

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

FINANCIAL STATEMENTS

For the Years Ended November 30, 2021, 2020, and 2019

**with
INDEPENDENT AUDITOR'S REPORT**

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

FINANCIAL STATEMENTS

For the Years Ended November 30, 2021, 2020, and 2019

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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, 2021, 2020, and 2019 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 audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 to design audit procedures that are appropriate in the circumstances, but not for 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

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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 unqualified and qualified audit opinions.

Basis for Qualified Opinions

I was not able to obtain sufficient appropriate audit evidence regarding management's determination and recognition of grant and stimulus income for the years ended November 30, 2021 and 2020, including the related deferred income amounts at those dates. See also the discussion in Note 16 to the financial statements. My opinion on the 2020 financial statements has changed from unqualified to qualified because, again, I was not able to obtain sufficient appropriate audit evidence regarding management's determination and recognition of grant and stimulus income for the years ended November 30, 2020 and the related deferred income amount at that date.

Unqualified and Qualified Opinions

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinions section of my report, the accompanying financial statements,, present fairly, in all material respects, the financial position of the Sunny Acres Nursing Home Funds of Menard County, Illinois as of November 30, 2021, 2020, and 2019 and the resulting 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 Matters

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, 2021, 2020, and 2019, 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 11 to the financial statements, the County has not adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits, Other Than Pensions*. The Government Accounting Standards Board (GASB) is a private non-governmental organization that creates accounting and financial reporting standards, or generally accepted accounting principles (GAAP), for state and local governments in the United States. During the year ended November 30, 2019 in lieu of fully adopting GASB Statement 75, which, for the County, had an effective date of November 30, 2018 management recorded an estimate of a potential cumulative liability for

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postemployment benefits at November 30, 2019, if any. As outlined and discussed in Note 11, the recording of this potential liability was accounted for similarly to a restatement for a change in accounting principle. Consequently, beginning net position at November 30, 2017 was restated as was net income for 2018. My opinion is not modified with respect to this matter. Also, my unqualified opinion on the 2018 financial statements, dated May 28, 2019 did not change.

As discussed in Note 8 and disclosed in Note 13 to the financial statements, the commissioners have utilized two fund components to account for the economic activities of Sunny Acres Nursing Home; the '*operations component*' and the '*capital reserve component*'. The primary funding source for the '*capital reserve component*' is and, has been a separate revenue stream that evolved out of the Medicaid reimbursement methodology used by the State of Illinois Department of Healthcare and Family Services for County owned nursing homes. As discussed in Note 15 to the financial statements, it seems that the State of Illinois Department of Healthcare and Family Services has unilaterally changed the Medicaid reimbursement methodology for Sunny Acres Nursing Home. My opinion is not modified with respect to this matter.

Other Matters

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

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 31, 2022 on my consideration of Menard County, Illinois' internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral

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part of an audit performed in accordance with *Government Auditing Standards* in considering Menard County, Illinois' internal control over financial reporting and compliance. Your attention is directed to that report which is included with Menard County's annual financial report at <http://menardcountyil.com/>.

Michael J. Feriozzi

Springfield, Illinois

August 31, 2022

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

**STATEMENT OF FUNDS' NET POSITION
NOVEMBER 30, 2021, 2020, and 2019**

	2021	2020	2019
ASSETS			
Current:			
Cash	\$ 1,204,316	\$ 2,167,332	\$ 1,072,387
Certificates of deposit	1,132,000	1,117,000	1,017,000
Accounts receivable	457,689	642,921	808,420
Due from other Menard County Funds	-	20,722	20,722
Inventories	12,641	11,587	7,732
Restricted assets:			
Cash	1,321,964	1,168,617	1,066,233
Certificates of deposit	2,150,000	2,150,000	2,150,000
Total current assets	6,278,610	7,278,179	6,142,494
Non-current:			
Capital assets - net	2,242,934	2,200,482	2,040,197
Pension asset - net	1,427,454	625,316	-
Total non-current assets	3,670,388	2,825,798	2,040,197
TOTAL ASSETS	9,948,998	10,103,977	8,182,691
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	774,212	1,022,774	1,484,483
LIABILITIES			
Current:			
Accounts payable	317,817	853,501	741,877
Accrued compensation	254,743	254,662	219,918
Deferred revenue	270,005	111,819	-
Residents prepayments and deposits	201,064	169,206	154,476
Due to other Menard County Funds	-	204,408	-
Total current liabilities	1,043,629	1,593,596	1,116,271
Non-current:			
Pension liability	-	-	422,926
Postemployment benefits	100,000	100,000	100,000
Total non-current liabilities	100,000	100,000	522,926
TOTAL LIABILITIES	1,143,629	1,693,596	1,639,197
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	1,493,316	1,286,525	727,258
NET POSITION			
Net investment in capital assets	2,242,934	2,200,482	2,040,197
Restricted	4,173,918	3,776,094	3,649,188
Unrestricted	1,669,413	2,170,054	1,611,334
TOTAL NET POSITION	\$ 8,086,265	\$ 8,146,630	\$ 7,300,719

The accompanying notes are an integral part of these financial statements.

