

Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan, New York)

Financial Statements

December 31, 2020 and 2019

Independent Auditors' Report

The Honorable Legislature of the County of Sullivan, New York
Sullivan County Adult Care Center

Report on the Financial Statements

We have audited the accompanying financial statements of Sullivan County Adult Care Center (the "Center"), an enterprise fund of the County of Sullivan, New York, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Center's basic 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 did not audit the Center's net pension liability of \$6,776,067 and \$1,760,832 or other postemployment benefit liability of \$22,999,843 and \$17,749,576 or related deferred outflows of resources of \$9,941,205 and \$2,654,765 or deferred inflows of resources of \$3,037,822 and \$3,190,685 as of and for the years ended December 31, 2020 and 2019. These liabilities were audited by other auditors whose audit work has been furnished to us, and in our opinion, in so far as it relates to the amounts included for the net pension liability and other postemployment benefit liability, is based solely on the work of the other auditors. 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 audits 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 Center'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 Center'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 the Center as of December 31, 2020 and 2019, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**The Honorable Legislature of the County of Sullivan, New York
Sullivan County Adult Care Center**

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Emphasis of Matters

As discussed in Note 1, the financial statements present only the financial information of the Center and do not purport to, and do not, present fairly the financial position of the County of Sullivan as of December 31, 2020 and 2019, the changes in its financial position, or 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.

As discussed in Note 13 in the notes to the financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of COVID-19 ("Coronavirus"). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that required supplementary information be presented to supplement the basic financial statements. Such 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. We did not audit the required supplementary schedule of the Center's proportionate share of the net pension liability, schedule of contributions and schedule of changes in the Center's total other post employment benefit obligation liability and related liabilities on pages 27-29. Certain limited procedures have been applied by other auditors whose audit work on these liabilities has been furnished to us. The limited procedures were applied 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 obtained during the audit of these liabilities.

Management has omitted management's discussion and analysis and the budgetary comparison information 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 the 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating expenses on pages 30-31 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 audit 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.

PKF O'Connor Davies, LLP

Newburgh, New York
June 28, 2021

Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan, New York)

Statements of Net Position

	December 31,	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,101,603	\$ 1,727,063
Restricted cash - project capital fund	203,112	203,704
Funds held in trust for patients	194,065	72,216
Patient accounts receivable, net	1,500,597	2,121,775
Inter-governmental transfer receivable	881,651	1,466,070
Due from third party payors	224,275	208,473
Inventory	71,466	73,542
Prepaid expenses and other	46,353	30,512
Total Current Assets	4,223,122	5,903,355
Capital assets, net	339,782	2,015,074
Total Assets	4,562,904	7,918,429
DEFERRED OUTFLOWS OF RESOURCES		
Total Assets and Deferred Outflows of Resources	9,941,205	2,654,765
	\$ 14,504,109	\$ 10,573,194
LIABILITIES AND NET POSITION (DEFICIT)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 363,069	\$ 391,672
Accrued compensation and vacation	549,678	421,935
Due to third party payors	105,233	69,135
Retirement incentives and other pension obligations, current portion	132,300	128,078
Due to County	10,385,928	7,971,620
Funds held in trust for patients	194,065	72,216
Total Current Liabilities	11,730,273	9,054,656
Non-current Liabilities		
Retirement incentives and other pension obligations, net of current portion	435,912	568,212
Net pension liability	6,776,067	1,760,832
Other post employment benefit liability	22,999,843	17,749,576
Total Liabilities	41,942,095	29,133,276
DEFERRED INFLOWS OF RESOURCES		
Total Liabilities and Deferred Inflows of Resources	3,037,822	3,190,685
	44,979,917	32,323,961
NET POSITION (DEFICIT)		
Investments in capital assets	339,782	2,015,074
Restricted for grants	203,112	203,704
Unrestricted	(31,018,702)	(23,969,545)
Total Net Position (Deficit)	(30,475,808)	(21,750,767)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	\$ 14,504,109	\$ 10,573,194

See notes to financial statements

Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan, New York)

Statements of Revenues and Expenses and Changes in Net Position (Deficit)

	Year Ended December 31,	
	2020	2019
OPERATING REVENUES		
Net patient service revenues		
Skilled nursing facility	\$ 8,100,885	\$ 9,447,940
Adult day care	17,129	74,752
Total Net Patient Service Revenues	8,118,014	9,522,692
Other operating revenues	186,752	380,931
Total Operating Revenues	8,304,766	9,903,623
OPERATING EXPENSES		
Professional care of residents	6,428,347	6,984,220
General services	4,555,840	4,193,563
Administrative services	1,693,817	1,684,309
Employee benefits	7,017,635	5,157,786
New York State cash assessment	457,259	473,695
Depreciation	371,841	400,021
Interest expense	24,125	27,125
Total Operating Expenses	20,548,864	18,920,719
Loss from Operations	(12,244,098)	(9,017,096)
NON-OPERATING REVENUES (EXPENSES)		
Inter-governmental transfers	4,111,021	5,475,624
Provider Relief Funds - CARES Act	754,166	-
Interest income	1,286	5,027
Loss on disposal of capital assets	(5,025)	-
County reimbursement	-	25,692
Total Non-Operating Revenues (Expenses)	4,861,448	5,506,343
Transfer of capital assets	(1,342,391)	-
Change in Net Position (deficit)	(8,725,041)	(3,510,753)
NET POSITION (DEFICIT)		
Beginning of year	(21,750,767)	(18,240,014)
End of year	\$ (30,475,808)	\$ (21,750,767)

