

11-037

**Constantino, Mike**

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**From:** anne.murphy@hklaw.com  
**Sent:** Thursday, July 28, 2011 2:18 PM  
**To:** Constantino, Mike  
**Cc:** rmark@ccbhs.org  
**Subject:** FW: numbers for oak forest  
**Attachments:** Financial Statements Year Ended Nov 30 2008.pdf

Mike,

Please see below for the response to your questions regarding the net revenue and charity care/charge numbers for Oak Forest Hospital. As to the FY 2008 net revenue being lower than in years 2007 or 2009, Randy noted to me that this deviation was largely due to the phase out of Medicaid "UPL" supplemental payments. This phase out impacted primarily the revenues in FY 2008.

Thanks. As always, please let me know if you have any additional questions. I am working on responses to your other questions.

--Anne

**Anne Murphy | Holland & Knight**

Partner

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**From:** Mark, Randall [mailto:rmark@cookcountyhhs.org]  
**Sent:** Wednesday, July 27, 2011 2:47 PM  
**To:** Murphy, Anne M (CHI - X66544); Reidy, Elizabeth  
**Subject:** RE: numbers for oak forest/URGENT

Anne:

The FY2008 number is taken from the audited financials (attached, see p 35); with respect to cost/charge ratio, it often has been the case in the past – I do not believe this is true any longer – that our costs have exceeded our charges because the charges were not modernized into a contemporary chargemaster; Much work has been done on this the last couple of years; The FY2008 financials at p.18 note that System-wide costs exceeded charges;

Please share with Mike, and refer him to me if he has any further questions;

Thanks;

---Randy

---

**From:** Constantino, Mike [mailto:Mike.Constantino@Illinois.gov]  
**Sent:** Tuesday, July 26, 2011 10:05 AM

**To:** Murphy, Anne M (CHI - X66544)  
**Subject:** numbers for oak forest

	FY 2009	FY 2008	FY 2007
Net Patient Revenue	\$100,511,313	\$46,312,262	\$75,029,785
Amount of Charity Care (charges)	\$22,777,202	\$15,223,275	\$3,202,664
Cost of Charity Care	\$24,050,865	\$15,316,551	\$3,545,594
Ratio of Charity Care Cost to net patient revenue	24%	33%	5%

Anne:

The numbers for FY 2008 do not look correct especially the net revenue figure and I do not understand how charges can be less than the cost.

Mike Constantino  
Illinois Department of Public Health  
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Springfield, Illinois 62761  
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# Cook County Health and Hospitals System of Illinois

An Enterprise fund of Cook County, Illinois

Financial Statements as of and for the Year Ended  
November 30, 2008, Combining Supplemental Schedules as  
of and for the Year Ended November 30, 2008, and  
Independent Auditors' Report

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

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## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Cook County, Illinois

We have audited the accompanying financial statements of the Cook County Health and Hospitals System of Illinois (CCHHS) as of and for the year ended November 30, 2008. These financial statements are the responsibility of the CCHHS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CCHHS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present only the CCHHS and do not purport to, and do not, present fairly the financial position of Cook County, Illinois, as of November 30, 2008, and the changes in its financial position, or its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the CCHHS as of November 30, 2008, and the changes in its financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 9 and Schedule of Funding Progress on page 28, which are the responsibility of CCHHS' management, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CCHHS' financial statements. The accompanying combining supplementary schedules on pages 29 through 41, which are the responsibility of the CCHHS' management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining supplementary schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The combining supplementary schedules have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

*Deloitte & Touche LLP*

November 30, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Introduction**

In May 2008, the Cook County Board of Commissioners renamed the Cook County Health Facilities as the Cook County Health and Hospital System (CCHHS).

This discussion and analysis provides the readers of the financial statements of the CCHHS with an overview of the financial activities and financial position for the fiscal year ended November 30, 2008. This discussion focuses on the significant financial issues and major financial activities and the resulting changes in financial position and includes comparative data for the prior year. It should be read in conjunction with the accompanying financial statements of the CCHHS.

The CCHHS includes the following entities: John H. Stroger Jr. Hospital (JSH); Oak Forest Hospital (OFH); Provident Hospital (PHCC); the Department of Public Health (DPH); the Ambulatory and Community Health Network (ACHN); and, the Bureau of Health Services (BHS). Collectively, these entities provide primary, intermediate, acute, and tertiary medical care to patients, without regard to their ability to pay. The Bureau of Health Services oversees the operational, planning, and policy activities of the CCHHS.

CCHHS is the third largest public hospital system in the United States operated by a unit of local government and is, by far, the largest provider of medical care to the uninsured, underinsured, and Medicaid populations in the state of Illinois. The emergency department at JSH is the busiest in the metropolitan Chicago area with a 2008 census of more than 128,000 patient encounters. The PHCC emergency department is the fourth largest in the area with almost 40,000 encounters in 2008.

The CCHHS is included in the reporting entity of Cook County, Illinois, as an enterprise fund. As an enterprise fund, the CCHHS' financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net assets, financial position, and cash flows in a manner similar to private sector businesses. The financial statements are prepared on an accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

### **Summary of Operating and Financial Highlights**

The current Cook County Board President was sworn in on December 4, 2006. The Board President appointed new leadership at CCHHS, including a new interim Chief of the Bureau of Health Services, a new Chief Operating Officer, and a new Chief Financial Officer. New clinical, operating, and financial leadership has also been established in various operating entities within CCHHS. In addition, effective January 1, 2007, a new third-party vendor was hired to manage the information systems of CCHHS. In fiscal year 2008 a new Health and Hospital Systems Board was created by the Cook County Board of Commissioners to provide independent oversight of health care operations. The Cook County Health and Hospital Systems continues to undertake significant restructuring with a focus on operational efficiency so that the System can better fulfill its mission of serving the health care needs of the region. Additionally, Management continues throughout fiscal year 2008 and fiscal year 2009 to recruit and hire permanent key leadership positions.

Due to limited resources, the Bureau of Health undertook a significant restructuring which included, as part of the fiscal year 2007 budget, streamlining of organizational structures, consolidation or outsourcing of certain services, reducing services such as long-term care and layoffs of personnel. In fiscal year 2008, management has continued its focus on operational efficiency and cost cutting due to budgetary constraints. In the short-term, these actions are meant to stabilize CCHHS' operations so that the Bureau can continue to fulfill its mission of serving the health care needs of the region.

As more fully described in Note 2 to the notes to the financial statements, the CCHHS continues to incur significant operating losses due to declining federal reimbursements, dependency on Illinois Medicaid payments, a large self pay patient population, and rising labor and medical costs. These factors will require the Board of Commissioners and the CCHHS management to identify new sources of revenues, reduce costs, or realign services to remain financially viable in the long term. The Board of Commissioners passed a resolution on July 1, 2008, evidencing a commitment to continue to fund the operations of the CCHHS.

### **Financial Highlights**

All amounts within this Management's Discussion and Analysis are expressed in thousands of dollars.

- The assets of the CCHHS exceeded its liabilities at the close of fiscal years 2008 and 2007 by \$588,488 and \$600,998, respectively. Of these amounts, \$82,025 and \$70,961, respectively, are unrestricted net assets. In addition, CCHHS net investment in capital assets decreased \$19,198 primarily due to annual depreciation.
- Total net assets decreased by \$12,510 in fiscal year 2008 as compared to a decrease of \$105,231 in fiscal year 2007. The decreases are primarily the result of increasing self-pay population utilizing CCHHS services, declining federal and state reimbursements, and rising labor and medical costs.
- Loss from operations in fiscal year 2008 was \$529,189 as compared to fiscal year 2007 was \$474,977. The \$54,212 increase in the operating loss is primarily the result of a decrease in patient volume of 47 days and a corresponding \$43,605 decrease in operating expenses.
- During fiscal year 2008, the self-pay component of the CCHHS payor mix decreased to 55% from 57% in fiscal year 2007, while Medicaid payor mix increased to 29% from 28% over the same period.
- The provision for bad debt expense decreased in fiscal year 2008 by approximately \$5,256 or 2% to \$329,803. This decrease is due to decrease in uninsured and underinsured patients being treated at CCHHS facilities as charity care.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the CCHHS financial statements. The CCHHS basic financial statements are comprised of two components: (1) fund financial statements, and (2) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the financial statements themselves.

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CCHHS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### *Proprietary Funds*

The CCHHS maintains one type of proprietary fund. The CCHHS uses one enterprise fund to account for its health care operation.

The proprietary fund financial statements can be found on pages 10–13 of this report.

### *Notes to Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 14–27 of this report.

### *Other Information*

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 28 of this report.

The combining statements are presented immediately following the required supplementary information on pensions. Combining statements and schedules can be found on pages 29–41 of this report.

### **Operating Statistics**

The following table represents utilization statistics for the CCHHS for the fiscal years ended November 30, 2008 and 2007:

	<b>2008</b>	<b>2007</b>	<b>Percent Change</b>
Patient days	160,719	207,829	-23%
Average daily census	439	569	-23%
Admissions	31,186	30,829	1%
Average length of stay	5.15	6.74	-24%

### **Fund-Wide Financial Analysis**

As previously noted, net assets may serve over time as a useful indicator of a fund's financial position. In the case of the CCHHS, assets exceeded liabilities by \$588,488 and \$600,998 at November 30, 2008 and 2007, respectively.

The largest portion of the CCHHS net assets (86% and 87% for 2008 and 2007, respectively) reflects its investments in capital assets. The CCHHS uses these capital assets to provide services; consequently, these assets are not available for future spending.