**MENARD COUNTY
SUNNY ACRES NURSING HOME FUNDS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUNDS' NET POSITION
FOR THE YEARS ENDED NOVEMBER 30, 2021, 2020, and 2019**

	2021	2020	2019
NET OPERATING REVENUES	\$ 6,841,967	\$ 7,091,322	\$ 6,960,918
OPERATING EXPENSES			
Salaries and wages	2,864,128	3,194,565	3,085,271
Contractual nursing	1,150,998	290,420	41,138
Retirement costs	29,082	392,200	421,247
Therapy costs	833,129	895,152	1,109,075
Insurance and risk management	442,491	396,375	426,325
Food and dietary supplies	324,235	295,306	282,398
Medical and nursing care supplies and fees	265,235	184,981	216,807
Management fee	342,060	354,622	335,882
Depreciation	280,662	253,692	231,317
Utilities	174,140	169,548	193,187
Maintenance and repairs	128,332	122,167	117,413
Housekeeping and laundry	56,188	37,614	51,675
Professional fees	138,344	85,951	71,870
Advertising	26,909	20,320	19,577
Administration and other	175,463	184,619	157,413
Provision for bad debts	-	-	48,000
Total operating expenses	7,231,396	6,877,532	6,808,595
OPERATING INCOME (LOSS)	(389,429)	213,790	152,323
NON-OPERATING REVENUES (EXPENSES)			
Contributions and bequests	15,000	-	15,365
Grant and stimulus income	351,131	648,055	-
Interest income	22,933	44,066	67,258
Non-operating revenues	389,064	692,121	82,623
NET INCOME	(365)	905,911	234,946
TRANSFERS IN (OUT)	(60,000)	(60,000)	(60,000)
CHANGE IN NET POSITION	(60,365)	845,911	174,946
NET POSITION - BEGINNING	8,146,630	7,300,719	7,125,773
NET POSITION - ENDING	\$ 8,086,265	\$ 8,146,630	\$ 7,300,719

The accompanying notes are an integral part of these financial statements.

MENARD COUNTY
SUNNY ACRES NURSING HOME FUNDS

STATEMENT OF FUNDS' CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2021, 2020, and 2019

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for resident care and other services	\$ 7,085,203	\$ 7,313,933	\$ 7,062,850
Payments to suppliers and others	(5,011,967)	(3,812,472)	(3,774,118)
Payments to employees for salaries and wages	(2,864,047)	(3,159,821)	(3,084,223)
Net cash provided (used) by operating activities	(790,811)	341,640	204,509
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Grant and stimulus receipts	513,465	1,164,213	-
Contributions and bequests	15,000	-	15,365
Net cash provided (used) by non-capital financing activities	528,465	1,164,213	15,365
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Certificates of deposit maturities	3,267,000	3,267,000	2,752,000
Certificates of deposit purchased	(3,282,000)	(3,367,000)	(3,167,000)
Residents' prepayments, overpayments, and deposits	31,858	14,730	(5,845)
Advances (to) from other funds	(204,408)	204,408	-
Transfers out	(60,000)	(60,000)	(60,000)
Capital asset acquisitions	(323,114)	(413,977)	(205,724)
Net cash provided (used) by capital and related financing activities	(570,664)	(354,839)	(686,569)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	23,341	46,315	65,660
Net cash provided (used) by investing activities	23,341	46,315	65,660
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(809,669)	1,197,329	(401,035)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,335,949	2,138,620	2,539,655
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,526,280	\$ 3,335,949	\$ 2,138,620
NON-CASH CAPITAL AND FINANCING ACTIVITIES -----			
Capital asset acquisition included in accounts payable at November 30	\$ -	\$ -	\$ -
NON-CASH TRANSACTIONS			
Pension income (expense)	\$ (346,785)	\$ 27,266	\$ (57,163)
Postemployment benefit expense	-	-	(15,000)
	\$ (346,785)	\$ 27,266	\$ (72,163)

