

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS**

**FINANCIAL STATEMENTS**

**For the Years Ended November 30, 2013, 2012, and 2011**

**And  
INDEPENDENT AUDITOR'S REPORT**



**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS**

**FINANCIAL STATEMENTS**

**For the Years Ended November 30, 2013, 2012, and 2011**

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**MJF**  
*Michael J. Feriozzi, CPA*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Menard County  
Petersburg, Illinois

I have audited the accompanying financial statements of the Sunny Acres Nursing Home Funds of Menard County, Illinois (enterprise funds) as of and for the years ended November 30, 2013, 2012, and 2011 and the related notes to the financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

*Michael J. Feriozzi, CPA*

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Sunny Acres Nursing Home Funds of Menard County, Illinois as of November 30, 2013, 2012, and 2011 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1-a, the accompanying financial statements present only the Sunny Acres Nursing Home Funds of Menard County, Illinois and do not purport to, and do not present fairly the financial position of Menard County, Illinois as of November 30, 2013, 2012, and 2011 and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Menard County, Illinois adopted GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended November 30, 2013. Statement No. 63 added new classifications on the statements of net position and changed "net assets" to "net position". Statement No. 65 changed the classifications of certain items on the statement of net position to the new classifications contained in the GASB Statement No. 63. The adoption of these statements had no effect on any of the Menard County, Illinois' Sunny Acres Nursing Homes Funds' as of and for the years ended November 30, 2013, 2012, and 2011. My opinion is not modified with respect to this matter.

*Michael J. Feriozzi*

Springfield, Illinois  
June 15, 2014

**MENARD COUNTY, ILLINOIS**

**SUNNY ACRES NURSING HOME FUNDS**

**STATEMENTS OF FUNDS' NET POSITION**

**NOVEMBER 30, 2013, 2012, 2011**

	2013	2012	2011
<b>ASSETS</b>			
Cash	\$ 1,246,869	\$ 646,528	\$ 597,978
Certificates of deposit	390,000	805,500	533,500
Accounts receivable	1,235,696	1,240,290	1,238,614
Due from other Menard County Funds	621	62,886	3,250
Inventories	21,517	21,517	21,517
Restricted assets:			
Cash	968,012	336,484	331,297
Certificates of deposit	950,000	1,355,605	1,155,605
Accounts receivable	323,636	605,902	858,356
Due from capital reserve component	1,400	800	-
Total current assets	5,137,751	5,075,512	4,740,117
CAPITAL ASSETS - NET	2,733,948	2,717,342	2,943,555
TOTAL ASSETS	7,871,699	7,792,854	7,683,672
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	312,784	334,982	228,471
Medicaid provider assessment	80,933	109,358	139,349
Accrued compensation	227,328	231,070	155,429
Residents prepayments and deposits	125,021	116,150	117,892
Due to other Menard County Funds	1,796	25,361	24,549
Due to operations component	1,400	800	-
Total current liabilities	749,262	817,721	665,690
TOTAL LIABILITIES	749,262	817,721	665,690
<b>NET POSITION</b>			
Net investment in capital assets	2,733,948	2,717,342	2,943,555
Restricted	2,238,573	2,445,516	2,343,583
Unrestricted	2,149,916	1,812,275	1,730,844
TOTAL NET POSITION	\$ 7,122,437	\$ 6,975,133	\$ 7,017,982

The accompanying notes are an integral part of this financial statement.

