasing, but more is needed. Josh (Admissions Director), Jessica (Rehab Unit Manager) Allie (Rehab Director) has all been at both area hospitals to evaluate referrals. Josh is routinely contacting assisted living facilities in the area. The marketing strategies will further define the efforts to increase census.

A similar circumstance took place in 2011 due to Medicaid and IGT payment delays and the situation was successfully managed under much worse conditions where payables reached close to $3.4 million at its' worst.

CHAMPAIGN COUNTY ADMINISTRATIVE SERVICES

1776 East Washington Street, Urbana, Illinois 61802-4581

ADMINISTRATIVE, BUDGETING, PURCHASING & HUMAN RESOURCE MANAGEMENT SERVICES

Debra Busey, County Administrator

BOARD ACTION WORKSHEET
RFP 2016-001 FINANCIAL AUDITING SERVICES

April 11, 2016

Audit Services Evaluation Team:
Chris Alix, County Board Deputy Chair, Finance
Diane Michaels, County Board Assistant Deputy Chair, Finance
John Farney, Auditor
Barbara Ramsay, Chief Deputy Auditor
Dan Welch, Treasurer
Betty Murphy, Acting CEO Regional Planning Commission
Tami Ogden, Deputy County Administrator of Finance

Report:
On February 10, 2016, Requests for Proposals for Financial Auditing Services were released by Champaign County. The RFP was sent to firms who had previously indicated an interest in providing audit services to the county. Appropriate notices were placed in the Legal Notices section of the News Gazette and the RFP was posted on the County's website.

The County received proposals from the following six firms on March 9, 2016:

- Sikich
- Wipfli
- Kemper CPA Group
- Baker Tilly
- May, Cocagne & King
- CliftonLarsonAllen

Evaluation Team members individually reviewed all proposals utilizing the evaluation rating form established for this project. Farney, Ramsay, Murphy, and Ogden then met to analyze the comprehensive results and based on the outcome, consensually short-listed the firms to Baker Tilly and CliftonLarsonAllen. Absent team members were apprised of the short-list and decision to invite the firms for oral presentations.

Baker Tilly and CliftonLarsonAllen gave oral presentations to the Evaluation Team on March 31st. At the completion of presentations, and based upon the compilation of individual rankings, the top-ranked firm was Baker Tilly. The Team recommended that an agreement with Baker Tilly be negotiated and that the firm be asked to give precise attention to the transparent allocation of fees for the audit segments, particularly the GIS Consortium since based on past audits Baker Tilly's proposed estimate of staff time for this segment may exceed the actual time necessary to conduct the separate audit.

Fiscal Impact: The cost of the current audit contract for fiscal year 2015 is $80,000.

The cost of the 5-year contract with Baker Tilly for fiscal years 2016-2020 is as follows:
2016 $76,500
2017 $78,030
2018 $79,600
2019 $81,190
2020 $82,810

RECOMMENDATION
The RFP 2016-001 Evaluation Team recommends the award of a contract for Financial Audit Services to Baker Tilly.

April 5, 2016

County Board Members
Champaign County
1776 E. Washington St.
Urbana, IL 60182

Dear Members of the Board:

Thank you for using Baker Tilly Virchow Krause, LLP ("Baker Tilly" or "we" or "our") as your auditors.

The purpose of this letter (the "Engagement Letter") is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide as independent accountants of Champaign County ("you" or "your").

Services and Related Report

We will audit the basic financial statements of Champaign County as of and for the years ended December 31, 2016 through 2020, and the related notes to the financial statements. Upon completion of our audit, we will provide Champaign County with our audit report on the financial statements and supplemental information referred to below. If, for any reasons caused by or relating to the affairs or management of Champaign County, we are unable to complete the audit or are unable to or have not formed an opinion, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

In order to perform the professional services outlined in this Engagement Letter, Baker Tilly requires access to information subject to Title II of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Federal law requires Baker Tilly to execute a Business Associate Agreement ("BA Agreement") prior to being granted this information. For your convenience, we have attached our firm standard BA Agreement for your review and signature as Addendum A. Please execute and return a copy with this Engagement Letter, keeping the original BA Agreement on file with your HIPAA compliance records.

The following supplementary information accompanying the financial statements will also be subjected to the auditing procedures applied in our 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, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole.

Combining and Individual Fund Financial Statements
Schedules of Capital Assets Related to Governmental Funds
Schedule of Expenditures of Federal Awards

Accounting standards generally accepted in the United States of America provide for certain required supplementary information ("RSI"), such as management's discussion and analysis, to supplement Champaign County's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Champaign County's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

Management's Discussion and Analysis
Budget Comparison Schedules
OPEB - related schedules
Pension - related schedules

We will read the following other information accompanying the financial statements to identify any material inconsistencies with the audited financial statements; however, the other information will not be subjected to the auditing procedures applied in our audit of the financial statements and our auditor's report will not provide an opinion or any assurance on that other information:

Introductory Section
Statistical Section

Champaign County Geographic Information System Consortium

We will also audit the basic financial statements of the Champaign County Geographic Information System Consortium as of and for the years ending December 31, 2016 through 2020. Upon completion of our audit, we will provide the Champaign County Geographic Information System Consortium with our audit report on the financial statements referred to above.

Circuit Clerk

We will also audit the basic financial statements of the Champaign County Circuit Clerk as of and for the years ending December 31, 2016 through 2020. Upon completion of our audit, we will provide the Champaign County Circuit Clerk with our audit report on the financial statements referred to above.

Our Responsibilities and Limitations

The objective of a financial statement audit is the expression of an opinion on the financial statements. The objective also includes reporting on:

> Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on the financial statements in accordance with *Government Auditing Standards*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We will be responsible for performing the audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and will include tests of accounting records and other procedures we consider necessary to enable us to express such an opinion and to render the required reports.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of grant agreements, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*.

These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to Champaign County or to acts by management or employees acting on behalf of Champaign County. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management and the audit committee or equivalent group charged with governance of their responsibilities.

The audit will include obtaining an understanding of Champaign County and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to determine the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and the audit committee or equivalent group charged with governance internal control matters that are required to be communicated under professional standards. We will also inform you of any other matters involving internal control, if any, as required by *Government Auditing Standards*.

Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards.*

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control over compliance issued pursuant to the Uniform Guidance.

We will design our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on financial statement amounts. An audit is not designed to detect error or fraud that is immaterial to the financial statements. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements. It is important to recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Our audit is not a guarantee of the accuracy of the financial statements and, therefore, is subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact or a direct and material effect on major federal programs, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with GAAS and *Government Auditing Standards,* may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts or noncompliance, if present, will be detected. However, we will communicate to you, as appropriate, any such matters that we identify during our audit. Also, if required by *Government Auditing Standards,* we will report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to parties outside of Champaign County.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Champaign County's compliance with the provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards.*

The Uniform Guidance require that we also plan and perform the audit to obtain reasonable assurance about whether you have complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the OMB Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of Champaign County's major programs. The purpose of those procedures will be to express an opinion on your compliance with requirements applicable to each of your major programs in our report on compliance issued pursuant to the Uniform Guidance.

We are also responsible for determining that the audit committee or equivalent group charged with governance is informed about certain other matters related to the conduct of the audit, including (i) our responsibility under GAAS, (ii) an overview of the planned scope and timing of the audit, and (iii) significant findings from the audit, which include (a) our views about the qualitative aspects of your significant accounting practices, accounting estimates, and financial statement disclosures; (b) difficulties encountered in performing the audit; (c) uncorrected misstatements and material corrected misstatements that were brought to the attention of management as a result of auditing procedures; and (d) other significant and relevant findings or issues (e.g., any disagreements with management about matters that could be significant to your financial statements or our report thereon, consultations with other independent accountants, issues discussed prior to our retention as independent auditors, fraud and illegal acts, and all significant deficiencies and material weaknesses identified during the audit). Lastly, we are responsible for ensuring that the audit committee or equivalent group charged with governance receives copies of certain written communications between us and management including written communications on accounting, auditing, internal controls or operational matters and representations that we are requesting from management.

The audit will not be planned or conducted in contemplation of reliance of any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be addressed differently by a third party, possibly in connection with a specific transaction.

Management's Responsibilities

Champaign County's management is responsible for the financial statements referred to above. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of the Uniform Guidance. In this regard, management is responsible for establishing policies and procedures that pertain to the maintenance of adequate accounting records and effective internal controls, and for evaluating and monitoring ongoing activities; to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. You are also responsible for the selection and application of accounting principles, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting records, for reporting financial information in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us in the management representation letter (i) about all known or suspected fraud affecting Champaign County involving: (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud or illegal acts could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting Champaign County received in communications from employees, former employees, analysts, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review before we begin fieldwork.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed above. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

You are responsible for the preparation of the supplementary information in conformity with GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You are responsible for preparation of the schedule of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (a) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (b) that you believe the schedule of expenditures of federal awards including its form and content, is fairly presented in accordance with the Uniform Guidance; (c) that the methods of measurement or presentation have not changed from those used in the prior year (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of federal awards.

Management is responsible for (i) adjusting the basic financial statements to correct material misstatements and for affirming to us in a management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period under audit are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole, and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of your internal control over financial reporting that are reasonably likely to adversely affect your ability to record, process, summarize and report external financial data reliably in accordance with GAAP. Management is also responsible for identifying and ensuring that Champaign County complies with the laws and regulations applicable to its activities.

As part of management's responsibility for the financial statements and the effectiveness of its system of internal control over financial reporting, management is responsible for making available to us, on a timely basis, all of your original accounting records and related information and for the completeness and accuracy of that information and your personnel to whom we may direct inquiries. As required by GAAS, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. GAAS also requires that we obtain written representations covering audited schedule of expenditures of federal awards, federal award programs, and compliance with laws, regulations, contracts and grant agreements from certain members of management. The results of our audit tests, the responses to our inquiries, and the written representations, comprise the evidential matter we intend to rely upon in forming our opinion on the financial statements.

Baker Tilly is not a municipal advisor as defined in Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or under Section 15B of the Securities Exchange Act of 1934 (the "Act"). Baker Tilly is not recommending an action to Champaign County; is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Act to you with respect to the information and material contained in the deliverables issued under this engagement. You should discuss any information and material contained in the deliverables with any and all internal and external advisors and experts that you deem appropriate before acting on this information or material.

Non-Attest Services

Prior to or as part of our audit engagement, it may be necessary for us to perform certain non-attest services. For purposes of this letter, non-attest services include services that *Government Auditing Standards* refers to as non-audit services.

Non-attest services that we will be providing are as follows:

- Compilation of financial statements for Circuit Clerk and GIS Consortium

None of these non-attest services constitute an audit under generally accepted auditing standards including *Government Auditing Standards.*

We will not perform any management functions or make management decisions on your behalf with respect to any non-attest services we provide.

In connection with our performance of any non-attest services, you agree that you will:

- Continue to make all management decisions and perform all management functions, including approving all journal entries and general ledger classifications when they are submitted to you.
- Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
- Evaluate the adequacy and results of the non-attest services we perform.
- Accept responsibility for the results of our non-attest services.
- Establish and maintain internal controls, including monitoring ongoing activities related to the non-attest function.

On a periodic basis, as needed, we will meet with you to discuss your accounting records and the management implications of your financial statements. We will notify you, in writing, of any matters that we believe you should be aware of and will meet with you upon request.

Other Documents

GAAS requires that we read any annual report that contains our audit report. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

If you intend to reproduce or publish the financial statements, and make reference to our firm name in connection therewith, you agree to publish the financial statements in their entirety. In addition, you agree to provide us, for our approval and consent, proofs before printing and final materials before distribution.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

At the conclusion of our engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior year audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include within the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of thirty (30) days after receipt of the auditors' reports or nine (9) months after the end of the audit period.

We will provide copies of our reports to Champaign County, however, management is responsible for distribution of the reports and the financial statements. Copies of our reports are to be made available for public inspection unless restricted by law or regulation or if they contain privileged and confidential information.

The documentation for this engagement, including the workpapers, is the property of Baker Tilly and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to federal or state agencies for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. Examples of such agencies include the County's federal oversight agency for audit, the U.S. Government Accountability Office, auditors of agencies providing grant funding to the County and other parties designated by the federal or state governments as part of an audit quality review process. We will make certain audit documentation available to Champaign County officials at our discretion, provided such disclosure does not undermine the effectiveness and integrity of the audit process. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Baker Tilly personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance. Successor auditors will be required agree to the provisions of SAS 84.

We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. If we are required by law, regulation or professional standards to make certain documentation available to regulators, Champaign County hereby authorizes us to do so. We will retain all working papers and reports for a minimum of three years.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any subsequent peer review reports received during the period of the contract. Our most recent peer review report accompanies this letter.

Resolution of Disagreements

In the unlikely event that differences concerning services or fees should arise that are not resolved by mutual agreement, both parties agree to attempt in good faith to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute-resolution procedure. Each party shall bear their own expenses from mediation.

