

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

FINANCIAL STATEMENTS

For the Year Ended November 30, 2015

**with
INDEPENDENT AUDITOR'S REPORT**

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

FINANCIAL STATEMENTS

For the Year Ended November 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	-
FINANCIAL STATEMENTS	
Statement of Funds' Net Position	1
Statement of Revenues, Expenses, and Changes in Funds' Net Position.....	2
Statement of Funds' Cash Flows	3
Notes to Financial Statements.....	4

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 year ended November 30, 2015 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 an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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.

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, 2015 and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 2 to the financial statements, the accompanying financial statements present only the Sunny Acres Nursing Home Funds of Menard County, Illinois, the County's *business-type activities*, and do not purport to, and do not present fairly the financial position of Menard County, Illinois as of November 30, 2015, 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.

As discussed in Note 13 to the financial statements, during the year ended November 30, 2015, the County adopted the accounting and financial reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions made subsequent to measurement date – An Amendment of GASB Statement No. 68*. The implementation of GASB Statement Nos. 68 and 71 resulted in a restatement of opening December 1, 2014 net position. My opinion is not modified with respect to this matter.

Also discussed in Notes 4 and 13 to the financial statements, is an effective change in accounting method/error correction for accounting for bad debts/credit losses for the Sunny Acres Nursing Home Fund that resulted in a restatement of opening December 1, 2014 net position to correct previously reported accounts receivable. My opinion is not modified with respect to this matter.

The implementation of GASB Statement Nos. 68 and 71 resulted in *net pension income* for the year ended November 30, 2015 and an increase in net position at November 30, 2015. The related *net pension asset; deferred outflows of resources; and deferred inflows of resources*, are included in the *Statement of Net Position*. The *net position for pensions* is included in the *restricted* category for net position. The *pension income* has been separately identified and segregated in the *non-operating revenue* section in the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. My opinion is not modified with respect to this matter.

Other Matters

Michael J. Feriozzi, CPA

Required Supplementary Information

The financial statements are not accompanied by a *management's discussion and analysis (MD&A)*; accounting principles generally accepted in the United States of America require that the *MD&A* be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. My opinion on the financial statements is not affected by this missing information.

The County has included an *MD&A* with its 2015 basic financial statements that include the financial statements for the Sunny Acres Nursing Home Funds, Menard County's *business-type activities*. The County's 2015 financial statements are available for viewing at <http://menardcountyil.com/>.

Michael J. Feriozzi

Springfield, Illinois
July 12, 2016

MENARD COUNTY, ILLINOIS

SUNNY ACRES NURSING HOME FUNDS

**STATEMENT OF FUNDS' NET POSITION
NOVEMBER 30, 2015**

	<u>2015</u>
ASSETS	
Current:	
Cash	\$ 1,218,875
Certificates of deposit	867,000
Accounts receivable	1,024,686
Due from other Menard County Funds	331
Inventories	21,517
Restricted assets:	
Cash	1,049,425
Certificates of deposit	<u>1,350,000</u>
Total current assets	<u>5,531,834</u>
Non-current:	
Capital assets - net	2,543,681
Pension asset - net	<u>678,548</u>
Total non-current assets	<u>3,222,229</u>
TOTAL ASSETS	<u>8,754,063</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>466,950</u>
LIABILITIES	
Current:	
Accounts payable	584,343
Accrued compensation	343,910
Residents prepayments and deposits	382,825
Due to other Menard County Funds	<u>1,796</u>
TOTAL LIABILITIES	<u>1,312,874</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>51,101</u>
NET POSITION	
Net investment in capital assets	2,543,681
Restricted	3,555,647
Unrestricted	<u>1,757,710</u>
TOTAL NET POSITION	<u><u>\$ 7,857,038</u></u>

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

MENARD COUNTY

SUNNY ACRES NURSING HOME FUNDS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUNDS' NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2015**

