

## PROPRIETARY FUND TYPES

These funds are used to account for business-type activities supported, at least in part, by fees or charges. There are two types of proprietary funds: enterprise funds and internal service funds. The State has no internal service funds on a GAAP basis.

- **Enterprise Funds**

Enterprise Funds report net position, revenues and expenses associated with business-type activities in which the State is engaged. These activities include Lottery, Unemployment Insurance Benefits, State University of New York and senior colleges of the City University of New York.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The required financial statements for the Enterprise Funds are the:

- Statement of Net Position;
- Statement of Revenues, Expenses and Changes in Fund Net Position; and
- Statement of Cash Flows..

Enterprise funds use the accrual basis of accounting, which is similar to that used by businesses. This means revenues are recognized when they are earned, and expenses are recognized as they are incurred, regardless of the timing of related cash flows.

In essence, an enterprise fund is a tool that enables governments to isolate the financials of a public service, track its revenues and expenses, and ensure it is financially sustainable.

In the New York State government, an enterprise fund is used to account for operations that are similar to private business enterprises. The goal of an enterprise fund is to finance and recover the costs of providing goods or services to the public through user charges.



Enterprise funds are used to account for transactions where the government organization charges fees for providing goods and services to external users. In contrast, internal service funds are used when there is a transfer of goods and services between departments of the government for cost reimbursement.



Enterprise funds are separate accounting and financial reporting mechanisms with revenues and expenditures segregated into a fund with financial statements separate from all other governmental activities. All enterprise funds are subject to periodic audits, allowing for some level of supervision from the legislature.



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## Program Analysis

### Project Proposal

This application proposes to establish Sunset SNF Operations as the new operator of Sullivan County Adult Care Center, a 146-bed Residential Health Care Facility located at 256 Sunset Lake Road, Liberty.

	Existing	Proposed
Facility Name	Sullivan County Adult Care Center	Sunset Lake Center for Rehabilitation and Nursing
Address	256 Sunset Lake Road Liberty, NY 12754	Same
RHCF Capacity	146 beds	Same
ADHCP Capacity	17	Same
Type of Operator	Municipal Corporation (County)	Limited Liability Company
Class of Operator	Pubic	Proprietary
Operator	County of Sullivan	<b>Sunset SNF Operations, LLC</b>  <u>Member:</u> Sunset SNF Operations Holdings, LLC 100%  <u>Members:</u> Esther Klein 95% Kathryn Perez 5%

This application indicates that the proposed buyer will enter into a new CASA (consulting and services agreement) with Sunset Lakes Consulting LLC. The existing CASA between the County of Sullivan and Sunset Lakes Consulting will terminate once the ownership transaction described in this application is effectuated. There is a relationship between the parties in that the sole member of Sunset Lakes Consulting LLC is Esther Klein, who is also a 95% member of Sunset SNF Operations LLC, the proposed operating entity.

Upon approval of this Application, Sunset Lake Local Development Corporation (a not-for-profit entity unrelated to the applicant) will lease the RHCF to Sunset Operations LLC for a term of 20 years.

### Character and Competence

**Esther Klein** discloses employment at Catapult Learning Center, LLC as a teacher's coach and indicates self-employment as a Skilled Nursing Operator since October 2018. Esther indicates receipt of a high school diploma and discloses the following ownership interests:

#### Nursing Homes

Ten Broeck Center for Rehabilitation & Nursing (NY) (27.5%)	10/2018 to present
Westhampton Care Center (NY) (3%)	01/2018 to present
Valencia Hills Health and Rehabilitation Center (FL) (11.25%)	02/2022 to present
Seven Hills Health and Rehabilitation Center (FL) (11.25%)	02/2022 to present
Springs at Boca Ciega Bay (FL) (11.25%)	02/2022 to present
Springs at Lake Pointe Woods (FL) (11.25%)	02/2022 to present
Surrey Place Healthcare and Rehabilitation (FL) (11.25%)	02/2022 to present
Diamond Ridge Health and Rehabilitation Center (FL) (11.25%)	02/2022 to present
Madison Health and Rehabilitation Center (FL) (11.25%)	02/2022 to present
Tampa Lakes Health and Rehabilitation Center (FL) (11.25%)	02/2022 to present
Scott Lake Health and Rehabilitation Center (FL) (11.25%)	02/2022 to present