MENARD COUNTY

SUNNY ACRES NURSING HOME FUNDS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUNDS' NET POSITION  
FOR THE YEARS ENDED NOVEMBER 30, 2013, 2012, 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>			
Resident care	\$ 6,539,758	\$ 6,540,973	\$ 6,728,728
Other services	<u>85,415</u>	<u>62,793</u>	<u>67,309</u>
<b>Total operating revenues</b>	<b>6,625,173</b>	<b>6,603,766</b>	<b>6,796,037</b>
Medicaid contribution	<u>(229,378)</u>	<u>(242,308)</u>	<u>(197,384)</u>
<b>NET OPERATING REVENUES</b>	<b><u>6,395,795</u></b>	<b><u>6,361,458</u></b>	<b><u>6,598,653</u></b>
<b>OPERATING EXPENSES</b>			
Salaries and wages	2,997,567	3,330,293	3,176,694
Contractual Labor	-	-	-
Retirement costs	482,295	496,302	490,649
Food and dietary supplies	314,097	346,809	346,743
Medical and nursing care supplies and fees	324,088	331,139	329,858
Physical, occupational, and speech therapy	856,017	646,821	598,816
Depreciation	280,349	280,143	263,932
Insurance and risk management	380,859	340,096	351,769
Utilities	167,256	183,064	211,302
Professional fees	76,711	78,243	65,885
Maintenance and repairs	88,411	101,173	110,481
Housekeeping and laundry	40,927	54,742	60,005
Advertising	29,224	19,837	34,797
Administration and other	<u>177,114</u>	<u>192,082</u>	<u>181,973</u>
<b>Total operating expenses</b>	<b><u>6,214,915</u></b>	<b><u>6,400,744</u></b>	<b><u>6,222,904</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>180,880</u></b>	<b><u>(39,286)</u></b>	<b><u>375,749</u></b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Contributions	10,483	19,245	22,516
Capital grant	-	19,524	62,000
Interest income	15,941	17,668	21,113
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net non-operating revenues (expenses)</b>	<b><u>26,424</u></b>	<b><u>56,437</u></b>	<b><u>105,629</u></b>
<b>NET INCOME</b>	<b>207,304</b>	<b>17,151</b>	<b>481,378</b>
<b>TRANSFERS IN (OUT)</b>	<b><u>(60,000)</u></b>	<b><u>(60,000)</u></b>	<b><u>(60,000)</u></b>
<b>CHANGES IN NET POSITION</b>	<b>147,304</b>	<b>(42,849)</b>	<b>421,378</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>6,975,133</b>	<b>7,017,982</b>	<b>6,659,937</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>(63,333)</u>
<b>TOTAL NET POSITION - ENDING</b>	<b><u>\$ 7,122,437</u></b>	<b><u>\$ 6,975,133</u></b>	<b><u>\$ 7,017,982</u></b>

The accompanying notes are an integral part of this financial statement.

MENARD COUNTY

SUNNY ACRES NURSING HOME FUNDS

STATEMENTS OF FUNDS' CASH FLOWS  
FOR THE YEARS ENDED NOVEMBER 30, 2013, 2012, 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for resident care and other services	\$ 6,715,411	\$ 6,442,895	\$ 5,579,384
Payments to suppliers and others	(2,991,311)	(2,666,937)	(2,811,983)
Payments to employees for salaries and wages	<u>(3,001,308)</u>	<u>(3,254,652)</u>	<u>(3,197,564)</u>
Net cash provided (used) by operating activities	<u>722,792</u>	<u>521,306</u>	<u>(430,163)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Contributions and other	<u>10,483</u>	<u>19,245</u>	<u>22,516</u>
Net cash provided (used) by non-capital financing activities	<u>10,483</u>	<u>19,245</u>	<u>22,516</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Certificates of deposit maturities	2,161,105	1,689,105	1,689,105
Certificates of deposit purchased	(1,340,000)	(2,161,105)	(1,689,105)
Residents' prepayments, overpayments, and deposits	8,871	(1,742)	(12,852)
Transfers out	(65,000)	(55,000)	(60,000)
Capital grant proceeds	-	81,524	-
Capital asset acquisitions	<u>(282,634)</u>	<u>(57,722)</u>	<u>(284,416)</u>
Net cash provided (used) by capital and related financing activities	<u>482,342</u>	<u>(504,940)</u>	<u>(357,268)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>16,252</u>	<u>18,126</u>	<u>24,549</u>
Net cash provided (used) by investing activities	<u>16,252</u>	<u>18,126</u>	<u>24,549</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,231,869</b>	<b>53,737</b>	<b>(740,366)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>983,012</u>	<u>929,275</u>	<u>1,669,641</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 2,214,881</u></u>	<u><u>\$ 983,012</u></u>	<u><u>\$ 929,275</u></u>
<b>NON-CASH CAPITAL AND FINANCING ACTIVITIES</b>			
Transfers to general fund included in due to other funds	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Capital asset acquisitions included in accounts payable	<u>\$ 14,322</u>	<u>\$ -</u>	<u>\$ 3,792</u>

RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

<b>OPERATING INCOME</b>	\$ 172,211	\$ 24,047	\$ 439,083
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Depreciation	280,349	280,143	263,932
Provision for bad debts	60,000	63,334	63,333
(Increase) decrease in accounts receivable	226,549	52,948	(1,279,669)
(Increase) decrease in due from other Menard County Funds	62,265	(63,048)	(317)
(Decrease) increase in accounts payable	(61,276)	80,754	96,009
(Decrease) increase in accrued compensation	(3,741)	75,641	(20,870)
(Decrease) increase in due to other County Funds	<u>(13,565)</u>	<u>7,487</u>	<u>8,336</u>
Net cash provided by operating activities	<u><u>\$ 722,792</u></u>	<u><u>\$ 521,306</u></u>	<u><u>\$ (430,163)</u></u>

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended November 30, 2013, 2012, and 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Sunny Acres Nursing Home Funds of Menard County, Illinois (Nursing Home) have been prepared in conformity with generally accepted accounting principles for local governments.

The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments.

- a. **Reporting entity.** Menard County maintains two enterprise funds to account for Sunny Acres Nursing Home's financial activities. These funds, the *Sunny Acres Nursing Home Fund*, and the *Countryside Estates of the County Fund* are combined to present the financial statements for the Sunny Acres Nursing Home Funds. Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included in the determination of its net assets. Enterprise funds are proprietary type funds as defined by the Governmental Accounting Standards Board, and are used to account for operations that are financed and operated in a manner similar to private business enterprise – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.
- b. **Fund accounting.** The Nursing Home uses fund accounting to report its assets, liabilities, and changes in fund net position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.
- c. **Basis of accounting.** Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied. The Sunny Acres Nursing Home Funds are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned. Expenses are recorded at the time liabilities are incurred.
- d. **Cash and cash equivalents.** For purposes of the statement of cash flows, certificates of deposit with an original maturity of 90 days or less are considered cash equivalents.



**MENARD COUNTY, ILLINOIS  
 SUNNY ACRES NURSING HOME FUNDS  
 NOTES TO FINANCIAL STATEMENTS – Continued**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- e. **Accounts receivable.** *Accounts receivable* for services provided are reported net of related allowances for doubtful accounts and contractual adjustments, when needed, Contractual adjustments occur in those situations where the payment rate from third party payers is less than the rate charged for the respective services. Residence fees are generally billed to the residents and collected each month, except for those residents receiving Medicaid insurance benefits through the State of Illinois Department of Healthcare and Family Services. In those instances, virtually all the residence fee is received directly from the State of Illinois. Fees for residents eligible for Medicare benefits are billed to and received from Medicare and related insurance providers.

*Revenues* are reported at estimated net realizable amounts from individuals, third-party payers, and others for services rendered. Payment rates established by State and Federal legislation and contractual arrangements with other third party payers have been and are primarily prospective, with the intent of establishing payment rates that will not change before the period for which they will apply.

- f. **Inventories.** Inventories of food and supplies are stated at invoice cost, determined by the first-in, first-out method.
- g. **Capital assets.** Capital assets consist of property, plant, and equipment and are generally stated at cost. Repairs and maintenance costs are expensed; costs pertaining to new construction, renewals and betterments are capitalized. Depreciation is provided over the estimated useful lives of the respective capital asset items using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Furniture and equipment	5-20 years
Vehicles	4 years

- h. **Contributed capital.** Contributions from other County funds and bequests received for the purchase or construction of property, plant and equipment are recorded in the funds' accounts as *contributed capital* and reported as part of net position.
- i. **Net position.** Represents the difference between assets and liabilities. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS – Continued**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