	<u>2015</u>
NET OPERATING REVENUES	<u>\$ 6,760,274</u>
OPERATING EXPENSES	
Salaries and wages	3,278,333
Therapy costs	903,101
Retirement costs	486,831
Insurance and risk management	388,384
Food and dietary supplies	312,840
Medical and nursing care supplies and fees	202,788
Management fee	287,482
Depreciation	271,701
Utilities	184,721
Maintenance and repairs	126,898
Housekeeping and laundry	61,896
Professional fees	47,395
Advertising	30,326
Administration and other	151,714
Provision for bad debts	<u>359,633</u>
Total operating expenses	<u>7,094,043</u>
OPERATING INCOME (LOSS)	<u>(333,769)</u>
NON-OPERATING REVENUES (EXPENSES)	
Contributions and bequests	606,570
Pension income	794,846
Interest income	<u>12,394</u>
Non-operating revenues	<u>1,413,810</u>
NET INCOME	1,080,041
TRANSFERS IN (OUT)	<u>(60,000)</u>
CHANG IN NET POSITION	<u>1,020,041</u>
NET POSITION - BEGINNING	7,107,446
CHANGE IN ACCOUNTING PRINCIPLE FOR PENSIONS	299,551
ACCOUNTING CHANGE/ERROR CORRECTION	<u>(570,000)</u>
NET POSITION - BEGINNING, RESTATED	<u>6,836,997</u>
NET POSITION - ENDING	<u><u>\$ 7,857,038</u></u>

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

MENARD COUNTY

SUNNY ACRES NURSING HOME FUNDS

**STATEMENT OF FUNDS' CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2015**

	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for resident care and other services	\$ 6,557,961
Payments to suppliers and others	(3,468,283)
Payments to employees for salaries and wages	(3,141,887)
Net cash provided (used) by operating activities	<u>(52,209)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Contributions and bequests	<u>606,570</u>
Net cash provided (used) by non-capital financing activities	<u>606,570</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Certificates of deposit maturities	1,722,500
Certificates of deposit purchased	(2,217,000)
Residents' prepayments, overpayments, and deposits	246,985
Advances to other funds	184,000
Transfers out	(60,000)
Capital asset acquisitions	(237,047)
Net cash provided (used) by capital and related financing activities	<u>(360,562)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>12,751</u>
Net cash provided (used) by investing activities	<u>12,751</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	206,550
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,061,750</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,268,300</u></u>
NON-CASH CAPITAL AND FINANCING ACTIVITIES -----	
Capital asset acquisition included in accounts payable at 11-30-15	<u><u>\$ 17,171</u></u>
NON-CASH TRANSACTIONS	
Effect for change in accounting principle related to pensions	\$ (299,551)
Pension income	794,846
Effect for accounting change related to allowance for bad debts	(570,000)
Net Change in net position from non cash transactions	<u>299,551</u>
NET EFFECT OF NON-CASH TRANSACTIONS	<u><u>\$ 224,846</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME(LOSS)	\$ (333,769)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	271,701
Provision for bad debts	359,633
Increase (decrease) in accounts receivable	(662,606)
(Increase) decrease in due from other Menard County Funds	445
(Decrease) increase in accounts payable	175,341
(Decrease) increase in accrued compensation	137,046
(Decrease) increase in due to other County Funds	-
Net cash provided by operating activities	<u><u>\$ (52,209)</u></u>

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

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

For the Year Ended November 30, 2015

1. 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. Medicaid reimbursements are generally in arrears two to three months.

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

2. 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 position. 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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.
- 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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. **Deferred Outflows/Inflows of Resources.** In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so *will not* be recognized as an inflow of resources (revenue) until that time.
- i. **Net position.** Represents the difference between assets, and deferred outflows of resources; and liabilities, and deferred inflows of resources. *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 or resolution by the County commissioners. The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
- 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.
- k. **Compensated absences.** The Nursing Home records vested unused amounts of vacation pay and other paid time off benefits as accrued compensation in the period the liability is incurred.
- 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.