See notes to financial statements

Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan, New York)

Statements of Cash Flows

	Year Ended	
	December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patient services	\$ 8,759,488	\$ 9,063,069
Cash payments to suppliers for goods and services	(10,560,931)	(10,351,373)
Cash payments to employees for services	(6,832,596)	(8,022,806)
Other revenues	186,752	380,931
Net Cash from Operating Activities	(8,447,287)	(8,930,179)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts for inter-governmental transfer	4,695,440	5,112,661
Advances from County	2,414,308	3,638,826
Proceeds from Provider Relief Funds - CARES Act	754,166	-
Other non-operating activities	1,286	30,719
Net Cash from Non-Capital Financing Activities	7,865,200	8,782,206
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(38,940)	(91,662)
Loss on disposal of capital assets	(5,025)	-
Net Cash from Capital and Related Financing Activities	(43,965)	(91,662)
Net Change in Cash and Cash Equivalents (includes restricted amounts)	(626,052)	(239,635)
CASH AND CASH EQUIVALENTS (includes restricted amounts)		
Beginning of year	1,930,767	2,170,402
End of year	\$ 1,304,715	\$ 1,930,767
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Loss from operations	\$ (12,244,098)	\$ (9,017,096)
Adjustments to reconcile loss from operations to net cash from operating activities		
Depreciation	371,841	400,021
Bad debt expense	302,105	340,408
Changes in assets/liabilities		
Funds held in trust for patients	(121,849)	74,725
Patient accounts receivable, net	319,073	(660,693)
Due from third party payors	(15,802)	(208,473)
Inventory	2,076	3,241
Prepaid expenses and other	(15,841)	(888)
Retirement incentive and other pension obligations	(128,078)	(123,993)
Accounts payable and accrued expenses	(28,603)	(110,114)
Accrued compensation and vacation	127,743	(545,477)
Due to third party payors	36,098	69,135
Funds held in trust for patients	121,849	(74,725)
Change in deferred outflows and inflows, net	(7,439,303)	(1,784,310)
Net pension liability	5,015,235	983,453
Other post employment benefit liability	5,250,267	1,724,607
Net Cash from Operating Activities	\$ (8,447,287)	\$ (8,930,179)
SUPPLEMENTAL CASH FLOW INFORMATION		
Transfer of capital assets	\$ 1,342,391	\$ -

See notes to financial statements

Sullivan County Adult Care Center
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Notes to Financial Statements
December 31, 2020 and 2019

Note 1 - Description 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. 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.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs 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.

In July 2020, the County authorized the formation of the Sunset Lake Development Corporation (the "LDC") for the purpose of transferring the Centers 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 a lease agreement was entered into between the LDC and the County. Effective May 1, 2021, the LDC entered into a temporary contract with Infinite Care, Inc. to manage the operations of the Center. A final management contract is being negotiated as of the date of these financial statements.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. 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. As an enterprise fund, the Center uses the accrual basis of accounting and the economic resources measurement focus. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

The preparation of financial statements in conformity with U.S. GAAP 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, especially given the impact from the COVID-19 pandemic (See Note 13).

Basis of Presentation

The accounts of the Center 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"*, Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*, Statement No. 68, *"Accounting and Financial Reporting*

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

for Pensions", and *Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions"*. These statements provide guidance on presenting deferred outflows, deferred inflows, net position, pension obligations and postemployment benefits other than pensions. 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.

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

The Center considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

The County's Treasurer has the responsibility for investing idle funds in accordance with the General Municipal Law of the State of New York. Cash, certificates of deposit and money market accounts are maintained with commercial banks doing business in the County.

Restricted Cash – Project Capital Fund

Restricted cash is reserved for the use of capital improvements to the Center related to the Health Care Efficiency and Affordability Law ("HEAL").

Allowance for Doubtful Accounts

The Center provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of specific accounts. For the years ended December 31, 2020 and 2019, the allowance for doubtful accounts was \$335,789 and 336,374. Bad debt expense for the years ended December 31, 2020 and 2019 was \$302,105 and \$340,408.

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Inventory

Inventory is recorded at cost (determined using first-in, first-out method) and consists primarily of food, medical supplies and drugs.

Funds Held in Trust for Patients

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 of, patients for their personal use.

Capital Assets

Capital assets, which include those located and used by the Center in providing services to patients, 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. 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.

Property and equipment that are donated (without restriction) are recorded at their fair market values as a direct increase to the component of invested in capital assets, net of related debt.

Impairment of Long-Lived Assets

Long-lived assets, such as capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Center records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recorded as of December 31, 2020 and 2019.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes 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.

Sullivan County Adult Care Center
 (An Enterprise Fund of the County of Sullivan, New York)

Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position includes 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.