- j. Interfund transactions. The Nursing Home reimburses Menard County for its share of the County's risk management and reduction costs. These reimbursements are accounted for as expenses of the Nursing Home. The Menard County General Fund reimburses the Nursing Home for the costs of meals provided to Menard County jail inmates. These reimbursements are included in other service revenues.**
- k. Compensated absences. The Nursing Home records vested unused amounts of vacation pay as accrued compensation in the period the liability is incurred. Sick leave does not vest; such costs are recognized at the time sick leave is taken.**
- l. Interest costs. Interest, when incurred, on restricted tax-exempt borrowings used to finance construction projects, less the related interest earned, is capitalized and included in the cost of the respective capital project.**
- m. Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.**
- n. Reclassifications. Certain amounts presented in the 2012 and 2011 financial statements have been reclassified to conform to current year classifications. These reclassifications had no effect on previously reported net income and relate to the presentation of certain asset and liability components as well as certain expense items.**

**2. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCY**

**Menard County operates a long-term care facility. It is located near Petersburg, Illinois. The facility is commonly referred to as the Sunny Acres Nursing Home. All of the financial transactions and account balances resulting from the County's operation of Sunny Acres Nursing Home, and its investment in Countryside Estates of the County are combined to present the Sunny Acres Nursing Home Funds' financial statements.**

**During 1999, Sunny Acres Nursing Home completed the construction of Countryside Estates of the County (Countryside), a senior living facility located adjacent to the nursing home. Countryside commenced operations in September 1999.**

**The majority of Sunny Acres Nursing Home's residents receive Medicaid insurance benefits through the State of Illinois Department of Healthcare and Family Services. Prior to 2011, Medicaid reimbursements were generally in arrears two to three months. At November 30, 2012 and thereafter, such reimbursements were approximately five to six month in arrears.**

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS – Continued**

**2. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCY - Continued**

Sunny Acres began providing Medicare services to eligible residents in late 2004. Approximately seventy percent of the nursing home's revenue is derived from Medicare and Medicaid.

**3. DEPOSITS AND INVESTMENTS**

The Menard County Treasurer maintains the Nursing Home's bank accounts. State statutes authorize the types of investments that the County may own and the financial institutions eligible to receive County deposits. The treasurer's practice is to limit deposits and investments to insured and/or collateralized demand deposit, savings, and certificate of deposit accounts with local financial institutions, and the Illinois Funds administered by the Illinois State Treasurer. The County's Board of Commissioners has approved the County treasurer's investment policy. It is consistent with requirements of the related State statutes and strives to minimize the level of interest rate risk, credit risk, concentration of credit risk, and custodial credit risk. Amounts on deposit with the local financial institutions in excess of insured limits must be entirely collateralized with appropriate investment securities, and the collateralization recorded by the respective financial institution's safekeeping agents for its investments securities.

At November 30, 2013, the carrying amount of the County's bank deposits, including the bank deposits of the Sunny Acres Nursing Home Funds, is entirely insured and or collateralized by securities held by the pledging financial institutions' safekeeping agents in the name of the County.

The County had \$568,012 of Sunny Acres Nursing Home's funds on deposit with the Illinois Funds Investment Pool at November 30, 2013. This deposit is not categorized because it is not evidenced by securities that exist in physical or book entry form. The Illinois Auditor General audits the financial statements for the Illinois Funds' Investment Pool and performs other oversight functions.

**4. ACCOUNTS RECEIVABLE AND PRIOR PERIOD ADJUSTMENT AND RESTATEMENT**

The allowance for doubtful accounts receivable at November 30, 2013 was increased an estimated amount of \$250,000 by our independent auditor to effectuate a more cautious and conservative presentation of the carrying value of accounts receivable at that date. This was in response to a continued slowdown in the collection of certain Medicare and Medicaid, and other claims, and the concentration of credit that exists with both third party payers. This increase has been accounted for as a prior period adjustment of \$63,333 decrease in net position at December 1, 2010; a restated increase of \$63,333 in 2011 operating expenses; a restated increase of \$63,334 in 2012 operating costs; with a residual provision of \$60,000 for bad debts included in 2013 operating costs; for a total of \$250,000 increase in the allowance for doubtful accounts at November 30, 2013.