If mediation does not settle the dispute or claim, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitration proceeding shall take place in the city in which the Baker Tilly office providing the relevant services is located, unless the parties mutually agree to a different location. The proceeding shall be governed by the provisions of the Federal Arbitration Act (FAA) and will proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that no pre-hearing discovery shall be permitted unless specifically authorized by the arbitrator. The arbitrator will be selected from AAA, Judicial Arbitration & Mediation Services (JAMS), the Center for Public Resources or any other internationally or nationally-recognized organization mutually agreed upon by the parties. Potential arbitrator names will be exchanged within fifteen (15) days of the parties' agreement to settle the dispute or claim by binding arbitration, and arbitration will thereafter proceed expeditiously. The arbitration will be conducted before a single arbitrator, experienced in accounting and auditing matters. The arbitrator shall have no authority to award non-monetary or equitable relief and will not have the right to award punitive damages. The award of the arbitration shall be in writing and shall be accompanied by a well-reasoned opinion. The award issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. Each party shall be responsible for their own costs associated with the arbitration, except that the costs of the arbitrator shall be equally divided by the parties. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential arbitration. In no event shall a demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim would be barred under the applicable statute of limitations.

Our services shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

Limitation on Damages and Indemnification

The liability (including attorney's fees and all other costs) of Baker Tilly and its present or former partners, principals, agents or employees related to any claim for damages relating to the services performed under this Engagement Letter shall not exceed the fees paid to Baker Tilly for the portion of the work to which the claim relates, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services. This limitation of liability is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted, including the negligence of either party. Additionally, in no event shall either party be liable for any lost profits, lost business opportunity, lost data, consequential, special, incidental, exemplary or punitive damages, delays or interruptions arising out of or related to this Engagement Letter even if the other party has been advised of the possibility of such damages.

As Baker Tilly is performing the services solely for your benefit, you will indemnify Baker Tilly, its subsidiaries and their present or former partners, principals, employees, officers and agents against all costs, fees, expenses, damages and liabilities (including attorneys' fees and all defense costs) associated with any third-party claim, relating to or arising as a result of the services, or this Engagement Letter.

Because of the importance of the information that you provide to Baker Tilly with respect to Baker Tilly's ability to perform the services, you hereby release Baker Tilly and its present and former partners, principals, agents and employees from any liability, damages, fees, expenses and costs, including attorney's fees, relating to the services, that arise from or relate to any information, including representations by management, provided by you, Champaign County personnel or agents, that is not complete, accurate or current.

Each party recognizes and agrees that the warranty disclaimers and liability and remedy limitations in this Engagement Letter are material bargained for bases of this Engagement Letter and that they have been taken into account and reflected in determining the consideration to be given by each party under this Engagement Letter and in the decision by each party to enter into this Engagement Letter.

The terms of this section shall apply regardless of the nature of any claim asserted (including, but not limited to, contract, tort or any form of negligence, whether of you, Baker Tilly or others), but these terms shall not apply to the extent finally determined to be contrary to the applicable law or regulation. These terms shall also continue to apply after any termination of this Engagement Letter.

You accept and acknowledge that any legal proceedings arising from or in conjunction with the services provided under this Engagement Letter must be commenced within twelve (12) months after the performance of the services for which the action is brought, without consideration as to the time of discovery of any claim.

Timing and Fees

You agree to authorize CliftonLarsonAllen LLP to allow a review of their audit documentation and respond to additional inquiries we consider relevant to our planning and performing of this engagement. Any fees charged by CliftonLarsonAllen LLP in connection with the preceding paragraphs are your responsibility.

Completion of our work is subject to, among other things, (i) appropriate cooperation from Champaign County's personnel, including timely preparation of necessary schedules, (ii) timely responses to our inquiries, and (iii) timely communication of all significant accounting and financial reporting matters. When and if for any reason Champaign County is unable to provide such schedules, information, and assistance, Baker Tilly and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Delays in the issuance of our audit report beyond the date that was originally contemplated may require us to perform additional auditing procedures which will likely result in additional fees.

Revisions to the scope of our work will be set forth in the form of an "Amendment to Existing Engagement Letter." In addition, if we discover compliance issues that require us to perform additional procedures and/or provide assistance with these matters, fees at our standard hourly rates apply.

Service	2016	2017	2018	2019	2020
Head Start Fund	$3,060	$3,120	$3,180	$3,240	$3,330
RPC Funds	4,030	4,110	4,190	4,270	4,360
Nursing Home Fund	4,790	4,890	4,990	5,090	5,190
Non-centralized agency funds	3,320	3,390	3,460	3,530	3,600
All other funds	35,360	36,070	36,790	37,530	38,280
Circuit Clerk Audit	8,120	8,280	8,450	8,620	8,790
GIS Consortium Audit	7,200	7,340	7,490	7,640	7,790
Single Audit (3 major programs)	10,620	10,830	11,050	11,270	11,500
Total	**$76,500**	**$78,030**	**$79,600**	**$81,190**	**$82,810**

The allocation of fees for the audit segments will be evaluated as the audit progresses and adjusted in accordance with the actual time necessary by segment.

Invoices for these fees will be rendered each month as work progresses and are payable on presentation. A charge of 1.0% per month shall be imposed on accounts not paid within thirty (30) days of receipt of our statement for services provided. In accordance with our firm policies, work may be suspended if your account becomes thirty (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 upon written notice of termination, even if we have not completed 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.

This contract is approved and funded contingent upon annual appropriations being established by the local governing body of Champaign County to provide funding necessary to meet the requirements of the contract. Such funding is approved on a fiscal year basis with the fiscal year commencing January 1st and terminating December 31st of each year. In order for the contract to remain in effect, such appropriation must be approved on an annual basis throughout the term of the contract scheme. In the event that an annual appropriation is not approved, the County shall not be held responsible for any liabilities beyond the remaining annual term prior to the new budget year.

Additionally, we may from time to time, and depending on the circumstances, use service providers (e.g., to act as a specialist or audit an element of the financial statements) in serving your account. We may share confidential information about you with these service providers, but are committed to maintaining the confidentiality and security of your information.

Any additional services that may be requested and we agree to provide will be the subject of a separate engagement letter.

We may be required to disclose confidential information to federal, state and international regulatory bodies or a court in criminal or other civil litigation. In the event that we receive a request from a third party (including a subpoena, summons or discovery demand in litigation) calling for the production of information, we will promptly notify Champaign County, unless otherwise prohibited. In the event we are requested by Champaign County or required by government regulation, subpoena or other legal process to produce our engagement working papers or our personnel as witnesses with respect to services rendered to Champaign County, so long as we are not a party to the proceeding in which the information is sought, we may seek reimbursement for our professional time and expenses, as well as the fees and legal expenses, incurred in responding to such a request.

Our fees are based on known circumstances at the time of this Engagement Letter. Should circumstances change significantly during the course of this engagement, we will discuss with you the need for any revised audit fees. This can result from changes at Champaign County, such as the turnover of key accounting staff, the addition of new funds or significant federal or state programs or changes that affect the amount of audit effort from external sources, such as new accounting and auditing standards that become effective that increase the scope of our audit procedures. This Engagement Letter currently includes all auditing standards through Statement on Auditing Standards ("SAS") No. 129 – *Letters for Underwriters and Certain Other Requesting Parties,* all accounting standards through Governmental Accounting Standards Board ("GASB") No. 71, – *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* and the current federal single audit guidance.

We would expect to continue to perform our services under the arrangements discussed above from year to year, unless for some reason you or we find that some change is necessary. We will, of course be happy to provide Champaign County with any other services you may find necessary or desirable.

Other Matters

Neither this Engagement Letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated, or subcontracted by either party without the written consent of the other party. Either party may assign and transfer this Engagement Letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization, or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this Engagement Letter.

Our dedication to client service is carried out through our employees who are integral in meeting this objective. In recognition of the importance of our employees, it is hereby agreed that Champaign County will not solicit our employees for employment or enter into an independent contractor arrangement with any individual who is or was an employee of Baker Tilly for a period of twelve months following the date of the conclusion of this engagement. If Champaign County violates this non-solicitation clause, Champaign County agrees to pay to Baker Tilly a fee equal to the hired person's annual salary at the time of the violation so as to reimburse Baker Tilly for the costs of hiring and training a replacement.

Baker Tilly Virchow Krause, LLP is a member of Baker Tilly International Limited. Each member firm of Baker Tilly International Limited is a separate and independent legal entity. Baker Tilly International Limited and its other members are not responsible or liable for any acts or omissions of Baker Tilly Virchow Krause, LLP. Baker Tilly Virchow Krause, LLP and its subsidiaries are not responsible for or liable for any acts or omissions of any other member of Baker Tilly International Limited. Baker Tilly International Limited does not render any professional services and does not have an ownership or partnership interest in Baker Tilly Virchow Krause, LLP.

Baker Tilly International Limited is English Company. Neither Baker Tilly International Limited nor any other member firm has a right to exercise management control over any other member firm. Baker Tilly Virchow Krause, LLP is not Baker Tilly International Limited's agent and does not have authority to bind Baker Tilly International Limited or act on Baker Tilly International Limited's behalf.

This Engagement Letter constitutes the entire agreement between the Champaign County and Baker Tilly regarding the services described in this Engagement Letter and supersedes and incorporates all prior or contemporaneous representations, understandings or agreements, and may not be modified or amended except by an agreement in writing signed between the parties hereto.

The provisions of this Engagement Letter, which expressly or by implication are intended to survive its termination or expiration, will survive and continue to bind both parties. If any provision of this Engagement Letter is declared or found to be illegal, unenforceable or void, then both parties shall be relieved of all obligations arising under such provision, but if the remainder of this Engagement Letter shall not be affected by such declaration or finding and is capable of substantial performance, then each provision not so affected shall be enforced to the extent permitted by law or applicable professional standards.

If because of a change in the Champaign County's status or due to any other reason, any provision in this Engagement Letter would be prohibited by, or would impair our independence under laws, regulations or published interpretations by governmental bodies, commissions or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this agreement shall consist of the remaining portions.

This agreement shall be governed by and construed in accordance with the laws of the state of Illinois, without giving effect to the provisions relating to conflict of laws.

We appreciate the opportunity to be of service to you.

If there are any questions regarding the Engagement Letter, please contact Jason Coyle, the engagement partner on this engagement who is responsible for the overall supervision and review of the engagement and for determining that the engagement has been completed in accordance with professional standards. Jason Coyle is available at 630 645 6205, or at jason.coyle@bakertilly.com.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Enclosures

The services and terms as set forth in the Engagement Letter are agreed to by:

____
Official's Name

____
Official's Signature

____
Title

____
Date

ADDENDUM A
BUSINESS ASSOCIATE AGREEMENT
BETWEEN CHAMPAIGN COUNTY
and
BAKER TILLY VIRCHOW KRAUSE, LLP

THIS BUSINESS ASSOCIATE AGREEMENT (BA Agreement) replaces previous business associate agreements between Baker Tilly Virchow Krause, LLP (Business Associate) and Champaign County (Covered Entity) (each a "Party" and collectively the "Parties") and is effective on April 5, 2016 ("Effective Date").

1. PREAMBLE

Covered Entity and Business Associate enter into this BA Agreement to comply with the requirements of: (i) the implementing regulations at 45 C.F.R Parts 160, 162 and 164 for the Administrative Simplification provisions of Title II, Subtitle F of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) (i.e., the HIPAA Privacy, Security, Electronic Transaction, Breach Notification and Enforcement Rules the (Implementing Regulations)), (ii) the requirements of the Health Information Technology for Economic and Clinical Health Act, as incorporated in the American Recovery and Reinvestment Act of 2009 the (HITECH Act) that are applicable to business associates and (iii) the requirements of the final modifications to the HIPAA Privacy, Security, Enforcement and Breach Notification Rules as issued on January 25, 2013, and effective March 26, 2013, (75 Fed. Reg. 5566 (Jan. 25, 2013)) the (Final Regulations). The Implementing Regulations, the HITECH Act and the Final Regulations are collectively referred to in this BA Agreement as the "HIPAA Requirements".

Covered Entity and Business Associate agree to incorporate into this BA Agreement any regulations issued by the U.S. Department of Health and Human Services (DHHS) with respect to the HIPAA Requirements that relate to the obligations of business associates and that are required to be (or should be) reflected in a business associate agreement. Business Associate recognizes and agrees that it is obligated by law to meet the applicable provisions of the HIPAA Requirements and that it has direct liability for any violations of the HIPAA Requirements.

2. DEFINITIONS

(a) "Breach" shall mean, as defined in 45 C.F.R. § 164.402, the acquisition, access, use or disclosure of Unsecured Protected Health Information in a manner not permitted by the HIPAA Requirements that compromises the security or privacy of that Protected Health Information.

(b) "Business Associate Subcontractor" shall mean, as defined in 45 C.F.R. § 160.103, any entity (including an agent) that creates, receives, maintains or transmits Protected Health Information on behalf of Business Associate.

(c) Electronic PHI" shall mean, as defined in 45 C.F.R. § 160.103, Protected Health Information that is transmitted or maintained in any Electronic Media.

