

**ATTACHMENTS GIVEN
TO THE COMMITTEE
AT THE MEETING**

**JOINT FINANCE
COMMITTEE/NURSING HOME
BOARD OF DIRECTORS
JULY 10, 2008**

Contents:

1. Rachel Schwartz's Report on Nursing Home Accounting – Agenda Item IV
2. Memorandums from Tony Fabri Re County Audit & CCNH– Not on Agenda

Champaign County Nursing Home

A Few Observations about (Fixable) Current Issues

1. Data Integrity – Two Examples

1.1 Accounts Payable

Balance for 11/30/07 is reported as:

- \$261,602** on the county's unaudited balance sheet (dated 1/29/08, see below);
- \$988,510** on the cost report filed with the State of Illinois (next page);
- \$1,437,732** on the county's audited balance sheet (issued 6/27/08).

*** PRIOR FY ***		CHAMPAIGN COUNTY		BALANCE SHEET	
		PERIOD ENDING 11/30/07		RUN	1/29/08
				PAGE 9	
		PUND 081 NURSING HOME			
ACCOUNT NO.	ACCOUNT DESCRIPTION	* MONTH-TO-DATE *		ENDING BALANCE	
		DEBITS	CREDITS		
ASSETS AND OTHER DEBITS					
101.00	CASH		1,475.22		147,702.14
102.10	PETTY CASH / CASH ON HAND				500.00
102.20	ADVANCES	29.25	1,024.25-		.00
102.30	PAYROLL ADVANCES				.00
115.01	ACCTS REC-NRS HM PRIV PAY	411,587.96			209,638.84
115.10	INTEREST RECEIVABLE				.00
115.20	OTHER REVENUE RECEIVABLE		112.62		112.62
131.01	DUE FROM COLLECTOR FUND		683.17		683.17
131.10	DUE FROM OTHER FUNDS		29.25		29.25
132.00	DUE FROM OTHER GOV UNITS				.00
132.30	DUE FROM IL PUBLIC AID	412,158.62			1,373,911.28
132.31	DUE FRM IL DP AGING-DAYCR	14,403.03			38,784.12
132.32	DUE FRM US TREAS-MEDICARE	238,922.26			448,463.96
151.00	TERM INVESTMENTS				.00
153.10	FUNDED DEPREC-INVESTMENT				.00
153.40	PATIENT TRUST CASH, INVEST	316.43	55.38-		10,974.67
171.00	ESTIMATED REVENUES		15,930,814.00-		.00
172.00	REVENUES	14,964,685.32	1,079,763.15-		.00
172.10	EXPENDITURE REFUNDS	28.62	28.62-		.00
LIABILITIES AND OTHER CREDITS					
203.00	ACCOUNTS PAYABLE	683.01	262,285.21-		261,602.20-
204.00	SALARIES & WAGES PAYABLE		265,268.91-		265,268.91-
207.00	NUR HM PATIENT TRUST FUND	55.38	316.43-		10,974.67-
207.10	DUE TO ACCT PAYABLE FUND	35.10			35.10
207.20	DUE TO PAYROLL FUND				.00
207.30	DUE TO GENERAL CORP FUND				361,014.98-
207.50	DUE TO OTHER FUNDS		548,649.15-		548,649.15-
208.50	DUE TO OTHERS (NON-GOVT)				.00
241.00	APPROPRIATIONS	16,045,814.00			.00
242.00	EXPENDITURES	1,076,934.90	14,879,350.22-		.00
243.00	ENCUMBRANCES		9,951.74-		.00
244.00	RESERVE FOR ENCUMBRANCES	9,951.74			.00
251.10	OBLIG UNDER CAPITAL LEASE	683.01	683.01-		9,552.76-
272.30	RETAIN EARNING-UNRESERVED		200,398.82-		2,925,526.47
273.00	CONTRIBUTED CAPITAL				3,699,298.95-

STATE OF ILLINOIS

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Facility Name & ID Number Champaign County Nursing Home

0001636

Report Period Beginning: 12/01/2006

Ending: 11/30/2007

XV. BALANCE SHEET - Unrestricted Operating Fund.

As of 11/30/2007 (last day of reporting year)

This report must be completed even if financial statements are attached.