**TABLE 1**  
**BALANCE SHEETS**  
(In thousands)

	November 30	
	2008	2007
Current and other assets	\$ 599,530	\$ 502,434
Capital assets	<u>504,481</u>	<u>523,679</u>
Total assets	<u>\$ 1,104,011</u>	<u>\$ 1,026,113</u>
Current liabilities	\$ 505,931	\$ 413,322
Other liabilities	<u>9,592</u>	<u>11,793</u>
Total liabilities	515,523	425,115
Net assets:		
Invested in capital assets	504,481	523,679
Restricted for time and purpose	1,982	6,358
Unrestricted	<u>82,025</u>	<u>70,961</u>
Total net assets	<u>588,488</u>	<u>600,998</u>
Total liabilities and net assets	<u>\$ 1,104,011</u>	<u>\$ 1,026,113</u>

Net assets for the CCHHS decreased by \$12,510 during fiscal year 2008 to \$588,488, and \$105,231 during fiscal year 2007 to \$600,998. Current and other assets increased \$97,096 during fiscal year 2008 to \$599,530, and decreased by \$12,749 during fiscal year 2007 to \$502,434. Cash and cash equivalents increased \$38,382 or 23%, to \$205,090 in fiscal year 2008, and decreased \$32,961 or 16.5%, to \$166,709 in fiscal year 2007. The current ratio remains at 1.2 in fiscal year 2008 and 2007.

Capital assets for the CCHHS decreased by \$19,198 during fiscal year 2008 to \$504,481, and \$45,393 during fiscal year 2007 to \$523,679. Net additions for fiscal year 2008 and fiscal year 2007 were \$19,964 and \$2,074, respectively, while depreciation expense was \$39,162 and \$47,478, respectively. As a result, the average age of plant of CCHHS' facilities increased to 8.3 years in fiscal year 2008 from 6.1 years in fiscal year 2007.

**TABLE 2**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
(In thousands)

	2008	2007
Operating revenues:		
Net patient service revenue — net of provision of \$329,803 and \$335,059, respectively)	\$ 358,894	\$ 450,204
Other revenue	<u>22,915</u>	<u>29,422</u>
Total operating revenues	<u>381,809</u>	<u>479,626</u>
Operating expenses:		
Salaries and benefits	629,459	647,408
Supplies	107,935	117,550
Purchased services, rental, and other	111,460	119,897
Depreciation	39,162	47,478
Utilities	18,891	15,877
Services contributed to other County offices	<u>4,091</u>	<u>6,393</u>
Total operating expenses	<u>910,998</u>	<u>954,603</u>
Operating loss	<u>(529,189)</u>	<u>(474,977)</u>
Nonoperating revenue (expenses):		
Property taxes	139,615	140,119
Sales tax	160,337	1,045
Cigarette taxes	135,932	134,263
Interest income	291	630
Retirement plan contribution	56,449	85,212
Services contributed by other County offices	<u>4,091</u>	<u>6,393</u>
Total nonoperating revenues — net	<u>496,715</u>	<u>367,662</u>
Loss before other revenue, expenses, gains, and losses	(32,474)	(107,315)
Gain of disposal of capital assets		10
Capital contributions	<u>19,964</u>	<u>2,074</u>
Change in net assets	(12,510)	(105,231)
Net assets — beginning of year	<u>600,998</u>	<u>706,229</u>
Net assets — end of year	<u>\$ 588,488</u>	<u>\$ 600,998</u>

Operating revenue, net of bad debt provision, decreased to \$381,809 in fiscal year 2008 from \$479,626 in fiscal year 2007. This decrease is primarily attributable to a decrease in admissions and a decrease in patient volume of 47 days.

Salaries and benefits decreased nominally in fiscal year 2008 by \$17,949, or approximately 3%, to \$629,459, and decreased nominally in fiscal year 2007 by \$34,676, or approximately 5%, to \$647,408.

Supplies expense, including pharmaceuticals, decreased to \$107,935 in fiscal year 2008, a 8% decrease over the fiscal year 2007 amount of \$117,550. Despite rising pharmaceutical prices, utilization management programs implemented by CCHHS limited increases in this line item.

Purchased services, rental, and other expenses decreased to \$111,460, or 7% in fiscal year 2008 from \$119,897 in fiscal year 2007. This is due primarily to the decrease in patient volume. CCHHS also concentrated on consolidating operations in existing office buildings and eliminating office leases in fiscal year 2008.

As a result of the above factors, the operating loss of CCHHS increased \$54,212 in fiscal year 2008 to \$529,189, and decreased \$23,895 in fiscal year 2007 to \$474,977. This continued deterioration in the financial operations of CCHHS led to the adoption of a resolution by the Cook County Board of Commissioners on July 1, 2008, to continue to fund the operations of CCHHS. Management understands that this trend is unsustainable and is examining ways to improve the registration, billing, and collection processes to maximize revenues to CCHHS, as well as identifying ways to reduce operating costs.

Nonoperating revenue increased \$129,053 in fiscal year 2008 to \$496,715, and increased \$43,210 in fiscal year 2007 to \$367,662. The increase in 2008 is primarily due to the Cook County Board of Commissioners voting to increase the allocation of sales tax for CCHHS to help fund operations.

## **Capital Assets and Debt Administration**

### *Capital Assets*

The CCHHS investment in capital assets amounts to \$504,481 and \$523,679, net of depreciation, as of fiscal year 2008 and fiscal year 2007, respectively. This investment includes buildings, improvements and equipment. The \$19,198 decrease in capital assets for fiscal year 2008 is the result of depreciation expense of \$39,162 outpacing the net investment in capital assets of \$19,964. The \$45,393 decrease in capital assets for fiscal year 2007 is the result of depreciation expense of \$47,478 outpacing the net investment in capital assets of \$2,074.

Additional information of the CCHHS capital assets can be found in Note 6 on page 19 of this report.

### *Debt Administration*

It should be noted that all debts associated with the capital assets of the CCHHS are the general obligations of the County.

## **Economic Factors**

The health care industry is highly dependent upon a number of factors that have a significant effect on the future operations and financial condition of the CCHHS. These factors include federal and state regulatory authorities, Medicare and Medicaid laws and regulations, health care reform initiatives, and managed care contract terms and conditions.

As of the date of this report, there are no known facts, decisions, or conditions that are expected to have a significant effect on the net assets or the results of operations, other than the fact that salaries in the health care industry have become very competitive as a result of the national shortage of health care professionals. The CCHHS has provided for increases in salaries and benefits in the budget to assist in the hiring and retention of high quality employees.

### **Contacting CCHHS' Financial Management**

This financial report is intended to provide our patients, elected officials, citizens, creditors, and vendors with a general overview of the CCHHS' finances and to demonstrate accountability for the tax funding that it receives. If you have any questions regarding this report or need additional information, please contact the CCHHS' Chief Financial Officer at 1900 W. Polk Street, Room 505, Chicago, Illinois 60612, [www.cookcountygov.com](http://www.cookcountygov.com).

**FINANCIAL STATEMENTS**

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## BALANCE SHEET AS OF NOVEMBER 30, 2008

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### ASSETS

#### CURRENT ASSETS:

Cash and cash equivalents (Note 5):	
Cash in banks	\$ 3,016,034
Cash held by Cook County Treasurer	119,123,427
Working cash fund	<u>82,951,380</u>
Total cash and cash equivalents	<u>205,090,841</u>

#### Property taxes receivable:

Tax levy — current year	144,388,125
Tax levy — prior year	<u>18,008,277</u>
Total property taxes receivable	<u>162,396,402</u>

#### Receivables:

Patient accounts — net of allowances for uncollectible accounts of \$1,348,109,049	157,372,113
Third-party settlements	67,649
Other receivables	5,492,597
Due from state of Illinois - sales tax	32,882,286
Due from other County governmental fund	<u>28,900,000</u>
Total receivables	<u>224,714,645</u>

Inventories	<u>7,328,052</u>
Total current assets	<u>599,529,940</u>

CAPITAL ASSETS — Depreciable assets — net (Note 6)	<u>504,480,586</u>
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TOTAL	<u>\$ 1,104,010,526</u>
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(Continued)

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## BALANCE SHEET AS OF NOVEMBER 30, 2008

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### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES:

Due to Cook County Treasurer (Note 9)	\$ 236,533,163
Accounts payable	89,802,372
Accrued salaries, wages, and other liabilities	33,997,921
Compensated absences	40,042,440
Deferred revenue (Note 7)	78,704,500
Third-party settlements	1,287,807
Due to state of Illinois	24,718,132
Due to other County governmental fund	43,455
Due to others	728,288
Trust funds	<u>72,779</u>

Total current liabilities 505,930,857

RESERVE FOR TAX OBJECTION SUITS (Note 8) 9,592,122

Total liabilities 515,522,979

#### COMMITMENTS AND CONTINGENCIES (Note 15)

#### NET ASSETS:

Invested in capital assets	504,480,586
Restricted net assets	1,982,096
Unrestricted net assets	<u>82,024,865</u>

Total net assets 588,487,547

TOTAL \$1,104,010,526

See notes to financial statements.

(Concluded)

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED NOVEMBER 30, 2008

OPERATING REVENUES:	
Net patient service revenue — net of provision of \$329,803,156	\$ 358,893,978
Other revenue	<u>22,914,650</u>
Total operating revenues	<u>381,808,628</u>
OPERATING EXPENSES:	
Salaries and wages	499,477,843
Employee benefits	129,980,976
Supplies	107,934,530
Purchased services, rental, and other	111,459,581
Depreciation	39,162,451
Utilities	18,891,322
Services contributed by other County offices (Note 9)	<u>4,090,932</u>
Total operating expenses	<u>910,997,635</u>
OPERATING LOSS	<u>(529,189,007)</u>
NONOPERATING REVENUE:	
Property taxes	139,614,672
Sales tax	160,337,391
Cigarette taxes	135,931,446
Interest income	291,412
Retirement plan contribution (Note 11)	56,448,732
Services contributed by other County offices (Note 9)	<u>4,090,932</u>
Total nonoperating revenue	<u>496,714,585</u>
Loss before other revenue, expenses, gains, and losses	(32,474,422)
Capital contributions (Note 9)	<u>19,963,716</u>
Change in net assets	(12,510,706)
NET ASSETS — Beginning of year	<u>600,998,253</u>
NET ASSETS — End of year	<u>\$ 588,487,547</u>

See notes to financial statements.

