

SULLIVAN COUNTY ADULT CARE CENTER  
(AN ENTERPRISE FUND OF THE  
COUNTY OF SULLIVAN, NEW YORK)

FINANCIAL STATEMENTS

DECEMBER 31, 2014



**TOSKI & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
A DIVISION OF EFP ROTENBERG, LLP

## INDEPENDENT AUDITORS' REPORT

The Chairman and Members of the Board of Legislators  
of the County of Sullivan, New York  
Sullivan County Adult Care Center  
Liberty, New York

We have audited the accompanying financial statements of Sullivan County Adult Care Center, an enterprise fund of the County of Sullivan, New York, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sullivan County Adult Care Center as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only Sullivan County Adult Care Center and do not purport to, and do not, present fairly the financial position of Sullivan County, New York, as of December 31, 2014 and 2013, the changes in its financial positions, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matter**

Management has omitted the Management's Discussion and Analysis report that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Information****Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2014 supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Toski & Co., CPAs, P.C.*

Toski & Co. CPAs, P.C.  
Williamsville, New York  
May 11, 2015

**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Statements of Net Position**  
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,647,777	\$ 1,098,552
Restricted cash - capital project fund	715,891	850,579
Restricted cash - patient funds	97,163	116,841
Accounts receivable - net	1,422,461	1,049,346
Grant receivable	-	272,457
Supplies	71,759	64,432
Prepaid expenses and other current assets	19,857	18,837
Total current assets	3,974,908	3,471,044
<b>Capital Assets - Net</b>	2,413,422	2,495,679
<b>Total Assets</b>	6,388,330	5,966,723
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred bond refunding	26,936	39,368
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 6,415,266	\$ 6,006,091
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Bonds payable - current portion	\$ 16,891	\$ 17,484
Bond anticipation note	750,000	1,130,000
Accounts payable and accrued expenses	306,653	279,328
Accrued compensation and vacation	1,064,446	967,935
Patient funds held in trust	97,163	116,841
Due to County	397,510	4,865,391
Pension and retirement incentive payable - current portion	138,662	144,894
Other post employment benefit obligations payable - current portion	297,958	279,874
Total current liabilities	3,069,283	7,801,747
<b>Long-Term Liabilities</b>		
Bonds payable - net of current portion	32,598	49,489
Due to third party payors	2,164,033	2,633,542
Pension and retirement incentive payable - net of current portion	942,119	742,604
Other post employment benefit obligations payable - net of current portion	9,412,401	8,171,475
Total long-term liabilities	12,551,151	11,597,110
<b>Total Liabilities</b>	15,620,434	19,398,857
<b>Net Position</b>		
Unrestricted net position	(11,534,992)	(15,542,051)
Restricted net position	715,891	850,579
Net investment in capital assets	1,613,933	1,298,706
Total net position	(9,205,168)	(13,392,766)
<b>Total Liabilities and Net Position</b>	\$ 6,415,266	\$ 6,006,091

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

**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues</b>		
Net resident service revenue		
Skilled nursing facility	\$ 9,360,303	\$ 8,681,001
Adult day care	321,209	322,298
Bad debt expense	(103,169)	(50,752)
Total revenues - net	<u>9,578,343</u>	<u>8,952,547</u>
<b>Other Operating Revenue</b>	<u>277,704</u>	<u>288,572</u>
Total operating revenues	<u>9,856,047</u>	<u>9,241,119</u>
<b>Operating Expenses</b>		
Professional care of residents	5,912,302	4,930,636
General services	3,812,457	3,806,305
Administrative services	1,211,009	1,075,748
Employee benefits	5,251,268	5,560,953
New York State cash assessment	486,527	608,433
Loss on disposal of equipment	-	18,389
Depreciation	186,899	148,943
Total operating expenses	<u>16,860,462</u>	<u>16,149,407</u>
<b>Operating Loss</b>	<u>(7,004,415)</u>	<u>(6,908,288)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest expense	(26,398)	(15,679)
Intergovernmental transfer for rate enhancement	10,064,732	2,555,973
Interest income	2,660	6,373
Other revenue	1,151,019	1,618,626
Total non-operating revenues	<u>11,192,013</u>	<u>4,165,293</u>
<b>Change in Net Position</b>	4,187,598	(2,742,995)
<b>Net Position - Beginning</b>	<u>(13,392,766)</u>	<u>(10,649,771)</u>
<b>Net Position - Ending</b>	<u>\$ (9,205,168)</u>	<u>\$ (13,392,766)</u>

