

**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**

*(An Enterprise Fund of the County of Sullivan, New York)*

*Basic Financial Statements and Required  
Supplementary Information for the Years Ended  
December 31, 2023 and 2022 and  
Independent Auditors' Reports*



**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
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**Years Ended December 31, 2023 and 2022**

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### INDEPENDENT AUDITORS' REPORT

Honorable County Legislature  
County of Sullivan, New York:

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the financial statements of the Sullivan County Care Center at Sunset Lake (the "Center"), an enterprise fund of the County of Sullivan, New York, as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Center, as of December 31, 2023 and 2022, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

##### *Basis for Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### *Responsibilities of Management for the Financial Statements*

The Center's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Center and do not purport to, and do not present fairly the financial position of the County of Sullivan, New York, as of December 31, 2023 and 2022, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 Government 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance

*Drescher & Malecki LLP*

June 26, 2024





# BASIC FINANCIAL STATEMENTS



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**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	1,621,711	\$ 1,887,485
Funds held in trust for patients	257,311	230,700
Patient receivables, net of allowance for estimated uncollectibles	2,073,960	1,566,042
Inventories	33,025	125,166
Prepaid items	235,731	63,922
Total current assets	4,221,738	3,873,315
Noncurrent assets:		
Net pension asset	-	1,580,431
Capital assets, not being depreciated	44,800	44,800
Capital assets, being depreciated (net of accumulated depreciation)	161,719	183,741
Total noncurrent assets	206,519	1,808,972
Total assets	4,428,257	5,682,287
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows—relating to pensions	2,707,737	3,406,561
Deferred outflows—relating to OPEB	6,445,458	11,006,434
Total deferred outflows of resources	9,153,195	14,412,995
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	2,374,508	906,575
Due to third-party payors	129,233	164,186
Due to County General Fund	17,556,414	17,061,172
Accrued compensation and related costs	158,549	247,809
Resident trust funds	266,011	230,700
Total current liabilities	20,484,715	18,610,442
Noncurrent liabilities:		
Other postemployment benefits obligation	19,357,706	20,050,132
Net pension liability	3,654,407	-
Total noncurrent liabilities	23,012,113	20,050,132
Total liabilities	43,496,828	38,660,574
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows—relating to pensions	416,118	5,735,292
Deferred inflows—relating to OPEB	11,070,407	14,840,054
Total deferred inflows of resources	11,486,525	20,575,346
<b>NET POSITION</b>		
Net investment in capital assets	206,519	228,541
Unrestricted	(41,608,420)	(39,369,179)
Total net position	\$ (41,401,901)	\$ (39,140,638)

The notes to the financial statements are an integral part of these statements.

**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES</b>		
Net patient service revenue	\$ 13,321,072	\$ 9,426,370
Other revenue	302	134,812
Total operating revenues	<u>13,321,374</u>	<u>9,561,182</u>
<b>OPERATING EXPENSES</b>		
Professional care of residents	3,768,778	4,898,209
General services	4,089,977	3,954,144
Administrative services	6,270,318	2,697,032
Employee benefits	3,661,694	3,424,808
New York State cash assessment	666,483	486,788
Depreciation	55,492	57,559
Total operating expenses	<u>18,512,742</u>	<u>15,518,540</u>
Operating loss	<u>(5,191,368)</u>	<u>(5,957,358)</u>
<b>NONOPERATING REVENUES</b>		
Intergovernmental transfers	3,157,518	-
Contribution from County	(237,542)	1,879,317
Interest income	10,129	1,803
Total nonoperating revenues	<u>2,930,105</u>	<u>1,881,120</u>
Change in net position	(2,261,263)	(4,076,238)
Total net position—beginning	<u>(39,140,638)</u>	<u>(35,064,400)</u>
Total net position—ending	<u>\$ (41,401,901)</u>	<u>\$ (39,140,638)</u>

The notes to the financial statements are an integral part of these statements.

**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts for patient care services	\$ 12,813,154	\$ 12,196,400
Payments to suppliers for goods and services	(5,237,709)	(1,748,267)
Payments to employees for services	(10,270,029)	(13,207,581)
Receipt of other operating revenue	10,431	134,812
Net cash (used for) operating activities	(2,684,153)	(2,624,636)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on bank accounts	10,129	1,688
Net cash provided by investing activities	10,129	1,688
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts for intergovernmental transfer	3,157,518	467,792
Payments (to) from County	(715,683)	1,879,317
Net cash provided by noncapital financing activities	2,441,835	2,347,109
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(33,585)	(2,067)
Net cash (used for) capital and related financial activities	(33,585)	(2,067)
Net change in cash	(265,774)	(277,906)
Cash and cash equivalents—beginning	1,887,485	2,165,391
Cash and cash equivalents—ending	\$ 1,621,711	\$ 1,887,485

(continued)

The notes to the financial statements are an integral part of these statements.

