

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Financial Statements  
and Supplementary Information  
December 31, 2010 and 2009  
(With Independent Auditors' Report Thereon)

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)

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INDEPENDENT AUDITORS' REPORT

The Board of Supervisors  
Saratoga County Maplewood Manor:

We have audited the accompanying balance sheets of Saratoga County Maplewood Manor (the Manor), an enterprise fund of the County of Saratoga, as of December 31, 2010 and 2009, and the related statements of revenue, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the Manor's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saratoga County Maplewood Manor as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This information is the responsibility of the Manor's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information included in Schedules 1 through 3 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Williamsville, New York  
March 11, 2011

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Management's Discussion and Analysis  
December 31, 2010 and 2009

**INTRODUCTION**

Our discussion and analysis of the Saratoga County Maplewood Manor (the Manor) financial performance provides an overview of its financial activities for the year ended December 31, 2010 compared to the year ended December 31, 2009 in compliance with Statement of Governmental Accounting Standard No. 34 (GASB 34) - "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments" and related standards. Please read it in conjunction with the Manor's financial statements, which begin on page 8.

The Manor is operated as an enterprise fund of the County of Saratoga, New York (the County). The Manor is a 277-bed, skilled nursing facility located in Ballston Spa, New York which provides rehabilitation services and skilled nursing care. The Manor's mission includes caring for those Saratoga County residents who are having difficulty being admitted to other nursing homes due to financial or medical needs. The Manor was created in 1980 with a contribution of \$2,092,080 in net assets from the general fund of the County. The County has proprietary interest in all assets and the responsibility for all obligations of the Manor. The Manor is subject to the rules and regulations of the New York State Department of Health (NYSDOH).

**FINANCIAL HIGHLIGHTS**

Following are the financial highlights of the Manor for the years ended December 31, 2010 and 2009.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Manor's financial statements. The Manor's financial statements are comprised of two components: (1) financial statements and (2) notes to the financial statements.

**Financial Statements**

The balance sheets present information on all of the Manor's assets and liabilities, with the difference between the two reported as fund net assets. Over time, increases or decreases in fund net assets may serve as useful indicators of whether the financial position of the Manor is improving or deteriorating. A summary of the Manor's balance sheets at December 31, 2010 and 2009 is as follows:

SARATOGA COUNTY MAPLEWOOD MANOR  
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 Management's Discussion and Analysis, Continued

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets	\$ 3,714,447	5,969,079
Non-current assets	<u>4,235,975</u>	<u>4,745,194</u>
Total assets	\$ <u>7,950,422</u>	<u>10,714,273</u>
Liabilities and fund net assets (deficit):		
Current liabilities	3,108,037	2,449,720
Long-term liabilities	<u>18,809,541</u>	<u>14,324,960</u>
Total liabilities	<u>21,917,578</u>	<u>16,774,680</u>
Fund net assets (deficit):		
Unrestricted	(17,155,183)	(9,304,728)
Invested in capital assets, net of related debt	<u>3,188,027</u>	<u>3,244,321</u>
Total fund net assets (deficit)	<u>(13,967,156)</u>	<u>(6,060,407)</u>
Total liabilities and fund net assets (deficit)	\$ <u>7,950,422</u>	<u>10,714,273</u>

The statements of revenue, expenses and changes in fund net assets report the activity of the Manor and provides information regarding revenue and expenses, both operating and nonoperating, that affect fund net assets. A summary of the statements of revenue, expenses and changes in fund net assets for the years ended December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Total revenue	\$ 17,110,633	19,534,743
Total expenses	<u>31,567,698</u>	<u>29,192,825</u>
Operating loss	(14,457,065)	(9,658,082)
Nonoperating revenue	<u>6,550,316</u>	<u>4,758,473</u>
Deficiency of revenue over expenses	(7,906,749)	(4,899,609)
Fund net assets (deficit) at beginning of year	<u>(6,060,407)</u>	<u>(1,160,798)</u>
Fund net assets (deficit) at end of year	\$ <u>(13,967,156)</u>	<u>(6,060,407)</u>

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Management's Discussion and Analysis, Continued

**FINANCIAL ANALYSIS**

**Fund Net Assets**

Fund net assets of the Manor decreased from approximately a deficit of \$6.1 million at December 31, 2009 to a deficit of \$14.0 million at December 31, 2010, due to total expenses of \$31.6 million exceeding total operating and nonoperating revenue of \$23.7 million.