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

**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from patient services	\$ 9,477,685	\$ 9,560,660
Cash payments to suppliers for goods and services	(14,880,466)	(10,513,507)
Cash payments to employees for services	(5,162,705)	(4,859,967)
Other revenues	277,704	288,572
Net cash flows from operating activities	<u>(10,287,782)</u>	<u>(5,524,242)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Intergovernmental transfers	10,064,732	2,555,973
Cash received from non-operating activities	1,153,680	1,626,026
Net cash flows from non-capital financing activities	<u>11,218,412</u>	<u>4,181,999</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal payments on serial bonds	(17,484)	(17,630)
Proceeds (repayment) from (of) bond anticipation note - net	(380,000)	1,130,000
Interest paid	(13,966)	(3,468)
Purchase of capital assets	(104,643)	(1,183,588)
Net cash flows from capital and related financing activities	<u>(516,093)</u>	<u>(74,686)</u>
<b>Net Change in Cash and Cash Equivalents</b>	414,537	(1,416,929)
<b>Cash and Cash Equivalents - Beginning</b>	<u>1,949,131</u>	<u>3,366,060</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 2,363,668</u>	<u>\$ 1,949,131</u>
<b>Reconciliations of Operating Loss to Net Cash Flows from Operating Activities</b>		
Operating loss	\$ (7,004,415)	\$ (6,908,288)
Adjustments		
Bad debt expense	103,169	50,752
Depreciation	186,899	148,943
Loss on disposal of equipment	-	18,389
Changes in assets and liabilities		
Accounts receivable	(476,284)	829,818
Grant receivable	272,457	(272,457)
Supplies	(7,327)	6,709
Prepaid expenses and other current assets	(1,020)	(612)
Accounts payable and accrued expenses	27,325	(8,605)
Accrued compensation and vacation	96,511	(149,546)
Due to County	(4,467,881)	(984,116)
Due to third party payors	(469,509)	130,373
Pension payable	193,283	419,699
Other post employment benefit obligations payable	1,259,010	1,194,699
Net cash flows from operating activities	<u>\$ (10,287,782)</u>	<u>\$ (5,524,242)</u>

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

**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies and Scope of Business**

**Scope of Business** - Sullivan County Adult Care Center (the "Center") is a 146 bed residential health care facility located in Liberty, New York, that also provides an on-site medical model adult daycare program. The Center is operated as an enterprise fund of the County of Sullivan, New York (the "County"), and is accounted for separately by the County Treasurer.

An enterprise fund is accounted for as an operation that is financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs or expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Indirect costs from other County departments attributable to shared services have been charged to the Center based on allocations from the most recent cost allocation plan for the County.

**Basis of Accounting** - Beginning in 2012, the Center adopted the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature. The accounts of the Center are maintained on the accrual basis of accounting. Proprietary funds are used to account for activities that are similar to those often found in the private sector. Enterprise funds are proprietary funds used to report any activity for which a fee is charged to external users for goods or services. The measurement focus is on the determination of operating income, financial position, changes in net position and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. The Center is an Enterprise Fund.

**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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

**Basis of Presentation** - The accounts of the County are organized on the basis of funds and account groups. A fund is a separate accounting entity with a self-balancing set of accounts.