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED NOVEMBER 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from third-party payors and patients	\$ 411,975,793
Payments to employees	(550,275,977)
Payments to suppliers	(249,948,098)
Other receipts	<u>19,127,442</u>
Net cash used in operating activities	<u>(369,120,840)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Borrowings from working cash fund (Note 9)	112,000,000
Repayment of borrowings from working cash fund (Note 9)	(112,000,000)
Real and personal property taxes received — net	172,081,728
Sales taxes received	127,630,558
Cigarette taxes received	135,931,446
Transfers to other County funds	<u>(28,432,554)</u>
Net cash provided by noncapital financing activities	407,211,178
CASH FLOWS FROM INVESTING ACTIVITIES — Interest received	<u>291,412</u>
CHANGE IN CASH AND CASH EQUIVALENTS	38,381,750
CASH AND CASH EQUIVALENTS — Beginning of year	<u>166,709,091</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 205,090,841</u>
NONCASH TRANSACTIONS:	
Retirement plan contributions	<u>\$ 56,448,732</u>
Services contributed by other County offices	<u>\$ 4,090,932</u>
Contributed capital assets	<u>\$ 19,963,716</u>
Donated vaccines	<u>\$ 303,179</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (529,189,007)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	39,162,451
Provision for bad debts	329,803,156
Retirement plan contribution	56,448,732
Services contributed by other County offices	4,090,932
Net change in assets and liabilities:	
Patient accounts receivables	(357,940,169)
Third-party settlements	(168,349)
Accounts payable	13,353,847
Accrued salaries, wages, and other liabilities	22,734,110
All other assets and liabilities — net	<u>52,583,457</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (369,120,840)</u>

See notes to financial statements.

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2008

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### 1. REPORTING ENTITY

In May 2008, the Cook County Board of Commissioners (the "Board of Commissioners") renamed the Cook County Health Facilities as the Cook County Health and Hospitals System of Illinois (CCHHS).

The CCHHS is included in the reporting entity of Cook County, Illinois (the "County"), as an enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through revenue from user fees, various taxes, and County subsidies. The Board of Commissioners is responsible for the operation of the CCHHS. The CCHHS is presented as a business-type activity in the basic financial statements of the County.

The CCHHS includes the following entities: John H. Stroger Hospital Jr. (JSH), Oak Forest Hospital (OFH), Provident Hospital (PH), the Department of Public Health (DPH), the Bureau of Health Services (BOHS), and the Ambulatory and Community Health Network (ACHN).

BOHS oversees the operational, planning, and policy activities of the CCHHS.

Collectively, JSH, OFH, PH, DPH, and ACHN provide primary, intermediate, acute, and tertiary medical care to patients, without regard to their ability to pay. These entities also provide disease prevention and health promotion services.

Medicaid and Medicare revenue accounts for a significant portion of CCHHS' total revenues. The CCHHS receives Medicaid reimbursement under an interagency agreement between the Board of Commissioners and the Illinois Department of Public Aid (see Note 7). Property and other taxes also represent an important source of financing for the CCHHS. The receipt of future revenues by the CCHHS is subject to, among other factors, federal and state policies affecting the CCHHS and the health care industry.

In June 1997, Cook County/Rush Health Center (the "Health Center") was opened to combat HIV/AIDS and other related communicable diseases. The CORE Foundation (CORE), an Illinois not-for-profit corporation, funded the development and construction of the Health Center. The CCHHS leases the Health Center from the CORE for \$1 per year. The CCHHS staffs and operates the Health Center. The CCHHS accounts for the Health Center as part of the ACHN.

On July 24, 2006, the 94th Illinois General Assembly through the passage of Public Act 94-1050 (70 ILCS 920/5.4) dissolved the Suburban Cook County: Tuberculosis Sanitarium District (the "District"), to become effective July 24, 2007. Public Act 94-1050 provided that the Cook County Department of Public Health assume responsibility for the prevention, care, treatment, and control of tuberculosis within the areas previously served by the District to wit: all of suburban Cook County including Evanston, Oak Park, Skokie, and Stickney Township, which are also served by state-certified local health departments and that the employees of the District become employees of Cook County. The dissolution of the District and transfer to the Board of Commissioners occurred on July 25, 2007.

On May 20, 2008, The Cook County Board of Commissioners created the Cook County Health and Hospital Systems Board to provide independent oversight of health care operations. The Cook County Health and Hospital Systems Board is accountable to the Cook County Board of Commissioners. The Cook County Health and Hospital Systems Board and the Ordinance creating it shall terminate after three years from the effective date unless the Cook County Board of Commissioners acts to renew its powers and responsibilities.

## 2. FINANCIAL CONDITION

Losses from operations for the CCHHS totaled \$529,189,007 for the fiscal year ended November 30, 2008.

The CCHHS continues to be pressured by rising costs attributable to labor, insurance, pharmaceuticals, and new technology. Moreover, the CCHHS continues to be highly dependent on reimbursement from the State of Illinois Department of Healthcare and Family Services (DHFS). Management continues to monitor payment levels from DHFS and other payors, and on July 1, 2008, the Board of Commissioners passed a resolution to continue to fund the BOHS, currently known as Cook County Health and Hospital System. However, future declines in DHFS reimbursement or continued significant cost increases may require management and the Board of Commissioners to further realign or reduce services to the community.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** — The financial statements have been presented in conformity with accounting principles generally accepted in the United States of America and in accordance with the pronouncements of the Governmental Accounting Standards Board. Also, the CCHHS has chosen not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, pursuant to Paragraph 7 of Government Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Accounting records are maintained on the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Use of 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 the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. Actual results could differ from those estimates.

**Combination** — These financial statements include the accounts of JSH, OFH, PH, DPH, BOHS, CORE, and ACHN. The accounts of ACHN and CORE are presented with those of JSH. All material intra-account transactions have been eliminated.

**Operating and Restricted Accounts** — Operating accounts are used for unrestricted funds, which arise from normal operations. Restricted accounts are resources whose use has been limited by donors or grantors. Restricted accounts are accounted for in specific purpose accounts until expended for their identified purpose, at which time they are reported as other nonoperating revenues and expenses of the operating accounts.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the CCHHS' policy to first apply restricted resources and then unrestricted resources to the expense.

Substantially, all restricted net assets are restricted for patient care services.

**Cash and Cash Equivalents** — Cash and cash equivalents consist primarily of secured time deposits and cash invested in other authorized short-term securities (see Note 5) with maturities at the date of purchase of 90 days or less. Realized gains and losses and changes in unrealized gains and losses attributable to cash equivalents are included as investment income, a component of nonoperating revenue in the statement of revenues, expenses, and changes in net assets. Cash and cash equivalents are recorded at their approximate fair value.

**Inventories** — Inventories are stated at the lower of cost or market.

**Accounts Receivable** — The CCHHS evaluates the collectibility of its accounts receivable based on the length of time the receivable is outstanding, payor class, and historical experience. Accounts receivable are charged against the allowance for uncollectible accounts when they are deemed uncollectible.

**Property Taxes Receivable** — Property taxes are levied each calendar year on all taxable real property. The owner of the property on January 1 in any year is liable for taxes of that year. Property taxes attach as an enforceable lien on property as of January 1 of the levy year. The taxes are collected by the Cook County Collector (who is also the "Cook County Treasurer"), who remits their respective portion to the CCHHS. The County's taxes levied in one year become payable during the following year in two installments, one on March 1 and the second on August 1 or 30 days after the tax bills are mailed, whichever is later. The first installment is an estimated bill and is one-half of the prior year's tax bill. The second installment is based on the current levy, assessment, and equalization and reflects any changes from the prior year in those factors. Any changes from the prior year will be reflected in the second installment bill. Property tax receivable at November 30, 2008, represents the fiscal year 2008, taxes levied on February 23, 2008, and uncollected fiscal year 2007 taxes.

The CCHHS records property taxes as revenue in the year in which they are levied. Property taxes receivable are recognized for the current and prior fiscal years. Uncollected taxes are written off at the end of the fiscal year immediately following the year in which the taxes become due. The County's annual appropriation ordinance includes a provision for uncollectible property taxes. The CCHHS records its portion of this provision.

**Capital Assets** — Capital assets, which include land improvements, buildings, building improvements, and equipment and furniture, are recorded at cost. No value has been assigned to the land upon which the CCHHS is located. Capital assets are defined by the CCHHS as assets with an initial, individual cost of \$1,000 or more. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as construction projects are substantially completed.

Depreciation is provided over the estimated useful life of each class of assets. Estimated useful lives are as follows:

Land improvements	10 to 25 years
Buildings	25 to 40 years
Building improvements	10 to 25 years
Equipment and furniture	5 to 20 years

Depreciation is calculated on the straight-line method for all institutions, except JSH which used the 150% declining balance on assets acquired prior to 2008. Beginning in 2008, new acquisitions at JSH will be depreciated using the straight-line method for better cost allocation. One-half year's depreciation is taken in the year of acquisition.