**Operating Revenue**

Overall operating revenue consisting of net resident service and other revenue decreased approximately \$2.4 million from \$19.5 million in 2009 to \$17.1 million in 2010.

**Resident Service Revenue**

Resident service revenue is primarily driven by patient days and the rate charged for each day, which varies based on the third party payor (i.e., private pay, Medicare, Medicaid). For the year ended December 31, 2010, resident service revenue decreased to approximately \$17.0 million from \$19.1 million at December 31, 2009. Medicare days were 3,838 in 2009 and 2,482 in 2010. Private pay days were 10,592 in 2009 and 11,114 in 2010. Insurance days were 1,684 in 2009 and 1,545 in 2010. Medicaid and hospice days, which are reimbursed at the lowest rate, were 83,155 in 2009 and 84,582 in 2010. In 2009, total patient days of 99,269 represented a 98.2% occupancy level. In 2010, total patient days of 99,723 represented a 98.6% occupancy level.

Medicare rates, which are determined based upon the level of care provided to a resident, averaged \$301 per day in 2009 and \$313 per day in 2010, respectively. Medicaid rates, which are revised at least quarterly, have not been adjusted for facilities statewide by New York State since the second quarter of 2009 and remain at \$143 per day for the Manor through December 31, 2010. Adjustments for 2009 and 2010 are pending New York State approval and have not been finalized as of the issuance of this report. Net resident private pay revenue per day increased from \$245 per day in 2009 to \$255 per day in 2010.

Admissions decreased to 134 admissions in 2010 as compared to 172 admissions in 2009. The number of discharges decreased to 133 discharges in 2010 as compared to 169 discharges in 2009.

**Other Revenue**

Other revenue decreased approximately \$404 thousand from approximately \$469 thousand in 2009 to \$65 thousand in 2010. The decrease was the result of a decrease in grants of approximately \$396 thousand.

SARATOGA COUNTY MAPLEWOOD MANOR  
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Management's Discussion and Analysis, Continued

**Nonoperating Revenue**

Nonoperating revenue increased by approximately \$1.8 million from \$4.8 million in 2009 to \$6.6 million in 2010. The increase was the result of the subsidy received from Saratoga County increasing from approximately \$3.8 million in 2009 to \$6.5 million in 2010.

**Expenses**

Overall expenses increased approximately \$2.4 million in 2010. Total expenses for 2010 were \$31.6 million as compared to \$29.2 million in 2009.

**Personnel**

Salaries and fringe benefits represent approximately 86% in 2010 and 85% in 2009 of the Manor's operating expenses.

For the year ended December 31, 2010 salaries and fringe benefit expense increased approximately \$2.5 million from \$24.8 million in 2009 to \$27.3 million in 2010.

**Non-Personnel**

Fees, supplies, services and other direct expenses represent approximately 14% in 2010 and 15% in 2009 of the Manor's total operating expenses.

For the year ended December 31, 2010, fees, supplies, services and other direct expenses decreased approximately \$100 thousand from \$4.4 million in 2009 to \$4.3 million in 2010.

**Capital Assets**

As of December 31, 2010 and 2009, the Manor had net capital assets of \$4,019,959 and \$4,536,535, respectively. The decrease in 2010 was primarily due to the combination of a decrease in capital additions from \$95,269 in 2009 to \$51,534 in 2010 and an increase in depreciation expense which is reflected in accumulated depreciation on the Manor's balance sheet.

SARATOGA COUNTY MAPLEWOOD MANOR  
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Management's Discussion and Analysis, Continued

**ECONOMIC FACTORS AND SIGNIFICANT EVENTS**

After years of debate and discussion, State lawmakers enacted comprehensive Medicaid reimbursement reform in the 2006-2007 State budget which recognized the desperate financial condition of the nursing home system of care by updating the 1983 base year to 2002 and incorporating a number of features aimed at providing stability, assuring patient access, advancing quality and reflecting today's care needs. This new system became effective on January 1, 2009; however, there continues to be a delay in implementation.

The Manor receives a significant portion (76.0% in 2010 and 75.6% in 2009) of its revenue through the State funded Medicaid program and changes in the annual State budget can significantly impact the operating results of the Facility.

The CSEA bargaining unit contract expired on December 31, 2009. A new contract was negotiated during 2009 and 2010 and became effective January 1, 2011. The new contract contains various provisions to assist the Manor in reducing the cost of providing services to residents without impacting quality of care.