The Center adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows and net position. Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. GASB requires the classification of net position into three classifications defined as follows:

**Net Investment in Capital Assets** - This component of net position consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

**SULLIVAN COUNTY ADULT CARE CENTER**  
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**Restricted Net Position** - This component of net position is considered restricted if the use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

**Unrestricted Net Position** - This component of net position consists of all other net position that does not meet the definition of the above two components and is available for general use by the Center.

**Cash and Cash Equivalents** - Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. These deposits are entirely covered by Federal Deposit Insurance or bank collateral provided by the County's custodial bank or at a bank where investments are held.

Cash and cash equivalents recorded by the Center is combined with cash recorded by the County in determining amounts covered by Federal Depository Insurance or by collateral held by the County's agent in the County's name. The collateral is monitored monthly by the County. As of December 31, 2014 and 2013, the County reported that its deposits were adequately collateralized.

**Restricted Cash - Capital Project Fund** - Restricted cash is reserved for the use of capital improvements of the Center related to the HEAL Grant.

**Accounts Receivable and Allowance for Doubtful Accounts** - Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to residents who have third-party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay residents (which includes both residents without insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts increased approximately 45% from the prior year. Total write offs in 2014 were \$3,169 compared to \$65,738 in 2013. The allowance for doubtful accounts was \$324,634 and \$224,634 at December 31, 2014 and 2013, respectively.

**Grant Receivable** - In 2012, the Center was approved to receive funding from an award under the HEAL NY Phase 21 – Health Care Efficiency and Affordability Law for New Yorkers (HEAL NY) Restructuring Initiatives in Medicaid Redesign. Funds available under this grant program support capital projects that will assist the Center to implement necessary actions to restructure, in favor of a reconfigured health care system. As part of the agreement, 14 beds were decertified in January of 2014.



**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Notes to Financial Statements**

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**Capital Assets** - Capital assets are stated at cost, less accumulated depreciation computed on the straight-line method over estimated useful lives as follows:

Building and improvements	10 - 40 Years
Land improvements	10 - 40 Years
Major moveable equipment	2 - 20 Years

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets and exceed \$250 are capitalized. Maintenance and repairs are charged to expense. The cost of property and equipment retired or otherwise disposed of and related accumulated depreciation are removed from the accounts.

**Restricted Cash - Patient Funds** - Restricted cash - patient funds represents amounts held in trust for residents of the Center. New York State Department of Health regulations require that these funds be reported as an asset and liability on the balance sheet.

**Revenue Recognition** - Net resident service revenue is reported at estimated net realizable amounts from residents, third party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to changes in case mix indexes and future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. It is not possible to determine the extent of additional liability (or receivable) resulting from governmental audits conducted in subsequent years.

Laws and regulations governing reimbursement are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Cash Receipt Assessment** - An assessment was imposed on substantially all nursing home cash receipts effective April 1, 2002 as part of the Health Care Workforce Recruitment Retention Act of 2002. Medicare receipts are excluded from this assessment and Medicaid rates were effectively increased to reimburse nursing homes for their additional portion of the assessment. During the current year ended, the assessment was 6.8%. For the years ended December 31, 2014 and 2013, the Center billed approximately \$360,000 and \$390,000, respectively, to recover the Medicaid portion of the assessment which is included in net resident service revenue.

**Intergovernmental Transfer** - The New York State budget contains a provision for an Intergovernmental Transfer (IGT). This provision results in a statewide rate enhancement to non-state operated public residential health care facilities for services provided. When estimable, IGT revenue is recorded when the Center is entitled to receive it. Otherwise it is recorded on a cash basis.

**Vacation and Compensatory Time** - Employees are granted vacation leave and compensatory time off in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and compensatory time at various rates. Estimated vacation leave, compensatory time off and related benefits have been recognized in the financial statements at the present rates of pay.