**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	(concluded)	
	2023	2022
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>		
<b>CASH (USED FOR) OPERATING ACTIVITIES</b>		
Operating loss	\$ (5,191,368)	\$ (5,957,358)
Adjustments to reconcile operating loss to net cash (used for) operating activities:		
Bad debt expense	486,956	455,000
Depreciation	55,492	57,559
(Increase) in receivables	(507,918)	(439,778)
Decrease in due from third-party payors	-	2,754,808
Decrease (increase) in inventories	92,141	(60,223)
(Increase) decrease in other assets	(171,809)	11,081
Decrease (increase) in noncurrent net pension asset	1,580,431	(1,580,431)
Decrease in deferred outflows of resources	5,259,800	1,208,182
Increase in accounts payable	1,467,933	421,881
(Decrease) increase in due to third-party payors	(34,953)	74,953
Increase in due to County General Fund	495,242	7,214
(Decrease) in accrued compensation and related costs	(89,260)	(45,628)
Increase (decrease) in net pension liability	3,654,407	(24,646)
(Decrease) in other post employment benefits liability	(692,426)	(8,866,970)
(Decrease) increase in deferred inflows of resources	(9,088,821)	9,359,720
Total adjustments	2,507,215	3,332,722
Net cash (used for) operating activities	\$ (2,684,153)	\$ (2,624,636)

The notes to the financial statements are an integral part of these statements.

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**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2023 and 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Sullivan County Care Center at Sunset Lake (the “Center”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center’s accounting policies are described below.

***Reporting Entity***

The Center is a 146 bed residential health care facility located in Liberty, New York. 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. All assets or liabilities used for, or arising from, the operations from the Center are owned by or are the responsibility of the County. All expenditures relating to the Center are paid by the County.

In July 2020, the County authorized the formation of the Sunset Lake Local Development Corporation (the "LDC") for the purpose of transferring the Center’s capital assets and identifying a management company to assume operations of the Center through a lease agreement. On December 5, 2020 the Center’s building and land improvements in the amount of \$1,342,391 were transferred to the LDC and an agreement was entered into whereby the LDC will lease the facility back to the County for \$1 and the County will continue to operate the Center. Effective May 1, 2021, the County entered into an initial service agreement with Infinite Care LLC, (“Infinite Care”) an unrelated party, whereby Infinite Care will provide certain administrative services to the Center for a monthly fee of \$30,000.

Effective October 1, 2021, the County entered into a consulting agreement with Infinite Care whereby Infinite Care will provide a more extensive level of services to the Center and the County remains the licensed operator of the facility. On March 16, 2023, the County and Infinite Care filed a Certificate of Need (“CON”) application with the New York State Department of Health (“NYS DOH”) and is awaiting approval for Infinite Care to be established as the licensed operator of the Center. On November 2, 2023, the NYS DOH held a pre-meeting to review the CON application. At that time, the NYS DOH did not recommend that the CON is moved to the full board to be formally approved.

***Basis of Presentation—Enterprise Fund***

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.

### ***Basis of Accounting***

As an enterprise fund, the Center uses the accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. The Center activities apply all applicable GASB pronouncements as well as guidance from the following sources, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

### ***Assets, Liabilities, Deferred Outflows/Inflows of Resources***

***Cash, Cash Equivalents and Investments***—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within three months or less from the date of acquisition. State statutes and various resolutions of the County Legislature govern the County’s investment policies. Permissible investments include obligations of the U.S. Treasury and U.S. Government agencies, repurchase agreements and obligations of New York State or its localities. Investments are stated at fair value based on quoted market prices. The Center reports no investments at December 31, 2023.

***Funds Held in Trust for Patients***—Represents deposits held in custody for patients and as such represent fiduciary responsibilities of the Center rather than present or future interest. These funds are disbursed by the Center at the request of, or on behalf, patients for their personal use.

***Receivables***—Represents gross patient accounts receivable, with an estimated allowance for uncollectable accounts. The Center provides an allowance for doubtful accounts based upon prior year experience and management’s assessment of the collectability of specific accounts. For the years ended December 31, 2023 and 2022, the allowance for doubtful accounts was \$880,000 and \$884,752. Bad debt expense for the years ended December 31, 2023 and 2022 was \$486,956 and \$455,000, respectively.

***Intergovernmental Transfer Receivables***—Represents intergovernmental transfer (“IGT”) receivable from New York State.

***Inventories***—Inventories are recorded at cost (determined using first-in, first-out method) and consists primarily of food, medical supplies and drugs.

***Prepaid Items***—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. The cost of prepaid items is recorded as expenses when consumed rather than purchased.

***Capital Assets***—Capital assets, which include land, construction in progress, buildings and fixed and moveable equipment are recorded at cost. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$250 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated acquisition value of the item at the date of its donation.