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS – Continued**

**4. ACCOUNTS RECEIVABLE - Continued**

Accounts receivable at November 30, 2013, 2012, and 2011 after the prior period adjustment and restatement discussed above are as follows –

	<i>At November 30</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
<i>Individuals</i>	<i>451,021</i>	<i>178,422</i>	<i>48,811</i>
<i>Medicare</i>	<i>664,847</i>	<i>479,721</i>	<i>501,177</i>
<i>Medicaid</i>	<i>815,452</i>	<i>1,514,523</i>	<i>1,710,677</i>
<i>Insurance</i>	<i>147,516</i>	<i>136,272</i>	<i>100,062</i>
<i>Interest</i>	<i>1,293</i>	<i>1,277</i>	<i>2,063</i>
<i>Capital grant</i>	<i>-</i>	<i>-</i>	<i>62,000</i>
<i>Totals</i>	<i>2,080,129</i>	<i>2,310,215</i>	<i>2,424,790</i>
<i>Allowance for</i>			
<i>Doubtful</i>			
<i>Accounts</i>	<i>(420,797)</i>	<i>(371,083)</i>	<i>(267,750)</i>
<i>Allowance for</i>			
<i>Contractual</i>			
<i>Adjustments</i>	<i>(100,000)</i>	<i>(92,940)</i>	<i>(60,070)</i>
<i>Net</i>	<i>1,559,332</i>	<i>1,846,192</i>	<i>2,096,970</i>

Concentrations of credit exist with both the State of Illinois and the Federal government, respectively, as a necessary consequence of providing long-term care services to residents enrolled in Medicaid and Medicare.

**5. DUE FROM OTHER FUNDS**

Due from other funds at November 30 consists of the following:

	<i>2013</i>	<i>2012</i>	<i>2011</i>
<i>General Fund</i>	<i>\$ 621</i>	<i>\$ 62,886</i>	<i>\$ 3,250</i>

The Menard County Board of Commissioners authorized a \$400,000 residual equity transfer to the Sunny Acres Nursing Home Fund from the County's General Fund during the year ended November 30, 2001. The nursing home had returned all of this contributed capital to the County's General Fund at November 30, 2011. The County commissioners authorized a \$60,000 annual return of accumulated earnings from Sunny Acres to the County's General Fund commencing during the year ending November 30, 2011. \$180,000 has been returned through November 30, 2013.

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS – Continued**

**6. CAPITAL ASSETS**

Capital assets at November 30 were as follows:

		<i>2012</i>		<i>2011</i>		<i>2010</i>
<i>Buildings and improvements</i>	\$	6,632,782	\$	6,367,104	\$	6,345,190
<i>Furniture and equipment</i>		1,465,049		1,433,978		1,401,962
<i>Total cost</i>		7,801,082		7,801,082		7,747,152
<i>Accumulated depreciation</i>		(5,363,883)		(5,083,740)		(4,803,597)
<i>Capital assets - net</i>	\$	2,733,948	\$	2,717,342	\$	2,943,555

The Nursing Home, including the Countryside Estates facility is situated on 4-1/2 acres of land owned by Menard County. The land is not reported as an asset of the Nursing Home.

**7. INTEREST EXPENSE**

No interest costs have been incurred since 2008.

**8. RETAINED EARNINGS**

Retained earnings are recorded in the funds' accounts and are primarily reserved for future financing needs.

**9. INTERGOVERNMENTAL AGREEMENT**

Menard County entered into an intergovernmental agreement with the State of Illinois in June 2003 to assist the Illinois Department of Healthcare and Family Services in administering an alternate Medicaid reimbursement methodology for county owned nursing homes.