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

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, 2015, 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 \$549,425 of Sunny Acres Nursing Home's funds on deposit with the Illinois Funds Investment Pool at November 30, 2015. 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

Accounting Change/Error Correction Sunny Acres Nursing Home, experienced a management change effective December 1, 2014 when the Board of Commissioners entered into a management contract with Heritage Operations Group LLC. Heritage brought with it a more thorough and comprehensive methodology for estimating and acknowledging the allowance for bad debts/credit losses. Consequently, accounts receivable, believed to have utility/ value by prior management were charged off during 2015 and a new allowance for doubtful accounts was established at November 30, 2015. The excess of accounts charged off during 2015 over the estimated allowance at November 30, 2014, approximately \$570,000, has been accounted for and reported as a retroactive reduction of the previously reported net position of the Sunny Acres Nursing Home Fund at November 30, 2014. An analysis of the two methodologies for estimating the allowance for bad debts, and the most recent charge off experience suggest that this restatement should have been reported as additional expense of \$202,000 for 2014; \$197,000 for 2013, and \$171,000 for 2012.

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

4. ACCOUNTS RECEIVABLE AND PRIOR PERIOD ADJUSTMENT AND RESTATEMENT - Continued

Accounts receivable at November 30, 2015, are as follows –

	<i>2015</i>
<i>Individuals</i>	<i>115,337</i>
<i>Medicare</i>	<i>343,198</i>
<i>Medicaid</i>	<i>722,717</i>
<i>Insurance</i>	<i>382,029</i>
<i>Interest</i>	<i>1,405</i>
<i>Capital grant</i>	<i>-</i>
<i>Totals</i>	<i>1,564,686</i>
<i>Allowance for Doubtful Accounts</i>	<i>(540,000)</i>
<i>Net</i>	<i>1,024,686</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>2015</i>
<i>General Fund</i>	<i>\$ 331</i>

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; \$300,000 has been returned through November 30, 2015.

**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>2015</i>
<i>Buildings and improvements</i>	\$	<i>6,907,393</i>
<i>Furniture and equipment</i>		<i>1,568,927</i>
<i>Total cost</i>		<i>8,476,320</i>
<i>Accumulated depreciation</i>		<i>(5,932,639)</i>
<i>Capital assets - net</i>	\$	<i>2,543,681</i>

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. 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.

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 initially accounted for in the County's *Intergovernmental Transfer Fund*. After the

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

8. INTERGOVERNMENTAL AGREEMENT - Continued

agreement was terminated in 2006 the Sunny Acres Nursing Home Fund commenced administering and accounting for the alternate Medicaid reimbursement process and the net position 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.

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. Management expects that, as the uncertainties are constructively resolved by the respective State and Federal agencies this vital income stream will continue, in whole or in part, and help provide the requisite funding for Sunny Acres’ future capital asset needs.

9. DEFINED BENEFIT PENSION PLAN

The County maintains three defined benefit pension plans through the Illinois Municipal Retirement Fund (IMRF); these defined benefit pension plans provide retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The plans are managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF’s pension benefits is provided in the “Benefits provided” section of this note. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report including financial statements; detailed information about the pension plan’s fiduciary net position; and required supplementary information. The report is available for download at www.imrf.org.

The vast majority of the County’s employees participate in the Regular Plan (RP), including those employed through the Sunny Acres Nursing Home Fund. The plan has two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of

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

9. DEFINED BENEFIT PENSION PLAN - continued

service credit after 15 years to a maximum of 75% of their final rate of earnings. “Final rate of earnings” is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. “Final rate of earnings” is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of: 3% of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms –

As of December 31, 2014, the following plan members/participants were covered by the benefit terms:

	<i>RP</i>
<i>Retirees and beneficiaries</i>	<i>102</i>
<i>Inactive, non-retired members</i>	<i>442</i>
<i>Active members</i>	<i>171</i>
<i>Total</i>	<i>715</i>

Contributions

As set by statute, RP members are required to contribute 4.5% of their annual covered salary. The County is required to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The County’s annual contribution rate for 2014 was 8.68%. For the fiscal year ended November 30, 2015, the County contributed \$410,985 to the RP; the County also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

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

9. DEFINED BENEFIT PENSION PLAN - Continued

Net Pension Liability

The net pension liability for the plan was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2014:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets. The Inflation Rate was assumed to be 3.5%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table; applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan

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

9. DEFINED BENEFIT PENSION PLAN – Continued

investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

		<i><u>Long-Term</u></i>
	<i><u>Portfolio</u></i>	<i><u>Expected</u></i>
	<i><u>Target</u></i>	<i><u>Real Rate</u></i>
	<i><u>Percentage</u></i>	<i><u>of Return</u></i>
<i><u>Domestic Equity</u></i>	<i><u>38%</u></i>	<i><u>7.60%</u></i>
<i><u>International Equity</u></i>	<i><u>17%</u></i>	<i><u>7.80%</u></i>
<i><u>Fixed Income</u></i>	<i><u>27%</u></i>	<i><u>3.00%</u></i>
<i><u>Real Estate</u></i>	<i><u>8%</u></i>	<i><u>6.15%</u></i>
<i><u>Alternative Investments</u></i>	<i><u>9%</u></i>	<i><u>5.25-8.50%</u></i>
<i><u>Cash Equivalents</u></i>	<i><u>1%</u></i>	<i><u>2.25%</u></i>
<i><u>Total</u></i>	<i><u>100%</u></i>	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).
3. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

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

9. DEFINED BENEFIT PENSION PLAN – continued

4. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.50%.

Change in the Net Pension Liability – Regular Plan (RP)

	<i>Total Pension Liability</i>	<i>Plan Net Position</i>	<i>Net Pension Liability (Asset)</i>
<i>Balances at December 31, 2013</i>	<i>16,578,863</i>	<i>18,417,488</i>	<i>(1,838,625)</i>
<i>Changes for the year:</i>			
<i>Service Cost</i>	<i>564,017</i>	<i>-</i>	<i>564,017</i>
<i>Interest on the Total Pension Liability</i>	<i>1,237,178</i>	<i>-</i>	<i>1,237,178</i>
<i>Changes of Benefit Terms</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Differences between Expected and Actual Experience of the Total Pension Liability</i>	<i>(170,800)</i>	<i>-</i>	<i>(170,800)</i>
<i>Changes of Assumptions</i>	<i>592,429</i>	<i>-</i>	<i>592,429</i>
<i>Contributions - Employer</i>	<i>-</i>	<i>406,000</i>	<i>(406,000)</i>
<i>Contributions - Employees</i>	<i>-</i>	<i>236,595</i>	<i>(236,595)</i>
<i>Net Investment Income</i>	<i>-</i>	<i>1,120,791</i>	<i>(1,120,791)</i>
<i>Benefit Payments, including Refunds of Employee Contributions</i>	<i>(730,319)</i>	<i>(730,319)</i>	<i>-</i>
<i>Other (Net Transfer)</i>	<i>-</i>	<i>(11,699)</i>	<i>(11,699)</i>
<i>Net Changes</i>	<i>1,492,505</i>	<i>1,021,368</i>	<i>471,137</i>
<i>Balances at December 31, 2014</i>	<i>18,071,368</i>	<i>19,438,856</i>	<i>(1,367,488)</i>

The regular plan includes both *governmental activities* and *business-type activities* (the Sunny Acres Nursing Home employees). The net pension liability (asset) above as well as the pension expense and the related deferred outflows of resources and deferred inflows of resources amounts have been allocated between these two activities for financial reporting purposes based on the respective proportionate share of participating employees salaries and wages for the years ended November 30, 2015 and 2014; approximately 51.4% for governmental activities and 49.6% for business-type activities. Management expects that this proportional relationship will continue for the foreseeable future.

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

9. DEFINED BENEFIT PENSION PLAN – continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate for the Regular plan (RP)

The following presents the Regular Plan's (RP) net pension liability (asset), calculated using a Single Discount Rate of 7.50% as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	<i>1% Lower</i>	<i>Current Rate</i>	<i>1% Higher</i>
	<i>6.50%</i>	<i>7.50%</i>	<i>8.50%</i>
<i>Net Pension Liability</i>	<i>1,033,001</i>	<i>(1,367,488)</i>	<i>(3,302,443)</i>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions for the Regular Plan (RP)

For the year ended November 30, 2015, the County recognized pension expense (income) for the Regular Plan of (\$1,601,866); (\$807,020) for its *governmental activities* and (\$794,846) for its *business-type activities*. For the regular plan, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