Land and construction in progress are not depreciated. The other capital assets of the Center are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Land improvements	10 - 40 years
Major movable equipment	2 - 20 years

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs are charged to expense as incurred, significant renewals and betterments are capitalized.

***Deferred outflows/inflows of resources***—In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. At December 31, 2023 and 2022, the Center has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Center’s proportion of the collective net pension liability/(asset), the difference during the measurement period between the Center’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is related to OPEB reported on the Statement of Net Position and represents the effects of the change in the Center’s proportion of the collective total OPEB liability and difference during the measurement period between certain employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2023 and 2022, the Center has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Center’s proportion of the collective net pension liability/(asset) and the difference during the measurement periods between the Center’s contributions and its proportionate share of total contributions to the pension system not included in pension expense. The second item represents the effects of the change in the Center’s proportion of the collective total OPEB liability and difference during the measurement period between certain employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability.

### ***Revenues and Expenses***

***Net Patient Service Revenue***—The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payments are generally prospectively determined per-diem amounts. Net patient service revenue is reported at the estimated net realizable amounts due from patients and third-party payors for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors.

**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 years ended December 31, 2023 and 2022 the assessment was 6.8%. For the years ended December 31, 2023 and 2022, the Center billed approximately \$357,378 and \$339,000 to recover the Medicaid portion of the assessment which is included in net patient service revenue.

**Pensions**—The County is mandated by New York State law to participate in the New York State Local Employees’ Retirement System. For purposes of measuring the net pension liability, deferred inflows/outflows of resources related to pensions, and pension expense of the Center, information about the fiduciary net position of the defined benefit pension plan, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 5.

**Compensated Absences**—The Center’s employees are entitled, with certain limitations, to accrue sick leave and vacation time. For Center employees, the accumulation is recorded as current liability. The compensated absences liability for the Center at December 31, 2023 and 2022 totaled \$157,337 and \$247,809, respectively.

**Other Postemployment Benefits**—In addition to providing pension benefits, the Center provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement, as disclosed in Note 6.

**Statements of Cash Flows**—For purposes of the statements of cash flows, the Center considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

**Estimates**—The preparation of the financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncements**—During the year ended December 31, 2023, the Center implemented GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnerships arrangements (“PPPs”). GASB Statement No. 96 improves financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (“SBITAs”) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. A portion of GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature related to GASB Statements No. 94 and 96. The implementation of GASB Statements No. 94, 96, and a portion of 99 did not have a material impact on the Center’s financial position or results from operations.

**Future Impacts of Accounting Pronouncements**—The Center has not completed the process of evaluating the impact that will result from adopting the remainder of GASB Statement No. 99, *Omnibus 2022*; No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences*, effective for the year ending December 31, 2024; No. 102, *Certain Risk Disclosures*, effective for the year ending December 31, 2025; and No. 103, *Financial Reporting Model Improvements*. The Center is, therefore, unable to disclose the impact that adopting GASB Statements No. 99, 100, 101, 102, and 103 will have on its financial position and results of operations when such statements are adopted.

**Deficit Net Position**—At December 31, 2023, the Center reported a net position of \$(41,536,901). This deficit results primarily from the recognition of long-term liabilities related to the OPEB obligation. The Center anticipates this deficit will be remedied through future operations.

## 2. CASH AND CASH EQUIVALENTS

Total cash and cash equivalents reported by the Center at December 31, 2023 is presented below.

	December 31,	
	2023	2022
Petty cash (uncollateralized)	\$ 2,700	\$ 2,700
Deposits	1,619,011	1,884,785
Total	<u>\$ 1,621,711</u>	<u>\$ 1,887,485</u>

**Deposits with Financial Institutions**—All deposits are carried at fair value, and are classified by credit risk category. Center deposits are maintained within the same financial institutions used by the County and at December 31, 2023 and 2022, total deposits were either FDIC insured or covered by collateral held in the County’s name.

**Custodial Credit Risk—Deposits**—In the case of deposits, this is the risk that in the event of a bank failure, the Center’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2023 and 2022, the Center’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the County’s name. The petty cash and patient petty cash funds are uninsured and uncollateralized.

## 3. RECEIVABLES

The Center provides credit in the normal course of business without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The Center believes that no significant concentrations of credit risk exist with respect to the patient accounts receivable. The mix of receivables from patients and third-party payers at December 31, 2023 and 2022 is presented below:

	December 31,	
	2023	2022
Medicaid	35.8%	39.8%
Self-pay	17.2%	33.5%
Medicare	16.0%	8.1%
Other	31.0%	18.6%

For the years ended December 31, 2023 and 2022, the Center recorded net patient accounts receivable totaling \$1,938,960 and \$1,566,042, respectively with an estimated allowance for uncollectable of \$880,000 and \$884,752 as of December 31, 2023 and 2022.