**Compensated Absences** — Employees can earn from 10 to 25 vacation days per year, depending on their length of employment with the County. An employee can accumulate no more than the equivalent of two years' vacation. Accumulated vacation leave is due to the employee, or employee's beneficiary, at the time of termination or death. Salaried employees can accumulate sick leave at the rate of one day for each month worked, up to a maximum of 175 days. Accumulated sick leave is forfeited at the termination of employment; therefore, sick leave pay is not accrued and is charged as expenditure when paid. Sick leave does not vest, but any unused sick and vacation leave, up to six months in duration, accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

**Net Patient Service Revenue** — A significant amount of the CCHHS' net patient service revenue is derived from the Medicaid and Medicare programs. Payments under these programs are based on a specific amount per case or on a contracted price or cost, as defined, of rendering services to program beneficiaries.

Net patient service revenue is reported at estimated realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are accrued in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change. Estimates for cost report settlements and contractual allowances can differ from actual reimbursement based on the results of subsequent reviews and cost report audits. For the year ended November 30, 2008, net patient service revenue has been decreased by approximately \$1,220,158 for third-party settlements and changes in estimates related to services rendered in previous years.

**Operating and Nonoperating Revenue and Expenses** — The principal operating revenues of the CCHHS enterprise fund are charges to patients for services performed. Operating expenses of the CCHHS include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### 4. CHARITY CARE

For the year ended November 30, 2008, the CCHHS' payor utilization was as follows based on gross patient service revenue:

Medicare	11 %
Medicaid	29
Self-Pay	55
Other	5

Consistent with its mission, JSH, OFH, PH, and ACHN treat patients in need of medical services without regard to their ability to pay. The entities maintain records to identify and monitor the level of charity care they provide. These records include charges forgone and estimated costs incurred for charity care services. These services are not reported as revenue. During 2008, the following levels of charity care were provided:

Charges forgone	<u>\$ 179,859,525</u>
Estimated costs incurred	<u>\$ 180,961,563</u>

#### 5. CASH MANAGEMENT

The County Treasurer and Comptroller both maintain cash records for the County funds, including the CCHHS. The County Comptroller maintains cash records for each individual fund, whereas the County Treasurer maintains records, for the County Comptroller's cash on a pooled basis. The County Treasurer deposits cash into various bank accounts, which are treated as a single aggregate bank account for County cash resources. The County Comptroller issues checks for authorized County expenditures, which represent a claim for payment when presented to the County's operating disbursement bank. Funding for County checks is made at the time of issue into the appropriate disbursement checking account. Funding is accomplished via book transfers and wire transfers from the appropriate fund into the disbursement account. Balances in the disbursement accounts, which represent checks not yet presented, are invested nightly via an automated sweep into a money market mutual fund. A separate money market mutual fund account is maintained for each disbursement account. The Illinois State Statutes authorize use of the money market mutual funds. The Comptroller allocates interest earned on balances swept from the disbursement accounts to the appropriate fund.

The County Treasurer invests monies of the County funds on an aggregate basis, consistent with a written investment policy. The current policy is primarily concerned with the safety of invested principal and then with liquidity and rates of return. Monies of the County funds are deposited in banks that are required to collateralize these funds with approved securities equal to 102% of market value. Securities approved for investment include U.S. government securities, certificates of deposit, or time deposits issued by certain banks and limited other investments permitted by state law. The County Treasurer does not invest in derivatives, structured notes, or other leveraged investments, including repurchase agreements.

As of November 30, 2008, the CCHHS' cash and cash equivalents consisted of the following:

Demand deposits held by County Treasurer	\$ 119,123,427
Working cash fund	82,951,380
Demand deposits held by the CCHF	<u>3,016,034</u>
Total	<u>\$ 205,090,841</u>

**Custodial Credit Risk — Cash and Certificates of Deposit** — In the case of deposits, there is the risk that in the event of a bank failure, the County's or the CCHHS' deposits may not be returned. The County's Investment Policy states that in order to protect the County's public fund deposits, depository institutions are to maintain collateral pledges on County certificates of deposit during the term of the deposit of at least 102% of marketable U.S. government or approved securities or surety bonds issued by top-rated issuers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. The CCHHS bank balance was \$204,815,738 at November 30, 2008.

## 6. CAPITAL ASSETS

Capital assets are recorded at cost. A summary of the activity for the year ended November 30, 2008, consists of the following:

	Balance at December 1, 2007	Additions and Transfers	Disposals and Reclassifications	Balance at November 30, 2008
Depreciable assets:				
Land improvements	\$ 2,717,511			\$ 2,717,511
Buildings and Building improvements	626,114,468	\$ 11,486,755		637,601,223
Equipment and furniture	182,340,389	8,476,961	\$ (13,162)	190,804,188
<b>Total capital assets</b>	<u>811,172,368</u>	<u>19,963,716</u>	<u>(13,162)</u>	<u>831,122,922</u>
Less accumulated depreciation:				
Land improvements	955,140	118,788		1,073,928
Buildings and Building improvements	171,669,094	21,894,770		193,563,864
Equipment and furniture	<u>114,868,813</u>	<u>17,148,893</u>	<u>(13,162)</u>	<u>132,004,544</u>
<b>Total accumulated depreciation</b>	<u>287,493,047</u>	<u>39,162,451</u>	<u>(13,162)</u>	<u>326,642,336</u>
<b>Total capital assets at cost — net</b>	<u>\$ 523,679,321</u>	<u>\$ (19,198,735)</u>	<u>\$ _____</u>	<u>\$ 504,480,586</u>

## 7. INTERAGENCY TRANSFER AGREEMENTS

The CCHHS receives enhanced Medicaid reimbursement by means of an Interagency Agreement (the "Agreement") between the Board of Commissioners and the DHFS. Under terms of the Agreement, the DHFS will direct additional funding to the CCHHS for inpatient and outpatient services based on per-diem and per-visit cost reimbursement methodologies. In addition, the Agreement requires the DHFS to provide the CCHHS additional funding to assist the CCHHS in offsetting the cost of its uncompensated care. Such adjustment amounts include federal matching funds.

Under terms of the Secondary Interagency Agreement, (collectively, the "Agreements") the CCHHS received approximately \$134,922,000 in net additional payments from the DHFS during fiscal year 2008. Of that amount, approximately \$56,217,500 was earned and the remaining \$78,704,500 is included in deferred revenue on the balance sheet.

Reimbursement under the Agreements will automatically terminate if federal funds under Title XIX are no longer available to match amounts collected and disbursed according to the terms of the Agreements at the rate of at least 50%. The Agreements will also automatically terminate in any year in which the General Assembly of the State of Illinois fails to appropriate or reappropriate funds to pay the DHFS' obligations under these arrangements or any time that such funds are not available. The Agreements can be terminated by either party upon 15 days' notice. Additionally, the Agreements require the parties to comply with certain laws, regulations, and other terms of operations.

## 8. OTHER LIABILITIES

Changes in long-term liability activity for the year ended November 30, 2008, were as follows:

	Balance at December 1, 2007	Increase	Decrease	Balance at November 30, 2008	Amount Due Within One Year
Reserve for tax objection suits	\$ 11,793,501	\$ -	\$ 2,201,379	\$ 9,592,122	\$ -

## 9. RELATED-PARTY TRANSACTIONS

During 2008, significant related-party transactions between the County and the CCHHS included the provision of various services and the contribution of capital assets.

**Working Cash Loan** — In order to finance operations pending the collection of taxes and to provide for month-to-month cash flow needs, the County maintains a working cash fund. The Working Cash Fund and the outstanding bonds that were issued to create it are reported in the County's long-term obligations and, therefore, are not reflected in these financial statements. Amounts advanced from the Working Cash Fund may be designated as either loans or operating contributions. In 2008, the Working Cash Fund made loans of \$112,000,000 to the CCHHS. These loans were repaid in full during fiscal year 2008.

**Due to Cook County Treasurer** — The County maintains bank accounts for the cash receipts and disbursements of the CCHHS. Cash Held by (debit) or Due to Cook County Treasurer (credit) represent balances maintained for the CCHHS activities by the Cook County Treasurer. These balances are reflected as current assets and current liabilities in the balance sheet.

**Provision of Services** — The County contributes certain services, such as purchasing, data, and payroll processing, to the operations of the CCHHS. Accordingly, these services, which totaled \$4,090,932 during 2008, are reflected as both nonoperating revenues and operating expenses of the CCHHS.

**Contribution of Capital Assets** — The County has contributed the construction and acquisition of significant capital assets to the operations of the CCHHS. The general obligation bonds issued to finance such contributed assets are reported in the County's long-term obligations and, therefore, are not reflected in these financial statements.

In 2008, the CCHHS has recorded capital contributions of \$19,963,716 in the accompanying financial statements.

## 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Included in the balance of due to others as of November 30, 2008, is \$633,416 representing amounts due to restricted funds. This outstanding balance in due to restricted funds results mainly from the timing difference between the date that monies are received from funding agency, appropriation budget and appropriation ledger are established, and monies are wired to the County Treasurer. These amounts are expected to be remitted in the subsequent year.

## 11. PENSION PLAN

**County Pension Plan** — The County Employees' and Officers' Annuity and Benefit Fund of Cook County (the "Fund") was established on January 1, 1926, and is governed by legislation contained in the Illinois Compiled Statutes, particularly Chapter 40, Article 5/9 (the "Article"). The Fund can be amended only by the Illinois Legislature. The Fund is a single employer, defined-benefit pension plan with a defined-contribution minimum. The Fund was created for the purpose of providing retirement, death, and disability benefits for full-time employees of the County and the dependents of such employees. The Fund is considered to be a component unit of Cook County and is included in the County's financial statements as a Pension Trust Fund (the "Plan"). The financial statements of the Plan are audited by an independent public accountant and are the subject of a separate report. Copies of the Plan's report for the year ended December 31, 2008, are available upon request to the Pension Board. Covered employees are required to contribute 8.5% of their salary to the Plan.