The agreement became effective for services provided on and after October 1, 2002. The State terminated the agreement on September 30, 2006 and Menard County, as an owner and operator of a county owned nursing home, was required to participate in the administration of the alternate Medicaid reimbursement methodology in accordance with new rules and regulations of the State of Illinois' Department of Healthcare and Family Services. This participating arrangement ended on September 30, 2009. The Medicaid reimbursement rate for 2010 remained consistent with the 2009 rate via a funding plan that was approved by the federal government in June 2011. That plan provided for a reimbursement rate split into monthly and quarterly portions. Approximately \$654,000 of the quarterly reimbursements has been collected since the

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS – Continued**

**9. INTERGOVERNMENTAL AGREEMENT - Continued**

transition to the new payment arrangement. The quarterly portion known as “*Medicaid supplementary*,” still due to Sunny Acres,” has accumulated to approximately \$324,000 at November 2013. It is included in accounts receivable at that date. Management expects and trusts that this amount will ultimately be collected.

The Menard County Board of Commissioners designated that the administrative allowances earned because of the County’s participation in the alternate reimbursement process, and the related interest income, net of any related operating costs, be retained and restricted for future capital asset funding needs. The related financial transactions were accounted for in the County’s *Intergovernmental Transfer Fund*. After the agreement was terminated in 2006 the Sunny Acres Nursing Home Fund commenced administering and accounting for the alternate Medicaid reimbursement process and the net assets of the *Intergovernmental Transfer Fund* were designated as capital reserve, and transferred to and segregated within the *Sunny Acres Nursing Home Fund*. The commissioners intend that the portion of future Medicaid revenues, the “*Medicaid supplementary*” discussed above, which is consistent and comparable to the administrative fees earned by participating in the alternate reimbursement process, will continue to be designated as “capital reserve” and segregated for future capital asset needs.

Management, early in the second quarter of 2012, decided to cease accruing the “*Medicaid supplementary*” because one of the unintended consequence of the recent Medicare/Medicaid Alignment Initiative to extend managed care to at least 50% of the State of Illinois is that it was determined that the federal government will not allow such Medicaid funding arrangements. However, the State of Illinois Department of Healthcare and Family Services has indicated that it has every intention of continuing the quarterly remittance funding arrangement. \$130,000 was accrued during 2012 and is included in the \$324,000 still due for the quarterly remittance arrangement at November 30, 2013.

Management expects that, as the uncertainties are constructively resolved by the respective State and Federal agencies the \$324,000 account receivable will be collected and this vital income stream will continue, in whole or in part, and provide the requisite funding for Sunny Acres’ future infrastructure needs.

**10. DEFINED BENEFIT PENSION PLAN**

Nursing home employees, as employees of Menard County, are eligible to participate in the County’s defined benefit pension plan, *Regular Plan 03042R* with the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system. Employees hired in positions that meet or exceed the prescribed annual hourly standard must participate in the plan. Required financial disclosures for the plan as of December 31, 2013 are as follows.

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS – Continued**

**10. DEFINED BENEFIT PENSION PLAN - Continued**

**Regular Plan 03042R**

*Plan Description* – The County’s defined benefit pension plan for regular employees does not include elected officials and certain law enforcement personnel. It provides retirement and disability benefits, post retirement increases, and death benefits to its plan members and beneficiaries. Benefit provisions are established by statute and may only be changed by General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy* – As set by statute, Regular Plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate used by the County for 2013 was 9.49% of annual covered payroll. The employer annual required contribution for calendar year 2012 was 8.89%. The County also contributes for disability benefits, death benefits, and supplemental retirements, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by state statute.

*Annual Pension Cost* – The County’s required annual pension cost for 2013 was \$477,978. The entire amount was contributed.

***Three –Year Trend Information for Regular Plan 03042R***

<i>Year ending</i>		<i>Annual</i>	<i>Percent</i>		<i>Net Pension</i>
<i>November 30,</i>		<i>Pension Cost</i>	<i>Contributed</i>		<i>Obligation</i>
2013	\$	477,978	100%		-
2012	\$	467,859	100%	\$	-
2011	\$	462,772	100%	\$	-

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post – retirement benefit increases of 3% annually. The actuarial value of the plan’s assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period, with a 20% corridor between the

**MENARD COUNTY, ILLINOIS  
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NOTES TO FINANCIAL STATEMENTS – Continued**

**10. DEFINED BENEFIT PENSION PLAN – Continued**

actuarial and market value of assets. The plan's overfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open 30 year basis.