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

OPERATING INCOME (LOSS)	\$ (393,577)	\$ 213,790	\$ 152,323
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Provision for doubtful accounts	88,178	-	-
Depreciation	280,662	253,692	231,317
Postemployment benefit expense	-	-	15,000
Pension (income) expense	(346,785)	(27,266)	57,163
Increase (decrease) in accounts receivable	95,696	163,249	89,691
Increase (decrease) in inventories	(1,054)	(5,154)	5,387
(Increase) decrease in due from other Menard County Funds	-	-	879
(Decrease) increase in accounts payable	(514,012)	(291,415)	(348,299)
(Decrease) increase in accrued compensation	81	34,744	1,048
(Decrease) increase in due to other Menard County Funds	-	-	-
Net cash provided (used by) by operating activities	\$ (790,811)	\$ 341,640	\$ 204,509

The accompanying notes are an integral part of these financial statements.

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

For the Year Ended November 30, 2021, 2020, and 2019

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 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.

Many 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; occasionally longer than 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, a type of proprietary 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 like private business enterprise – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the public on a continuing basis be financed primarily through charges for services provided.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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

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

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. **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

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

to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 that exceed insured limits must be entirely collateralized with appropriate investment securities and or duly executed letters of credit, with the collateralization recorded in the name of the County by the respective financial institution's safekeeping agents for its investment securities.

At November 30, 2021, 2020, and 2019, the carrying amount of the County's bank deposits, including the bank deposits of the Sunny Acres Nursing Home Funds, was entirely insured and or collateralized by securities held by the pledging financial institutions' safekeeping agents in the name of the County.

The County had \$1,321,964, \$1,168,617, and \$1,066,233, respectively, of Sunny Acres Nursing Home's funds on deposit with the Illinois Funds Investment Pool at November 30, 2021, 2020, and 2019. The Illinois Funds is an investment pool managed by the state of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. The Illinois Funds is a GASB No. 79 qualified external investment pool that measures, for financial reporting purposes, all its investments at amortized cost. There are no limitations or restrictions on withdrawals from the pool. This deposit is not categorized because it is not evidenced by specific 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

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

Accounts receivable at November 30, 2021, 2020 and 2019, were as follows –

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

	2021	2020	2019
<i>Private pay</i>	91,737	180,641	141,075
<i>Medicare</i>	374,424	237,502	267,513
<i>Medicaid</i>	71,196	304,435	568,842
<i>Insurance</i>	150,116	277,846	213,409
<i>Interest</i>	2,130	4,583	6,833
<i>Grants</i>	68,560	26,566	-
<i>Totals</i>	758,163	1,031,573	1,197,672
<i>Allowance for Doubtful Accounts</i>	(300,474)	(388,652)	(389,252)
<i>Net</i>	457,689	642,921	808,420

5. DUE FROM TO OTHER FUNDS

Due from other County Funds at November 30 consisted of the following:

	2021	2020	2019
<i>General Fund</i>	-	-	-
<i>Liability and Insurance Fund</i>	-	20,722	20,722
<i>Total</i>	-	20,722	20,722

Due to other County Funds at November 30 consisted of the following:

	2021	2020	2019
<i>Health Department Fund</i>	-	204,408	-

The amount due to the County's Health Department Fund, above, resulted from the inadvertent advance of funds to Sunny Acres Nursing Home from the Menard County Health Department for contact tracing services related to the COVID-19 pandemic. Sunny Acres was unable to perform the services and the funds were returned to the Health Department during 2021.

The County commissioners previously authorized a \$60,000 annual return of accumulated earnings from Sunny Acres' 'operations' to the County's General Fund that commenced during the year ending November 30, 2011; \$660,000 has been returned through November 30, 2021.

**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>2021</i>	<i>2020</i>	<i>2019</i>
<i>Buildings and improvements</i>	7,895,832	7,594,651	7,186,355
<i>Furniture and equipment</i>	1,845,180	1,823,247	1,817,565
<i>Total cost</i>	9,741,012	9,417,898	9,003,920
<i>Accumulated depreciation</i>	(7,498,078)	(7,217,416)	(6,963,723)
<i>Capital assets - net</i>	2,242,934	2,200,482	2,040,197

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 by operations 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 (Department) in administering an alternate Medicaid reimbursement methodology for county owned nursing homes: since its inception this agreement/arrangement has been changed and revised by the Department several times. The current iteration is an arrangement whereby the County earns and collects an administrative allowance for its participation in what the Department describes as an ‘alternate reimbursement methodology’ that provides for a separate ‘Medicaid Supplementary’ revenue stream for the County.

