

**ROCKLAND COUNTY HEALTH
FACILITIES CORPORATION**

**Financial Statements
As of December 31, 2013
Together with
Independent Auditor's Report**

ROCKLAND COUNTY HEALTH FACILITIES CORPORATION

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INDEPENDENT AUDITOR'S REPORT

May 27, 2014

To the Board of Directors of
The Rockland County Health Facilities Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Rockland County Health Facilities Corporation (the Corporation), a New York State not-for-profit local development corporation, as of December 31, 2013, and for the period from inception April 25, 2013 through December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Corporation, as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the period from inception April 25, 2013 through December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 4 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2014 on our consideration of the Corporation'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 to describe the scope of our testing 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 Corporation's internal control over financial reporting and compliance.

Sincerely,

Neil T. O'Sullivan, CPA, PLLC
May 27, 2014

ROCKLAND COUNTY HEALTH FACILITIES CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2013

THE ORGANIZATION

The Rockland County Health Facilities Corporation (the Corporation) was created on April 25, 2013 pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York, exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, to relieve and reduce unemployment, promote and provide for additional maximum employment, improve and maintain job opportunities, and lessen the burden of government and act in the public interest. The Corporation's mission is to balance the fiscal concerns of the County of Rockland (the County) with the quality of care for residents while facilitating the transfer of facilities of the Summit Park Nursing Care Center and Summit Park Hospital to the highest and most qualified buyer. In doing so, the Corporation shall examine and consider, where applicable, the bidders' operational competency and character and history of operational competence, financial history and stability, provisions for continued quality resident care, satisfactory transition plan, willingness to continue to care for all exiting residents at the time of acquisition (unless otherwise indicated by the New York State Department of Health criteria), willingness to consider existing staff as potential employees, satisfactory history of employee and resident, track record of facility retention subsequent to acquisition, and sale price. The facilities have been operating at a deficit for the past few years and have put undue fiscal burden on the residents of the County, which prompted the creation of the Corporation.

The County provides operating support to the Corporation by paying the invoices on the Corporation's behalf and keeping track of the Corporation's expenses. Accordingly, the Corporation's expenses are being paid by the County and are shown as administrative expenses and revenue from appropriations from the County in its financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The financial statements of the Corporation include management's discussion and analysis (MD&A) (this section), the statement of net position, statements of revenues, expenses, and change in net position, statement of cash flows, and related notes to the financial statements. The statement of net position presents information on all of the Corporation's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. The statement of revenues, expenses, and change in net position presents information showing how the Corporation's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The notes to the financial statements contain information that is essential to the

understanding of the financial statements, such as the Corporation's accounting methods and policies.

BASIS OF ACCOUNTING

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards board (GASB) is responsible for establishing GAAP for state and local governments.

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash transactions take place. All of the Corporation's activities are classified as business-type activities.

FINANCIAL HIGHLIGHTS

- As this was the first year of operations for the Corporation, transactions were very limited. The Corporation incurred approximately \$80,000 of expenses and related appropriations from the County. Therefore, the change in net position is zero from the period of inception through December 31, 2013.
- The Corporation had \$600,000 held in an escrow account with the Corporation's legal counsel at December 31, 2013 from four bid deposits by four potential purchasers of \$150,000 each.

The analysis below summarizes the statements of net position and change in net position of the Corporation as of and for the period from inception April 25, 2013 through December 31, 2013.

STATEMENT OF NET POSITION

	<u>2013</u>
ASSETS:	
Funds held in escrow	\$ 600,000
Due from the County	<u>11,512</u>
Total Assets	<u>611,512</u>
LIABILITIES:	
Accounts payable	11,512
Bid deposits	<u>600,000</u>
Total Liabilities	<u>611,512</u>
NET POSITION:	
Unrestricted	<u>-</u>
Total net position	<u>\$ -</u>

FINANCIAL HIGHLIGHTS (Continued)

The following table shows the change in net position for the period from inception April 25, 2013 through December 31, 2013.

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

	<u>2013</u>
REVENUES:	
Appropriations from the County	\$ 67,733
Total Revenues	<u>67,733</u>
EXPENSES:	
Administrative	<u>67,733</u>
Total Expenses	<u>67,733</u>
CHANGE IN NET POSITION	-
NET POSITION – Beginning of year	<u>-</u>
NET POSITION – end of year	<u>\$ -</u>

A.) Reconciliation of Appropriations from the County:

1. Appropriations received from the County of Rockland prior to December 31, 2013	\$ 36,577
2. Amount approved to be appropriated by the County prior to December 31, 2013	<u>\$ 31,156</u>
Total Appropriations from the County	\$ 67,733

Revenues and Expenses

The County pays for expenses of the Corporation in support of the Corporation's mission. Thus, the Corporation's expenses show a corresponding appropriation from the County in an equal amount.