		1 Operating	2 After Consolidation*	
A. Current Assets				
1	Cash on Hand and in Banks	\$ 148,202	\$ 148,202	1
2	Cash-Patient Deposits	10,875	10,875	2
3	Accounts & Short-Term Notes Receivable- Patients (less allowance 59,365)	2,011,433	2,011,433	3
4	Supply Inventory (priced at)			4
5	Short-Term Investments			5
6	Prepaid Insurance			6
7	Other Prepaid Expenses	29,543	29,543	7
8	Accounts Receivable (owners or related parties)			8
9	Other(specify): Other receivables	357,765	357,765	9
10	TOTAL Current Assets (sum of lines 1 thru 9)	\$ 2,557,818	\$ 2,557,818	10
B. Long-Term Assets				
11	Long-Term Notes Receivable			11
12	Long-Term Investments			12
13	Land			13
14	Buildings, at Historical Cost	23,227,194	23,227,194	14
15	Leasehold Improvements, at Historical Cost	443,467	443,467	15
16	Equipment, at Historical Cost	946,624	946,624	16
17	Accumulated Depreciation (book methods)	(858,096)	(858,096)	17
18	Deferred Charges			18
19	Organization & Pre-Operating Costs			19
20	Accumulated Amortization - Organization & Pre-Operating Costs			20
21	Restricted Funds			21
22	Other Long-Term Assets (specify):			22
23	Other(specify):			23
24	TOTAL Long-Term Assets (sum of lines 11 thru 23)	\$ 23,759,189	\$ 23,759,189	24
25	TOTAL ASSETS (sum of lines 10 and 24)	\$ 26,317,007	\$ 26,317,007	25

		1 Operating	2 After Consolidation*	
C. Current Liabilities				
26	Accounts Payable	\$ 988,510	\$ 988,510	26
27	Officer's Accounts Payable			27
28	Accounts Payable-Patient Deposits	10,875	10,875	28
29	Short-Term Notes Payable			29
30	Accrued Salaries Payable	728,078	728,078	30
31	Accrued Taxes Payable (excluding real estate taxes)			31
32	Accrued Real Estate Taxes(Sch.IX-B)			32
33	Accrued Interest Payable			33
34	Deferred Compensation			34
35	Federal and State Income Taxes			35
Other Current Liabilities(specify):				
36	See Schedule 17A	919,217	919,217	36
37				37
38	TOTAL Current Liabilities (sum of lines 26 thru 37)	\$ 2,646,680	\$ 2,646,680	38
D. Long-Term Liabilities				
39	Long-Term Notes Payable			39
40	Mortgage Payable			40
41	Bonds Payable			41
42	Deferred Compensation			42
Other Long-Term Liabilities(specify):				
43				43
44				44
45	TOTAL Long-Term Liabilities (sum of lines 39 thru 44)	\$	\$	45
46	TOTAL LIABILITIES (sum of lines 38 and 45)	\$ 2,646,680	\$ 2,646,680	46
47	TOTAL EQUITY(page 18, line 24)	\$ 23,670,327	\$ 23,670,327	47
48	TOTAL LIABILITIES AND EQUITY (sum of lines 46 and 47)	\$ 26,317,007	\$ 26,317,007	48