Intergovernmental transfer receivables consist of outstanding IGT revenues of \$3,157,518 and \$0 as of December 31, 2023 and 2022, respectively. Refer to Note 12 for additional information.

#### 4. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022 was as follows:

	Balance 1/1/2023	Increases	Decreases	Balance 12/31/2023
Capital assets, not being depreciated:				
Land	\$ 44,800	\$ -	\$ -	\$ 44,800
Total capital assets, not being depreciated	<u>44,800</u>	<u>-</u>	<u>-</u>	<u>44,800</u>
Capital assets, being depreciated:				
Major moveable equipment	1,024,284	33,470	-	1,057,754
Total capital assets, being depreciated:	<u>1,024,284</u>	<u>33,470</u>	<u>-</u>	<u>1,057,754</u>
Less accumulated depreciation for:				
Major moveable equipment	840,543	55,492	-	896,035
Total accumulated depreciation	<u>840,543</u>	<u>55,492</u>	<u>-</u>	<u>896,035</u>
Total capital assets, being depreciated, net	<u>183,741</u>	<u>(22,022)</u>	<u>-</u>	<u>161,719</u>
Capital assets, net	<u>\$ 228,541</u>	<u>\$ (22,022)</u>	<u>\$ -</u>	<u>\$ 206,519</u>
	Balance 1/1/2022	Increases	Decreases	Balance 12/31/2022
Capital assets, not being depreciated:				
Land	\$ 44,800	\$ -	\$ -	\$ 44,800
Total capital assets, not being depreciated	<u>44,800</u>	<u>-</u>	<u>-</u>	<u>44,800</u>
Capital assets, being depreciated:				
Major moveable equipment	1,044,768	2,067	22,551	1,024,284
Total capital assets, being depreciated:	<u>1,044,768</u>	<u>2,067</u>	<u>22,551</u>	<u>1,024,284</u>
Less accumulated depreciation for:				
Major moveable equipment	782,984	57,559	-	840,543
Total accumulated depreciation	<u>782,984</u>	<u>57,559</u>	<u>-</u>	<u>840,543</u>
Total capital assets, being depreciated, net	<u>261,784</u>	<u>(55,492)</u>	<u>22,551</u>	<u>183,741</u>
Capital assets, net	<u>\$ 306,584</u>	<u>\$ (55,492)</u>	<u>\$ 22,551</u>	<u>\$ 228,541</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$55,492 and \$57,559, respectively.

## 5. PENSION PLAN

### *Plan Description and Benefits Provided*

**Employees' Retirement System ("ERS")**—The Center participates in the New York State and Local Employees' Retirement System (the "System"). The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

**Pension Liabilities/(Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**—At December 31, 2023 and 2022, the Center reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for ERS. The net pension liability/(asset) was measured as of March 31, 2023 and 2022. The total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of April 1, 2022 and 2021, with update procedures used to roll forward the total pension liability to the measurement date. The Center's proportion of the net pension liability/(asset) was based on a projection of the Center's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS Systems in reports provided to the Center.

Measurement date	ERS	
	March 31, 2023	March 31, 2022
Net pension liability/(asset)	\$ 3,654,407	\$ (1,580,431)
Center's portion of the Plan's total net pension liability	0.0170416%	0.0193335%

For the year ended December 31, 2023 and 2022, the Center recognized ERS pension expense/(income) of \$1,209,405 and \$(6,768), respectively. At December 31, 2023 the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources presented on the following page.

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 389,223	\$ 102,630
Changes in assumptions	1,774,816	19,615
Net difference between projected and actual earnings on pension plan investments	-	21,469
Changes in proportion and differences between the Center's contributions and proportionate share of contributions	78,759	272,404
Center contributions subsequent to measurement date	464,939	-
Total	<u>\$ 2,707,737</u>	<u>\$ 416,118</u>

At December 31, 2022 the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 119,688	\$ 155,242
Changes in assumptions	2,637,562	44,506
Net difference between projected and actual earnings on pension plan investments	-	5,175,249
Changes in proportion and differences between the Center's contributions and proportionate share of contributions	144,869	360,295
Center contributions subsequent to measurement date	504,442	-
Total	<u>\$ 3,406,561</u>	<u>\$ 5,735,292</u>

Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as presented below:

Year Ending December 31,	ERS
2024	\$ 415,465
2025	(244,396)
2026	676,469
2027	979,142

**Actuarial Assumptions**—The total pension liability as of the measurement date was determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the actuarial assumptions presented on the following page.