(d) "Limited Data Set" shall mean, as defined in 45 C.F.R. § 164.514(e), Protected Health Information that excludes the following direct identifiers of the individual or of relatives, employers or household members of the individual:

(i) Names;
(ii) Postal address information, other than town or city, State and zip code;
(iii) Telephone numbers;
(iv) Fax numbers;
(v) Electronic mail addresses;
(vi) Social security numbers;

(vii) Medical record numbers;
(viii) Health plan beneficiary numbers;
(ix) Account numbers;
(x) Certificate/license numbers;
(xi) Vehicle identifiers and serial numbers, including license plate numbers;
(xii) Device identifiers and serial numbers;
(xiii) Web Universal Resource Locators (URLs);
(xiv) Internet Protocol (IP) address numbers;
(xv) Biometric identifiers, including finger and voice prints; and
(xvi) Full face photographic images and any comparable images.

(e) "Protected Health Information" or "PHI" shall mean, as defined in 45 C.F.R. § 160.103, information created or received by a Health Care Provider, Health Plan, employer or Health Care Clearinghouse, that (i) relates to the past, present or future physical or mental health or condition of an individual, provision of health care to the individual or the past, present or future payment for provision of health care to the individual, (ii) identifies the individual, or with respect to which there is a reasonable basis to believe the information can be used to identify the individual and (iii) is transmitted or maintained in an electronic medium, or in any other form or medium. The use of the term "Protected Health Information" or "PHI" in this BA Agreement shall mean both Electronic PHI and non-Electronic PHI, unless another meaning is clearly specified.

(f) "Security Incident" shall mean, as defined in 45 C.F.R. § 164.304, the attempted or successful unauthorized access, use, disclosure, modification or destruction of information or interference with system operations in an information system.

(g) "Unsecured Protected Health Information" shall mean, as defined in 45 C.F.R. § 164.402, Protected Health Information that is not rendered unusable, unreadable or indecipherable to unauthorized persons through the use of a technology or methodology specified by DHHS.

(h) All other capitalized terms used in this BA Agreement shall have the meanings set forth in the applicable definitions under the HIPAA Requirements.

3. GENERAL TERMS

(a) In the event of an inconsistency between the provisions of this BA Agreement and a mandatory term of the HIPAA Requirements (as these terms may be expressly amended from time to time by the DHHS or as a result of interpretations by DHHS, a court or another regulatory agency with authority over the Parties), the interpretation of DHHS, such court or regulatory agency shall prevail. In the event of a conflict among the interpretations of these entities, the conflict shall be resolved in accordance with rules of precedence.

(b) Where provisions of this BA Agreement are different from those mandated by the HIPAA Requirements, but are nonetheless permitted by the HIPAA Requirements, the provisions of this BA Agreement shall control.

(c) Except as expressly provided in the HIPAA Requirements or this BA Agreement, this BA Agreement does not create any rights in third parties.

4. SPECIFIC REQUIREMENTS

(a) Flow-Down of Obligations to Business Associate Subcontractors. Business Associate agrees that as required by the HIPAA Requirements, Business Associate will enter into a written agreement with all Business Associate Subcontractors that: (i) requires them to comply with the Privacy and Security Rule provisions of this BA Agreement in the same manner as required of Business Associate and (ii) notifies such Business Associate Subcontractors that they will incur liability under the HIPAA Requirements for non-compliance with such provisions. Accordingly, Business Associate shall ensure that all Business Associate Subcontractors agree in writing to the same privacy and security restrictions, conditions and requirements that apply to Business Associate with respect to PHI.

(b) Privacy of Protected Health Information

(i) Permitted Uses and Disclosures of PHI. Business Associate agrees to create, receive, use, disclose, maintain or transmit PHI only in a manner that is consistent with this BA Agreement or the HIPAA Requirements and only in connection with providing the services to Covered Entity identified in the Engagement Letter and this BA Agreement. Accordingly, in providing services to or for the Covered Entity, Business Associate, for example, will be permitted to use and disclose PHI for "Treatment, Payment, and Health Care Operations," as those terms are defined in the HIPAA Requirements. Business Associate further agrees that to the extent it is carrying out one or more of the Covered Entity's obligations under the Privacy Rule (Subpart E of 45 C.F.R. Part 164), it shall comply with the requirements of the Privacy Rule that apply to the Covered Entity in the performance of such obligations.

(1) Business Associate shall report to Covered Entity any use or disclosure of PHI that is not provided for in this BA Agreement, including reporting Breaches of Unsecured Protected Health Information as required by 45 C.F.R. § 164.410 and required by Section 4(d)(ii) below.

(2) Business Associate shall establish, implement and maintain appropriate safeguards and comply with the Security Standards (Subpart C of 45 C.F.R. Part 164) with respect to Electronic PHI, as necessary to prevent any use or disclosure of PHI other than as provided for by this BA Agreement.

(ii) Business Associate Obligations. As permitted by the HIPAA Requirements, Business Associate also may use or disclose PHI received by the Business Associate in its capacity as a Business Associate to the Covered Entity for Business Associate's own operations if:

(1) the use relates to: (1) the proper management and administration of the Business Associate or to carry out legal responsibilities of the Business Associate or (2) data aggregation services relating to the health care operations of the Covered Entity or

(2) the disclosure of information received in such capacity will be made in connection with a function, responsibility or services to be performed by the Business Associate, and such disclosure is required by law or the Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will be held confidential and the person agrees to notify the Business Associate of any Breaches of confidentiality.

(iii) Minimum Necessary Standard and Creation of Limited Data Set. Business Associate's use, disclosure or request of PHI shall utilize a Limited Data Set if practicable. Otherwise, in performing the functions and activities as specified in the Engagement Letter and this BA Agreement, Business Associate agrees to use, disclose or request only the minimum necessary PHI to accomplish the intended purpose of the use, disclosure or request.

(iv) Access. In accordance with 45 C.F.R. § 164.524 of the HIPAA Requirements, Business Associate will make available to the Covered Entity (or as directed by the Covered Entity, to those individuals who are the subject of the PHI (or their designees)), their PHI in the Designated Record Set. Business Associate shall make such information available in an electronic format where directed by the Covered Entity.

(v) Disclosure Accounting. Business Associate shall make available the information necessary to provide an accounting of disclosures of PHI as provided for in 45 C.F.R. § 164.528 of the HIPAA Requirements by making such information available to the Covered Entity or (at the direction of the Covered Entity) making such information available directly to the individual.

(vi) Amendment. Business Associate shall make PHI in a Designated Record Set available for amendment and, as directed by the Covered Entity, incorporate any amendment to PHI in accordance with 45 C.F.R. § 164.526 of the HIPAA Requirements.

(vii) Right to Request Restrictions on the Disclosure of PHI and Confidential Communications. If an individual submits a Request for Restriction or Request for Confidential Communications to the Business Associate, Business Associate and Covered Entity agree that Business Associate, on behalf of Covered Entity, will evaluate and respond to these requests according to Business Associate's own procedures for such requests.

(viii) Return or Destruction of PHI. Upon the termination or expiration of the Engagement Letter or this BA Agreement, Business Associate agrees to return the PHI to Covered Entity, destroy the PHI (and retain no copies) or if Business Associate determines that return or destruction of the PHI is not feasible, (a) continue to extend the protections of this BA Agreement and of the HIPAA Requirements to the PHI and (b) limit any further uses and disclosures of the PHI to the purpose making return or destruction infeasible.

(ix) Availability of Books and Records. Business Associate shall make available to DHHS or its agents the Business Associate's internal practices, books and records relating to the use and disclosure of PHI in connection with this BA Agreement.

(x) Termination for Breach.

(1) Business Associate agrees that Covered Entity shall have the right to terminate this BA Agreement or seek other remedies if Business Associate violates a material term of this BA Agreement.

(2) Covered Entity agrees that Business Associate shall have the right to terminate this BA Agreement or seek other remedies if Covered Entity violates a material term of this BA Agreement.

(c) Information and Security Standards

(i) Business Associate will develop, document, implement, maintain and use appropriate Administrative, Technical and Physical Safeguards to preserve the Integrity, Confidentiality and Availability of, and to prevent non-permitted use or disclosure of, Electronic PHI created or received for or from the Covered Entity.

(ii) Business Associate agrees that with respect to Electronic PHI, these Safeguards, at a minimum, shall meet the requirements of the HIPAA Security Standards applicable to Business Associate.

(iii) More specifically, to comply with the HIPAA Security Standards for Electronic PHI, Business Associate agrees that it shall:

(1) Implement Administrative, Physical and Technical Safeguards consistent with (and as required by) the HIPAA Security Standards that reasonably protect the Confidentiality, Integrity and Availability of Electronic PHI that Business Associate creates, receives, maintains or transmits on behalf of Covered Entity. Business Associate shall develop and implement policies and procedures that meet the documentation requirements as required by the HIPAA Requirements;

(2) As also provided for in Section 4(a) above, ensure that any Business Associate Subcontractor agrees to implement reasonable and appropriate safeguards to protect the Electronic PHI;

(3) Report to Covered Entity any unauthorized access, use, disclosure, modification or destruction of PHI (including Electronic PHI) not permitted by this BA Agreement, applicable law or permitted by Covered Entity in writing ("Successful Security Incidents" or Breaches) of which Business Associate becomes aware. Business Associate shall report such Successful Security Incidents or Breaches to Covered Entity as specified in Section 4(d)(iii)(1);

(4) For Security Incidents that do not result in unauthorized access, use, disclosure, modification or destruction of PHI (including, for purposes of example and not for purposes of limitation, pings on Business Associate's firewall, port scans, attempts to log onto a system or enter a database with an invalid password or username, denial-of-service attacks that do not result in the system being taken off-line or malware such as worms or viruses) ("Unsuccessful Security Incidents"), aggregate the data and, upon the Covered Entity's written request, report to the Covered Entity in accordance with the reporting requirements identified in Section 4(d)(iii)(2);

(5) Take all commercially reasonable steps to mitigate, to the extent practicable, any harmful effect that is known to Business Associate resulting from any unauthorized access, use, disclosure, modification or destruction of PHI;

(6) Permit termination of this BA Agreement if the Covered Entity determines that Business Associate has violated a material term of this BA Agreement with respect to Business Associate's security obligations and Business Associate is unable to cure the violation; and

(7) Upon Covered Entity's request, provide Covered Entity with access to and copies of documentation regarding Business Associate's safeguards for PHI and Electronic PHI.

(d) Notice and Reporting Obligations of Business Associate

(i) Notice of Non-Compliance with the BA Agreement. Business Associate will notify Covered Entity within 30 calendar days after discovery, any unauthorized access, use, disclosure, modification or destruction of PHI (including any successful Security Incident) that is not permitted by this BA Agreement, by applicable law or permitted in writing by Covered Entity, whether such non-compliance is by (or at) Business Associate or by (or at) a Business Associate Subcontractor.

(ii) Notice of Breach. Business Associate will notify Covered Entity following discovery and without unreasonable delay but in no event later than 30 calendar days following discovery, any Breach of Unsecured Protected Health Information, whether such Breach is by Business Associate or by Business Associate Subcontractor.

(1) As provided for in 45 C.F.R. § 164.402, Business Associate recognizes and agrees that any acquisition, access, use or disclosure of PHI in a manner not permitted under the HIPAA Privacy Rule (Subpart E of 45 C.F.R. Part 164) is presumed to be a Breach. As such, Business Associate shall (i) notify Covered Entity of any non-permitted acquisition, access, use or disclosure of PHI and (ii) assist Covered Entity in performing (or at Covered Entity's direction, perform) a risk assessment to determine if there is a low probability that the PHI has been compromised.

(2) Business Associate shall cooperate with Covered Entity in meeting the Covered Entity's obligations under the HIPAA Requirements and any other security breach notification laws. Business Associate shall follow its notification to the Covered Entity with a report that meets the requirements outlined immediately below.

(iii) Reporting Obligations.

(1) For Successful Security Incidents and Breaches, Business Associate – without unreasonable delay and in no event later than 30 calendar days after Business Associate learns of such non-permitted use or disclosure (whether at Business Associate or at Business Associate Subcontractor) – shall provide Covered Entity a report that will:

a. Identify (if known) each individual whose Unsecured Protected Health Information has been or is reasonably believed by Business Associate to have been accessed, acquired or disclosed;
b. Identify the nature of the non-permitted access, use or disclosure including the date of the incident and the date of discovery;
c. Identify the PHI accessed, used or disclosed (e.g., name; social security number; date of birth);
d. Identify what corrective action Business Associate (or Business Associate Subcontractor) took or will take to prevent further non-permitted accesses, uses or disclosures;
e. Identify what Business Associate (or Business Associate Subcontractor) did or will do to mitigate any deleterious effect of the non-permitted access, use or disclosure; and
f. Provide such other information, including a written report, as the Covered Entity may reasonably request.

(2) For Unsuccessful Security Incidents, Business Associate shall provide Covered Entity, upon its written request, a report that:

a. identifies the categories of Unsuccessful Security Incidents as described in Section 4(c)(iii)(4),
b. indicates whether Business Associate believes its (or its Business Associate Subcontractor's) current defensive security measures are adequate to address all Unsuccessful Security Incidents, given the scope and nature of such attempts and
c. if the security measures are not adequate, the measures Business Associate (or Business Associate Subcontractor) will implement to address the security inadequacies.

(iv) Termination.