*Funded Status and Funding Progress* – The plan was 104% percent funded as of December 31, 2013, the most recent actuarial valuation date. The actuarial accrued liability for benefits was \$10,015,566 and the actuarial value of assets was \$10,383,740 resulting in an overfunded actuarial accrued liability (UAAL) of \$368,174. The covered payroll (annual payroll of active employees covered by the plan) was \$5,055,083 and because the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

Sunny Acres Nursing Home contributes to the plan in accordance with the criteria and parameters discussed above and contributed \$259,880, \$246,420 and \$255,393, respectively, for 2012, 2011, and 2010. Aggregated data for just the Nursing Home and its employees is not available from IMRF.

**11. DEFERRED COMPENSATION PLAN**

The Nursing Home sponsors a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Nursing Home employees at their option and permits participants to defer a portion of their salary until future years. The plan's assets have been placed in trust for the exclusive benefit of plan participants and are not included in the County's basic financial statements. The County has no fiduciary responsibility for the plan's assets.

**12. RISK MANAGEMENT**

Menard County participates in the Illinois Counties Risk Management Trust to finance and manage its potential risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. This is an arrangement by which certain Illinois counties pool risks and funds and participate and share in the costs of reinsurance arrangements. There was no significant reduction in risk coverage from 2011.

The County is self-insured for State of Illinois unemployment compensation purposes. Such costs, if any are funded after notification from the State of Illinois.

Commercial insurance arrangements were previously used by the County to provide group medical and hospitalization benefits for its employees. During 2010 the County Board of Commissioners decided that Menard County should self fund the economic costs of providing group type medical and hospitalization benefits for its employees. This self funding arrangement took effect on July 1, 2010. The economic costs of this risk retention arrangement include payment of related claims up to certain threshold amounts, premium costs for acquiring reinsurance protection for claims in excess of the threshold amounts,



**MENARD COUNTY, ILLINOIS  
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NOTES TO FINANCIAL STATEMENTS – Continued**

**12. RISK MANAGEMENT - Continued**

and certain administrative costs. Eligible, participating County employees, including Sunny Acres’ and Countryside Estates of the County’s employees contribute to the plan as does the County including Sunny Acres and Countryside Estates. An internal service fund, the *Self Insurance Fund*, is used to account for this risk retention activity. Internal service funds, by definition, are used by governmental entities to account for the financing of goods or services provided by one department or agency of the government to other departments or agencies of the government on a cost reimbursement basis. The fund had a deficit fund balance at November 30, 2013. It was management’s expectation that the deficit condition would be corrected in future years.

Generally accepted accounting and financial reporting standards for risk financing and related insurance issues require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Activity in the *Self Insurance Fund’s* claim liability account, including reinsurance and administrative costs, was as follows –

<i>December 1, 2012 to November 30, 2013</i>		
<i>Beginning liability</i>	\$	<i>150,117</i>
<i>Current period claims, related costs, and estimates</i>		<i>673,475</i>
<i>Claims and related costs paid, net</i>		<i>(801,342)</i>
<i>Ending liability</i>	\$	<i>22,250</i>

The Menard County Board of Commissioners discontinued the self funding arrangement effective December 31, 2013 and replaced it with an arrangement similar to a conventional commercial arrangement. The remaining deficit at that date was entirely funded by the County’s General Fund.

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS - Continued**

**13. COMPONENT DISCLOSURES**

Component disclosures for the year ended November 30, 2013 after the prior period adjustment and the restatement discussed in note 4 are -

	<i>Sunny Acres Nursing Home Fund</i>		<i>Countryside Estates of the County</i>	
	<i>Operations Component</i>	<i>Capital Reserve Component</i>	<i>Fund</i>	<i>Combined Total</i>
Operating revenues	6,277,818	-	406,943	6,684,761
Medicaid contribution	(229,738)	-	-	(229,738)
Operating expenses	(5,717,014)	(600)	(276,180)	(5,993,794)
Depreciation	(187,943)	-	(92,406)	(280,349)
Operating income	143,123	(600)	38,357	180,880
Other income (loss)	20,587	4,417	1,420	26,424
Net income (loss)	163,710	3,817	39,777	207,304
New property	275,426	-	21,530	296,956
Working capital	1,843,101	1,914,937	630,451	4,388,489
Net position	3,468,014	1,914,937	1,739,486	7,122,437

The Sunny Acres Operations Component owed the Sunny Acres Capital Reserve component \$1,400 at November 30, 2013.