The Menard County Board of Commissioners has designated that the administrative allowances be collected by the Sunny Acres Nursing Home Fund’s operations component and transferred to the fund’s capital reserve component. The related interest income, net of any related operating costs, also is to be retained and restricted for future capital asset funding needs and designated as ‘capital reserve.’

Management expects that this vital income stream will continue, in whole or in part, and help provide the requisite funding for Sunny Acres’ future capital asset needs. Collections for 2021, 2020, and 2019 were \$42,365, \$72,826, and \$216,494, respectively. In this regard, your attention is directed to Note 15 to the financial statements.

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

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.

Most the County's employees participate in the Regular Plan (RP), including those employed through the Sunny Acres Nursing Home Funds. That 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 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.

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

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 rates for 2021, 2020, and 2019 were 6.35%, 6.56%, and 4.74%, respectfully. 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.

Net Pension Liability

The net pension liability (asset) for the plan was measured as of the preceding December 31, for the fiscal years 2021, 2020, and 2019. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

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

The regular plan includes both governmental activities and business-type activities' (the Sunny Acres Nursing Home Funds' employees). The net pension liability (asset) as well as the pension expense (income) 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 year ended November 30, 2021; approximately 56% for governmental activities and 44% for business-type activities, and for the year ended November 30, 2020; approximately 53% for governmental activities and 47% for business-type activities. For 2019 the apportionment was approximately 54% for governmental activities and 46% for business-type activities.

Your attention is directed to the County's annual financial report for the year ended November 30, 2021; that report is available for viewing at - <http://menardcountyl.com/>; there you will find additional and more detailed disclosures at November 30, 2021 in Note 11 to the County's basic financial statements relating to employees covered by the defined benefit pension plan's (RP) terms, deferred amounts related to outflows and inflows, and the pension plan liability.

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 employee participants and is not included in the financial statements. The County has no fiduciary responsibility for the plan's assets.

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

11. POSTEMPLOYMENT BENEFITS AND RESTATEMENT OF NET POSITION

In addition to providing pension benefits that are discussed in Note 9, the County is required to make available postemployment health care benefits (OPEB) for retired employees. The benefits, the benefit levels, retirees' contributions, and the County's contribution, if any, are all governed and determined by the County Board of Commissioners. A formal documented plan has not been established.

The continued health coverage is provided through the Health Options for Public Entities (HOPE) Joint Self Insurance Risk Pool Association at rates established by the Association. To be eligible for benefits, an employee must qualify for retirement through one of the County's three IMRF defined benefit plans. The County requires retirees to contribute all of the premium amount established by the Association. To date, only two retirees have availed themselves of this benefit. Both are former *Governmental activities*' employees. However, this benefit is available to all retiring County employees, including retirees from the County's *Business-type activities*, the Sunny Acres Nursing Home Funds.

Generally accepted accounting principles for postemployment benefits provided by state and local governments require the adoption and implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits, Other Than Pensions*. This standard had an implementation date of November 30, 2018. It has several technical and complex requirements including actuarial determinations; and required supplementary information disclosures of changes in total postemployment benefits liability. The County has not yet adopted GASB Statement No. 75. Management believes that future instances of retiring employees availing themselves of this benefit will not be significant; however, in lieu of an actuarial determination and or a special computational determination, it has recorded estimates of both the potential cumulative liability at December 1, 2017 and the annual cost provision for 2018, and 2019 for its *Business-type activities*. Such amounts for the Sunny Acres Nursing Home Funds were a beginning liability of \$70,000 and an additional recognized annual cost increase of \$15,000 for 2018 and 2019. A cost increase was not recognized for 2021 and 2020; for a total estimated potential liability of \$100,000 at November 30, 2021, 2020, and 2019.

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 has been no significant reduction in risk coverage. The County is self-insured for State of Illinois unemployment compensation purposes.