The Manor has historically relied upon appropriations from the County of Saratoga for operating support. Management will continue to monitor and reduce all controllable expenses as appropriate.

**REQUEST FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Diane Brown, Administrator, or Ms. Sandy Fisher, Accountant, Saratoga County Maplewood Manor (518) 885-2288.

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Balance Sheets  
December 31, 2010 and 2009

	<u>Assets</u>	<u>2010</u>	<u>2009</u>
<b>Current assets:</b>			
Cash and equivalents		\$ 784,764	3,281,409
Resident receivables, net of allowance for doubtful accounts of \$550,000 in 2010 and \$400,000 in 2009		2,213,223	2,579,829
Estimated third-party payor settlements		596,894	-
Inventory		76,523	63,516
Prepaid expenses		43,043	44,325
Total current assets		<u>3,714,447</u>	<u>5,969,079</u>
<b>Non-current assets:</b>			
Capital assets, net of accumulated depreciation of \$9,734,848 in 2010 and \$9,215,379 in 2009		4,019,959	4,536,535
Security deposits		85,761	90,555
Residents' funds held in trust		130,255	118,104
Total non-current assets		<u>4,235,975</u>	<u>4,745,194</u>
Total assets		<u>\$ 7,950,422</u>	<u>10,714,273</u>
<u>Liabilities and Fund Net Assets (Deficit)</u>			
<b>Current liabilities:</b>			
Accounts payable		1,627,860	605,588
Accrued benefits		718,606	744,114
Due to the County of Saratoga		268,282	401,975
Estimated third-party payor settlements		-	50,798
Deferred revenue		15,334	186,962
Current portion of capital lease payable		453,864	434,002
Current portion of software license payable		24,091	26,281
Total current liabilities		<u>3,108,037</u>	<u>2,449,720</u>
<b>Long-term liabilities:</b>			
Other postemployment benefits		18,239,548	13,284,370
Capital lease payable, excluding current portion		353,977	807,840
Software license payable, excluding current portion		-	24,091
Security deposits		85,761	90,555
Residents' funds held in trust		130,255	118,104
Total long-term liabilities		<u>18,809,541</u>	<u>14,324,960</u>
Total liabilities		<u>21,917,578</u>	<u>16,774,680</u>
<b>Fund net assets (deficit):</b>			
Unrestricted		(17,155,183)	(9,304,728)
Invested in capital assets, net of related debt		3,188,027	3,244,321
Total fund net assets (deficit)		<u>(13,967,156)</u>	<u>(6,060,407)</u>
Total liabilities and fund net assets (deficit)		<u>\$ 7,950,422</u>	<u>10,714,273</u>

See accompanying notes to financial statements.

SARATOGA COUNTY MAPLEWOOD MANOR  
 (An Enterprise Fund of the County of Saratoga)  
 Statements of Revenue, Expenses and Changes in Fund Net Assets  
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue:		
Net resident service	\$ 17,045,887	19,066,114
Other	<u>64,746</u>	<u>468,629</u>
Total revenue	<u>17,110,633</u>	<u>19,534,743</u>
Expenses:		
Professional care	14,940,164	13,645,631
Administrative and support	10,871,714	10,042,691
Other postemployment benefits	4,955,178	4,781,071
Depreciation	568,110	557,169
Bad debts	183,905	98,643
Interest	<u>48,627</u>	<u>67,620</u>
Total expenses	<u>31,567,698</u>	<u>29,192,825</u>
Operating loss	<u>(14,457,065)</u>	<u>(9,658,082)</u>
Nonoperating revenue:		
Inter-governmental transfers	-	945,841
Interest income	2,664	28,424
County subsidy	<u>6,547,652</u>	<u>3,784,208</u>
Total nonoperating revenue	<u>6,550,316</u>	<u>4,758,473</u>
Change in fund net assets	(7,906,749)	(4,899,609)
Fund net assets (deficit) at beginning of year	<u>(6,060,407)</u>	<u>(1,160,798)</u>
Fund net assets (deficit) at end of year	<u>\$ (13,967,156)</u>	<u>(6,060,407)</u>

See accompanying notes to financial statements.