**Subsequent Events** - Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Notes to Financial Statements**

**Note 2. Accounts Receivable**

Accounts receivable consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Medicaid	\$ 645,273	\$ 557,515
Medicare	176,786	86,279
Self-pay	848,678	557,190
Private insurers	40,943	29,336
Adult day care	35,415	43,660
Sub-total	<u>1,747,095</u>	<u>1,273,980</u>
Less, allowance for doubtful accounts	(324,634)	(224,634)
Accounts receivable - net	<u>\$ 1,422,461</u>	<u>\$ 1,049,346</u>

**Note 3. Capital Assets**

Capital assets consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Building and improvements	\$ 11,727,024	\$ 10,597,548
Machinery and equipment	596,601	542,688
Land improvements	87,600	87,600
Land	44,800	44,800
Construction in progress	25,409	1,104,156
Sub-total	<u>12,481,434</u>	<u>12,370,792</u>
Less, accumulated depreciation	(10,068,012)	(9,881,113)
Capital assets - net	<u>\$ 2,413,422</u>	<u>\$ 2,495,679</u>

**Note 4. Bond Anticipation Notes and Bonds Payable**

Bond anticipation notes and bonds payable consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
2013 Bond Anticipation Note, payable in full on March 7, 2014, plus a fixed rate of interest of 1%. The amount represents the portion allocated to the Center from the 2013 BAN taken by the County amounting to \$5,730,000.	\$ -	\$ 1,130,000
2014 Bond Anticipation Note, payable in full on June 10, 2015, plus a fixed rate of interest of 1%. The amount represents the portion allocated to the Center from the 2014 BAN taken by the County amounting to \$11,315,000.	750,000	-
2007 Public Improvement (Serial) Bonds, due in varying annual installments through March 2017, plus interest ranging from 4.0% to 5.0%, payable semiannually on March 15 and April 15.	49,489	66,973
Less, current portion	(766,891)	(1,147,484)
Long-term portion	<u>\$ 32,589</u>	<u>\$ 49,489</u>

**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Notes to Financial Statements**

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**Serial Bonds - 1994 and 2007 Serial Bonds**

On February 10, 1994, the County issued \$28,170,000 in public improvement serial bonds (1994 Series), with interest rates from 3.0% to 5.2% to advance refund \$24,475,000 of outstanding 1988 and 1995 Series bonds, with interest rates ranging from 6.75% to 7.375%. The net proceeds of approximately \$27,460,000, after payment of underwriting fees, insurance and other issuance costs, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable escrow trust fund with an escrow agent to provide for all future debt service payments on the 1988 and 1995 Series bonds. The portion of the 1994 Series allocated to the Center to refund existing debt was \$2,772,281.

In February 2007, the County issued \$6,900,000 in Refunding (Serial) Bonds (2007) with interest rates ranging from 4.0% to 5.0% to advance certain amounts outstanding on the 1994 Series bonds. The net proceeds, after payment of underwriting fees, insurance and other issuance costs, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable escrow trust fund with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. The portion of the 2007 Series allocated to the Center to refund existing debt was \$615,000.

For the Center, the advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$124,000. This difference, reported on the accompanying financial statements as a deferred outflow of resources, is being charged to operations as a component of interest expense on a straight-line basis over the remaining life of the refunded debt. The amount amortized for the years ended December 31, 2014, and 2013 was \$12,432.

Total debt service for the years succeeding December 31, 2014 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 766,891	\$ 9,468	\$ 776,359
2016	16,459	1,218	17,677
2017	16,139	403	16,542
Total	\$ 799,489	\$ 11,089	\$ 810,578

The Serial Bonds were issued by Sullivan County on the Center's behalf. The County has pledged its full faith and credit against these obligations.