The Center reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations and other post employment benefit liabilities. Deferred outflows and inflows of resources have been reported on the statements of net position as follows. These amounts are detailed in the discussion of the Center's pension plans in Note 9 and other post employment benefit liabilities in Note 10.

	Deferred Outflows of Resources	
	<u>2020</u>	<u>2019</u>
New York State and Local Employees' retirement system	\$ 4,808,942	\$ 1,504,723
Other post employment benefit obligations	<u>5,132,263</u>	<u>1,150,042</u>
	<u>\$ 9,941,205</u>	<u>\$ 2,654,765</u>

	Deferred Inflows of Resources	
	<u>2020</u>	<u>2019</u>
New York State and Local Employees' retirement system	\$ 336,716	\$ 793,599
Other post employment benefit obligations	<u>2,701,106</u>	<u>2,397,086</u>
	<u>\$ 3,037,822</u>	<u>\$ 3,190,685</u>

Net Pension Liability

The net pension liability represents the Center's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System ("ERS"). The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68".

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.

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Other Post Employment Benefit Liability ("OPEB")

In addition to providing pension benefits, the Center provides health care benefits for certain retired employees and their spouses. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployments Benefits Other than Pensions"*.

Vacation and Compensation 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.

Net Resident 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.

Inter-Governmental Transfer

The New York State Association of Counties ("NYSAC") and the State Division of the Budget agreed on a methodology to bring additional federal revenues to county nursing homes. This methodology, known as the Inter-Governmental Transfer Program ("IGT"), provides for certain Medicaid rate enhancements to all non-state operated, publicly sponsored nursing facilities. In order to receive these funds, the County is required to provide a 50% local share of the total funds to be received by the Center. For 2020, the County's share was reduced to 43.8%.

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, 2020 and 2019, the assessment was 6.8%. For the years ended December 31, 2020 and 2019, the Center billed approximately \$252,000 and \$190,000 to recover the Medicaid portion of the assessment which is included in net patient service revenue.

Performance Indicator

The statement of revenues and expenses and changes in net position (deficit) include loss from operations. Peripheral or incidental transactions are reported as non-operating revenue (expenses) and are excluded from the performance indicator.

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts for 2019 have been reclassified to conform with the 2020 financial statement presentation. These reclassifications have no effect on net position.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 28, 2021.

Note 3 – Cash and Restricted Cash

Cash and restricted cash consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,101,603	\$ 1,727,063
Restricted cash - project capital fund	<u>203,112</u>	<u>203,704</u>
	<u>\$ 1,304,715</u>	<u>\$ 1,930,767</u>

Note 4 - Patient Accounts Receivable, Net

Patient accounts receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Skilled Nursing Facility:		
Medicaid and Medicaid managed care	\$ 921,722	\$ 1,235,167
Medicare	147,506	196,837
Self pay	724,998	929,541
Private insurers	<u>42,160</u>	<u>54,606</u>
	1,836,386	2,416,151
Adult Day Care:		
Primarily Medicaid managed care	<u>-</u>	<u>41,998</u>
	1,836,386	2,458,149
Allowance for doubtful accounts	<u>(335,789)</u>	<u>(336,374)</u>
	<u>\$ 1,500,597</u>	<u>\$ 2,121,775</u>

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 5 - Capital Assets

Changes in capital assets are as follows at December 31:

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 44,800	\$ -	\$ -	\$ 44,800
Capital assets, being depreciated:				
Buildings and improvements	\$ 12,249,366	\$ -	\$ (12,249,366)	\$ -
Land improvements	513,193	-	(513,193)	-
Machinery and equipment	977,613	38,940	-	1,016,553
Total Capital Assets being Depreciated	<u>13,740,172</u>	<u>38,940</u>	<u>(12,762,559)</u>	<u>1,016,553</u>
Less accumulated depreciation for:				
Buildings and improvements	10,996,391	281,831	(11,278,222)	-
Land improvements	121,199	20,747	(141,946)	-
Machinery and equipment	652,308	69,263	-	721,571
Total Accumulated Depreciation	<u>11,769,898</u>	<u>371,841</u>	<u>(11,420,168)</u>	<u>721,571</u>
Total Capital Assets being Depreciated, net	<u>\$ 1,970,274</u>	<u>\$ (332,901)</u>	<u>\$ (1,342,391)</u>	<u>\$ 294,982</u>
Capital Assets, net	<u>\$ 2,015,074</u>	<u>\$ (332,901)</u>	<u>\$ (1,342,391)</u>	<u>\$ 339,782</u>
	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019
Capital assets, not being depreciated:				
Land	\$ 44,800	\$ -	\$ -	\$ 44,800
Capital assets, being depreciated:				
Buildings and improvements	\$ 12,249,366	\$ -	\$ -	\$ 12,249,366
Land improvements	513,193	-	-	513,193
Machinery and equipment	885,951	91,662	-	977,613
Total Capital Assets being Depreciated	<u>13,648,510</u>	<u>91,662</u>	<u>-</u>	<u>13,740,172</u>
Less accumulated depreciation for:				
Buildings and improvements	10,687,053	309,338	-	10,996,391
Land improvements	98,759	22,440	-	121,199
Machinery and equipment	584,065	68,243	-	652,308
Total Accumulated Depreciation	<u>11,369,877</u>	<u>400,021</u>	<u>-</u>	<u>11,769,898</u>
Total Capital Assets being Depreciated, net	<u>\$ 2,278,633</u>	<u>\$ (308,359)</u>	<u>\$ -</u>	<u>\$ 1,970,274</u>
Capital Assets, net	<u>\$ 2,323,433</u>	<u>\$ (308,359)</u>	<u>\$ -</u>	<u>\$ 2,015,074</u>