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Statements of Cash Flows  
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from residents and third-party payors	\$ 16,340,321	16,682,340
Payments to suppliers and service providers	(2,471,305)	(3,594,818)
Payments to employees	(22,355,534)	(20,040,864)
Interest expense	<u>(48,627)</u>	<u>(67,620)</u>
Net cash used in operating activities	<u>(8,535,145)</u>	<u>(7,020,962)</u>
Cash flows from capital and financing activities:		
Purchase of capital assets	(51,534)	(95,269)
Payments on capital lease payable	(434,001)	(415,009)
Payments on software license payable	<u>(26,281)</u>	<u>(26,281)</u>
Net cash used in capital and financing activities	<u>(511,816)</u>	<u>(536,559)</u>
Cash flows from investing activities:		
Inter-governmental transfers	-	945,841
County subsidy	6,547,652	3,784,208
Interest income	<u>2,664</u>	<u>28,424</u>
Net cash provided by investing activities	<u>6,550,316</u>	<u>4,758,473</u>
Net decrease in cash and equivalents	(2,496,645)	(2,799,048)
Cash and equivalents at beginning of year	<u>3,281,409</u>	<u>6,080,457</u>
Cash and equivalents at end of year	<u>\$ 784,764</u>	<u>3,281,409</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	(14,457,065)	(9,658,082)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	568,110	557,169
Provision for doubtful accounts	150,000	50,000
Changes in:		
Resident receivables	216,606	(233,547)
Estimated third-party payor settlements	(647,692)	(1,824,464)
Inventory	(13,007)	(2,983)
Prepaid expenses	1,282	56,184
Accounts payable	1,022,272	550,342
Accrued benefits	(25,508)	24,724
Due to the County of Saratoga	(133,693)	(1,484,680)
Deferred revenue	(171,628)	163,304
Other postemployment benefits	<u>4,955,178</u>	<u>4,781,071</u>
Net cash used in operating activities	<u>\$ (8,535,145)</u>	<u>(7,020,962)</u>

See accompanying notes to financial statements.

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)

Notes to Financial Statements

December 31, 2010 and 2009

(1) Nature of Organization

Saratoga County Maplewood Manor (the Manor) is operated as an enterprise fund of the County of Saratoga, New York (the County). The Manor is a 277-bed, skilled nursing facility located in Ballston Spa, New York which provides rehabilitation services and skilled nursing care. The Manor's mission includes caring for those Saratoga County residents who are having difficulty being admitted to other nursing homes due to financial or medical needs. The Manor was established in 1980 with a contribution of \$2,092,080 in net assets from the general fund of the County. The County has proprietary interest in all assets and the responsibility for all obligations of the Manor. The Manor is subject to the rules and regulations of the New York State Department of Health (NYSDOH) and the Centers for Medicaid and Medicare Services (CMS).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

As an enterprise fund, the Manor uses the accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The Manor applies all applicable Governmental Auditing Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, Accounting Research Bulletins and the AICPA Audit and Accounting Guide "Health Care Organizations."

(b) Accounting Estimates

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

(c) Cash and Equivalents

For purposes of the statements of cash flows, the Manor considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash and cash equivalents recorded by the Manor are combined with cash and equivalents of the County. The County's investment policies are governed by New York State (the State) statutes. Also, the County has its own investment policy. All County funds must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks and certificates of deposit. New York State statutes require the County to collateralize its cash deposits in excess of the FDIC requirements limit. This collateral is to be in the form of State and local government securities held in trust for and pledged to secure the County's deposits. The County has reported that its deposits were adequately collateralized at December 31, 2010 and 2009.

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(d) Receivables and Bad Debt

The Manor uses the allowance method for uncollectible accounts. Charges to this account are made on a case-by-case basis. Increases or decreases to the allowance are charged to bad debt expense. At December 31, 2010 and 2009, bad debts expense amounted to \$183,905 and \$98,643, respectively. The allowance for doubtful accounts amounted to \$550,000 and \$400,000 at December 2010 and 2009, respectively.

(e) Inventories

Inventories of the Manor consist primarily of food and housekeeping and medical supplies. Inventories are stated at cost on the first-in, first-out method.

(f) Capital Assets

Capital assets are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (as recommended by the American Hospital Association) using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected as non-operating revenue and losses in the year of disposition.

(g) Long-Lived Assets

The Manor reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Manor compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At December 31, 2010, no impairments in value have been recognized.

(h) Security Deposits

The Manor requires that all private pay residents provide security deposits as a condition of admission. A corresponding liability has been recorded to reflect the security deposits to be returned to the residents when they are discharged.

(i) Residents' Funds Held in Trust

The Manor holds residents' funds in an individual interest bearing account. These funds consist of amounts deposited on behalf of the residents, which are to be used for their personal care.