(1) Covered Entity and Business Associate each will have the right to terminate this BA Agreement if the other Party has engaged in a pattern of activity or practice that constitutes a material breach or violation of Business Associate's or the Covered Entity's respective obligations regarding PHI under this BA Agreement and, on notice of such material breach or violation from the Covered Entity or Business Associate, fails to take reasonable steps to cure the material breach or end the violation.

(2) If Business Associate or Covered Entity fail to cure the material breach or end the violation after the other Party's notice, Covered Entity or Business Associate (as applicable) may terminate this BA Agreement by providing Business Associate or Covered Entity written notice of termination, stating the uncured material breach or violation that provides the basis for the termination and specifying the effective date of the termination. Such termination shall be effective 60 days from this termination notice.

(v) Continuing Privacy and Security Obligations. Business Associate's and Covered Entity's obligation to protect the privacy and security of the PHI it created, received, maintained or transmitted in connection with services to be provided under the Engagement Letter and this BA Agreement will be continuous and survive termination, cancellation, expiration or other conclusion of this BA Agreement or the Engagement Letter. Business Associate's other obligations and rights, and Covered Entity's obligations and rights upon termination, cancellation, expiration or other conclusion of this BA Agreement, are those set forth in this BA Agreement and/or the Engagement Letter.

IN WITNESS WHEREOF, the Parties have signed this BA Agreement on the dates indicated below.

BAKER TILLY VIRCHOW KRAUSE, LLP	CHAMPAIGN COUNTY
By ______________________	By ______________________
Signature	Signature
Jason Coyle	______________________
Print Name	Print Name
Title Partner	Title ______________________
Date Signed ______________________	Date Signed ______________________

FINANCIAL FORECAST

Champaign County, Illinois

For the General Corporate Fund and Public Safety Sales Tax Funds
Fiscal Years 2016 to 2020

Introduction

This Forecast is a planning tool that has been developed to provide the County Board with information regarding revenue and expenditure trends, identify areas of concern, and assist the Board in its decisions related to the annual budget and the County Board's Goals and Strategic Plan.

The Forecast utilizes actual revenues and expenditures for fiscal years 2011 through 2015, and beginning with the current fiscal year the future Forecast extends through FY2020. For this report, FY2014 revenues and expenditures have been adjusted to reflect 12-month annualized numbers for the 13-month budget year, and the 2015 bond refunding is excluded from FY2015 totals.

The General Corporate Fund is the focus of the Forecast; however, an overview of the Public Safety Sales Tax Fund is also included since it directly correlates to the General Corporate Fund in terms of revenues, expenditures, and strategic planning.

Forecast Development

The Forecast is presented by summary of revenue and expenditure categories. Projected revenues are based on historical performance, current economic conditions and anticipated trends. Projected expenditures are based on historical trends and both known and anticipated annual increases.

In FY2016, General Corporate Fund Departments were asked to prepare their budgets with an expenditure decrease of 4% as long as it did not require elimination of positions through layoffs. Not all departments were able to achieve a 4% cut. The expenditure forecast sustains the expenditure cuts made in 2016 with the exception of funding for squad car replacement for the Sheriff's Office, full reserve funding for the Capital Asset Replacement Fund, and incremental increases to some commodities and services expenditures. It should be noted that cuts made by some departments in FY2016 may not be sustainable in future budget years.

Funding required for the county to comply with its 2015 Settlement Agreement with the Department of Justice under the Americans with Disabilities Act is included in the expenditure forecast for fiscal years 2016-2017.

CHAMPAIGN COUNTY FINANCIAL FORECAST
GENERAL CORPORATE FUND AND PUBLIC SAFETY SALES TAX FUNDS

Forecasted variations to the Original FY2016 Budget

Forecasted FY2016 Revenue Variance		Forecasted FY2016 Expenditure Variance	
Back Taxes	$1,500	Additional ADA Remediation[1]	$259,300
Penalties on Taxes	$39,000	Transfer to Other Funds (CAC)	$25,000
Non-Business Lic. & Permits	$35,218		
Use Tax	$104,317		
State Reimbursement	$327,690		
Income Tax	$13,845		
Charitable Games License Tax	$9,500		
Off-Track Betting	-$25,200		
Fines	-$79,300		
FY16 Total Revenue Variance	**$426,570**	**FY16 Total Exp. Variance**	**$284,300**

Forecasted assumptions for fiscal years 2017-2020

Revenue Assumptions		Expenditure Assumptions	
Property Tax	2%	Personnel and Wages (avg.)	2.3%
1 Cent Sales Tax	1%	Health Insurance	10%
¼ Cent Sales Tax	1.5%	Gasoline and Oil	2-3%
Use Tax	5%	Medical Services	3%
Rent	1%	METCAD	6%
Income tax, CPPRT, Fees	0%	Other Services	1.5%
State Reimbursement	0%	Other Commodities	1%
Local Gov. Reimburse.	1%	Capital[2]	0%
Other Revenues	Historical Avg.	Debt[3]	0%
		Transfer Capital Equipment[4]	Full Funding
		Other Transfers[5]	2%

[1] $175,000 was initially budgeted for ADA in FY2016. In order to comply with required ADA remedial actions, the projected FY2016 expense is $434,300, which includes remedial actions for the Jails/Sheriff's Office.

[2] FY2017 Capital expenditure projections include $434,300 for ADA remediation and $230,000 for Sheriff's squad cars. FY2018-FY2020 retain $230,000 for squad cars and $50,000 which was the original FY2016 budget.

[3] Debt: 10% downward adjustment in FY2017 due to the Brookens RPC Loan ending in FY2016 and lower debt repayment from the Nursing Home due to bond refunding in 2015. FY2018-FY2020 projections flat against FY2017.

[4] FY2017-FY2020 GCF transfer to the Capital Asset Replacement Fund projected at status quo for Capital Facilities, $532,261, and current plus full reserve for Capital Equipment, $589,557.

[5] The Transfer for the Highway facility bond expenditure, $96,150, ends in FY2016. Other transfers which include support to the Victim Advocacy Grant Fund, Court Automation Fund and Highway Fund are projected to increase at 2%.

CHAMPAIGN COUNTY FINANCIAL FORECAST
GENERAL CORPORATE FUND AND PUBLIC SAFETY SALES TAX FUNDS

The following are not included in this Forecast due to unidentified funding sources:

REPLACEMENT OF THE COUNTY'S FINANCIAL SOFTWARE SYSTEM

The County Board identifies this Initiative in its current Strategic Plan and is currently working with the Government Finance Officers Association (GFOA) to plan for replacement of the system. Costs are projected at $1.1 to $1.8 million which would be spread over a 2-year implementation period. It is estimated that the General Corporate Fund's share of these costs will be approximately 75% of the total.

ADDITIONAL COUNTY FACILITIES MAINTENANCE AND REPLACEMENT

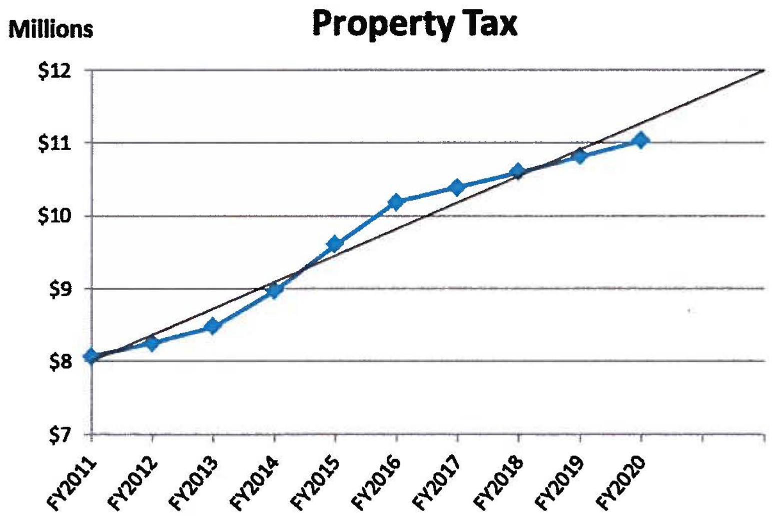
Current appropriations for facility improvements are $532,261; however, countywide facilities condition improvements and maintenance identified in the recently completed Facilities Condition Assessment are estimated to cost $4.5 - $5.5 million annually.

Implementation of the Sheriff's Operations Master Plan, which proposes closing the Downtown Correctional Center and remodeling the Satellite Jail to accommodate both jail and Sheriff's Office operational needs, is estimated to cost $32+ million. After 2017, 3% annual inflation should be added to this cost estimate.

General Corporate Fund Revenue

Property Tax – 28% of FY2016 General Corporate Fund Revenue

Due to growth allowed by the Property Tax Extension Limitation Law (PTELL), new construction and modest increases in equalized assessed valuation (EAV), this revenue stream has consistently increased since FY2011. Because property tax revenue is receipted from May to October, in order to ensure there are adequate funds to manage cash flow of operations between property tax receipts, the County must maintain at least a 12.5% fund balance in the General Corporate Fund at the end of each fiscal year.



In addition to PTELL allowed levy growth in the General Corporate Fund, levy growth for IMRF and Social Security that was not required for those levies was re-appropriated to the General Corporate Fund Property Tax Levy. Therefore, the General Corporate Fund levy is budgeted at $9,762,889, a 6% increase over FY2015 revenues. An additional $422,183 is levied for Extension Education.

CHAMPAIGN COUNTY FINANCIAL FORECAST
GENERAL CORPORATE FUND AND PUBLIC SAFETY SALES TAX FUNDS

Projections going forward anticipate annual increases of 2% which are built on continuing new construction and modest CPI and EAV increases.

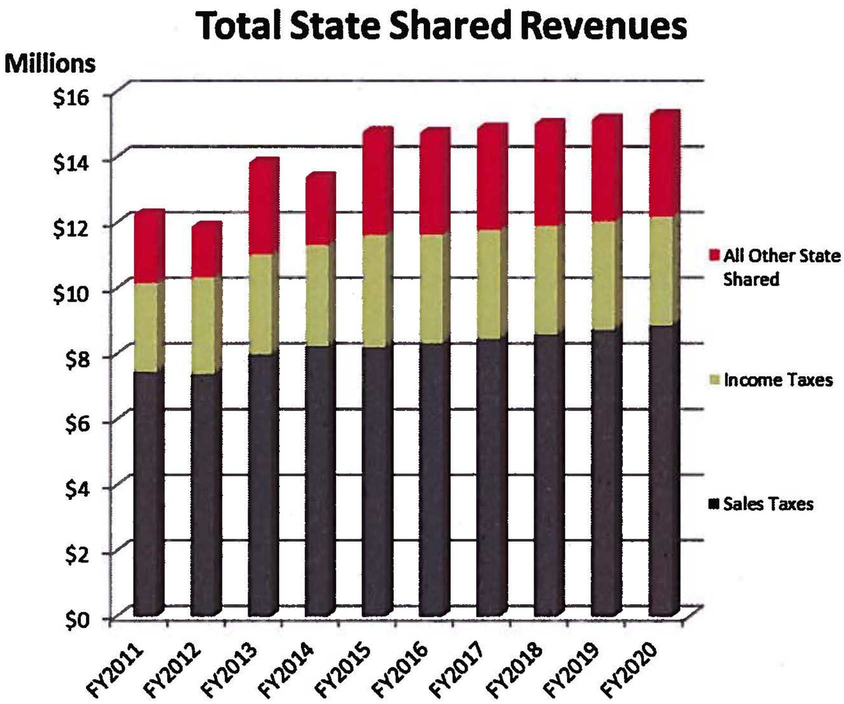
Projections do not reflect any potential property tax freezes imposed by legislation. Currently proposed legislation would prohibit CPI growth through 2021; however, growth would be allowed based on new construction and increases in EAV.

Penalties on taxes are projected to reflect a slight increase over the original FY2016 budget and then flat beginning in FY2017.