#### End-Dated Nursing Homes

Abbey Woods Center for Rehab and Healing (MO) (25%)	04/2017 to 06/2019
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## Financial Analysis

### Operating Budget

The applicant has provided the current year (2021) results and the first and third-year operating budgets after the change in ownership, in 2023 dollars, summarized as follows:

Revenues	Current Year		First Year		Third Year	
	Per Diem	Total	Per Diem	Total	Per Diem	Total
Medicaid FFS	\$283.55	\$6,209,273	\$283.56	\$9,934,837	\$283.55	\$10,232,882
Medicaid MC	\$283.55	1,249,057	\$269.38	1,898,566	\$269.39	1,955,523
Medicare FFS	\$584.74	1,017,440	\$600.00	1,670,400	\$674.89	1,935,576
Medicare MC	\$584.74	339,147	\$600.00	556,800	\$674.89	645,192
Private	\$453.04	1,056,033	\$452.99	1,689,653	\$453.10	1,740,342
Other-Assessment				689,469		710,154
ADCHP		<u>165,429</u>		<u>165,429</u>		<u>165,429</u>
<b>Total Revenues</b>		<b>\$10,036,379</b>		<b>\$16,605,154</b>		<b>\$17,385,098</b>
<b>Expenses</b>						
Operating	\$506.68	\$15,683,759	\$308.70	\$15,288,656	\$307.01	\$15,661,421
Capital	<u>\$60.01</u>	<u>1,857,677</u>	<u>\$17.79</u>	<u>881,182</u>	<u>\$17.91</u>	<u>913,502</u>
<b>Total Expenses</b>	<b>\$566.69</b>	<b>\$17,541,436</b>	<b>\$326.49</b>	<b>\$16,169,838</b>	<b>\$324.92</b>	<b>\$16,574,923</b>
<b>Net Income (Loss)</b>		<b><u>(\$7,505,057)</u></b>		<b><u>\$435,316</u></b>		<b><u>\$810,175</u></b>
Patient Days		30,954		49,526		51,012
Utilization %		58.09%		92.94%		95.73%

The following is noted concerning the submitted RHCf operating budget:

- The current year reflects the facility's 2021 revenues and expenses.
- Medicaid revenue is based on the reimbursement methodology under the 2021 Nursing Home Medicaid Rate Sheet. The projected Medicaid Manage Care rate is based on 95% of the 2021 Medicaid Fee for Service rate.
- Medicare rates are based on the facility's forecast. Private pay rates are projected based on the current operator's average 2021 reimbursement rates.
- Current year staffing is based on 2021 staffing levels. Years one and three staffing is based on the applicant's plan to improve the facility's staffing ratios. The applicant plans to leverage its existing relationship with area staffing agencies, professional associations, job training programs, and health fairs to locate and hire additional staff.
- Expenses are based on 2021 operating expenses, which increased by 2% for most non-payroll items, and increased volume. Administrative expenses are reduced due to the planned elimination of operating expenses. Rent is projected to drop by over \$976,000.
  - The projected percentage of direct care staffing costs to projected facility revenues is 68.72% in year one and 65.65% in year three, exceeding the 40% requirement in Public Health Law 2808.
  - The percentage of direct resident care costs to projected facility revenue is 79.14% in year one and 72.19% in year three, exceeding the 70% requirement in Public Health Law 2808.
  - The facility's projected profit percentage is forecasted to be 2.74% in year one and 4.77% in year three, less than the 5% maximum outlined in Public Health Law 2808.
- The projected utilization for the facility is 92.94% in year one and 95.73% in year three. It was noted that the facility's annual occupancy averages for 2018, 2019, 2020, and 2021 were 84.7%, 80.8%, 66.4%, and 58.1%, respectively. Occupancy was at 63.7% for the week ended May 10, 2023 (self-reported information to the Department).
- The applicant states that the low historical occupancy has been due to the fact that the facility has been voluntarily limiting the number of new resident admissions to comply with minimum staffing ratios and ensure that the facility's current residents receive the best care possible. The facility has experienced difficulties hiring and retaining qualified nursing staff over the past few years.