The financial statements of the Fund are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All Plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the government's balance sheet date. Securities without an established market are reported at estimated fair value.

For the year ended November 30, 2008, the County made employer contributions of \$56,448,732 on behalf of the CCHHS. Employer contributions were \$85,211,653 and \$73,532,211 in 2007 and 2006, respectively. Accordingly, this contribution is reflected as both nonoperating revenue and employee benefits expenses in the statement of revenues, expenses, and changes in net assets.

The fund's required contribution was determined as part of an actuarial valuation as of December 31, 2008.

## Actuarial Methods and Assumptions

Actuarial valuation date	December 31, 2008
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	30 years
Actuarial asset valuation method	5-year average smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Project salary increases:	
Inflation	3.0%
Seniority merit	2.0%
Postretirement benefit increases	3.0% per year compounded for employee and widow(er) annuitants

## 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

*Plan Description.* The County Employees' and Officers' Annuity and Benefit Fund of Cook County administer the Healthcare Premium Plan (HPP), a single-employer defined benefit postemployment healthcare plan. HPP provides a healthcare premium subsidy to annuitants who elect to participate in HPP. The HPP is currently allowed, in accordance with State Statutes, to pay all or a portion of medical insurance premiums for the annuitants. The HPP is included in the County's financial statements as a pension trust fund. The financial statements of the HPP are audited by an independent public accountant and are the subject of a separate report. Copies of the HPP's report for the year ended December 31, 2008, are available upon request from the Retirement Board.

HPP is administered in accordance with Chapter 40, Article 5/9 of the Illinois Compiled Statutes, which assigns the authority to establish and amend benefit provisions to the Plan's Board of Trustees.

HPP's financial statements have been combined with the Plan's financial statements and are presented using the accrual basis of accounting. The HPP considers the premium subsidy an additional retirement benefit, with no contribution rate or asset allocation associated with it. The cost for postemployment group health benefits is approximately equal to the premium subsidy. Actual costs may differ based on claims experience. Healthcare premium subsidies are recognized when due and payable.

The contribution requirement of HPP members and the County are established and may be amended by the State legislature. The required contribution is based on projected "pay-as-you-go" financing requirements. The HPP pays all or any portion of the premium for health insurance on behalf of each annuitant who participates in any of the HPP's healthcare plans. The HPP is paying 55% of the total premiums for retiree annuitants, including the cost of any family coverage, and 70% of the premiums for survivor annuitants, including the cost of family coverage. The remaining premium cost is borne by the annuitant. For the fiscal year 2008, the County contributed \$37,781,310 to the Plan.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. Additional information as of the December 31, 2008, actuarial valuation follows:

Actuarial valuation date	December
Actuarial cost method	Entry Age
Amortization method	Level Dol.
Amortization period (remaining)	30 years
Actuarial assumptions:	
Investment rate of return	4.5% com
Inflation rate	3.0% com
Increases in Postretirement health care costs	
2010	8.00%
2011	7.50%
2012	7.00%
2013	6.50%
2014	6.00%
2015	5.50%
2016 and later	5.00%

### 13. INSURANCE COVERAGE

The County self-insures all risks, including workers' compensation, general automobile insurance, and other liability. The County is a defendant in lawsuits alleging work-related injuries, malpractice, and other claims in which it is involved. Cases related to these areas are in various stages in the legal process.

The County engages an external actuary to provide an actuarial estimate of its liabilities for self-insured expenses. The liability recorded reflects a 5% discount factor. The CCHHS' portion of the self-insurance liability included in the self-insurance fund in the County's basic financial statements was \$211,384,133 at November 30, 2008.

The County funds its self-insurance liabilities, including those of the CCHHS, on a current basis and has the authority to finance such liabilities through the levy of property taxes. While it is difficult to estimate the timing or amount of expenditures, management of the County believes that the self-insurance liabilities recorded at November 30, 2008, are adequate to provide for potential losses resulting from medical malpractice, workers' compensation, and general liability claims, including incurred but not reported claims. The self-insurance liabilities recorded are based on facts known at the current time; however, the discovery of additional information concerning specific cases could affect estimated costs in the future.

For the fiscal year ended November 30, 2008, the CCHHS was not charged by the County's self-insurance fund for insurance and claims paid.

#### 14. GENERAL OBLIGATION BONDS ISSUED BY COOK COUNTY

The following outstanding general obligation bonds issued by the County include amounts to finance capital improvement projects at the CCHHS:

- In 1996, the Board of Commissioners approved the sale of \$486,345,000 of general obligation bonds, \$204,425,000 of which were term bonds and \$281,920,000 of which were serial bonds. \$202,430,000 of the proceeds were used to refund all or portions of certain series of the County's outstanding general obligation bonds. \$283,915,000 of the proceeds was used to fund costs of planning for a replacement Cook County Hospital (CCH) facility. The serial bonds accrue interest at various rates between 4.9% and 6.5% and mature through the year 2014. The term bonds accrue interest at 5.875% and mature in 2014. At November 30, 2008, \$100,490,000 of these bonds remain outstanding.
- In 1999, the County approved the sale of \$329,655,000 of general obligation bonds, \$132,380,000 of which were serial bonds, and \$77,110,000 and \$120,165,000 of which were term bonds. The proceeds were used to pay for certain capital improvements, including construction of the new CCH facility. The serial bonds accrue interest at various rates between 5.0% and 5.25% and mature through the year 2019. The term bonds accrue interest at 5.0% and mature in 2023 and 2028. At November 30, 2008, \$204,000,000 of these bonds remain outstanding.
- In 1999, the County approved the sale of \$80,485,000 general obligation serial bonds. The proceeds were used to refund certain of the County's outstanding general obligation bonds. The bonds accrue interest at various rates between 4.0% and 5.125% and mature in 2012. At November 30, 2008, \$39,325,000 of these bonds remain outstanding.
- In 2001, the County approved the sale of \$375,000,000 of Series 1996 general obligation bonds, \$159,315,000 of which were serial bonds and \$84,150,000, \$74,915,000, and \$56,620,000 of which were term bonds. \$110,500,000 of the proceeds were used to refund portions of the Series 1996 general obligation bonds. \$264,500,000 of the proceeds were used to pay for certain public improvements, including construction of, and equipping of, the new CCH facility and the renovation and construction of the County health clinics. The serial bonds accrue interest at various rates between 5.0% and 5.5% and mature through the year 2026. The term bonds accrue interest at 5.125%, 5.25%, and 5.5% and mature in 2026, 2029, and 2031, respectively. At November 30, 2008, \$29,640,000 of these bonds remain outstanding.
- In 2002, the County approved the sale of \$245,400,000 of general obligation bonds. The proceeds were used to pay for certain public improvements, including construction of, and equipping of, the new CCH facility and the renovation and construction of the County health clinics. These bonds accrue interest at a variable rate, which is currently approximately 4.5%. The bonds mature in 2026 through 2031. At November 30, 2008, \$245,400,000 of these bonds remain outstanding.
- In 2002, the County approved the sale of \$226,060,000 of general obligation bonds, \$77,250,000 of which were serial bonds, and \$148,810,000 of which were term bonds. The proceeds were used to pay for certain public improvements, including construction of, and equipping of, the new CCH facility and the renovation and construction of the County health clinics. The serial bonds accrue interest at 5.0% and 5.5% and mature in 2023 and 2026, respectively. The term bonds accrue interest at 5.0% and mature in 2026. At November 30, 2008, \$157,810,000 of these bonds remain outstanding.

- In 2002, the County approved the sale of \$173,565,000 of general obligation bonds. The proceeds were used to refund certain of the County's outstanding general obligation bonds. The bonds accrue interest at various rates between 4.75% and 5.25% and mature through the year 2022. At November 30, 2008, \$172,160,000 of these bonds remain outstanding.
- In 2004, the County approved the sale of \$165,000,000 of general obligation tax-exempt capital improvement bonds. These bonds accrue interest at various rates between 3.30% and 5.25% and mature through the year 2029. At November 30, 2008, \$165,000,000 of these bonds remain outstanding.
- In 2004, the County approved the sale of \$170,000,000 of variable rate capital improvement bonds. These bonds mature in the year 2033. At November 30, 2008, \$170,000,000 of these bonds remain outstanding.

These outstanding bonds are obligations of the County and, therefore, are not reflected in the financial statements of the CCHHS.

## 15. COMMITMENTS AND CONTINGENCIES

**Leases** — The CCHHS leases data processing and other equipment. Lease agreements frequently include renewal options and usually require the CCHHS to pay for maintenance costs. Rental payments for operating leases are charged to operating expenses in the period incurred. Rental expense for operating leases was approximately \$3,589,428 in fiscal year 2008.

Approximate minimum future payments under noncancelable lease obligations for years ending November 30, 2008, are as follows:

Years Ending November 30	
2009	\$ 2,275,502
2010	2,029,303
2011	1,534,175
2012	1,092,992
2013	430,828
Thereafter	<u>2,670,947</u>
Total	<u>\$ 10,033,747</u>

**Asset Use and Disposal** — During 1990, the County purchased property known as Provident Hospital from the U.S. Department of Housing and Urban Development for \$1. The purchase agreement restricts the use of the property to a general public hospital or other public health care facility for a period of 50 years, or the remaining useful life of the property. Additional restrictions exist related to the distribution of proceeds from any sale of the property.