Property Tax Levy Revenue		
	Amount	% Change
FY11	$8,069,033	0.3%
FY12	$8,255,678	2.3%
FY13	$8,481,519	2.7%
FY14	$8,969,425	5.8%
FY15	$9,597,983	7.0%
FY16	$10,185,072	6.1%
FY17*	$10,388,773	2.0%
FY18*	$10,596,549	2.0%
FY19*	$10,808,480	2.0%
FY20*	$11,024,649	2.0%
*Projected		

State Shared Revenue – 40% of FY2016 General Corporate Fund Revenue

- Sales Taxes
- Income tax
- Reimbursement for salaries, state stipends, and gaming revenues



Total State Shared Revenues		
	Amount	% Change
FY11	$12,242,069	7.2%
FY12	$11,876,216	-3.0%
FY13	$13,822,127	16.4%
FY14	$13,381,232	-3.2%
FY15	$14,753,212	10.3%
FY16*	$14,732,188	-0.1%
FY17*	$14,863,674	0.9%
FY18*	$14,998,384	0.9%
FY19*	$15,136,433	0.9%
FY20*	$15,277,937	0.9%
*Projected		

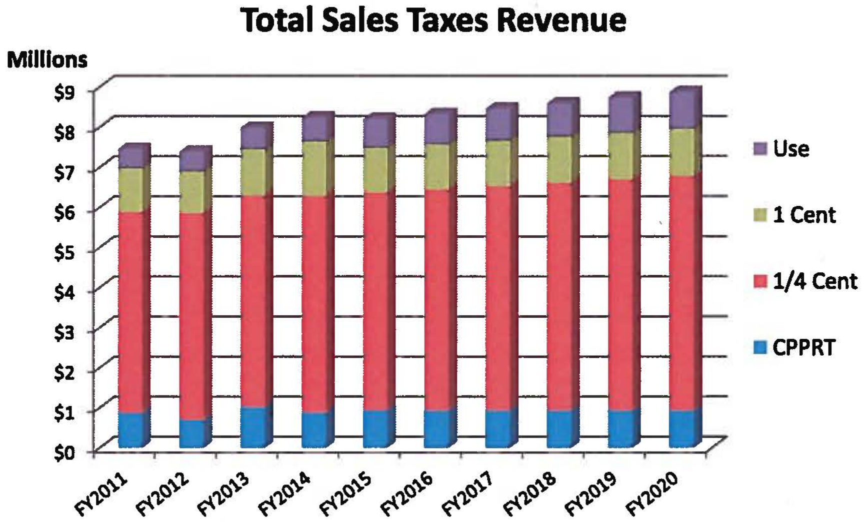
Sales Taxes

Sales taxes include the 1 Cent County tax which is collected in the unincorporated areas of the County; the ¼ Cent tax which is collected county-wide; and Use and Personal Property Replacement taxes which are collected by the State and distributed based on population.

CHAMPAIGN COUNTY FINANCIAL FORECAST
GENERAL CORPORATE FUND AND PUBLIC SAFETY SALES TAX FUNDS

In FY2015, 1 Cent County sales tax revenues saw an 18% decline against FY2014 revenues. Based on the Illinois Department of Revenue's Standard Industrial Classification (SIC) Code Report for Champaign County, this is directly tied to underperformance in the Automotive/ Filling Station and Agriculture/Other categories (for Champaign County, these industries respectively represented 17% and 40% of the total 1 Cent sales tax revenues in FY2015).

Quarter Cent sales tax revenues were flat in FY2015 while Personal Property Replacement tax and Use tax revenues increased 7% and 21% over FY2014 revenues respectively.



Sales Tax Revenues		
	Amount	% Change
FY11	$7,451,039	2.1%
FY12	$7,386,178	-0.9%
FY13	$7,983,224	8.1%
FY14	$8,233,673	3.1%
FY15	$8,199,671	-0.4%
FY16*	$8,317,350	1.4%
FY17*	$8,448,836	1.6%
FY18*	$8,583,546	1.6%
FY19*	$8,721,595	1.6%
FY20*	$8,863,099	1.6%
*Projected		

For purposes of this Forecast, FY2016 – FY2020 sales tax revenues are projected as follows:

- 1 Cent Sales Tax revenues are conservatively projected to increase 0.4% in FY2016 and with 1% annually thereafter.
- ¼ Cent Sales Tax revenues did not suffer the significant declines seen in 1 Cent Sales Tax revenues and are projected to grow 1.5% annually.
- Corporate Personal Property Replacement Tax (CPPRT) – While FY2015 revenues were above trend, FY2016 revenues have been adjusted slightly downward, and then flat thereafter.
- Use tax is projected to exceed initially budgeted revenues for FY2016 by 16%, then 5% annual growth thereafter due to increased online sales and state legislation (effective January 1, 2015) that expanded the collection of Use tax.

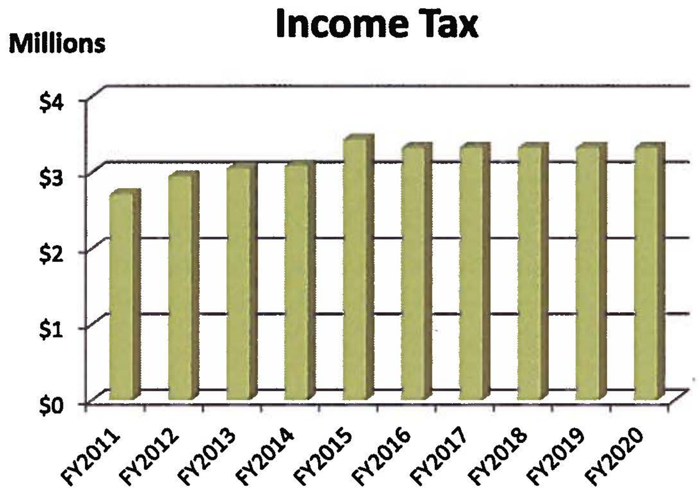
Individual sales tax revenue streams can exhibit some volatility. With the exception of FY2012 and FY2015, combined sales tax revenues reflected gains over prior fiscal years. Collectively, sales tax revenues are forecasted to demonstrate annual 1.6% growth FY2017 through FY2020.

Sales Tax Revenue Annual % of Change

Revenue	FY2011	FY2012	FY2013	FY2014	FY2015	*FY2016**	FY2017*	FY2018*	FY2019*	FY2020*
CPPRT	-11.9%	-20.0%	45.1%	-13.4%	6.9%	-0.6%	0.0%	0.0%	0.0%	0.0%
1/4 Cent	3.1%	3.0%	2.4%	2.5%	0.4%	1.5%	1.5%	1.5%	1.5%	1.5%
1 Cent	3.7%	-5.3%	11.7%	17.3%	-17.6%	0.4%	1.0%	1.0%	1.0%	1.0%
Use	19.8%	3.5%	7.7%	10.0%	21.5%	5.0%	5.0%	5.0%	5.0%	5.0%

Income Tax

This tax is collected by the state and distributed to the county based on its unincorporated population. Despite the state's lack of a budget, income tax payments to the county have been made within 60 days of voucher, and showed significant growth (11%) in FY2015. Some of this gain is attributable to one-time factors, and similar growth is not projected for FY2016. Revenues are budgeted to reflect a minor decline in FY2016 and then remain flat through 2020.



Income Tax Revenue		
	Amount	% Change
FY11	$2,713,396	25.2%
FY12	$2,948,008	8.6%
FY13	$3,051,055	3.5%
FY14	$3,088,217	1.2%
FY15	$3,432,036	11.1%
FY16*	$3,322,000	-3.2%
FY17*	$3,322,000	0.0%
FY18*	$3,322,000	0.0%
FY19*	$3,322,000	0.0%
FY20*	$3,322,000	0.0%
*Projected		

All Other State Shared Revenue

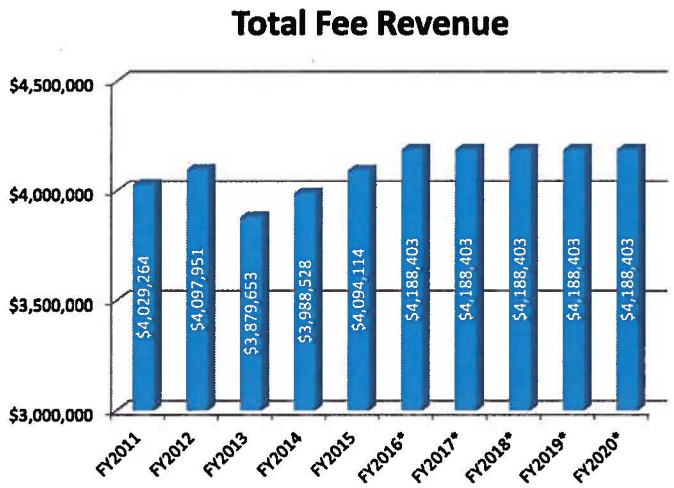
The remaining state shared revenues include state reimbursement for salaries and salary stipends, and revenue for charitable games license tax. Off-track betting revenue will end after the first quarter of FY2016, and is not budgeted for FY2017 and beyond. Video gaming revenue is projected to increase $9,500 over the original FY2016 budget. State reimbursement revenue for salaries in Probation and Court Services increased in FY2015 due to additional funding from the Administrative Office of the Illinois Courts (AOIC). This additional funding is sustained in the Forecast. Payment delays for state funding can cause some volatility in this group of revenues. This forecast assumes that payments will be made in a timely manner for the budgeted fiscal year.

Fees – 12% General Corporate Fund Revenue in FY2016

The majority of the General Corporate Fund fee revenue comes from:

- Circuit Clerk Fees
- Sheriff Fees
- Recorder Fees
- County Clerk Fees
- Court Security Fees

Most fees are statutorily defined; however some fees are set by the County Board within parameters defined by statute or by cost analysis study justification.



Other fees are generally made up of reimbursements and service fees. As the result of a cost study analysis conducted in 2013, fee increases implemented in 2014 (Circuit Clerk, Sheriff and Recorder) helped stabilize diminishing criminal justice fee revenues.

Fees are believed to be accurately stated in the FY2016 budget, and flat thereafter absent any legislative change or County Board direction to conduct future cost analyses.

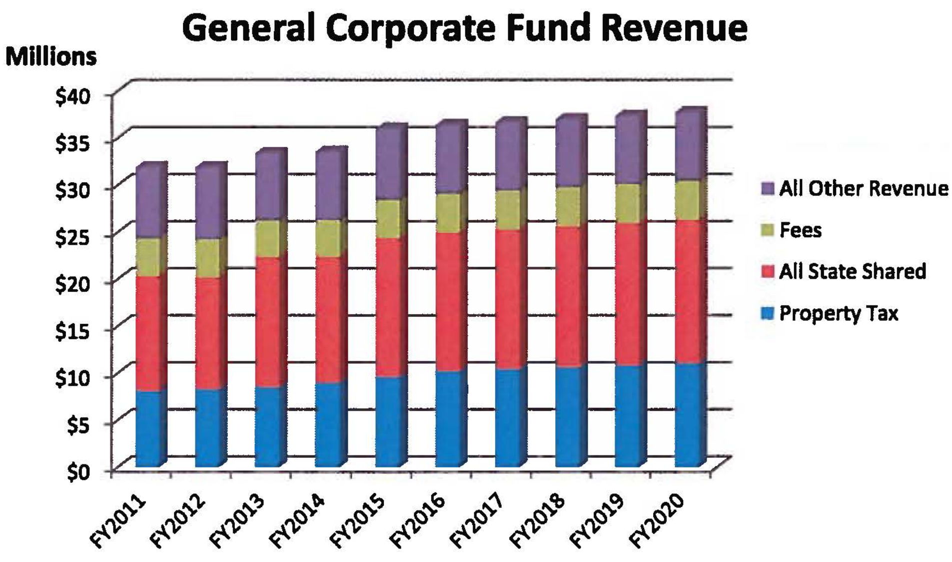
MAJOR REVENUE SUMMARY

Combined General Corporate Fund revenues for FY2016-FY2020 are forecasted to reflect approximately 1% annual growth. Although property tax and sales tax revenues are anticipated to produce steady increases, that growth is partially offset by flat income tax and fee revenues.

Growth drops below 1% in FY2017 and FY2018 as the result of reductions in local government revenues due to the expiration of TIFs.

The chart and table provide an overview of total revenue history and projected revenues for the General Corporate Fund.

Gen. Corp. Fund Revenue		
	Amount	% Change
FY11	$31,882,789	2.0%
FY12	$31,868,596	0.0%
FY13	$33,368,384	4.7%
FY14	$33,518,533	0.4%
FY15*	$35,988,851	7.4%
FY16**	$36,344,628	1.0%
FY17**	$36,650,286	0.8%
FY18**	$36,971,119	0.9%
FY19**	$37,338,126	1.0%
FY20**	$37,712,999	1.0%
*Bond Refunding Removed		
**Projected		