1.2 No External Auditor?

<p>Facility Name & ID Number <u>Champaign County Nursing Home</u></p> <p>XX. GENERAL INFORMATION:</p> <p>(1) Are nursing employees (RN,LPN,NA) represented by a union? <u>Yes</u></p> <p>(2) Are there any dues to nursing home associations included on the cost report? <u>Yes</u> If YES, give association name and amount. <u>IHCA-14168</u></p> <p>(3) Did the nursing home make political contributions or payments to a political action organization? <u>Yes</u> If YES, have these costs been properly adjusted out of the cost report? <u>Yes</u></p> <p>(4) Does the bed capacity of the building differ from the number of beds licensed at the end of the fiscal year? <u>No</u> If YES, what is the capacity? <u>N/A</u></p> <p>(5) Have you properly capitalized all major repairs and equipment purchases? <u>Yes</u> What was the average life used for new equipment added during this period? <u>10 years</u></p> <p>(6) Indicate the total amount of both disposable and non-disposable diaper expense and the location of this expense on Sch. V. \$ <u>72,787</u> Line <u>L10 C2</u></p> <p>(7) Have all costs reported on this form been determined using accounting procedures consistent with prior reports? <u>Yes</u> If NO, attach a complete explanation.</p> <p>(8) Are you presently operating under a sale and leaseback arrangement? <u>No</u> If YES, give effective date of lease. <u>N/A</u></p> <p>(9) Are you presently operating under a sublease agreement? <u>YES</u> <input checked="" type="checkbox"/> <u>X</u> <u>NO</u></p> <p>(10) Was this home previously operated by a related party (as is defined in the instructions for Schedule VII)? <u>YES</u> <u>NO</u> <input checked="" type="checkbox"/> <u>X</u> If YES, please indicate name of the facility, IDPH license number of this related party and the date the present owners took over. <u>N/A</u></p> <p>(11) Indicate the amount of the Provider Participation Fees paid and accrued to the Department during this cost report period. \$ <u>128,760</u> This amount is to be recorded on line 42 of Schedule V.</p> <p>(12) Are there any salary costs which have been allocated to more than one line on Schedule V for an individual employee? <u>No</u> If YES, attach an explanation of the allocation.</p> <p style="text-align: center;">SEE ACCOUNTANTS' COMPILATION REPORT</p>	<p style="text-align: center;">STATE OF ILLINOIS</p> <p style="text-align: center;"># <u>0001636</u> Report Period Beginning: <u>12/01/2006</u> Ending: <u>11/30/2007</u></p> <p>(13) Have costs for all supplies and services which are of the type that can be billed to the Department, in addition to the daily rate, been properly classified in the Ancillary Section of Schedule V? <u>Yes</u></p> <p>(14) Is a portion of the building used for any function other than long term care services for the patient census listed on page 2, Section B? <u>Yes - See Pg. 8A</u> For example, is a portion of the building used for rental, a pharmacy, day care, etc.) If YES, attach a schedule which explains how all related costs were allocated to these functions.</p> <p>(15) Indicate the cost of employee meals that has been reclassified to employee benefits on Schedule V. \$ <u>None</u> Has any meal income been offset against related costs? <u>Yes</u> Indicate the amount. \$ <u>5,615</u></p> <p>(16) Travel and Transportation a. Are there costs included for out-of-state travel? <u>No</u> If YES, attach a complete explanation. b. Do you have a separate contract with the Department to provide medical transportation for residents? <u>No</u> If YES, please indicate the amount of income earned from such a program during this reporting period. \$ <u>N/A</u> c. What percent of all travel expense relates to transportation of nurses and patients? <u>0</u> d. Have vehicle usage logs been maintained? <u>Adequate records have been maintained.</u> e. Are all vehicles stored at the nursing home during the night and all other times when not in use? <u>Yes</u> f. Has the cost for commuting or other personal use of autos been adjusted out of the cost report? <u>N/A</u> g. Does the facility transport residents to and from day training? <u>No</u> Indicate the amount of income earned from providing such transportation during this reporting period. \$ <u>N/A</u></p> <div style="border: 1px solid black; padding: 5px;"> <p>(17) Has an audit been performed by an independent certified public accounting firm? <u>No</u> Firm Name: <u>Audited by Champaign County Auditor</u> The instructions for the cost report require that a copy of this audit be included with the cost report. Has this copy been attached? <u>No</u> If no, please explain. <u>Audit not yet complete.</u></p> </div> <p>(18) Have all costs which do not relate to the provision of long term care been adjusted out of Schedule V? <u>Yes</u></p> <p>(19) If total legal fees are in excess of \$5,000, have legal invoices and a summary of services performed been attached to this cost report? <u>Yes</u> Attach invoices and a summary of services for all architect and appraisal fees</p>
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2. Contract Nursing

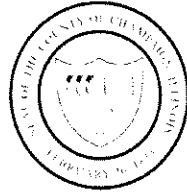
The Increasing Cost of Contract Nursing (primarily RN and LPN):

	<u>Total Spending</u>	<u>RN and LPN</u>
FY 2003	\$79,154	\$74,670
FY 2004	\$207,718	\$183,115
FY 2005	\$244,238	\$179,184
FY 2006	\$711,777	\$573,370
FY 2007	\$1,277,848	\$1,061,533
Dec 07 – May 08	\$620,770	

An Alarming Percentage of RN and LPN Hours Provided by Agency Nurses

	<u>RN/LPN Agency Hours</u>	<u>RN/LPN Staff Hours</u>	<u>% Agency of Total</u>
FY 2003	2,011	52,366	3.7%
FY 2004	5,109	48,284	9.6%
FY 2005	4,735	55,947	7.8%
FY 2006	14,823	48,524	23.5%
FY 2007	28,445	43,848	39.4%
Dec 07 – Feb 08	6,689	10,160	39.7%