**Health Care Regulation** — The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, governmental activity has increased with respect to investigation and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations create a possibility of significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Management believes that the CCHHS is in compliance, in all material respects, with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made that are expected to have a material effect on the financial statements, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

**16. FUNCTIONAL EXPENSES**

The CCHHS provides health care services to patients within its geographic region. Expenses related to providing these services as of November 30, 2008, were as follows :

Patient care services	\$ 629,408,266
General and administrative	<u>281,589,369</u>
Total	<u>\$ 910,997,635</u>

\* \* \* \* \*

**REQUIRED SUPPLEMENTARY INFORMATION**

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED NOVEMBER 30, 2008 (Information for all County Employees)

Actuarial Valuation Date Year Ended December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
<b>Pension Benefits</b>						
2006	\$ 7,462,683,122	\$ 8,826,581,465	\$ 1,363,898,343	84.55 %	\$ 1,412,878,627	96.53 %
2007	8,059,879,804	9,386,287,797	1,326,407,993	85.87	1,370,844,734	96.76
2008	8,036,074,797	10,097,027,865	2,060,953,068	79.60	1,463,372,408	140.84
<b>Postemployment Group Health Benefit Plan</b>						
2006	-	1,506,821,967	1,506,821,967	-	1,412,878,627	106.65 %
2007	-	1,554,123,496	1,554,123,496	-	1,370,844,734	113.37
2008	-	1,448,828,756	1,448,828,756	-	1,463,372,408	99.01

Source: The information above was taken from the actuarial statements for each of the respective plans.

**COMBINING SUPPLEMENTARY SCHEDULES**

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING BALANCE SHEET INFORMATION AS OF NOVEMBER 30, 2008

	Operating Accounts	Restricted Purpose Accounts	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents:			
Cash in banks	\$ 2,946,699	\$ 69,335	\$ 3,016,034
Cash held by Cook County Treasurer	113,127,278	5,996,149	119,123,427
Working cash fund	82,951,380		82,951,380
Total cash and cash equivalents	199,025,357	6,065,484	205,090,841
<b>PROPERTY TAXES RECEIVABLE:</b>			
Tax levy — current year	144,388,125		144,388,125
Tax levy — prior year	18,008,277		18,008,277
Total property taxes receivable	162,396,402		162,396,402
<b>RECEIVABLES:</b>			
Patient accounts — net of allowances for uncollectible accounts of \$1,348,109,049	157,372,113		157,372,113
Third-party settlements	67,649		67,649
Other receivables	4,643,100	849,497	5,492,597
Due from state of Illinois - sales tax	32,882,286		32,882,286
Due from other County governmental fund	28,900,000		28,900,000
Total receivables	223,865,148	849,497	224,714,645
Inventories	7,328,052		7,328,052
Total current assets	592,614,959	6,914,981	599,529,940
<b>CAPITAL ASSETS — Depreciable assets — net</b>			
	504,480,586		504,480,586
<b>TOTAL</b>	<b>\$ 1,097,095,545</b>	<b>\$ 6,914,981</b>	<b>\$ 1,104,010,526</b>

(Continued)

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING BALANCE SHEET INFORMATION AS OF NOVEMBER 30, 2008

	Operating Accounts	Restricted Purpose Accounts	Total
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Due to Cook County Treasurer	\$ 236,533,163	\$	\$ 236,533,163
Accounts payable	89,518,232	284,140	89,802,372
Accrued salaries, wages, and other liabilities	29,421,955	4,575,966	33,997,921
Compensated absences	40,042,440		40,042,440
Deferred revenue	78,704,500		78,704,500
Third-party settlements	1,287,807		1,287,807
Due to state of Illinois	24,718,132		24,718,132
Due to other County governmental fund	43,455		43,455
Due to others	728,288		728,288
Trust funds		72,779	72,779
	500,997,972	4,932,885	505,930,857
Total current liabilities			
Reserve for tax objection suits	9,592,122		9,592,122
	510,590,094	4,932,885	515,522,979
Total liabilities			
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>NET ASSETS:</b>			
Invested in capital assets	504,480,586		504,480,586
Restricted net assets		1,982,096	1,982,096
Unrestricted net assets	82,024,865		82,024,865
	586,505,451	1,982,096	588,487,547
Total net assets			
<b>TOTAL</b>	<b>\$1,097,095,545</b>	<b>\$6,914,981</b>	<b>\$1,104,010,526</b>

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION FOR THE YEAR ENDED NOVEMBER 30, 2008

	Operating Accounts	Restricted Purpose Accounts	Total
<b>OPERATING REVENUES:</b>			
Net patient service revenue — net of provision of \$329,803,156	\$ 358,893,978	\$ -	\$ 358,893,978
Other revenue	<u>7,361,456</u>	<u>15,553,194</u>	<u>22,914,650</u>
Total operating revenues	366,255,434	15,553,194	381,808,628
<b>OPERATING EXPENSES:</b>			
Salaries and wages	488,764,265	10,713,578	499,477,843
Employee benefits	125,729,843	4,251,133	129,980,976
Supplies	107,589,155	345,375	107,934,530
Purchased services, rental, and other	106,840,332	4,619,249	111,459,581
Depreciation	39,162,451		39,162,451
Utilities	18,891,322		18,891,322
Services contributed by other County offices	<u>4,090,932</u>		<u>4,090,932</u>
Total operating expenses	<u>891,068,300</u>	<u>19,929,335</u>	<u>910,997,635</u>
Operating loss	(524,812,866)	(4,376,141)	(529,189,007)
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Property taxes	139,614,672		139,614,672
Sales tax	160,337,391		160,337,391
Cigarette taxes	135,931,446		135,931,446
Interest income	291,412		291,412
Retirement plan contribution	56,448,732		56,448,732
Services contributed by other County offices	<u>4,090,932</u>		<u>4,090,932</u>
Total nonoperating revenue	<u>496,714,585</u>		<u>496,714,585</u>
Loss before other revenue, expenses, gains, and losses	(28,098,281)	(4,376,141)	(32,474,422)
Capital contributions	<u>19,963,716</u>		<u>19,963,716</u>
Change in net assets	(8,134,565)	(4,376,141)	(12,510,706)
NET ASSETS — Beginning of year	<u>594,640,016</u>	<u>6,358,237</u>	<u>600,998,253</u>
NET ASSETS — End of year	<u>\$ 586,505,451</u>	<u>\$ 1,982,096</u>	<u>\$ 588,487,547</u>

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING STATEMENT OF CASH FLOWS INFORMATION FOR THE YEAR ENDED NOVEMBER 30, 2008

	Operating Accounts	Restricted Purpose Accounts	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from third-party payors and patients	\$ 411,975,793	\$	\$ 411,975,793
Payments to employees	(539,659,518)	(10,616,459)	(550,275,977)
Payments to suppliers	(244,949,602)	(4,998,496)	(249,948,098)
Other receipts	<u>5,699,317</u>	<u>13,428,125</u>	<u>19,127,442</u>
Net cash used in operating activities	<u>(366,934,010)</u>	<u>(2,186,830)</u>	<u>(369,120,840)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Borrowings from working cash fund	112,000,000		112,000,000
Repayment of borrowings from working cash fund	(112,000,000)		(112,000,000)
Real and personal property taxes received — net	172,081,728		172,081,728
Sales taxes received	127,630,558		127,630,558
Cigarette taxes received	135,931,446		135,931,446
Transfers to other County funds	<u>(28,432,554)</u>		<u>(28,432,554)</u>
Net cash provided by noncapital financing activities	407,211,178		407,211,178
<b>CASH FLOWS FROM INVESTING ACTIVITIES — Interest received</b>	<u>291,412</u>		<u>291,412</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	40,568,580	(2,186,830)	38,381,750
<b>CASH AND CASH EQUIVALENTS — Beginning of year</b>	<u>158,456,777</u>	<u>8,252,314</u>	<u>166,709,091</u>
<b>CASH AND CASH EQUIVALENTS — End of year</b>	<u>\$ 199,025,357</u>	<u>\$ 6,065,484</u>	<u>\$ 205,090,841</u>
<b>NONCASH TRANSACTIONS:</b>			
Retirement plan contributions	\$ 56,448,732	\$	\$ 56,448,732
Services contributed by other County offices	4,090,932		4,090,932
Contributed capital assets	19,963,716		19,963,716
Donated vaccines	303,179		303,179

(Continued)

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING STATEMENT OF CASH FLOWS INFORMATION FOR THE YEAR ENDED NOVEMBER 30, 2008

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	Operating Accounts	Restricted Purpose Accounts	Total
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>			
Operating loss	\$ (524,812,866)	\$ (4,376,141)	\$ (529,189,007)
Adjustment to reconcile operating loss to net cash used in operating activities:			
Depreciation	39,162,451		39,162,451
Provision for bad debts	329,803,156		329,803,156
Retirement plan contribution	56,448,732		56,448,732
Services contributed by other County offices	4,090,932		4,090,932
Net change in assets and liabilities:			
Patient accounts receivables	(357,940,169)		(357,940,169)
Third-party settlements	(168,349)		(168,349)
Accounts payable	13,390,548	(36,701)	13,353,847
Accrued salaries, wages, and other liabilities	18,385,858	4,348,252	22,734,110
All other assets and liabilities - net	<u>54,705,697</u>	<u>(2,122,240)</u>	<u>52,583,457</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b><u>\$ (366,934,010)</u></b>	<b><u>\$ (2,186,830)</u></b>	<b><u>\$ (369,120,840)</u></b>

(Concluded)

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING BALANCE SHEET OF OPERATING ACCOUNTS INFORMATION AS OF NOVEMBER 30, 2008