Sunny Acres Nursing Home used \$201,349 of its *Capital Reserve Component* assets to fund a portion of its capital acquisition costs in 2013.

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS - Continued**

**13. COMPONENT DISCLOSURES – Continued**

Component disclosures for the year ended November 30, 2012 after the prior period adjustment and the restatement discussed in note 4 are -

	<i>Sunny Acres Nursing Home Fund</i>		<i>Countryside Estates of</i>	<i>Combined Total</i>
	<i>Operations</i>	<i>Capital Reserve</i>	<i>the County</i>	
	<i>Component</i>	<i>Component</i>	<i>Fund</i>	
<b>Operating revenues</b>	6,196,991	-	406,775	6,603,766
<b>Medicaid contribution</b>	(242,308)	-	-	(242,308)
<b>Operating expenses</b>	(5,838,915)	(800)	(280,886)	(6,120,601)
<b>Depreciation</b>	(195,542)	-	(84,601)	(280,143)
<b>Operating income</b>	(79,774)	(800)	41,288	(39,286)
<b>Other income (loss)</b>	47,137	5,813	3,487	56,437
<b>Net income (loss)</b>	(32,637)	5,013	44,775	17,151
<b>New property</b>	44,893	-	12,829	57,722
<b>Working capital</b>	1,838,739	1,839,614	579,438	4,257,791
<b>Net assets</b>	3,376,170	1,839,614	1,759,349	6,975,133

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS – Continued**

**13. COMPONENT DISCLOSURES – Continued**

Component disclosures for the year ended November 30, 2011 after the prior period adjustment and the restatement discussed in note 4 are -

	<i>Sunny Acres Nursing Home Fund</i>		<i>Countryside Estates of the County</i>	
	<i>Operations Component</i>	<i>Capital Reserve Component</i>	<i>Fund</i>	<i>Combined Total</i>
Operating revenues	6,377,599	-	418,438	6,796,037
Medicaid contribution	(197,384)	-	-	(197,384)
Operating expenses	(5,672,822)	(1,080)	(285,070)	(5,958,972)
Depreciation	(176,532)	-	(87,400)	(263,932)
Operating income	330,861	(1,080)	45,968	375,749
Other income (loss)	94,315	9,042	2,272	105,629
Net income (loss)	425,176	7,962	48,240	481,378
New property	288,209	-	-	288,209
Working capital	2,138,191	1,485,227	451,009	4,074,427
Net assets	3,830,063	1,485,227	1,702,692	7,017,982

Sunny Acres Nursing Home used \$188,633 of its *Capital Reserve Component* net assets to fund a portion of its capital acquisition costs in 2011.

**14. NEW GOVERNMENT ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board issued a new accounting standard in June, 2012. This statement, *Accounting and Financial Reporting for Pensions*, among other requirements and changes, revises and establishes new financial reporting standards for most governments that provide their employees with pension benefits. This statement requires that governments providing defined benefit pensions to recognize their unfunded net long term obligations for pension benefits as a liability for the first time in their statement of financial position which will entail immediate recognition of more pension expense than is presently required in the statement of activities. These new financial reporting requirements will be effective for the County for the fiscal year ending November 30, 2015.

**MENARD COUNTY, ILLINOIS  
SUNNY ACRES NURSING HOME FUNDS  
NOTES TO FINANCIAL STATEMENTS – Continued**

**15. CONTINGENCIES**

**From time to time, in the ordinary course of business, Sunny Acres Nursing Home can be subjected to loss contingencies arising from monitoring activities conducted and administered by certain federal and state agencies. Management believes that any loss arising from these regulatory activities, if any, will not significantly impact the nursing home's financial position.**