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

13. COMPONENT DISCLOSURES

Component disclosures for the year ended November 30, 2021 are -

	<i>Sunny Acres Nursing Home Fund</i>		<i>Countryside Estates of the County</i>	<i>Combined Total</i>
	<i>Operations Component</i>	<i>Capital Reserve Component</i>	<i>Fund</i>	
Operating revenues	6,503,370	-	338,597	6,841,967
Operating expenses	6,677,966	950	271,818	6,950,734
Depreciation	196,623	-	84,039	280,662
Operating income	(371,219)	(950)	(17,260)	(389,429)
Non-operating	376,266	9,624	3,174	389,064
Net income(loss)	5,047	8,674	(14,086)	(365)
Transfers	(112,057)	42,365	9,692	(60,000)
New property	270,149	-	52,965	323,114
Working capital	770,661	3,565,568	898,752	5,234,981
Net position	3,037,087	3,565,568	1,483,610	8,086,265

Non-operating income for the 'operations' component includes grant and stimulus income of \$351,131.

Component disclosures for the year ended November 30, 2020 are –

	<i>Sunny Acres Nursing Home Fund</i>		<i>Countryside Estates of the County</i>	<i>Combined Total</i>
	<i>Operations Component</i>	<i>Capital Reserve Component</i>	<i>Fund</i>	
Operating revenues	6,740,249	-	351,073	7,091,322
Operating expenses	6,372,218	650	250,972	6,623,840
Depreciation	182,305	-	71,387	253,692
Operating income(loss)	185,726	(650)	28,714	213,790
Other income	661,225	27,464	3,432	500,661
Net income (loss)	846,951	26,814	32,146	905,911
Transfers	(128,373)	72,826	(4,453)	(60,000)
New property	410,992	-	2,985	413,997
Working capital	1,297,982	3,514,529	872,072	5,684,583
Net position	3,144,097	3,514,529	1,488,004	8,146,630

Non-operating income for the 'operations' component includes grant and stimulus income of \$648,055.

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

Component disclosures for the year ended November 30, 2019 are -

	<i>Sunny Acres Nursing Home Fund</i>		<i>Countryside Estates of the County</i>	<i>Combined Total</i>
	<i>Operations Component</i>	<i>Capital Reserve Component</i>	<i>Fund</i>	
Operating revenues	6,610,101	-	350,817	6,960,918
Operating expenses	6,319,908	700	256,670	6,577,278
Depreciation	156,800	-	74,517	231,317
Operating income(loss)	133,393	(700)	19,630	152,323
Other income	29,524	49,807	3,292	82,623
Net income (loss)	162,917	49,107	22,922	234,946
Transfers	101,935	5,917	(167,852)	(60,000)
New property	78,522	-	5,795	205,724
Working capital	835,357	3,414,889	775,977	5,026,223
Net position	2,425,519	3,414,889	1,460,311	7,300,719

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 net financial position.

15. SUBSEQUENT EVENTS and UNCERTAINTIES

Subsequent events were evaluated through August 30, 2022; the date the financial statements were available for issuance. Events or transactions occurring after November 30, 2021 and through August 30, 2022, if any, that provided additional evidence about conditions that existed at November 30, 2021 have been recognized in the financial statements.

Menard County is required to have what is commonly known as a 'single audit' for the year ended November 30, 2021. A 'single audit' is a rigorous organization-wide audit or examination of a reporting entity that annually expends more than \$750,000 in federal financial assistance received for its operations. The audit objective is to provide assurance to the United States federal government as to the management and use of such funds by the recipients. Menard County's, including its nursing home, volume of expenditures of federal assistance has increased substantially as a consequence of federal financial assistance received from certain State of Illinois agencies' and Federal agencies' fiscal response to the Covid-19 Pandemic. Management expects that the compliance component

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

of the single audit process for 2021 will be satisfactorily completed during the month of September, 2022 by a successor independent auditor.

Also, the commissioners and management continue to evaluate what appears to be a unilateral change in the Medicaid reimbursement methodology for Sunny Acres Nursing Home by the State of Illinois Department of Healthcare and Family Services during 2020 that has continued 2021 and 2022. It is possible that a significant amount of what was previously designated as “Medicaid supplementary” revenues has remained on deposit with the Sunny Acres ‘*operations component*’ rather than transferred to Sunny Acres’ ‘*capital reserve component*’. The 2020 and 2021 financial statements do not include any adjustments, if any, that might result or have resulted from the eventual outcome of this uncertainty. The history of the methodology for the reimbursement process is discussed more fully in Note 8 to the financial statements

16. RESTATEMENT

Management recently reassessed the timing of expenditures of federal assistance between 2020 and 2021. The result was a \$191,460 increase in federal grant and stimulus income earned for 2020 and a corresponding decrease in deferred income at November 30, 2020. The 2020 financial statements have been restated, accordingly.