ASSETS	Bureau of Health Services	John H. Stroger Jr. Hospital	Oak Forest Hospital	Provident Hospital	Department of Public Health	Total
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents:						
Cash in banks	\$	\$ 2,636,592	\$ 95,013	\$ 210,499	\$ 4,595	\$ 2,946,699
Cash held by Cook County Treasurer			36,101,056	40,161,522	36,864,700	113,127,278
Working cash fund		<u>82,951,380</u>				<u>82,951,380</u>
Total cash and cash equivalents		85,587,972	36,196,069	40,372,021	36,869,295	199,025,357
<b>PROPERTY TAXES RECEIVABLE:</b>						
Tax levy — current year	3,211,632	96,881,253	13,224,360	17,002,752	14,068,128	144,388,125
Tax levy — prior year	405,999	12,080,375	1,647,966	2,115,206	1,758,731	18,008,277
Total property taxes receivable	<u>3,617,631</u>	<u>108,961,628</u>	<u>14,872,326</u>	<u>19,117,958</u>	<u>15,826,859</u>	<u>162,396,402</u>
<b>RECEIVABLES:</b>						
Patient accounts — net of allowances for uncollectible accounts of \$1,348,109,049		133,331,350	5,352,008	18,688,755		157,372,113
Third-party settlements			67,649			67,649
Other receivables	112	3,165,439	981,337	495,724	488	4,643,100
Due from state of Illinois - sales tax	731,402	22,063,290	3,011,655	3,872,128	3,203,811	32,882,286
Due from other County governmental fund		28,900,000				28,900,000
Intraaccount receivable (payable)	68,815,336	(81,648,199)	21,292,182	(8,457,723)	(1,596)	
Total receivables	69,546,850	105,811,880	30,704,831	14,598,884	3,202,703	223,865,148
Inventories		5,439,421	868,903	1,019,728		7,328,052
Total current assets	73,164,481	305,800,901	82,642,129	75,108,591	55,898,857	592,614,959
<b>CAPITAL ASSETS —</b>						
Depreciable assets — net	<u>7,223,057</u>	<u>438,220,337</u>	<u>31,364,059</u>	<u>27,606,470</u>	<u>66,663</u>	<u>504,480,586</u>
<b>TOTAL</b>	<u>\$80,387,538</u>	<u>\$ 744,021,238</u>	<u>\$ 114,006,188</u>	<u>\$ 102,715,061</u>	<u>\$ 55,965,520</u>	<u>\$ 1,097,095,545</u>

(Continued)

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING BALANCE SHEET OF OPERATING ACCOUNTS INFORMATION AS OF NOVEMBER 30, 2008

LIABILITIES AND NET ASSETS	Bureau of Health Services	John H. Stroger Jr. Hospital	Oak Forest Hospital	Provident Hospital	Department of Public Health	Total
<b>CURRENT LIABILITIES:</b>						
Due to Cook County Treasurer	\$ 137,433,772	\$ 99,099,391	\$ 4,694,075	\$ 5,879,039	\$ 1,298,412	\$ 236,533,163
Accounts payable	30,746,662	46,900,044	4,694,075	5,879,039	1,298,412	89,518,232
Accrued salaries, wages, and other liabilities	2,535,947	19,932,053	3,488,302	3,315,019	150,634	29,421,955
Compensated absences	2,822,697	27,371,839	4,196,454	4,587,155	1,064,295	40,042,440
Deferred revenue		55,802,161	12,486,298	10,416,041		78,704,500
Third-party settlements		1,055,049		232,758		1,287,807
Due to state of Illinois		17,074,852	3,582,314	4,060,966		24,718,132
Due to other County governmental fund		21,405	10,050	5,000	7,000	43,455
Due to others		700,948	19,225	8,115		728,288
<b>Total current liabilities</b>	<b>173,539,078</b>	<b>267,957,742</b>	<b>28,476,718</b>	<b>28,504,093</b>	<b>2,520,341</b>	<b>500,997,972</b>
Reserve for tax objection suits	<u>212,901</u>	<u>6,436,972</u>	<u>878,455</u>	<u>1,129,716</u>	<u>934,078</u>	<u>9,592,122</u>
<b>Total liabilities</b>	<b><u>173,751,979</u></b>	<b><u>274,394,714</u></b>	<b><u>29,355,173</u></b>	<b><u>29,633,809</u></b>	<b><u>3,454,419</u></b>	<b><u>510,590,094</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>						
<b>NET ASSETS:</b>						
Invested in capital assets	<u>7,223,057</u>	<u>438,220,337</u>	<u>31,364,059</u>	<u>27,606,470</u>	<u>66,663</u>	<u>504,480,586</u>
<b>UNRESTRICTED:</b>						
Beginning balance	(18,655,899)	(21,181,034)	50,379,414	36,143,143	24,275,071	70,960,695
Bond depreciation	3,692,977	29,489,661	3,493,358	2,468,759	17,696	39,162,451
Excess (expense) revenue	<u>(85,624,576)</u>	<u>23,097,560</u>	<u>(585,816)</u>	<u>6,862,880</u>	<u>28,151,671</u>	<u>(28,098,281)</u>
<b>Ending balance</b>	<b><u>(100,587,498)</u></b>	<b><u>31,406,187</u></b>	<b><u>53,286,956</u></b>	<b><u>45,474,782</u></b>	<b><u>52,444,438</u></b>	<b><u>82,024,865</u></b>
<b>Total net assets</b>	<b><u>(93,364,441)</u></b>	<b><u>469,626,524</u></b>	<b><u>84,651,015</u></b>	<b><u>73,081,252</u></b>	<b><u>52,511,101</u></b>	<b><u>586,505,451</u></b>
<b>TOTAL</b>	<b>\$ 80,387,538</b>	<b>\$ 744,021,238</b>	<b>\$ 114,006,188</b>	<b>\$ 102,715,061</b>	<b>\$ 55,965,520</b>	<b>\$ 1,097,095,545</b>

(Concluded)

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION OF OPERATING ACCOUNTS FOR THE YEAR ENDED NOVEMBER 30, 2008

	Bureau of Health Services	John H. Stroger Jr. Hospital	Oak Forest Hospital	Provident Hospital	Department of Public Health	Total
<b>OPERATING REVENUES:</b>						
Net patient service revenue — net of provision of \$329,803,156	\$	\$ 268,154,935	\$ 46,312,262	\$ 44,398,707	\$ 28,074	\$ 358,893,978
Other revenue		4,353,230	177,104	356,557	2,474,565	7,361,456
Total operating revenues		272,508,165	46,489,366	44,755,264	2,502,639	366,255,434
<b>OPERATING EXPENSES:</b>						
Salaries and wages	38,795,281	326,791,317	54,633,167	57,841,420	10,703,080	488,764,265
Employee benefits	7,446,125	84,565,438	17,841,721	13,140,818	2,735,741	125,729,843
Supplies	17,983,568	78,251,929	5,480,885	5,282,881	589,892	107,589,155
Purchased services, rental, and other	30,801,793	48,860,934	8,896,996	14,690,738	3,589,871	106,840,332
Depreciation	3,692,977	29,489,661	3,493,358	2,468,759	17,696	39,162,451
Utilities	45,897	12,546,155	3,880,258	2,338,417	80,595	18,891,322
Services contributed by other County offices		3,018,083	708,409	364,440		4,090,932
Total operating expenses	98,765,641	583,523,517	94,934,794	96,127,473	17,716,875	891,068,300
Operating loss	(98,765,641)	(311,015,352)	(48,445,428)	(51,372,209)	(15,214,236)	(524,812,866)
<b>NONOPERATING REVENUE (EXPENSES):</b>						
Property taxes	3,099,446	93,681,445	12,788,704	16,446,608	13,598,469	139,614,672
Sales tax	3,566,392	107,582,860	14,685,137	18,880,894	15,622,108	160,337,391
Cigarette taxes	3,023,530	91,207,007	12,449,821	16,006,917	13,244,171	135,931,446
Interest income	4,265	212,877	38,504	27,436	8,330	291,412
Retirement plan contribution	3,447,432	38,410,640	7,189,037	6,508,794	892,829	56,448,732
Services contributed by other County offices		3,018,083	708,409	364,440		4,090,932
Total nonoperating revenue	13,141,065	334,112,912	47,859,612	58,235,089	43,365,907	496,714,585
(Loss) gain before other revenue, expenses, gains, losses, and transfers	(85,624,576)	23,097,560	(585,816)	6,862,880	28,151,671	(28,098,281)
Capital contributions	2,120,184	5,040,548	8,719,092	4,083,892		19,963,716
Change in net assets	(83,504,392)	28,138,108	8,133,276	10,946,772	28,151,671	(8,134,565)
NET ASSETS — Beginning of year	(9,860,049)	441,488,416	76,517,739	62,134,480	24,359,430	594,640,016
NET ASSETS — End of year	\$ (93,364,441)	\$ 469,626,524	\$ 84,651,015	\$ 73,081,252	\$ 52,511,101	\$ 586,505,451

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING STATEMENT OF CASH FLOWS OF OPERATING ACCOUNTS INFORMATION FOR THE YEAR ENDED NOVEMBER 30, 2008