	ERS	
	2023	2022
Measurement date	March 31, 2023	March 31, 2022
Actuarial valuation date	April 1, 2022	April 1, 2021
Interest rate	5.90%	5.90%
Salary scale	4.40%	4.40%
Decrement tables	April 1, 2015- March 31, 2020	April 1, 2015- March 31, 2020
Inflation rate	2.9%	2.7%
Cost-of-living adjustments	1.5%	1.4%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2021. The actuarial assumptions used in the April 1, 2022 and 2021 valuations are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2023 and 2022 are summarized below:

	ERS			
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2023		March 31, 2022	
Measurement date				
Asset class:				
Domestic equities	32.0 %	4.3 %	32.0 %	3.3 %
International equities	15.0	6.9	15.0	5.9
Private equity	10.0	7.5	10.0	6.5
Real estate	9.0	4.6	9.0	5.0
Absolute return strategies	3.0	5.4	3.0	4.1
Credit	4.0	5.4	4.0	3.8
Real assets	3.0	5.8	3.0	5.6
Fixed income	23.0	1.5	23.0	0.0
Cash	1.0	0.0	1.0	(1.0)
Total	<u>100.0 %</u>		<u>100.0 %</u>	

**Discount Rate**—The discount rate used to calculate the total pension liability was 5.9% at March 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption***—The charts below present the Center’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 5.9% at December 31, 2023 and 2022 as well as what the Center’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current assumption.

ERS	2023		
	Decrease (4.9%)	Assumption (5.9%)	Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)	\$ 8,831,134	\$ 3,654,407	\$ (671,351)

  

ERS	2022		
	Decrease (4.9%)	Assumption (5.9%)	Increase (6.9%)
Employer's proportionate share of the net pension liability/(asset)	\$ 4,068,012	\$ (1,580,431)	\$ (6,305,081)

***Pension Plan Fiduciary Net Position***—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

Valuation date	(Dollars in Thousands)	
	ERS	
	April 1, 2022	April 1, 2021
Employers' total pension liability	\$ 232,627,259	\$ 223,874,888
Plan fiduciary net position	211,183,223	232,049,473
Employers' net pension liability/(asset)	<u>\$ 21,444,036</u>	<u>\$ (8,174,585)</u>
System fiduciary net position as a percentage of total pension liability	90.8%	103.7%

## 6. DUE TO THIRD PARTY PAYORS

Payables to third party and private payors consisted of the following at December 31, 2023:

	December 31,	
	2023	2022
Due to third party payors	<u>\$ 129,233</u>	<u>\$ 164,186</u>

## 7. NET PATIENT SERVICE REVENUES

The Center has agreements with third-party payors that provide for payments for services rendered by the Center. The summary of the payment arrangements with the major third-party payors follows:

**Medicaid**—Inpatient services rendered to Medicaid program beneficiaries are at a prospectively determined per-diem rate. This rate varies based on the clinical acuity level of the Medicaid population in the facility. In addition, a portion of the reimbursement rate is based on the actual capital-related costs of the Center. The non-capital Medicaid reimbursement from New York State is provided under a statewide pricing methodology that incorporates 2007 New York State allowable costs, facility-specific patient acuity levels measured semi-annually, and a wage adjustment that blends 2009 regional and facility-specific wage information. See Note 13 for future changes to Medicaid reimbursement.

**Medicare**—Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined per-diem rates through September 30, 2019. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Beginning October 1, 2019, reimbursement is based on a Patient Driven Payment Model case mix classification for inpatient services.

The Center has also entered into payment agreements with commercial insurance carriers. The basis for payment to the Center under these agreements generally is prospectively determined per-diem and per-visit rates.

Third-party payors retain the right to review and propose adjustments to reimbursement amounts received by the Center. Provision is made in the financial statements for anticipated adjustments that may vary for such revisions.

In the normal course of business, the Center requests revisions to reimbursement amounts received under third-party payor agreements. No amounts are recorded unless the Center is reasonably assured that such revision will be granted.

The current Medicaid and Medicare programs are based upon extremely complex laws and regulations that are 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.

Patient service revenues, net of contractual allowances and discounts, consisted of the following for the year ended December 31, 2023 and 2022:

	December 31,	
	2023	2022
Skilled Nursing Facility:		
Medicaid and Medicaid managed care	\$ 8,888,502	\$ 6,988,965
Medicare	3,700,492	2,310,404
Self pay and other private insurers	732,078	127,001
Total	<u>\$ 13,321,072</u>	<u>\$ 9,426,370</u>

**8. OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description*—The Center, through the County, pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided. Eligibility for postemployment benefits requires a minimum age of 55 with at least ten (10) years of service. In addition, the employee must qualify for retirement as a member of the New York State retirement system and immediately begin receiving a New York State pension upon leaving the County.

*Employees Covered by Benefit Terms*—At January 1, 2023, employees were covered by the benefit terms as presented on the following page.

Inactive employees or beneficiaries currently receiving benefit payments	48
Active employees	<u>72</u>
Total	<u><u>120</u></u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

***Total OPEB Liability***

The Center’s total OPEB liability of \$19,357,706 was measured as of December 31, 2023, and was determined by an actuarial valuation as of January 1, 2023.