General Corporate Fund Expenditure

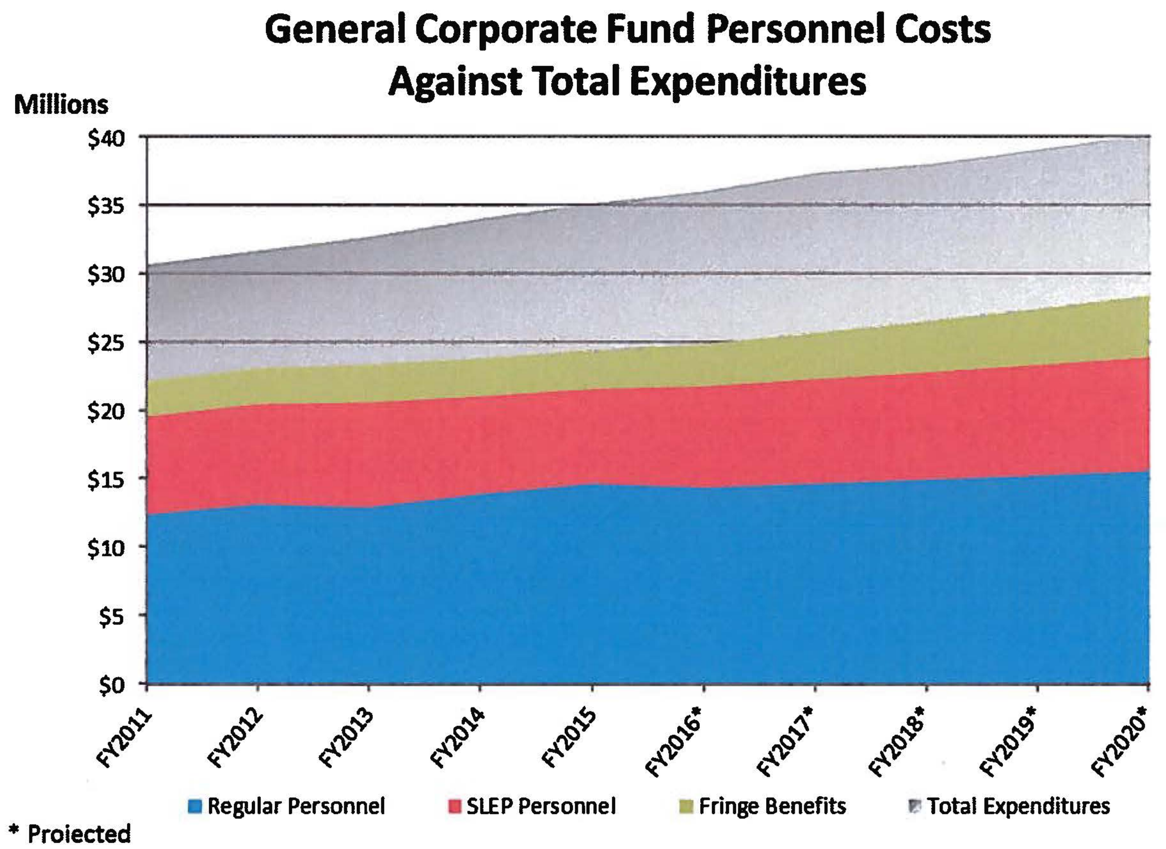
Personnel – 69% of FY2016 General Corporate Fund Expenditures

Personnel & Fringes % of Change	
FY2011	0.4%
FY2012	4.1%
FY2013	1.3%
FY2014	1.9%
FY2015	2.3%
FY2016*	1.8%
FY2017*	3.3%
FY2018*	3.4%
FY2019*	3.4%
FY2020*	3.5%
*Projected	

Salaries and wages are forecasted based on labor contracts that have already been negotiated and anticipated increases to contracts which are currently being negotiated.

In FY2016, the County was able to avoid a substantial increase to health insurance expense due to a plan change; however, beginning in FY2017, the Forecast anticipates annual health insurance premium contribution increases of 10%.

Lower personnel and fringe benefit growth in FY2016 is the result of expenditure cuts from salary reductions through attrition, movement of 3 FTE's to special revenue funds, holding one position vacant in IT, and budgeting corrections salaries at 99% of actual in anticipation of turnover.



Services – 20.3% of FY2016 General Corporate Fund Expenditures

The notable increases in FY2015 and FY2016 service expenditures are mainly due to the increased cost of METCAD services and legislatively mandated increases in juror pay. Annual projections for FY2017 and forward include 3% increases for inmate medical services, 6% increases for METCAD services, and flat to 1.5% increases for other services.

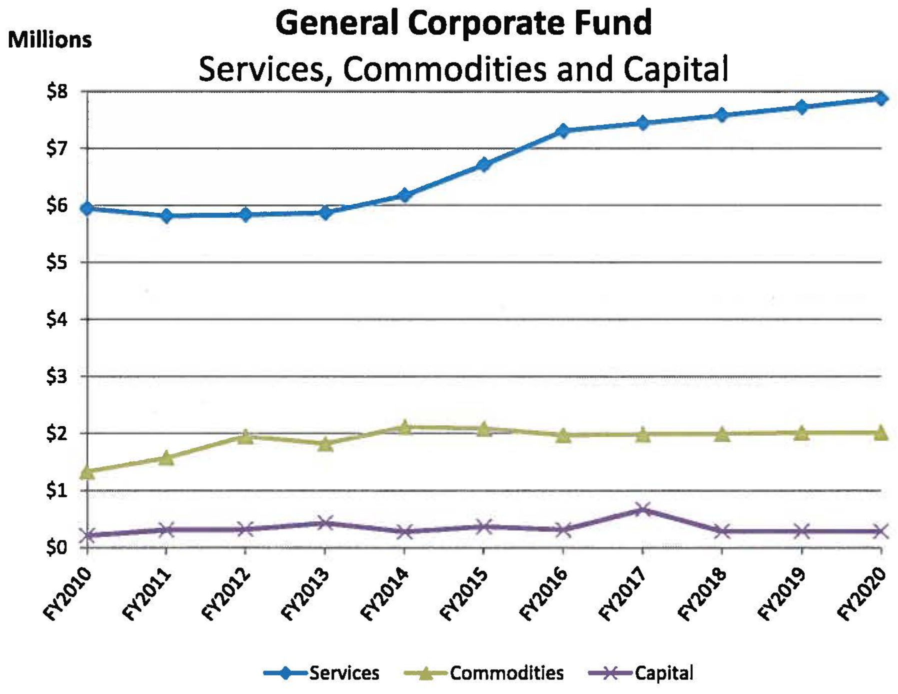
Commodities – 5.5% of FY2016 General Corporate Fund Expenditures

Many departments made reductions to commodities in their 2016 expenditure budgets in order to attain the requested 4% expenditure cut. The forecast sustains the cuts made to commodities in FY2016; however, allows for incremental annual increases for various commodities purchased by the County (gasoline and oil, equipment under $5,000, supplies, uniforms, etc.).

Capital

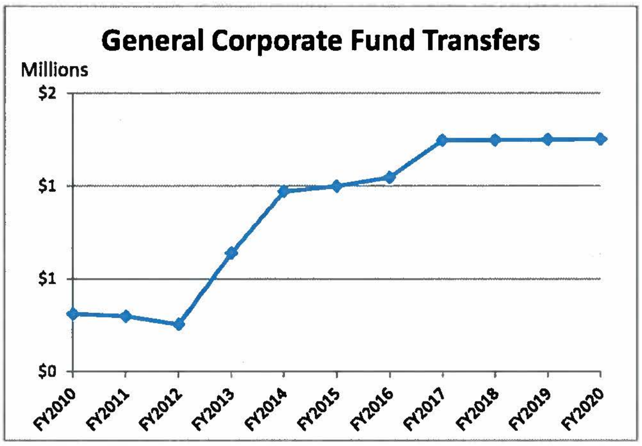
As part of the Sheriff's Office 4% expenditure cut, the Sheriff did not budget for the replacement of squad cars in FY2016. This cut is not deemed sustainable, and the Forecast includes $230,000 for squad car replacement in the FY2017-FY2020 expenditure budgets.

In order to meet compliance deadlines required by the Settlement Agreement with the Department of Justice under the Americans with Disabilities Act, it is anticipated that the FY2016 Capital budget will be insufficient. Architectural surveys were incomplete during the budget process and the county has since determined the amount of additional funds that will be required in order to meet the 2018 compliance deadline. Expenditures associated with the required remedial actions are reflected in the FY2016 – FY2017 projections.



Transfers

Transfers made from the General Corporate Fund to the Capital Asset Replacement Fund (CARF) cover the actual cost of equipment to be replaced in the current fiscal year and an amortized contribution to future reserve for subsequent fiscal years. Although full facilities funding has never been achieved, in 2007 the County Board initiated transfers to the CARF for facilities improvement and replacement. In FY2016, the General Corporate Fund transfer to the Capital Asset Replacement Fund includes $532,261 for capital facilities projects and $269,920 for capital equipment. The Forecast contains full funding for capital equipment in FY2017 – FY2020. A final transfer to the Highway Facility Debt Service expenditure, $96,150, ends in 2016.

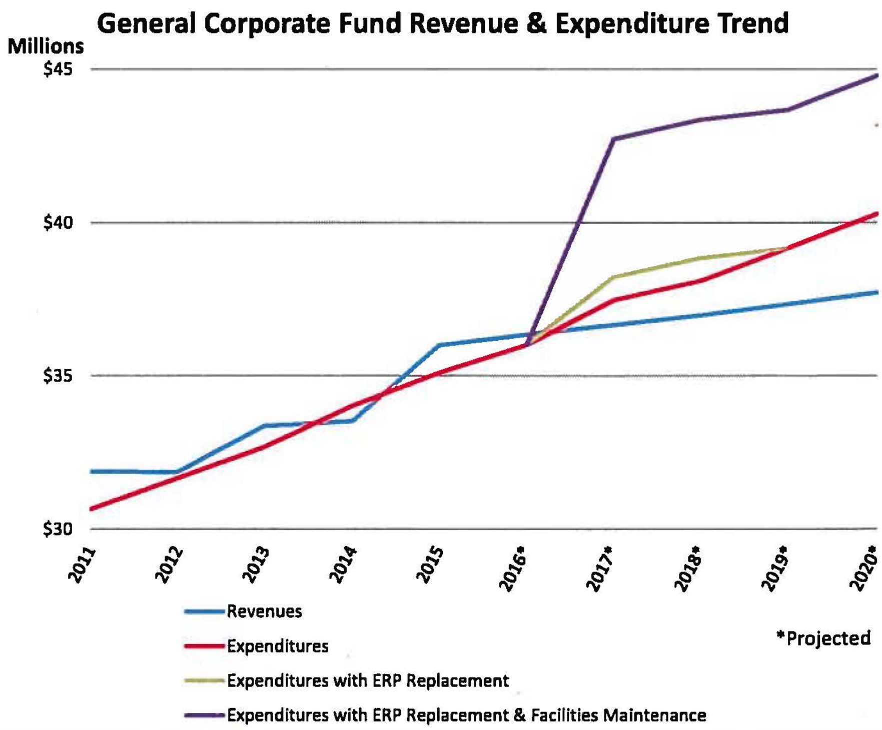


A one-time $25,000 transfer to the Child Advocacy Center is included in FY2016 and was approved by the County Board in March in order to provide bridge funding for a Forensic Interviewer Position.

The balance of the transfer budget includes General Corporate Fund support, increasing 2% annually, for positions in the Victim Advocacy Grant Fund, Highway Fund and Court Automation Fund.

General Corporate Fund Summary

General Corporate Fund expenditures are projected to exceed revenues beginning in FY2017. In addition to general operating expenditures, the expenditures associated with the replacement of the County's financial system and the County's facility needs further magnify the gap between projected revenues and optimal operating expenditures.

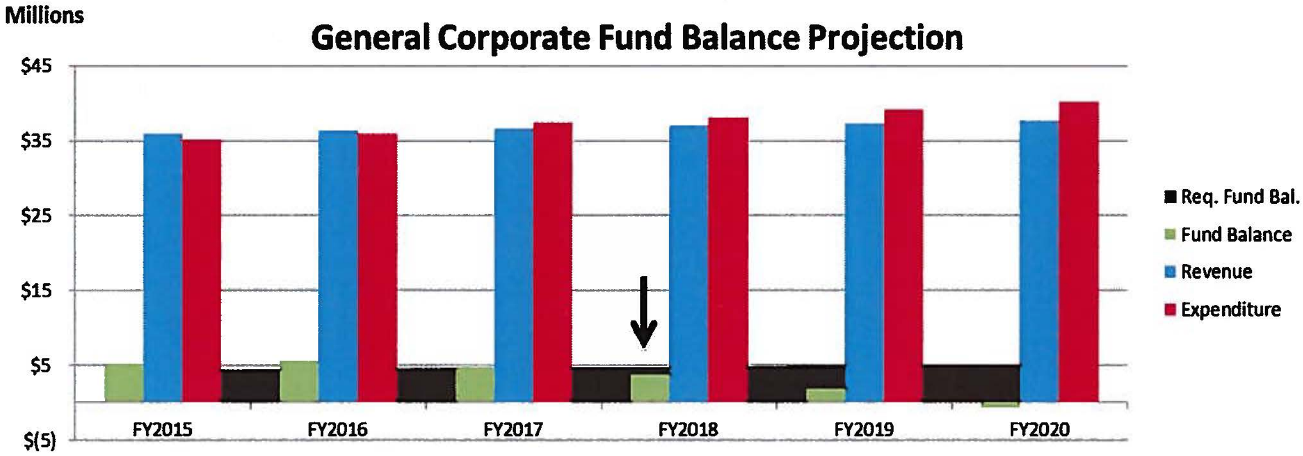


The table on the right, which does not include the County's additional technology and facility needs, reflects projected annual expenditure growth that outpaces revenue growth.

Projected Revenue to Expenditure Growth			
	Rev. Growth	Exp. Growth	Difference
FY2016	1.0%	1.4%	-0.4%
FY2017	0.8%	4.2%	-3.3%
FY2018	0.9%	2.7%	-1.9%
FY2019	1.0%	2.8%	-1.8%
FY2020	1.0%	2.9%	-1.9%

Excludes additional ADA Funding For FY2016 and FY2017
Includes full CARF Funding beginning in FY2017

Based on assumptions included in this Forecast, deficits start at $814,000 in FY2017, and project out to $2.6 million in FY2020, with the required minimum expenditure fund balance falling below 12.5% beginning in FY2018.