**Note 5. Resident Service Revenue**

Resident service revenue, net of contractual allowances and discounts, consisted of the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Medicaid	\$ 7,046,435	\$ 7,491,110
Medicare	1,695,970	936,967
Self-pay	939,107	575,222
Total net resident service revenue	\$ 9,681,512	\$ 9,003,299

**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Notes to Financial Statements**

**Note 8. Retirement Incentive**

The 2010 State-wide Retirement Incentive Program enacted under Chapter 105 of the Laws of 2010 authorized local municipalities to offer employees a retirement incentive. Under Part A of the plan, eligible employees are granted one month of additional service credit for every year service up to 36 years. Under Part B of the plan, eligible employees can retire without penalty and benefit reduction if they are under the age of 62 and have less than 30 years of credited service. The estimated cost of the program will approximate 64% of the employee's final average salary. The County has elected to pay this obligation over a 5 year period. The original cost to the Center recorded in 2010 approximated \$165,000. This was further adjusted in 2011 to approximately \$194,000. During the current year, \$35,899 was included in expense. Required payments of principal are payable as follows as of December 31:

2015	\$ 38,592
2016	41,486
Total	<u>\$ 80,078</u>

**Note 9. Post Employment Healthcare Plan**

The Center is required to accrue on the financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed increase in postretirement benefits for pre-65 trend rates is 8%, and for post-65 medical trend rates is 7%, for the first year and decreases to 5% for the following years. The projected unit credit method was used to determine the actuarial value of the assets if the OPEB plan, however, the Center currently has no assets set aside for the purpose of paying postemployment plans.

The amortization basis is the level percentage of projected payroll method with an open amortization approach with 30 years remaining in the amortization period. The actuarial assumptions included a 4.155% investments rate of return and a 2.25% inflation rate. The actuarial cost method utilized was the projected unit credit method.

The number of participants as of December 31, 2014 was as follows:

Active employees	999
Retirees	488
	<u>1,487</u>

The following table shows the components of the Center's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Center's net OPEB obligation:

Annual required contribution	\$ 1,703,792
Interest on net OPEB obligation	351,154
Adjustment to annual required contribution	(497,982)
Annual OPEB cost (expense)	<u>1,556,964</u>
Contributions made	<u>(297,954)</u>
Increase in OPEB obligation - net	1,259,010
Net OPEB obligation - beginning of year	8,451,349
Net OPEB obligation - end of year	<u>\$ 9,710,359</u>

**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Notes to Financial Statements**

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The Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Annual OPEB cost	\$ 1,556,964	\$ 1,474,573
Percentage of annual OPEB cost contributed	19.14%	18.98%
Net OPEB obligation at end of year	\$ 9,710,359	\$ 8,451,349
<b>Required Supplementary Information</b>		
Actuarial accrued liability (AAL)	\$ 20,623,467	\$ 14,213,859
Unfunded AAL	\$ 20,623,467	\$ 14,213,859
Funded ratio	-%	-%
Covered payroll	\$ 5,313,256	\$ 4,894,132
UAAL as a percentage of covered payroll	388.15%	290.43%

**Note 10. Commitments and Contingencies**

**Unemployment Insurance**

The Center currently uses reimbursement financing rather than pay contributions under the regular experience-rating provision of the New York State Unemployment Insurance Law. Under this method, the Center is liable to New York State for payments of amounts equal to the benefits paid to its claimants. The Center's unemployment expense approximated \$22,042 and \$31,204 for the years ended December 31, 2014 and 2013.

**Workers' Compensation Insurance**

The Center participates in a self-insurance plan sponsored by the County for workers' compensation under Local Law No.3, 1989, pursuant to Article 5 of the Worker's Compensation Law. The plan is open to any eligible municipality or public entity within the geographic boundaries of Sullivan County for participation. The County, which is responsible for the administration of the plan and its reserves, accounts for this plan in a separate special revenue fund which is included in the County's combined financial statements. Participant contributions are financed on an estimated claims basis with excess contributions transferred to a reserve at the end of the fiscal year. The Center's workers' compensation expense approximated \$331,000 and \$311,000 for the years ended December 31, 2014 and 2013.