REQUEST FOR INFORMATION

This financial report is designed to provide financial statement users with a general overview of the Corporation's finances and to show the accountability for the money received. Questions concerning any information within this report or requests for additional information should be addressed to the Rockland County Health Facilities Corporation, c/o Chief Executive Officer, P.O. Box 307, 50 Sanitorium Road, Building L, Pomona, New York 10970.

ROCKLAND COUNTY HEALTH FACILITIES CORPORATION

**STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM INCEPTION APRIL 25, 2013 THROUGH DECEMBER 31, 2013**

CASH – beginning of year	_____ -
CASH – end of year	\$ _____ -
CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net position	\$ -
Adjustments to reconcile change in net position to cash provided from operating activities	
Transfer to escrow account	(600,000)
Changes in:	
Due from County	(11,512)
Accounts payable	11,512
Bid deposits	_____ 600,000
 Net cash flow from operating activities	 \$ _____ -

ROCKLAND COUNTY HEALTH FACILITIES CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

1. ORGANIZATION

The Rockland County Health Facilities Corporation (the Corporation) was created on April 25, 2013 pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York, exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, to relieve and reduce unemployment, promote and provide for additional and maximum employment, improve and maintain job opportunities, and lessen the burden of government and act in the public interest.

The Corporation has a Board of Directors comprised of seven (7) members, which are appointed by its sole member, the County, acting by and through the County Executive, ex officio. The Corporation is an instrumentality of, but separate and apart from the County.

The Corporation's mission is to assist The Summit Park Hospital and Nursing Care Center (the Hospital), an enterprise fund of the County Rockland, New York (the County), in order to facilitate the sale of the Hospital to a qualified buyer. In doing so, the Corporation shall examine and consider, where applicable, the bidders' operational competency and character and history of operational competence, financial history and stability, provisions for continued quality resident care, satisfactory transition plan, willingness to continue to care for all exiting residents at the time of acquisition (unless otherwise indicated by the New York State Department of Health criteria), willingness to consider existing staff as potential employees, satisfactory history of employee and resident, track record of facility retention subsequent to acquisition, and sale price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus and Basis of Accounting

The financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the cash is received or paid.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

GASB requires the classification of net position into three categories defined as follows:

- **Net Investment in capital assets**
This net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position**
This net position consists of resources with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**
This net position consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Income Taxes

The Board of Directors will meet shortly to restore the "no cause" for the removal of directors. By doing this, the corporation will qualify under IRS Section 115 for tax exemptions.

Appropriation from the Hospital

The County provides operating support to the Corporation to support the Corporation's overall mission. From the period of inception April 25, 2013 through December 31, 2013, the Corporation received \$36,577.08 in revenue from the County. Of the \$42,668 of accounts payable, \$31,156 was approved to be paid prior to 12/31/13 and was therefore included as revenue to the Corporation. The remaining accounts payable of \$11,512 was not paid as of completion of the field audit work, and as a result was not included in revenue.

Bid Deposits

The Corporation's legal counsel also held \$600,000 from the bid deposits in trust on the Corporation's behalf during 2013.

Lease/Leaseback

The Corporation currently leases the land, buildings, and equipment of the Hospital from the County. The County subsequently leases back the land, buildings, and equipment from the Corporation and will continue to operate the Hospital until the sale of the facility is finalized. The Corporation agreed to pay, as additional rent, any net proceeds from any non-refundable deposit received from a selected operator pursuant to a purchase and sale agreement, such net payment of selected operator deposit to be adjusted for any outstanding operating costs of the Corporation upon the date of receipt.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. SUBSEQUENT EVENTS

Litigation

Legal action against the County of Rockland has been initiated by two different petitioners. It has been determined that neither petitioner is seeking monetary relief, but an unfavorable court decision could lead to the annulment of the resolution creating the L.D.C.

**INDEPENDENT AUDITOR'S 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***

May 27, 2014

To the Board of Directors of
The Rockland County Health Facilities Corporation:

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, the financial statements of the business-type activities of Rockland County Health Facilities Corporation (the Corporation) as of December 31, 2013 and for the period from inception April 25, 2013 through December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 entity'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 may exist that have not been identified.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.