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
December 31, 2020 and 2019

Note 6 - Payable to Third Party Payors

Payable to third party and private payors consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Due to third party payors	\$ 86,098	\$ 50,000
Patient credit balances	<u>19,135</u>	<u>19,135</u>
	<u>\$ 105,233</u>	<u>\$ 69,135</u>

Note 7 - 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 from 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.

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 7 - Patient Service Revenues (continued)

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:

	<u>2020</u>	<u>2019</u>
Skilled Nursing Facility -		
Medicaid and Medicaid managed care	\$ 5,700,181	\$ 6,442,964
Medicare	2,138,903	1,912,434
Self pay and other private insurers	<u>261,801</u>	<u>1,092,542</u>
	8,100,885	9,447,940
Adult Day Care -		
Primarily Medicaid managed care	<u>17,129</u>	<u>74,752</u>
	<u>\$ 8,118,014</u>	<u>\$ 9,522,692</u>

Note 8 - Related Party Transactions

Certain County costs that cannot be directly charged to the Center have been charged to the Center based on the County-wide cost allocation, and are included in the accompanying statements of revenues and expenses and changes in net position (deficit). The total indirect costs allocated to the Center approximated \$770,000 for the years ended December 31, 2020 and 2019. The total amount due to the County was \$10,385,928 and \$7,971,620 as of December 31, 2020 and 2019.

Note 9 – Pension Plan

The Center participates in the New York State and Local Employees' Retirement System (the "System"). This is a cost-sharing, multiple-employer defined benefit pension plan. 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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 9 – Pension Plan (continued)

The system is noncontributory, except for employees who joined the System 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 six percent (6%) 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. Under the authority of the NYSRSSL, 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.

The State Legislature enacted Chapter 57 of the Laws of 2010. This Chapter authorized local governments, at their option, to amortize a portion of their respective ERS contributions beginning in 2011. The maximum amortization amount each year going forward will be determined by the difference between each employer's effective contribution rate as compared to the System's overall graded rate. The amortized amounts are to be paid in equal annual installments over a ten year period, although amounts may be prepaid at any time. Interest will be charged at rates which approximate a market rate of return on taxable fixed rate securities of a comparable duration and will be adjusted annually. The Center elected to amortize the maximum allowable ERS contributions in each of the fiscal years as noted in the table below:

	Original Amount Amortized	Balance January 1, 2020	Current Year Payments	Balance December 31, 2020	Due Within One Year
2013 ERS	\$ 424,568	\$ 185,008	\$ 44,222	\$ 140,786	\$ 45,549
2014 ERS	463,238	252,433	46,914	205,519	48,636
2015 ERS	217,739	138,647	21,354	117,293	22,027
2016 ERS	164,116	120,202	15,588	104,614	16,088
	<u>\$ 1,269,661</u>	<u>\$ 696,290</u>	<u>\$ 128,078</u>	<u>\$ 568,212</u>	<u>\$ 132,300</u>
	Original Amount Amortized	Balance January 1, 2019	Current Year Payments	Balance December 31, 2019	Due Within One Year
2013 ERS	\$ 424,568	\$ 227,942	\$ 42,934	\$ 185,008	\$ 44,222
2014 ERS	463,238	297,687	45,254	252,433	46,914
2015 ERS	217,739	159,349	20,702	138,647	21,354
2016 ERS	164,116	135,305	15,103	120,202	15,588
	<u>\$ 1,269,661</u>	<u>\$ 820,283</u>	<u>\$ 123,993</u>	<u>\$ 696,290</u>	<u>\$ 128,078</u>

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 9 – Pension Plan (continued)

At December 31, 2020 and 2019, the Center reported a net pension liability of \$6,776,067 and \$1,760,832 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2020 and 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019 and 2018, with update procedures used to roll forward the total pension liability to the measurement date. The Center's proportion of the net pension liability was based on a projection of the Center's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. At December 31, 2020, the Center's proportion was 0.0255888% an increase of 0.0007369% from the year ended December 31, 2019. At December 31, 2019, the Center's proportion was 0.0248519% an increase of 0.0007661% from the year ended December 31, 2018.