**General and Professional Liability Insurance**

The Care Center participates in a premium based general and professional liability insurance plan. The plan assumes liability for most risks including, but not limited to, personal injury, malpractice, vehicle and general liability. At December 31, 2014 and 2013, no claims or outstanding premiums that meet the liability criteria.

**Regulatory**

The Center is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with laws and regulations had increased, resulting in fines and penalties for noncompliance by individual health care providers. While no outstanding regulatory actions exist at December 31, 2014 and 2013 for the Center, compliance with these laws and regulations is subject to future government review, interpretation or actions, which are unknown and unasserted at this time.

**SULLIVAN COUNTY ADULT CARE CENTER**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Notes to Financial Statements**

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**Third Party Rate Adjustments**

As stated in Note 1, net patient service revenue is reported at estimated net realizable amounts from residents, third-party payors, and others for services rendered and include estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered on the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known.

Revenue from the Medicaid and Medicare programs accounted for approximately 90% and 94% of the Center's net patient revenue of the years ended December 31, 2014 and 2013, respectively.

**Note 11. Reclassification**

Certain reclassifications have been made to the financial statements for the year ended December 31, 2013. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.

**SULLIVAN COUNTY ADULT CARE CENTER**  
**Schedule of Expenses**  
**For the Year Ended December 31, 2014 with Comparative Totals for 2013**

	<u>2014</u>			<u>2013</u>
	<u>Salaries</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
<b>Professional Care of Residents</b>				
Nursing administration	\$ 164,021	\$ 7,129	\$ 171,150	\$ 137,740
Skilled nursing facility	4,159,596	160,001	4,319,597	3,721,052
Adult day care	155,323	7,649	162,972	148,712
Recreational therapy	163,565	6,252	169,817	194,160
Pharmacy	-	143,821	143,821	87,218
Dental services	-	27,796	27,796	31,146
Physical therapy	11,456	230,542	241,998	165,387
Occupational therapy	-	241,724	241,724	142,349
Speech therapy	-	44,374	44,374	21,955
Social services	135,498	-	135,498	75,961
Central medical supplies	64,472	163,847	228,319	179,850
Medical records	-	1,236	1,236	1,106
Medical director and medical staff	-	24,000	24,000	24,000
Total professional care of residents	<u>\$ 4,853,931</u>	<u>\$ 1,058,371</u>	<u>\$ 5,912,302</u>	<u>\$ 4,930,636</u>
<b>General Services</b>				
Patient food services	\$ 840,632	\$ 690,800	\$ 1,531,432	\$ 1,545,520
Maintenance and operations	129,592	681,703	811,295	813,994
Housekeeping	-	1,012,993	1,012,993	1,012,993
Laundry and linen	113,247	243,509	356,756	337,936
Meals on wheels	98,276	1,705	99,981	95,862
Total general services	<u>\$ 1,181,747</u>	<u>\$ 2,630,710</u>	<u>\$ 3,812,457</u>	<u>\$ 3,806,305</u>
<b>Administrative Services</b>				
Fiscal services	\$ 216,889	\$ 65,318	\$ 282,207	\$ 265,829
Administration	265,659	591,954	857,613	741,841
Insurance	-	71,189	71,189	68,078
Total administrative services	<u>\$ 482,548</u>	<u>\$ 728,461</u>	<u>\$ 1,211,009</u>	<u>\$ 1,075,748</u>
<b>Non-Departmental Expenses</b>				
Depreciation	\$ -	\$ 186,899	\$ 186,899	\$ 148,943
Interest expense	-	26,398	26,398	15,679
Loss on disposal of equipment	-	-	-	18,389
New York State cash assessment	-	486,527	486,527	608,433
Employee benefits	-	5,251,268	5,251,268	5,560,953
Total non-departmental expenses	<u>\$ -</u>	<u>\$ 5,951,092</u>	<u>\$ 5,951,092</u>	<u>\$ 6,352,397</u>