<i>Deferred Amounts Related to Pensions</i>	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>	<i>Net Deferred Outflows of Resources</i>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>			
<i>Differences between expected and actual experience</i>	-	102,985	(102,985)
<i>Changes of assumptions</i>	357,207	-	357,207
<i>Net difference between projected and actual earnings on pension plan investments</i>	205,434	-	205,434
<i>Total Deferred Amounts to be recognized in pension expense in future periods</i>	562,641	102,985	459,656
<i>Pension Contributions made subsequent to the Measurement Date</i>	378,411	-	378,411
<i>Total Deferred Amounts Related to Pensions</i>	941,052	102,985	838,067

Amounts reported as deferred outflows of resources and deferred inflows of resources for the regular plan related to pensions are expected to be recognized in pension expense in future periods as follows:

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

9. DEFINED BENEFIT PENSION PLAN – continued

<i>Year Ending</i>	<i>Net Deferred</i>	<i>Governmental</i>	<i>Business-type</i>		
<i>November 30,</i>	<i>Outflows</i>	<i>Activities</i>	<i>Activities</i>		
<i>2016</i>	<i>597,176</i>	<i>300,815</i>	<i>296,361</i>		
<i>2017</i>	<i>138,175</i>	<i>69,640</i>	<i>68,535</i>		
<i>2018</i>	<i>51,358</i>	<i>25,884</i>	<i>25,474</i>		
<i>2019</i>	<i>51,358</i>	<i>25,884</i>	<i>25,474</i>		
<i>2020</i>	<i>-</i>	<i>-</i>	<i>-</i>		
<i>after</i>	<i>-</i>	<i>-</i>	<i>-</i>		
<i>Total</i>	<i>838,067</i>	<i>422,223</i>	<i>415,844</i>		

10. 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.

11. 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 has been no significant reduction in risk coverage..

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.

12. COMPONENT DISCLOSURES

Component disclosures for the year ended November 30, 2015 are -

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

12. COMPONENT DISCLOSURES – continued

	<i>Sunny Acres Nursing Home Fund</i>		<i>Countryside Estates of the County</i>	
	<i>Operations</i>	<i>Capital Reserve</i>		<i>Combined</i>
	<i>Component</i>	<i>Component</i>	<i>Fund</i>	<i>Total</i>
Operating revenues	6,370,047	-	449,077	6,819,124
Operating expenses	6,777,451	540	374,842	7,152,893
Depreciation	192,034	-	79,667	271,701
Operating income(loss)	(407,404)	(600)	74,325	(333,769)
Other income	1,407,621	4,681	1,508	1,413,810
Net income	1,000,217	4,081	75,743	1,080,041
Transfers	(252,565)	157,334	35,231	(60,000)
New property	237,047	-	-	237,047
Working capital	814,427	2,461,250	943,283	4,218,960
Net position	3,505,109	2,461,250	1,890,679	7,857,038

Other income for Sunny Acres operations includes bequest and contributions of \$606,570, and pension income of \$794,846 that resulted from the adoption of GASB statement 68, discussed below in note 13.

Sunny Acres' *net position* includes \$1,094,397 that resulted from the adoption of GASB statement 68, discussed below in note 13. This equity component is reported as *restricted net position*; it is not spendable.

13. RESTATEMENT OF NET POSITION

Change in Accounting Principle

In 2015, the County adopted and implemented the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date – An Amendment of GASB 68*.

The proprietary funds' financial statements, specifically, the Sunny Acres Nursing Home Fund, were affected. The restatement of previously reported net position because of pensions and the accounting change/error correction discussed in Note 4 was as follows.

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

13. RESTATEMENT OF NET POSITION - Continued

	<i>Business-type</i>
	<i>Activities</i>
<i>Beginning net position, previously reported</i>	7,107,446
<i>Net pension (liability)asset</i>	
<i>Regular plan(RP)</i>	912,326
<i>Deferred outflows of resources</i>	
<i>Regular plan(RP)</i>	198,875
<i>Deferred inflows of resources</i>	
<i>Regular plan(RP)</i>	(811,650)
<i>Restatement for pensions</i>	299,551
<i>Beginning net position, restated for pensions</i>	7,406,997
<i>Accounting change/error correction</i>	(570,000)
<i>Beginning net position, restated</i>	6,836,997

14. 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.