For the year ended December 31, 2020 and 2019, the Center recognized System pension expense of \$2,249,597 and \$1,041,074. At December 31, 2020 and 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>December 31, 2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 398,799	\$ -
Changes in assumptions	136,438	117,812
Net difference between projected and actual earnings on pension plan investments	3,473,741	-
Changes in employer proportion	48,168	218,904
Center contributions subsequent to the measurement date	<u>751,796</u>	<u>-</u>
	<u>\$ 4,808,942</u>	<u>\$ 336,716</u>
	<u>December 31, 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 346,745	\$ 118,201
Changes in assumptions	442,601	-
Net difference between projected and actual earnings on pension plan investments	-	451,927
Changes in employer proportion	56,768	223,471
Center contributions subsequent to the measurement date	<u>658,609</u>	<u>-</u>
	<u>\$ 1,504,723</u>	<u>\$ 793,599</u>

Sullivan County Adult Care Center
 (An Enterprise Fund of the County of Sullivan, New York)

Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 9 – Pension Plan (continued)

Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020 and 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>December 31,</u>	
2021	\$ 579,289
2022	924,886
2023	1,225,049
2024	<u>991,206</u>
	<u>\$ 3,720,430</u>

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 as follows at March 31:

	2020	2019
Actuarial valuation date	April 1, 2019	April 1, 2018
Interest rate of return	6.8%*	7.0%*
Salary Scale	4.2%	4.2%
Decrement tables	April 1, 2010 - March 31, 2015	April 1, 2010 - March 31, 2015
Inflation Rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

* Compounded annually, net of pension plan investment expenses, including inflation.

Annuitant mortality rates are based on the System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term expected 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 return, net 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below as of March 31:

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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 9 – Pension Plan (continued)

Asset Type	2020		2019	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36 %	4.10 %	36 %	4.55 %
International equity	14	6.20	14	6.35
Private equity	10	6.80	10	7.50
Real estate	10	4.90	10	5.55
Absolute return strategies	2	3.30	2	3.75
Opportunistic portfolio	3	4.70	3	5.68
Real assets	3	9.00	3	5.29
Bonds and mortgages	17	0.80	17	1.31
Cash	1	-	1	(0.25)
Inflation-indexed bonds	4	0.50	4	1.25
	<u>100 %</u>		<u>100 %</u>	

The discount rate used to calculate the total pension liability was 6.8% and 7.0% as of December 31, 2020 and 2019. 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 determined. Based upon those assumptions, the System's 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.

The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 6.8% and 7.0% as of December 31, 2020 and 2019, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.8%) and (6.0%) or one percentage-point higher (7.8%) and (8.0%) than the current assumption:

2020	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Center's proportionate share of the net pension liability	<u>\$ 12,436,002</u>	<u>\$ 6,776,067</u>	<u>\$ 1,563,249</u>

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 9 – Pension Plan (continued)

2019	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Center's proportionate share of the net pension liability(asset)	\$ 8,123,100	\$ 1,760,832	\$ (3,405,285)

The components of the collective net pension liability of the System were as follows at March 31:

	2020	2019
Total pension liability	\$ 194,596,261,000	\$ 189,803,429,000
Fiduciary net position	168,115,682,000	182,718,124,000
Employers' net pension liability	\$ 26,480,579,000	\$ 7,085,305,000
Fiduciary net position as a percentage of total pension liability	86.39%	96.27%

Employer contributions to ERS are paid annually and cover the period through the end of the System fiscal year, which is March 31st. Retirement contributions as of December 31, 2020 and 2019 represent the employer contribution for the period of April 1, 2020 and 2019 through December 31, 2020 and 2019 based on prior year System wages multiplied by the employers' contribution rate, by tier. Retirement contributions to the System for the nine months ended December 31, 2020 and 2019 were \$751,796 and \$658,609 for the Center.

Note 10 - Other Post Employment Benefit Liability ("OPEB")

In addition to providing pension benefits, the Center provides certain health care benefits for retired employees through a single employer defined benefit Other Post Employment Benefit Obligations Plan ("OPEB"). The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Center may vary according to length of service. The cost of providing post employment health care benefits is shared between the Center and the retired employee as noted below. Substantially all of the Center's employees may become eligible for those benefits if they reach normal retirement age while working for the Center. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", so the net OPEB liability is equal to the total OPEB liability. Separate financial statements are not issued for the OPEB plan.

At December 31, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees currently receiving benefit payments	115	115
Active employees	10	13
	125	128

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 10 - Other Post Employment Benefit Liability ("OPEB") (continued)

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.

The Center's total OPEB liability of \$22,999,843 and \$17,749,576 was measured as of December 31, 2020 and 2019, and was determined by an actuarial valuation as of January 1, 2019 and 2018, with update procedures used to roll forward the total OPEB liability to January 1, 2020 and 2019.

Calculation of the Center's total OPEB liability is 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 employee and plan members. 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, 2020 and 2019 actuarial valuation, the Entry Age Normal actuarial cost method, over a level percent of pay was used. The single discount rate is 1.93% and 3.26% effective December 31, 2020 and 2019. The salary scale assumed to increase at 3.00% per year. The RP 2006 mortality table with MP-2019 projections were used for the mortality rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 8.0%, while the ultimate healthcare cost trend rate is 5.0% for years after 2023. An inflation rate of 3.00% was assumed for developing the rate of increase in healthcare costs.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period January 1, 2020 and 2019 through December 31, 2020 and 2019.