Some of the financial challenges faced by the General Corporate Fund are highlighted below:

- Limited control over the majority of revenue sources. Most revenues are set by state formula, legislatively limited or a reflection of the economy.
- Declining 1 Cent Sales tax and flat ¼ Cent Sales tax revenues in FY2015
- Unfunded mandates that put financial pressure on the General Corporate Fund budget. Recent mandates which have had a financial impact include ADA compliance, juror compensation increases and veterans assistance services.
- Increasing cost of services and commodities. The County has a limited ability to make cuts from these expenditures since many services are set by contract (medical, audit, METCAD) or are rates/charges over which the county has no control (gas and electric service, water, postage, gasoline and oil).
- Rising health insurance premium costs. As labor contracts are negotiated, county employees are assuming a larger portion of the cost of health insurance premiums. (The County's Labor Management Health Insurance Committee continues to closely monitor the proposed implementation of the "Cadillac Tax," now delayed to 2020. It is essential that the County work to ensure that its contribution to employee health care does not trigger this excise tax).
- Personnel expenditures make up nearly 70% of the General Corporate Fund expenditure budget and increase at a rate greater than inflation each year.

Public Safety Sales Tax Fund

Public Safety Sales Tax Fund Revenue

The primary revenue source for the Public Safety Sales Tax Fund (PSST) is the ¼ Cent Sales tax for public safety approved by voters in 1998, and collected in Champaign County since 1999.

The Forecast anticipates a 2% decline in FY2016 revenues and annual growth of 1.5% beginning in FY2017.

The following table projects the total revenue and beginning fund balance for each year based on current expenditure obligations, through the completion of current bond payments pledged from the Public Safety Sales Tax.

Fiscal Year	Beginning Fund Balance	Public Safety Sales Tax Revenue	Interest Earnings	REVENUE TOTAL
2011	$3,664,454	$4,439,504	$2,747	$4,742,156
2012	$4,208,689	$4,567,596	$2,750	$4,570,346
2013	$4,238,507	$5,003,543	$1,361	$5,004,904
2014	$4,612,290	$5,101,042	$1,449	$5,241,325
2015	$2,142,763	$4,696,901	$4,457	$4,701,358
2016	$2,176,446	$4,595,519	$2,300	$4,597,819
2017	$2,133,740	$4,664,452	$4,267	$4,668,719
2018	$2,116,842	$4,734,419	$4,234	$4,738,652
2019	$3,384,019	$4,805,435	$6,768	$4,812,203
2020	$4,703,976	$4,877,516	$9,408	$4,886,924
2021	$6,047,022	$4,950,679	$12,094	$4,962,773
2022	$7,415,159	$5,024,939	$14,830	$5,039,770
2023	$8,811,241	$5,100,313	$17,622	$5,117,936
2024	$10,483,791	$5,176,818	$20,968	$5,197,786
2025	$12,179,225	$5,254,470	$24,358	$5,278,829
2026	$13,900,071	$5,333,287	$27,800	$5,361,088
2027	$15,644,138	$5,413,287	$31,288	$5,444,575
2028	$17,884,490	$5,494,486	$35,769	$5,530,255
2029	$20,156,087	$5,576,903	$40,312	$5,617,215

Public Safety Sales Tax Fund Expenditure

Per the guidelines established by the County Board for Public Safety Sales Tax expenditure, current expenses include:

- Debt Services for the Courthouse and Juvenile Detention Center construction projects*
- 5% of prior year revenues for delinquency prevention grant funding
- Funding for Sheriff, State's Attorney, Court Services and Coroner's technology needs
- Utility payments for public safety facilities (This funding was reduced from $441,586 to $353,110 in FY2016 in order to balance the Fund and is projected to remain at that level)
- $100,000 annual grant for Reentry Program
- A Lieutenant position at the Jail for implementation of a Classification System for Inmates and a Director for the County's Drug Court Program (added in FY2014) with annual adjustments for personnel cost increases

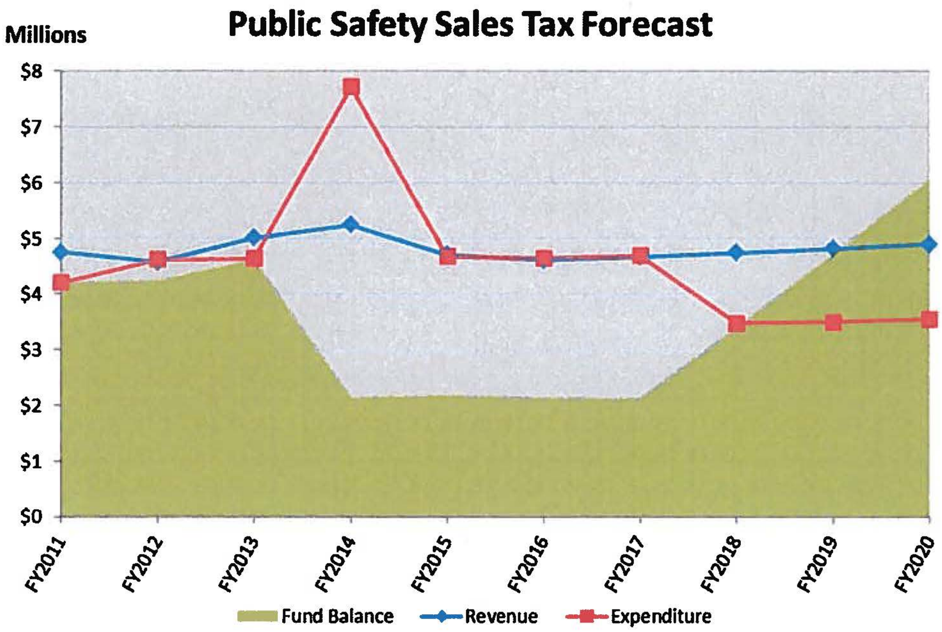
This table shows the Public Safety Sales Tax Fund expenditure forecast through the retirement of the current bonds pledged to be paid from this Fund.

Fiscal Year	Debt Service (Fixed Cost)	5% Delinquency Programming	Justice Technology	Public Safety Facilities Utilities	Re-Entry Program	OTHER - Jail Consulting, Drug Court & Jail	EXPENDITURE TOTAL
2011	$2,467,786	$203,116	$398,225	$858,740		$270,054	$4,197,921
2012	$3,245,467	$203,116	$269,399	$889,964		$0	$4,607,946
2013	$3,327,979	$179,369	$181,973	$792,186		$149,614	$4,631,121
2014	$6,240,933	$275,461	$262,147	$517,566	$100,000	$314,745	$7,710,852
2015	$3,541,451	$237,362	$197,233	$441,586	$100,000	$150,043	$4,667,675
2016	$3,552,615	$234,105	$251,733	$353,110	$100,000	$148,962	$4,640,525
2017	$3,574,301	$229,776	$275,000	$353,110	$100,000	$153,431	$4,685,618
2018	$2,352,109	$233,223	$275,000	$353,110	$100,000	$158,034	$3,471,475
2019	$2,364,640	$236,721	$275,000	$353,110	$100,000	$162,775	$3,492,246
2020	$2,407,838	$240,272	$275,000	$353,110	$100,000	$167,658	$3,543,878
2021	$2,449,963	$243,876	$275,000	$353,110	$100,000	$172,688	$3,594,637
2022	$2,490,175	$247,534	$275,000	$353,110	$100,000	$177,868	$3,643,687
2023	$2,282,825	$251,247	$275,000	$353,110	$100,000	$183,204	$3,445,386
2024	$2,330,525	$255,016	$275,000	$353,110	$100,000	$188,701	$3,502,351
2025	$2,376,670	$258,841	$275,000	$353,110	$100,000	$194,362	$3,557,983
2026	$2,425,995	$262,724	$275,000	$353,110	$100,000	$200,192	$3,617,021
2027	$2,003,250	$266,664	$275,000	$353,110	$100,000	$206,198	$3,204,223
2028	$2,047,500	$270,664	$275,000	$353,110	$100,000	$212,384	$3,258,659
2029	$0	$274,724	$275,000	$353,110	$100,000	$218,756	$1,221,590

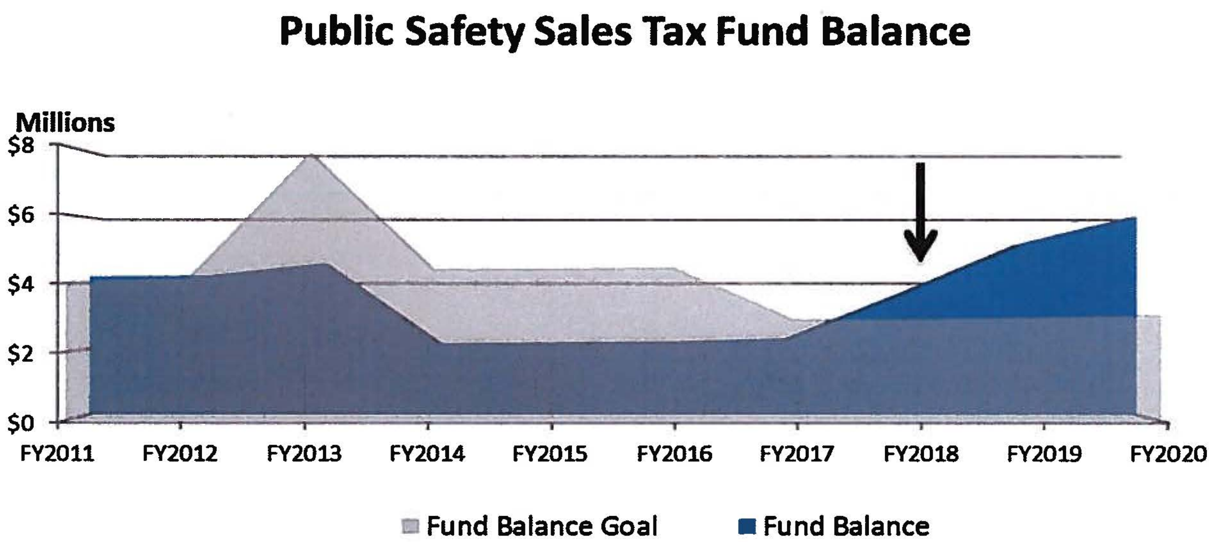
** The Series 2007A Bond is eligible for refunding on or before the call date of January 1, 2017. Based on current rates, projections indicate the county could save approximately $322,000 in debt service if the bond is refunded.*

Public Safety Sales Tax Fund Summary

The following chart reflects the Revenue/Expenditure Forecast with the resulting fund balance. The expenditure for FY2014 is skewed because of the 13-month budget which included two annual principle payments and three semi-annual interest payments. This resulted in a drop in the fund balance, which begins to gain momentum again in FY2018 due to a retired bond in FY2017.



The fund balance goal is that the ending balance be equal to 1.25 of the annual debt service obligation for the ensuing fiscal year. That goal is achieved in FY2018 after having dropped below the goal in FY2014. Beginning in FY2018, the fund balance continues to grow based on current obligations until the end of the debt service requirements in 2029.



Forecast Conclusion

As the County prepares to establish parameters for the preparation and adoption of its FY2017 budget, it is evident that it will continue to face the challenges of ensuring a balanced budget and minimum General Corporate Fund balance of 12.5%. As stated previously, in the General Corporate Fund, this is a result of expenditure growth which outpaces revenue growth.

These challenges are further magnified by the projected costs associated with the County's additional technology and facility needs. In FY2015 and FY2016, the County utilized financial resources to analyze its facilities and business operations along with the associated costs of achieving optimal maintenance and operations. Projected costs associated with each study are listed below:

	Financial System Business Case Report	**Facilities Condition Assessment**	**Sheriff's Operations Master Plan**
Completed	April 2016	November 2015	January 2015
Conducted by	GFOA	Bailey Edward	Gorski Reifsteck
Projected Total Cost	$1.1 - $1.8 million (over 2 years)	$45 - $55 million (over 10 years)	$32.1 - $32.6 million (over 20 years)
Projected Annual Cost	Maintenance $40,000 - $60,000	$4.5 - $5.5 million	Debt Service $2.6 million

Moving forward it is essential for the County to effectively control expenditures, strategize the optimal use of its current financial resources and explore its capacity to generate additional financial funding in order to continue to provide superior public services, appropriately maintain its facilities, and efficiently conduct its business operations.

Tami Ogden
Deputy County Administrator/Finance

ERP System Selection and Implementation

Project Charter

Champaign County, IL

Rev. 1.0 April 11, 2016

Contents

Section A: Approval of Charter

Approval of this Project Charter indicates an understanding of both the project, the project visions, goals, and guidelines and key roles and responsibilities of each group included in Champaign County's ERP Implementation project governance structure. Each department representative and elected official signed below is in agreement on all terms listed in this document.

Name	Title	Signature	Date

Section B: Project Overview

B.1 Project Name

Champaign County ERP System Selection and Implementation

B.2 Project Statement

Champaign County is working to achieve the County Board's goal of replacing legacy financial systems (accounting, budgeting, purchasing and fixed asset management) and the current human resource/payroll system with a modern Enterprise Resource Planning (ERP) system that will allow easier access for County users along with better management, integration, reporting, entry of information, forecasting and public transparency. Champaign County is undertaking an initiative to identify the optimal strategy to pursue this vital modernization effort leading to a system that will:

- Provide integrated grant and project accounting and reporting
- Provide a fully integrated HR and payroll system
- Manage finances for all County departments
- Manage fixed assets
- Improve and modernize the County's business processes
- Eliminate duplicate data entry
- Reduce the administrative burden of maintaining the systems
- Provide useful, user-friendly, on-demand, point-in-time reporting options
- Improve overall financial transparency
- Improve financial forecasting

Acceptance of cultural, business process, and technological changes will also be essential to the successful selection and implementation of an ERP system.