*Actuarial Methods and Assumptions*—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2023 and 2022 actuarial valuations, the entry age normal method, over a level percent of pay was used. The single discount rate increased from 4.31% as of December 31, 2022 to 4.00% effective December 31, 2023. In order to estimate the change in the cost of healthcare, the actuary’s initial healthcare trend rate used is 7.75% and 8.00%, while the ultimate healthcare cost trend rate is 4.04% and 5.00%, as of December 31, 2023 and 2022, respectively. An inflation rate of 3.0% per year was assumed for both December 31, 2023 and 2022.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period January 1, 2023 through December 31, 2023.

*Changes in the Total OPEB Liability*—The table on the following page presents the changes to the total OPEB liability as of December 31, 2023 and 2022.

	December 31,	
	2023	2022
Total OPEB liability—beginning of year	\$ 20,050,132	\$ 28,917,102
Changes for the year:		
Service cost	575,931	1,501,549
Interest	746,357	643,512
Changes in assumptions	1,855,968	(14,142,690)
Differences between expected and actual experience	(3,295,636)	3,763,822
Benefit payments	(575,046)	(633,163)
Net changes	(692,426)	(8,866,970)
Total OPEB liability—end of year	<u>\$ 19,357,706</u>	<u>\$ 20,050,132</u>

***Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate***—The discount rate assumption can have an impact on the total OPEB liability. The following tables presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability as of December 31, 2023 and 2022:

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability (2023)	\$ 22,767,517	\$ 19,357,706	\$ 16,643,160

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total OPEB liability (2022)	\$ 26,916,125	\$ 20,050,132	\$ 13,184,140

Additionally, healthcare costs can be subject to considerable volatility over time. The following tables presents the effect on the net OPEB liability of a 1% change in the initial (7.8%) and ultimate (4.0%) healthcare cost trend rates as of December 31, 2023. The rates as of December 31, 2022 were (8.0%) and (5.0%).

	1% Decrease (6.8% / 3.0%)	Healthcare Cost Trend Rates (7.8% / 4.0%)	1% Increase (8.8% / 5.0%)
Total OPEB liability (2023)	\$ 16,240,274	\$ 19,357,706	\$ 23,417,189

	1% Decrease (7.0% / 4.0%)	Healthcare Cost Trend Rates (8.0% / 5.0%)	1% Increase (9.0% / 6.0%)
Total OPEB liability (2022)	\$ 16,528,589	\$ 20,050,132	\$ 24,711,284

**Funding Policy**— Authorization for the Center to pay a portion of retiree health insurance premiums was enacted through a union contract, which are ratified by the County Legislature. Upon retirement, the dollar equivalent of a retiree’s accumulated sick leave shall be credited to such retiree, and such retiree shall be reimbursed for the premium cost of the health insurance program that is available to the retiree group, should the retiree be eligible and elect to enroll in such coverage after retirement. For the years ended December 31, 2023 and 2022, the Center recognized OPEB expense of \$655,368 and \$1,647,514, respectively.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**—The Center reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability are required to be determined. The tables below present the Center’s deferred outflows of resources and deferred inflows of resources at December 31, 2023 and 2022.

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,790,937	\$ 2,180,475
Changes of assumptions	3,654,521	8,889,932
Total	\$ 6,445,458	\$ 11,070,407

  

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,648,817	\$ 1,246,657
Changes of assumptions	3,357,617	13,593,397
Total	\$ 11,006,434	\$ 14,840,054

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as shown below:

	Year ended December 31,
2024	\$ (1,217,764)
2025	(1,217,764)
2026	(1,161,337)
2027	(1,238,017)
2028	83,704
Thereafter	126,229

## 9. RISK FINANCING ACTIVITIES

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 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 internal service 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 \$108,000 and \$143,000 for the years ended December 31, 2023 and 2022.

## 10. LONG-TERM DEBT

A summary of debt for the year ended December 31, 2023 follows:

	Balance 1/1/2023	Additions	Reductions	Balance 12/31/2023
Net pension liability*	\$ -	\$ 3,654,407	\$ -	\$ 3,654,407
OPEB obligation	20,050,132	3,178,256	3,870,682	19,357,706
Long-term debt	<u>\$ 20,050,132</u>	<u>\$ 6,832,663</u>	<u>\$ 3,870,682</u>	<u>\$ 23,012,113</u>

\*Additions to the net pension liability are shown net of reductions.

**Net Pension Liability**—The Center reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System. The net pension liability is estimated to be \$3,654,407 at December 31, 2023. Refer to Note 5 for additional information related to the Center's net pension liability.

**OPEB Obligation**—As discussed in Note 8, the Center's OPEB obligation at December 31, 2023 is \$19,357,706.

## 11. RELATED PARTIES

Amounts due to the County General Fund represent advances provided by the County to the Center and incur certain administrative cost on behalf of the Center. The funds advances provide funding to the Center to cover a portion of the operating costs of the Center. For the years ended December 31, 2023 and 2022, indirect costs allocated to the Center totaled \$495,242 and \$948,765 respectively. The total amount due to the County was \$17,556,414 and \$17,061,172, for the years ended December 31, 2023 and 2022, respectively.