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OFFICE OF THE AUDITOR
CHAMPAIGN COUNTY, ILLINOIS

TO: County Board & Nursing Home Board members
FROM: Tony Fabri
DATE: July 10, 2008
RE: County Audit & CCNH

MEMORANDUM

At the suggestion of outside auditor Karl Drake, an additional footnote was added to the financial statements in this year's Comprehensive Annual Financial Report (CAFR), the annual financial audit for Champaign County. The footnote (which is attached) is entitled "Nursing Home Financial Difficulties and Continuing Viability" and may be found on page 81 of the CAFR.

The footnote describes the financial difficulties of the County Nursing Home over the past several years, and lists the Nursing Home deficit for each of the past five years, and the amount of money transferred into the Nursing Home from County government for each of the past five years.

The total amount transferred in from the County's General Fund over the past five years (2002-2007) comes to \$1,559,239.

The accumulated losses over the past five years (2002-2007) come to \$4,997,676.

Last year (FY07) the Nursing Home deficit was \$1,412,908.

I am highlighting this for you because decision-makers need accurate financial information regarding the Nursing Home in order to make sound decisions for the Nursing Home's future. In the past, County Board members have received conflicting information from different sources regarding Nursing Home finances, and I provide you with these audited numbers as a definitive statement of the Nursing Home's recent financial history.

Anyone interested in receiving a full copy of the CAFR (either in paper or electronic form) may contact the Auditor's Office at 384-3763, or e-mail me directly at tfabri@co.champaign.il.us.

NOTE 26 - NURSING HOME FINANCIAL DIFFICULTIES AND CONTINUING VIABILITY

The Champaign County Nursing Home has for several years experienced financial challenges. During the prior five fiscal years, the following income or losses (GAAP basis) before transfers have been sustained:

2002	(373,214)
2003	18,321
2004	(769,602)
2005	(1,153,507)
2006	<u>(1,306,766)</u>
Total prior five year net losses before transfers	\$ (3,584,768)
Current year loss is	<u>(1,412,908)</u>
Total accumulated losses 2002 - 2007	\$ <u>(4,997,676)</u>

During that same six year period, the following transfers have been made to the Nursing Home Fund from the General Fund:

2002	\$ 66,870	
2003	40,407	
2004	10,000	
2005	(5,917)	(net transfer out)
2006	1,167,931	(net)
2007	<u>279,948</u>	(net)
Total from General Fund	\$ <u>1,559,239</u>	

At November 30, 2001, the Nursing Home Fund had \$4,247,473 in fund equity, and at the end of the current fiscal year fund equity is \$843,050 (before the one-time capital transfer in of \$22,387,373), a decrease of \$3,404,423. In addition, liabilities at November 30, 2001 totaled \$1,064,556, and at November 30, 2007 total liabilities are \$3,976,344, an increase in liabilities of \$2,911,788.

In addition, loans to the Nursing Home from various other funds in FY 2008 so far total \$1,604,119, including a loan of \$592,000 approved June 19, 2008. This last loan was approved on the condition that the Nursing Home Administrator find \$300,000 in offsetting and continuing improvements in the operation of the Nursing Home. Loans carried over from FY 2007 totaled \$361,015, including \$300,000 that came due on 3/30/08 that was renewed for another year on 4/24/08, bringing the current loan total to \$1,965,261. The ability to repay these loans is in serious doubt.

The Nursing Home is in a difficult position. Losses as described above cannot continue to be sustained for very much longer. Failure to stop the losses will eventually lead to the Nursing Home being closed, sold, or leased to others. Continuation of these losses creates concern about the ability of the Nursing Home to continue operations. In addition, the general fund of the County cannot sustain the level of support it has been providing to the Nursing Home.

Champaign County management and the County Board have spent a considerable amount of time in the past two years addressing the problems at the Nursing Home. Two consulting engagements have been commissioned to help the Nursing Home management attempt to turn the situation around. A separate Nursing Home Board has recently been established to provide further assistance to the Nursing Home Administrator, and on June 19, 2008, a 3-year management contract was approved to engage a firm to provide operational management of the Nursing Home.