The Center's change in the total OPEB liability for the years ended December 31 are as follows:

	<u>2020</u>	<u>2020</u>
Total OPEB Liability - Beginning of Year	\$ 17,749,576	\$ 16,024,969
Service cost	955,824	724,986
Interest	572,437	576,534
Differences between expected and actual experience	(767,215)	(546,415)
Changes in assumptions or other inputs	4,869,543	1,341,716
Benefit payments	<u>(380,322)</u>	<u>(372,214)</u>
Total OPEB Liability - End of Year	<u>\$ 22,999,843</u>	<u>\$ 17,749,576</u>

The following presents the Center's total OPEB liability as well as what the Center's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.93%) and (2.26%) or 1 percentage point higher (2.93%) and (4.26%):

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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 10 - Other Post Employment Benefit Liability ("OPEB") (continued)

	1% Decrease (0.93%)	Current Assumption (1.93%)	1% Increase (2.93%)
<u>December 31, 2020</u>			
Total OPEB Liability	<u>\$ 26,661,189</u>	<u>\$ 22,999,843</u>	<u>\$ 19,338,499</u>
	1% Decrease (2.26%)	Current Assumption (3.26%)	1% Increase (4.26%)
<u>December 31, 2019</u>			
Total OPEB Liability	<u>\$ 21,282,140</u>	<u>\$ 17,749,576</u>	<u>\$ 14,217,010</u>

The following presents the Center's total OPEB liability as well as what the Center's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
<u>December 31, 2020</u>			
Total OPEB Liability	<u>\$ 17,811,665</u>	<u>\$ 22,999,843</u>	<u>\$ 29,513,647</u>
	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
<u>December 31, 2019</u>			
Total OPEB Liability	<u>\$ 13,815,310</u>	<u>\$ 17,749,576</u>	<u>\$ 22,675,339</u>

Authorization for the Center to pay a portion of retiree health insurance premiums was enacted through various union contracts, which were ratified by the County's Board of Directors. The Center recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. For the year ended December 31, 2020 and 2019, the Center recognized OPEB expense of \$1,572,066 and \$767,388.

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 10 - Other Post Employment Benefit Liability ("OPEB") (continued)

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 net OPEB liability are required to be determined. The table below presents the Center's deferred outflows and inflows of resources at December 31:

	<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ 5,132,263	\$ 792,091
Differences between expected and actual experience	<u>-</u>	<u>1,909,015</u>
	<u>\$ 5,132,263</u>	<u>\$ 2,701,106</u>
	<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ 1,150,042	\$ -
Differences between expected and actual experience	<u>-</u>	<u>2,397,086</u>
	<u>\$ 1,150,042</u>	<u>\$ 2,397,086</u>

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

<u>Year Ended December 31,</u>	
2021	\$ 424,129
2022	424,129
2023	424,129
2024	424,129
2025	424,129
Thereafter	<u>310,512</u>
	<u>\$ 2,431,157</u>

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
 December 31, 2020 and 2019

Note 11 - Risk Financing Activities

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 reported an unemployment expense of approximately \$5,500 and \$7,000 for the years ended December 31, 2020 and 2019.

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 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 \$172,000 and \$175,000 for the years ended December 31, 2020 and 2019.

Note 12 - Concentrations of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist primarily of cash and cash equivalents and patient accounts receivable. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Center has not experienced any losses in such accounts. The Center's outstanding receivables are generated from third party payors and private pay sources for patients residing in the Center.

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. See Note 4 for the mix of receivables from patients and third party payors at December 31, 2020 and 2019. The Center believes that no significant concentrations of credit risk exists with respect to the patient accounts receivable.

The percentages of gross accounts receivable from patients and third-party payors were approximately as follows at December 31:

Medicaid and Medicaid managed care	50 %	50 %
Medicare	8	8
Self pay	39	38
Private insurers	3	4
	<u>100 %</u>	<u>100 %</u>

Revenue from the Medicaid and Medicare programs accounted for approximately 97% and 87% of the Center's net resident service revenue for the years ended December 31, 2020 and 2019.

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
December 31, 2020 and 2019

Note 13 - Commitments and Contingencies

Legal

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 operations.

Insurance

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, 2020 and 2019, no claims or outstanding premiums exist that meet the liability criteria.

Health Care Revenue and Regulatory Compliance

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.

Medicaid Reimbursement

Case Mix Methodology

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.

Sullivan County Adult Care Center
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Notes to Financial Statements (Continued)
December 31, 2020 and 2019

Note 13 - Commitments and Contingencies *(continued)*

Universal Settlement

In February 2016, the Center and a majority of other nursing home providers signed an agreement (the "Universal Settlement") with New York State (the "State") that surrendered most of the Center's rights to pursue pending Medicaid rate lawsuits and rate appeals prior to 2012 and certain future rights to challenge Medicaid reimbursement against the State. In March 2016, the State obtained approval for the federal financial participation in the Universal Settlement from the Centers for Medicare and Medicaid Service, subject to compliance with the upper payment limit requirements. The State has agreed to pay the nursing home providers \$850 million over five years. In accordance with the Universal Settlement, payments are contingent upon the Governor's appropriation of such funds in the Executive Budget.