## 12. INTERGOVERNMENTAL TRANSFER

The New York State Association of Counties ("NYSAC") and the State Division of the Budget agreed upon a methodology to bring additional federal revenues to county nursing facilities. This methodology, known as the Intergovernmental Transfer Program ("IGT"), provides for certain Medicaid rate enhancements to non-state operated, publicly sponsored nursing facilities, excluding public nursing facilities operated by a town or city within a county.

Under this methodology known as IGT, counties are required to advance a percentage of the total Intergovernmental Transfer payments, which is determined by the Federal Matching Rate approved by the Centers for Medicare & Medicaid Services ("CMS"). The qualifying nursing homes are entitled to 100% of the share amount which was allocated based upon the ratio of each facility's reported Medicaid days divided by the total reported Medicaid days for all eligible facilities.

During the year ended December 31, 2023, the Center recognized as revenue \$3,157,518 in IGT payments, related to the state fiscal year 4/1/22 to 3/31/23.

During the year ended December 31, 2022, the Nursing Home received and recognized as revenue \$0 in IGT payments, related to the state fiscal year 4/1/21 to 3/31/22.

### **13. REGULATORY ENVIRONMENT**

The health care industry is subject to numerous laws and regulations imposed by federal, state and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. In addition, certain cost reports, which serve as the basis for final settlement with the Medicare program, remain open for audit and settlement, as are New York State Medicaid cost reports for prior years.

Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Furthermore, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Accordingly, there is at least a reasonable possibility that recorded estimates for health care revenue will change in the near term and the change could be material to the Center's financial condition, results of operations and cash flows.

In October 2019, the New York State Department of Health enacted a reduction in Medicaid reimbursement effective July 1, 2019 based on a new Medicaid case mix reimbursement methodology. The change in the Medicaid case mix reimbursement methodology was estimated to significantly reduce Medicaid reimbursement in New York State. In November 2019, the Albany Supreme Court issued an emergency injunction that temporarily delayed the implementation of the new case mix Medicaid methodology. The final decision as to whether the new Medicaid reimbursement methodology will be implemented is not known at this time. Management of the Center is unable to predict the ultimate outcome of this potential change in Medicaid reimbursement, if any, and its potential effect on its net patient service revenue.

### **14. CONTINGENCIES**

The Center is involved in litigation arising in the normal course of business. Management estimates that such matters will be resolved without material adverse effect on the Center's future financial position, liquidity and results from operation.

The Center participates in a premium based general and professional liability insurance plan. The plan assumes liability for most risks included, but not limited to, personal injury, malpractice, vehicle, and general liability. At December 31, 2023 and 2022, no claims or outstanding premiums exist that meet the liability criteria.

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 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.



The consulting agreement with Infinite Care calls for a fee to be determined based on a quarterly reconciliation of the Center's revenue, expenses, and certain credits to and from Infinite Care. At this time, due to certain ambiguities in the determination of the consulting services fee, no amount has been recorded in these financial statements. However, the Center's management believe that no amount is due by the County to Infinite Care as of December 31, 2023 and 2022, respectively.

## **15. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 26, 2024, which is the date the financial statements are available for issuance, and have determined, except as described in Note 1, there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION



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**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**Schedule of the Center's Proportionate Share of the**  
**Net Pension Liability/(Asset)—Employees' Retirement System**  
**Last Nine Fiscal Years\***

	Year Ended December 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Center's proportion of the net pension liability/(asset)	0.0170416%	0.0195873%	0.0247511%	0.0255888%	0.0248519%	0.0240858%	0.0257297%	0.0261291%	0.0262174%
Center's proportionate share of the net pension liability/(asset)	<u>\$ 3,654,407</u>	<u>\$ (1,580,431)</u>	<u>\$ 24,646</u>	<u>\$ 6,776,067</u>	<u>\$ 1,760,832</u>	<u>\$ 777,379</u>	<u>\$ 2,417,622</u>	<u>\$ 4,193,799</u>	<u>\$ 885,687</u>
Center's covered payroll	\$ 4,733,418	\$ 5,322,629	\$ 6,359,134	\$ 9,363,057	\$ 7,052,583	\$ 6,872,926	\$ 6,676,520	\$ 8,063,774	\$ 7,844,031
Center's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	77.2%	(29.7)%	0.4%	72.4%	25.0%	11.3%	36.2%	52.0%	11.3%
Plan fiduciary net position as a percentage of the total pension liability	90.8%	103.7%	100.0%	86.4%	96.3%	90.7%	94.7%	90.7%	97.9%

\*Information prior to December 31, 2015 is not available.