B.3 Project Purpose

Government financial systems have an average lifespan of 15 years. With the exception of the HR/Payroll/Timekeeping system which went live in 2007, the County's current financial system is approximately 40 years old. Issues with available internal support the system and security access have been noted in the annual external financial audit for the past five years, and CliftonLarsonAllen has recommended replacing the system. In addition, the technology behind the financial system is dated and nearing obsolescence. Skills necessary to support the current system are difficult to find in today's technology market.

Major goals for this project include:

- Replacement of AS400 based system
- Elimination of "shadow" systems
- Modernization of interfaces
- Optimization of business processes for improved efficiency
- Transparency
- Integration with third party systems
- Document management
- Knowledge transfer
- Improved forecasting through better access to information
- Redesigned Chart of Accounts

B.4 **Project Timeline**
In August, 2015, the County entered into a consulting services agreement with GFOA for ERP Advisory Services. GFOA has broken the ERP System Selection and Implementation Project into phases, several of which have been completed or are scheduled to be completed this year:

- Project Planning (completed 12/2015)
- Business Process Analysis (completed 12/2015)
- Business Case Recommendations (completed 03/2016)
- Process Design and Requirements (est. completion 06/2016)
- RFP Draft (est. completion 07/2016)
- System Selection including vendor demos (est. completion 09/2016)*
- Contract Negotiation (est. completion 12/2016)*
- Implementation Transition & Advisory Services (est. completion 03/2018)*

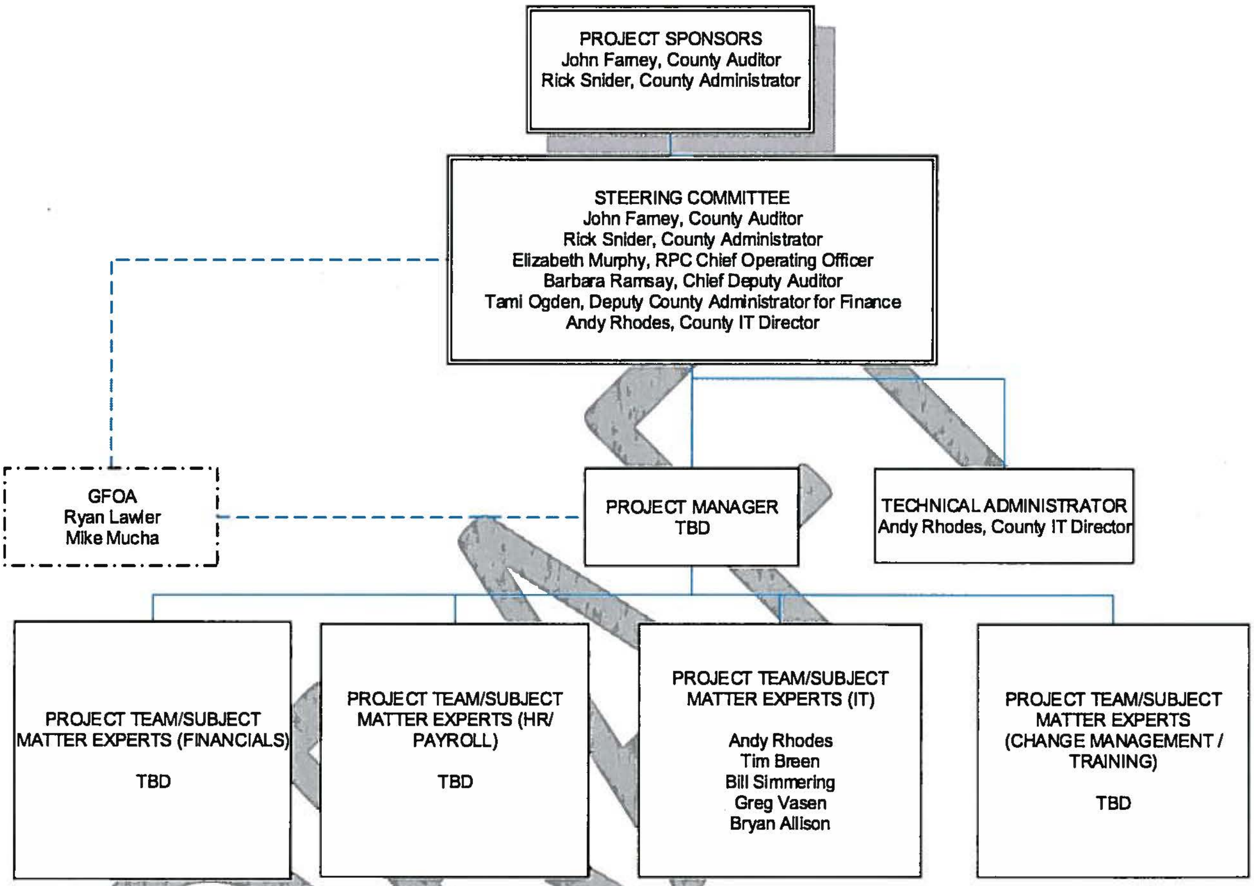
  *Not budgeted

B.5 **Key Expectations**

- A commitment to making this project successful
- Support for all project decisions
- Representation and input from across County departments
- Recognition that some departments and agencies have unique needs that must be balanced with the overall needs of the organization
- A commitment to standardization, recognizing that many of the expected benefits of an ERP system will only be realized through such
- Workflow and business process improvements through change management
- A cost-effective, flexible, sustainable and scalable solution that retains its value and accommodates technical and operational changes over time

Section C: Key Stakeholders / Project Roles

C.1 Project Structure



C.2 Stakeholder Roles

- **Project Sponsors**
  The project sponsors will support the project by securing resources, providing strategic direction, and promoting the project to County elected officials and the County Board, communicating the project's overall importance to the organization. They will also serve as the final authority on all project decisions, with respect to those requiring County Board approval.

Role	Commitment
County Auditor	
County Administrator	

- **Steering Committee**
  The steering committee will be responsible for overall guidance and direction of the project, resolve issues and policy conflicts as the need arises, approve scope changes and support the cultural change necessary for the ERP Selection and Implementation

Project to be successful. The Steering Committee will be the secondary level of issue resolution.

The Steering Committee will meet regularly at a frequency to be determined as the project progresses. The Project Manager (TBD) will be responsible for distributing an agenda prior to each meeting. Meeting notes will be taken and approved at the following regularly scheduled meeting.

Role	Commitment
County Auditor	
County Administrator	
Chief Deputy Auditor	
Deputy County Administrator	
RPC Chief Operating Officer	
IT Director	

- **Project Manager**
  The Project Manager will address day-to-day issues, serve as the primary level for issue resolution and will work with consultants and vendors, the Steering Committee and Project Team/Subject Matter Experts to schedule and facilitate meetings. The Project Manager will prepare agendas and record minutes for the Steering Committee and act as project spokesperson. The Project Manager will review all deliverables, approve milestones and ensure that the project is on schedule, on budget and accomplishes the goals set out by the Steering Committee.

Role	Resource	Commitment
Project Manager		.75 – 1.0 FTE
Technical Lead		.25 - .75 FTE
Technical Support		.25 - .75 FTE

- **Project Teams/Subject Matter Experts –**
  Project team members will remain actively engaged throughout the duration of the project, provide feedback to consultants and the County project manager, review deliverables for related functional areas…etc. They will also participate in user needs assessments, assist in developing and validating functional requirements of new processes and/or systems, etc.

Role	Resource	Commitment
GL/Accounting Lead		.50 - .75 FTE
GL/Accounting Support		.25 - .50 FTE
Procurement Lead		.50 - .75 FTE
Projects Support		.25 - .50 FTE
AR Support		.25 - .50 FTE
Capital Assets Support		.10 - .25 FTE
HR/Payroll Lead		.50 - .75 FTE
HR/Payroll Support		.50 - .75 FTE
Trainer		TBD

Section D: Project Management / Governance

The Project Management/Governance structure will be determined by the Steering Committee and will include the processes, rules, decision authority, risk items and expectations that will be followed throughout the project.

Section E: Project Communications

Project Communications, including the items, frequency, responsibility, method and purpose will be determined by the Project Manager.

Section F: Key Milestones

#	Milestone	Date	Outcome
	Business Process Mapping	8/2015 - 12/2015	Business Process maps developed for all County Business functions
	Business Case Recommendation	12/2015 - 3/2016	GFOA Business Case recommendation received and placed on file calling for replacement of current AS400 based system
	Process Design and Requirements • Chart of Accounts	3/2016 – 7/2016	
	Governance Structure	4/2016 – 5/2016	
	RFP Document Released	8/2016	
	Vendor Demos	9/2016 - 10/2016	
	System Selection	10/2016 – 11/2016	
	Contract Negotiations	11/2016 – 12/2016	
	Implementation – Core Financials • System Wide • General Ledger / Chart of Accounts • Budgeting • Purchasing / Contracts • Accounts Payable • Project / Grant Accounting • Accounts Receivable / Billing • Fixed Assets • Treasury • Vendor Self Service • Inventory • GASB34 Reporting • Purchasing	1/2017 – 3/2018	
	Implementation – HR/Payroll • Human Resources	3/2018 – 9/2018	

	• Payroll • Benefits • Salary Budgeting • Applicant Tracking • Employee Relations • Risk Management • Employee Expense Reimbursement • Time Entry • Self Service		

Section G: Principles / Expectations

G.1 Critical Success Factors

- Strong case for replacing current system due to obsolescence
- Clearly defined objectives
- Support from County elected officials, department heads and County Board
    - Active executive sponsorship and participation
    - Strong project leadership
- Sufficient budget to undertake and finish project
- Redesigned Chart of Accounts
- Commitment to business process improvements
    - Simplification
    - Elimination of duplicate entry
    - Elimination of shadow systems
    - Better reporting and forecasting
    - Less paper
- Strong communication plan
    - Manage expectations of stakeholders and end users
    - Education of stakeholders and end users
- Strong change management plan
    - Training
- Prioritization of desired functionality
- Adequate, trained support staff

G.2 General Guiding Principles

a. Information is a public asset to the extent provided by law.
b. The County will implement the ERP system with a minimum of modification to the delivered product, thus allowing the County to take advantage of industry best practices, and keep life cycle maintenance costs low keeping in mind that the special needs of various County departments must be met.
c. The ERP system project will provide for the decentralization of as many business tasks as possible (while maintaining standardization across departments) by pushing out the point where data is entered into the system as close as possible to the point where the data originates and relying on the system to enforce business processes requirements.
d. Implementing of an ERP system will allow the County to focus on end-to-end business processes. This focus may require that some departments change processes or take on additional tasks for the improvement of the overall County processes.

e. Policies and rules for internal controls will be configured into the system to the greatest extent possible in order to minimize redundant approval processes.
f. This project will be implemented in a way that supports best practices in security and system administration appropriate for a major countywide system. These practices include, among other things, "single sign-on" and can facilitate both "role based security" and "content based security".
g. Departments will be given the maximum level of access practicable to information in the system for query, reporting and decision-making in the conduct of their operational responsibilities with a focus on timeliness, relevance and information consistency.
h. Departments will not be permitted to pursue independent efforts to implement ERP system functionality or implement new systems that duplicate functionality available in the ERP system.
i. Systems that duplicate ERP system provided functionality (redundant or shadow systems) and their associated infrastructure (servers, data bases and applications) will be eliminated when the corresponding ERP system functionality is placed in production and an appropriate level of access to historical data is provided.
j. During the implementation process, the County intends to replace automated interfaces that are in use today to systems that do not duplicate ERP system functionality.
k. New or replacement automated interfaces will be given lower development priority in situations where departments have implemented different internal business systems that provide like functionality.
l. All users that access the ERP system will do so using an approved standard hardware/software configuration where the software is current and patched in order to minimize security risks.
m. The project will give the County the opportunity to align business requirements and processes with labor contract provisions in future contract negotiations.
n. All employees whose job functions change as a result of the ERP project will be given training to learn new skills.
o. The County is committed to providing adequate staffing and financial resources to ensure the success of the project during and after implementation.

Section H: Charter Revisions

H.1 Charter Revision Process

The charter document may need to be revised based on project decisions or change in factors outside the control of the steering committee or project. For example, the project charter may need to be revised due to changes in scope, available resources, timeline, governance structure membership, etc.

Changing the charter will be the responsibility of the Steering Committee. Proposed changes to the charter will be proposed as an agenda item on scheduled Steering Committee meetings. Any member of the Steering Committee or the Project Manager can propose changes to the charter. To be effective, proposed changes must be approved by the majority of Steering Committee members. In addition, Project Sponsors must agree to all charter changes.

H.2 Charter Revision History

Version	Date	Name	Description of Edits
1.0			Original