As a result of the Universal Settlement, the State agreed to pay the Center a total of \$842,450. For the year ended December 31, 2019, the Center recognized \$168,490 for the fifth (and final) Universal Settlement payment received in 2019, which is included in net patient service revenue.

Third Party Rate Adjustments

As stated in Note 2, 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.

COVID-19

The Center's operations have been affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. Many countries around the world, including the United States, have significant governmental measures being implemented to control the spread of COVID-19, including temporary closures of businesses, severe restrictions on travel and the movement of people and other material limitation on the conduct of business. As a result of the COVID-19 pandemic, the Center is experiencing a reduction in patient census that is having a direct negative effect on the Center's operations. The rise in demand for health care supplies and potential staffing shortages will likely increase costs incurred by the Center as well.

The Center has taken steps to strengthen its financial position and balance sheet to maintain financial liquidity and flexibility including the receipt of government awards (see below). Additional relief fund payments may become available.

The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date these financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the results of operations, financial position and cash flows in 2020 cannot be reasonably estimated at this time.

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Notes to Financial Statements (Continued)
December 31, 2020 and 2019

Note 14 - Provider Relief Funds

Provider Relief Funds ("PRF") were established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and are the distribution vehicle for \$178 billion in funding to support hospitals, physicians, skilled nursing facilities and other eligible healthcare providers in response to the COVID-19 pandemic. Entitlement to PRF payments is conditioned upon having incurred health care related expenses or lost revenues that are attributable to COVID-19 which will not be reimbursed by other sources. PRF payments are subject to the Uniform Grant Guidance audit. In addition, noncompliance with the PRF terms and conditions are grounds for recoupment by the Government.

The criteria for what qualifies as health care related expenses or lost revenues that are attributable to COVID-19 which will not be reimbursed by other sources have been evolving. As a result, there is at least a reasonable possibility that recorded estimates for the PRF grant will change by a material amount in the near term.

For the year ended December 31, 2020, the Center received PRF payments of \$754,166. The Facility accounted for the PRF payments as a government grant and recognized revenue for the health care related expenses and lost revenues that the Center has incurred for the year ended December 31, 2020 that will not be reimbursed by other sources. For the year ended December 31, 2020, the Center recorded the entire amount of PRF payments received in non-operating revenue in the accompanying 2020 statement of revenues and expenses and changes in net position as the PRF payment conditions were substantially met.

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Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan, New York)

Required Supplementary Information
and Supplementary Information

December 31, 2020 and 2019

Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan)

Required Supplementary Information - Schedule of the
Center's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	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	<u>0.0255888%</u>	<u>0.0248519%</u>	<u>0.0240858%</u>	<u>0.0257297%</u>	<u>0.0261291%</u>	<u>0.0262174%</u>
Center's proportionate share of the net pension liability	<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	<u>\$ 9,363,057</u>	<u>\$ 7,052,583</u>	<u>\$ 6,872,926</u>	<u>\$ 6,676,520</u>	<u>\$ 8,063,774</u>	<u>\$ 7,844,031</u>
Center's proportionate share of the net pension liability as a percentage of its covered payroll	<u>72.4%</u>	<u>25.0%</u>	<u>11.3%</u>	<u>36.2%</u>	<u>52.0%</u>	<u>11.3%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>86.4%</u>	<u>96.3%</u>	<u>90.7%</u>	<u>94.7%</u>	<u>90.7%</u>	<u>97.9%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liabilities was decreased from 7.0% to 6.8% effective with the March 31, 2020 measurement date.

(3) Increase in proportionate share of the net pension liability mainly attributable to decrease in plan fiduciary net position due to investment losses.

Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan)

Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 971,332	\$ 876,444	\$ 880,248	\$ 927,197	\$ 1,009,798	\$ 1,106,428
Contributions in relation to the contractually required contribution	<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>					
Center's covered payroll	<u>\$ 7,071,004</u>	<u>\$ 7,981,865</u>	<u>\$ 7,062,896</u>	<u>\$ 6,829,079</u>	<u>\$ 6,683,257</u>	<u>\$ 6,772,279</u>
Contributions as a percentage of covered payroll	<u>13.7%</u>	<u>11.0%</u>	<u>12.5%</u>	<u>13.6%</u>	<u>15.1%</u>	<u>16.3%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan)

Required Supplementary Information - Schedule of Changes in the
Center's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years (1)

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 955,824	\$ 724,986	\$ 945,949	\$ 940,216
Interest	572,437	576,534	526,096	512,821
Differences between expected and actual experience	(767,215)	(546,415)	(908,512)	(383,147)
Changes of assumptions	4,869,543	1,341,716	(1,188,136)	-
Benefit payments	(380,322)	(372,214)	(350,478)	(298,346)
Net changes in total OPEB liability	5,250,267	1,724,607	(975,081)	771,544
Total OPEB liability - beginning	17,749,576	16,024,969	17,000,050	16,228,506
Total OPEB liability - ending	<u>\$ 22,999,843</u>	<u>\$ 17,749,576</u>	<u>\$ 16,024,969</u>	<u>\$ 17,000,050</u>
Center's covered payroll	<u>\$ 4,123,745</u>	<u>\$ 4,064,441</u>	<u>\$ 3,504,281</u>	<u>\$ 3,223,306</u>
Contributions as a percentage of covered payroll	<u>557.7%</u>	<u>436.7%</u>	<u>457.3%</u>	<u>527.4%</u>

(1) Data not available prior to fiscal year 2017 implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

(2) The discount rate used to calculate the total OPEB Liability was decreased from 3.64% to 1.93% effective with the December 31, 2020 measurement date.

Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan, New York)

Schedule of Expenses
Year Ended December 31, 2020

	Salaries	Other	Total
PROFESSIONAL CARE OF RESIDENTS			
Nursing administration	\$ 178,778	\$ -	\$ 178,778
Skilled nursing facility	4,344,547	323,362	4,667,909
Adult day care	24,686	1,842	26,528
Recreational therapy	204,854	4,375	209,229
Pharmacy	-	151,076	151,076
Dental services	-	16,166	16,166
Physical therapy	-	336,218	336,218
Occupational therapy	-	330,688	330,688
Speech therapy	-	105,815	105,815
Social services	143,183	-	143,183
Central medical supplies	78,273	159,500	237,773
Medical records	-	984	984
Medical director and medical staff	-	24,000	24,000
	<u>\$ 4,974,321</u>	<u>\$ 1,454,026</u>	<u>\$ 6,428,347</u>
GENERAL SERVICES			
Patient food services	\$ 1,019,678	\$ 719,304	\$ 1,738,982
Maintenance and operations	178,944	2,162,176	2,341,120
Laundry and linen	128,190	247,788	375,978
Meals on wheels	98,060	1,700	99,760
	<u>\$ 1,424,872</u>	<u>\$ 3,130,968</u>	<u>\$ 4,555,840</u>
ADMINISTRATIVE SERVICES			
Fiscal services	\$ 229,166	\$ 46,630	\$ 275,796
Administration	331,980	960,137	1,292,117
Insurance	-	125,904	125,904
	<u>\$ 561,146</u>	<u>\$ 1,132,671</u>	<u>\$ 1,693,817</u>
NON-DEPARTMENTAL EXPENSES			
Depreciation	\$ -	\$ 371,841	\$ 371,841
New York State cash assessment	-	457,259	457,259
Employee benefits	-	7,017,635	7,017,635
Interest expense	-	24,125	24,125
	<u>\$ -</u>	<u>\$ 7,870,860</u>	<u>\$ 7,870,860</u>
	<u>\$ 6,960,339</u>	<u>\$ 13,588,525</u>	<u>\$ 20,548,864</u>

Sullivan County Adult Care Center
(An Enterprise Fund of the County of Sullivan, New York)

Schedule of Expenses
Year Ended December 31, 2019

	<u>Salaries</u>	<u>Other</u>	<u>Total</u>
PROFESSIONAL CARE OF RESIDENTS			
Nursing administration	\$ 220,665	\$ 1,100	\$ 221,765
Skilled nursing facility	4,696,684	363,588	5,060,272
Adult day care	169,845	8,097	177,942
Recreational therapy	214,815	13,610	228,425
Pharmacy	-	200,372	200,372
Dental services	-	43,611	43,611
Physical therapy	-	292,442	292,442
Occupational therapy	-	306,880	306,880
Speech therapy	-	51,694	51,694
Social services	177,747	355	178,102
Central medical supplies	80,249	117,085	197,334
Medical records	-	1,381	1,381
Medical director and medical staff	-	24,000	24,000
	<u> </u>	<u> </u>	<u> </u>
Total Professional Care of Residents	<u>\$ 5,560,005</u>	<u>\$ 1,424,215</u>	<u>\$ 6,984,220</u>
GENERAL SERVICES			
Patient food services	\$ 1,010,997	\$ 754,718	\$ 1,765,715
Maintenance and operations	151,315	1,737,097	1,888,412
Laundry and linen	126,537	301,955	428,492
Meals on wheels	108,892	2,052	110,944
	<u> </u>	<u> </u>	<u> </u>
Total General Services	<u>\$ 1,397,741</u>	<u>\$ 2,795,822</u>	<u>\$ 4,193,563</u>
ADMINISTRATIVE SERVICES			
Fiscal services	\$ 184,556	\$ 20,328	\$ 204,884
Administration	335,027	1,022,420	1,357,447
Insurance	-	121,978	121,978
	<u> </u>	<u> </u>	<u> </u>
Total Administrative Services	<u>\$ 519,583</u>	<u>\$ 1,164,726</u>	<u>\$ 1,684,309</u>
NON-DEPARTMENTAL EXPENSES			
Depreciation	\$ -	\$ 400,021	\$ 400,021
New York State cash assessment	-	473,695	473,695
Employee benefits	-	5,157,786	5,157,786
Interest expense	-	27,125	27,125
	<u> </u>	<u> </u>	<u> </u>
Total Non-Departmental Expenses	<u>\$ -</u>	<u>\$ 6,058,627</u>	<u>\$ 6,058,627</u>
	<u>\$ 7,477,329</u>	<u>\$ 11,443,390</u>	<u>\$ 18,920,719</u>