**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**Schedule of the Center's Contributions—**  
**Employees' Retirement System**  
**Last Nine Fiscal Years\***

	Year Ended December 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 633,086	\$ 728,920	\$ 924,033	\$ 971,332	\$ 876,444	\$ 880,248	\$ 927,197	\$ 1,009,798	\$ 1,106,428
Contributions in relation to the contractually required contribution	<u>(633,086)</u>	<u>(728,920)</u>	<u>(924,033)</u>	<u>(971,332)</u>	<u>(876,444)</u>	<u>(880,248)</u>	<u>(927,197)</u>	<u>(1,009,798)</u>	<u>(1,106,428)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's covered payroll	\$ 4,733,418	\$ 5,942,036	\$ 5,268,577	\$ 7,071,004	\$ 7,981,865	\$ 7,062,896	\$ 6,829,079	\$ 6,683,257	\$ 6,772,279
Contributions as a percentage of covered payroll	13.4%	12.3%	17.5%	13.7%	11.0%	12.5%	13.6%	15.1%	16.3%

\*Information prior to December 31, 2015 is not available.

**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Schedule of Changes in the Center's Total OPEB Liability and Related Ratios**  
**Last Seven Fiscal Years\***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>							
Service cost	\$ 575,931	\$ 1,501,549	\$ 1,248,738	\$ 955,824	\$ 724,986	\$ 945,949	\$ 940,216
Interest	746,357	643,512	437,931	572,437	576,534	526,096	512,821
Changes of assumptions	1,855,968	(14,142,690)	(1,919,641)	4,869,543	1,341,716	(1,188,136)	-
Differences between expected and actual experience	(3,295,636)	3,763,822	6,768,449	(767,215)	(546,415)	(908,512)	(383,147)
Benefit payments	<u>(575,046)</u>	<u>(633,163)</u>	<u>(618,218)</u>	<u>(380,322)</u>	<u>(372,214)</u>	<u>(350,478)</u>	<u>(298,346)</u>
Net changes in total OPEB liability	(692,426)	(8,866,970)	5,917,259	5,250,267	1,724,607	(975,081)	771,544
Total OPEB liability—beginning	<u>20,050,132</u>	<u>28,917,102</u>	<u>22,999,843</u>	<u>17,749,576</u>	<u>16,024,969</u>	<u>17,000,050</u>	<u>16,228,506</u>
Total OPEB liability—ending	<u>\$ 19,357,706</u>	<u>\$ 20,050,132</u>	<u>\$ 28,917,102</u>	<u>\$ 22,999,843</u>	<u>\$ 17,749,576</u>	<u>\$ 16,024,969</u>	<u>\$ 17,000,050</u>
<b>Plan fiduciary net position</b>							
Contributions—employer	\$ 575,046	\$ 633,163	\$ 618,218	\$ 380,322	\$ 372,214	\$ 350,478	\$ 298,346
Benefit payments	<u>(575,046)</u>	<u>(633,163)</u>	<u>(618,218)</u>	<u>(380,322)</u>	<u>(372,214)</u>	<u>(350,478)</u>	<u>(298,346)</u>
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Center's net OPEB liability—ending</b>	<u>\$ 19,357,706</u>	<u>\$ 20,050,132</u>	<u>\$ 28,917,102</u>	<u>\$ 22,999,843</u>	<u>\$ 17,749,576</u>	<u>\$ 16,024,969</u>	<u>\$ 17,000,050</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 4,733,418	\$ 5,140,468	\$ 5,268,577	\$ 4,123,745	\$ 4,064,441	\$ 3,504,281	\$ 3,223,306
Center's net OPEB liability as a percentage of covered-employee payroll	409.0%	390.0%	548.9%	557.7%	436.7%	457.3%	527.4%

\*Information prior to the year ended December 31, 2017 is not available.

The Note to the Required Supplementary Information is an integral part of this Schedule.



**SULLIVAN COUNTY CARE CENTER AT SUNSET LAKE**  
**(AN ENTERPRISE FUND OF THE COUNTY OF SULLIVAN, NEW YORK)**  
**Note to the Required Supplementary Information**  
**Year Ended December 31, 2023**

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**1. OPEB LIABILITY**

*Changes of Assumptions*—Changes of assumptions reflect the effects of changes in the discount rate and the medical healthcare cost trend rate. The discount rate is based on the yield for 20-year tax-exempt general obligation municipal bonds as of the measurement date, which increased from 4.31% effective December 31, 2022 to 4.00% effective December 31, 2023. The medical healthcare cost trend rates were updated to reflect current medical provisions and premiums and expected future experience.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable County Legislature  
County of Sullivan, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”), the basic financial statements of the Sullivan County Care Center at Sunset Lake (the “Center”), an enterprise fund of the County of Sullivan, New York, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Center’s basic financial statements, and have issued our report thereon dated June 26, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the basic financial statements, we considered the Center’s internal control over financial reporting (“internal control”) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

June 26, 2024