	Bureau of Health Services	John H. Stroger Jr. Hospital	Oak Forest Hospital	Provident Hospital	Department of Public Health	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from third-party payors and patients	\$	\$ 294,712,333	\$ 62,834,245	\$ 54,401,141	\$ 28,074	\$ 411,975,793
Payments to employees	(37,648,690)	(359,556,858)	(65,703,247)	(64,294,054)	(12,456,669)	(539,659,518)
Payments to suppliers	27,961,899	(230,551,657)	(19,191,722)	(19,339,811)	(3,828,311)	(244,949,602)
Other receipts	(112)	4,125,445	(791,894)	(108,834)	2,474,712	5,699,317
<b>Net cash used in operating activities</b>	<u>(9,686,903)</u>	<u>(291,270,737)</u>	<u>(22,852,618)</u>	<u>(29,341,558)</u>	<u>(13,782,194)</u>	<u>(366,934,010)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Borrowings from working cash fund	500,000	82,000,000	10,000,000	15,000,000	4,500,000	112,000,000
Repayment of borrowings from working cash fund	(500,000)	(82,000,000)	(10,000,000)	(15,000,000)	(4,500,000)	(112,000,000)
Real and personal property taxes received — net	3,820,215	115,466,840	15,762,686	20,271,227	16,760,760	172,081,728
Sales taxes received	2,838,893	85,637,295	11,689,551	15,029,427	12,435,392	127,630,558
Cigarette taxes received	3,023,530	91,207,007	12,449,821	16,006,917	13,244,171	135,931,446
Transfers to other County funds	<u>                    </u>	<u>(28,453,307)</u>	<u>10,050</u>	<u>3,703</u>	<u>7,000</u>	<u>(28,432,554)</u>
<b>Net cash provided by noncapital financing activities</b>	9,682,638	263,857,835	39,912,108	51,311,274	42,447,323	407,211,178
<b>CASH FLOWS FROM INVESTING ACTIVITIES — Interest received</b>						
	<u>4,265</u>	<u>212,877</u>	<u>38,504</u>	<u>27,436</u>	<u>8,330</u>	<u>291,412</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		(27,200,025)	17,097,994	21,997,152	28,673,459	40,568,580
<b>CASH AND CASH EQUIVALENTS — Beginning of year</b>	<u>                    </u>	<u>112,787,997</u>	<u>19,098,075</u>	<u>18,374,869</u>	<u>8,195,836</u>	<u>158,456,777</u>
<b>CASH AND CASH EQUIVALENTS — End of year</b>	<u>\$</u>	<u>\$ 85,587,972</u>	<u>\$ 36,196,069</u>	<u>\$ 40,372,021</u>	<u>\$ 36,869,295</u>	<u>\$ 199,025,357</u>
<b>NONCASH TRANSACTIONS:</b>						
Retirement plan contributions	\$ 3,447,432	\$ 38,410,640	\$ 7,189,037	\$ 6,508,794	\$ 892,829	\$ 56,448,732
Services contributed by other County offices		3,018,083	708,409	364,440		4,090,932
Contributed capital assets	2,120,184	5,040,548	8,719,092	4,083,892		19,963,716
Donated vaccines					303,179	303,179

(Continued)

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING STATEMENT OF CASH FLOWS OF OPERATING ACCOUNTS INFORMATION FOR THE YEAR ENDED NOVEMBER 30, 2008

	Bureau of Health Services	John H. Stroger Jr. Hospital	Oak Forest Hospital	Provident Hospital	Department of Public Health	Total
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>						
Operating loss	\$ (98,765,641)	\$(311,015,352)	\$ (48,445,428)	\$ (51,372,209)	\$(15,214,236)	\$(524,812,866)
Adjustment to reconcile operating loss to net cash used in operating activities:						
Depreciation	3,692,977	29,489,661	3,493,358	2,468,759	17,696	39,162,451
Provision for bad debts		301,178,390	2,449,805	26,174,961		329,803,156
Retirement plan contribution	3,447,432	38,410,640	7,189,037	6,508,794	892,829	56,448,732
Services contributed by other County offices		3,018,083	708,409	364,440		4,090,932
Net change in assets and liabilities:						
Patient accounts receivables		(333,290,833)	2,672,337	(27,321,673)		(357,940,169)
Third-party settlements		64,004	379,597	(611,950)		(168,349)
Accounts payable	28,007,067	(7,316,368)	(2,498,322)	(5,166,431)	364,602	13,390,548
Accrued salaries, wages, and other liabilities	5,145,284	13,389,257	(417,396)	179,390	89,323	18,385,858
All other assets and liabilities - net	<u>48,785,978</u>	<u>(25,198,219)</u>	<u>11,615,985</u>	<u>19,434,361</u>	<u>67,592</u>	<u>54,705,697</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (9,686,903)</u>	<u>\$(291,270,737)</u>	<u>\$ (22,852,618)</u>	<u>\$ (29,341,558)</u>	<u>\$(13,782,194)</u>	<u>\$(366,934,010)</u>

(Concluded)

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING BALANCE SHEET OF RESTRICTED PURPOSE ACCOUNTS INFORMATION AS OF NOVEMBER 30, 2008

<b>ASSETS</b>	<b>John H. Stroger Jr. Hospital</b>	<b>Oak Forest Hospital</b>	<b>Department of Public Health</b>	<b>Total</b>
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents:				
Cash in banks		\$ 69,335		\$ 69,335
Cash held by Cook County Treasurer	<u>725,385</u>	<u>          </u>	<u>5,270,764</u>	<u>5,996,149</u>
Total cash and cash equivalents	725,385	69,335	5,270,764	6,065,484
Other receivables	<u>227,438</u>	<u>3,444</u>	<u>618,615</u>	<u>849,497</u>
<b>TOTAL</b>	<u>\$ 952,823</u>	<u>\$ 72,779</u>	<u>\$ 5,889,379</u>	<u>\$ 6,914,981</u>
 <b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$	\$	\$ 284,140	\$ 284,140
Accrued salaries, wages, and other liabilities	69,245		4,506,721	4,575,966
Trust funds	<u>          </u>	<u>72,779</u>	<u>          </u>	<u>72,779</u>
Total current liabilities	<u>69,245</u>	<u>72,779</u>	<u>4,790,861</u>	<u>4,932,885</u>
 <b>COMMITMENTS AND CONTINGENCIES</b>				
<b>NET ASSETS:</b>				
Restricted for time and purpose:				
Beginning balance	1,962,595	11,901	4,383,741	6,358,237
Excess revenue (expense)	<u>(1,079,017)</u>	<u>(11,901)</u>	<u>(3,285,223)</u>	<u>(4,376,141)</u>
Total net assets	<u>883,578</u>	<u>          </u>	<u>1,098,518</u>	<u>1,982,096</u>
<b>TOTAL</b>	<u>\$ 952,823</u>	<u>\$ 72,779</u>	<u>\$ 5,889,379</u>	<u>\$ 6,914,981</u>

## COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

### COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS OF RESTRICTED PURPOSE ACCOUNTS INFORMATION FOR THE YEAR ENDED NOVEMBER 30, 2008

	John H. Stroger Jr. Hospital	Oak Forest Hospital	Department of Public Health	Total
<b>OPERATING REVENUES:</b>				
Other revenue	\$ 491,020	\$ _____	\$ 15,062,174	\$ 15,553,194
Total operating revenues	<u>491,020</u>	<u>                    </u>	<u>15,062,174</u>	<u>15,553,194</u>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	1,146,447		9,567,131	10,713,578
Employee benefits	413,171		3,837,962	4,251,133
Supplies	4,279		341,096	345,375
Purchased services, rental, and other	<u>6,140</u>	<u>11,901</u>	<u>4,601,208</u>	<u>4,619,249</u>
Total operating expenses	<u>1,570,037</u>	<u>11,901</u>	<u>18,347,397</u>	<u>19,929,335</u>
Operating loss	<u>(1,079,017)</u>	<u>(11,901)</u>	<u>(3,285,223)</u>	<u>(4,376,141)</u>
Change in net assets	(1,079,017)	(11,901)	(3,285,223)	(4,376,141)
NET ASSETS — Beginning of year	<u>1,962,595</u>	<u>11,901</u>	<u>4,383,741</u>	<u>6,358,237</u>
NET ASSETS — End of year	<u>\$ 883,578</u>	<u>\$ _____</u>	<u>\$ 1,098,518</u>	<u>\$ 1,982,096</u>

# COOK COUNTY HEALTH AND HOSPITALS SYSTEM OF ILLINOIS

## COMBINING STATEMENT OF CASH FLOWS OF RESTRICTED PURPOSE ACCOUNTS INFORMATION FOR THE YEAR ENDED NOVEMBER 30, 2008

	John H. Stroger Jr. Hospital	Oak Forest Hospital	Department of Public Health	Total
<b>OPERATING ACTIVITIES:</b>				
Payment to employees	\$ (1,546,568)	\$	\$ (9,069,891)	\$ (10,616,459)
Payment to suppliers	(10,419)	(9,072)	(4,979,005)	(4,998,496)
Other receipts	<u>531,573</u>	<u>(3,444)</u>	<u>12,899,996</u>	<u>13,428,125</u>
Net cash used in operating activities	(1,025,414)	(12,516)	(1,148,900)	(2,186,830)
<b>CASH AND CASH EQUIVALENTS —</b>				
Beginning of year	<u>1,750,799</u>	<u>81,851</u>	<u>6,419,664</u>	<u>8,252,314</u>
<b>CASH AND CASH EQUIVALENTS —</b>				
End of year	<u>\$ 725,385</u>	<u>\$ 69,335</u>	<u>\$ 5,270,764</u>	<u>\$ 6,065,484</u>
<b>RECONCILIATION OF OPERATING</b>				
<b>LOSS TO NET CASH USED IN</b>				
<b>OPERATING ACTIVITIES:</b>				
Operating loss	\$ (1,079,017)	\$ (11,901)	\$ (3,285,223)	\$ (4,376,141)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Net changes in assets and liabilities:				
Other receivables	40,553	(3,444)	(338,336)	(301,227)
Accounts payable			(36,701)	(36,701)
Accrued salaries, wages and other liabilities	13,050		4,335,202	4,348,252
All other assets and liabilities - net	<u></u>	<u>2,829</u>	<u>(1,823,842)</u>	<u>(1,821,013)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (1,025,414)</u>	<u>\$ (12,516)</u>	<u>\$ (1,148,900)</u>	<u>\$ (2,186,830)</u>