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Net Resident Service Revenue

The Manor has agreements with third-party payors that provide for payments to the Manor at amounts different from its established rate. Resident service revenues are reported at the estimated net realizable amounts from residents, third-party payors and others for service rendered including estimated retroactive adjustments under reimbursement agreements with third party payors. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and final settlements are reported in operations in the year of settlement.

(k) Cost Reports

The cost reports filed pursuant to the Medicare program are filed for years through December 31, 2009 and finalized by the Medicare intermediary through 2009. A provision for estimated settlements has been recorded in the Manor's accounting records, where applicable. No material adjustments are anticipated from the final settlement of Medicare cost reports.

Cost reports required pursuant to the Medicaid program are filed through December 31, 2009. The statute of limitations for the operating component of the Manor's rate expired for the current 1983 base year rate, discharging the Manor from audit by the New York State Office of the Medicaid Inspector General for base year cost included in the Manor's rate. A capital rate audit of the Manor's Medicaid rate has been conducted for rate years through 2006 and was finalized by the New York State Medicaid Inspector General's Office. The results of the audit are being disputed through the State's administrative hearing and appeal process. A hearing is scheduled in 2011 and the outcome cannot be reasonably predicted at this time.

The calculation of the Manor's Medicaid rate is subject to changes in trend factors and various State mandated rate enhancements effecting current and prior reimbursement rates of the Manor. A provision for estimated rate adjustments due to these factors has been established.

Pursuant to New York State Public Health Law, in 2010 the nursing home reimbursement methodology began the transition to a new payment system more closely resembling the Federal Prospective Payment System (PPS). Due to delays in the implementation of these changes retrospective to April 1, 2009, and thereafter by New York State, the rates initially calculated by the State have not been paid to the Manor as of December 31, 2010. The impact of these adjustments, estimated to be \$1,691,461, are included in the revenue and receivables of the Manor and are subject to adjustment based on the final rates paid by New York State Medicaid.

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(l) Subsequent Events

The Manor has evaluated events after December 31, 2010, and through March 11, 2011, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(m) Reclassifications

Reclassifications have been made to certain 2009 balances in order to conform them to 2010 presentation.

(3) Resident Receivables

A summary of resident receivables at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Medicaid	\$ 1,303,013	1,836,085
Medicare	179,349	213,225
Private pay	994,518	696,091
Insurance	184,484	198,796
Unbilled charges	<u>101,859</u>	<u>35,632</u>
	2,763,223	2,979,829
Less allowance for doubtful accounts	<u>(550,000)</u>	<u>(400,000)</u>
	\$ <u>2,213,223</u>	<u>2,579,829</u>

(4) Capital Assets

Capital assets as of December 31, 2010 and 2009 are summarized as follows:

	Balance January 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2010</u>
Land	\$ 54,000	-	-	54,000
Land improvements	140,773	-	-	140,773
Building and improvements	8,779,859	4,850	-	8,784,709
Fixed equipment	3,113,156	13,103	-	3,126,259
Movable equipment	1,649,303	33,581	(33,814)	1,649,070
Minor equipment	<u>14,823</u>	-	(14,823)	-
	13,751,914	<u>51,534</u>	<u>(48,637)</u>	13,754,811
Less accumulated depreciation	<u>(9,215,379)</u>	<u>(568,110)</u>	<u>48,637</u>	<u>(9,734,852)</u>
Capital assets, net	\$ <u>4,536,535</u>			<u>4,019,959</u>

SARATOGA COUNTY MAPLEWOOD MANOR  
 (An Enterprise Fund of the County of Saratoga)  
 Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	Balance January 1, <u>2009</u>	Additions	Disposals	Balance December 31, <u>2009</u>
Land	\$ 54,000	-	-	54,000
Land improvements	140,773	-	-	140,773
Building and improvements	8,749,066	30,793	-	8,779,859
Fixed equipment	3,108,019	26,226	(21,089)	3,113,156
Movable equipment	1,667,842	38,250	(56,789)	1,649,303
Minor equipment	<u>14,823</u>	<u>-</u>	<u>-</u>	<u>14,823</u>
	13,734,523	<u>95,269</u>	<u>(77,878)</u>	13,751,914
Less accumulated depreciation	<u>(8,736,088)</u>	<u>(557,169)</u>	<u>77,878</u>	<u>(9,215,379)</u>
Capital assets, net	\$ <u>4,998,435</u>			<u>4,536,535</u>

(5) Related Party Transactions

At December 31, 2010 and 2009, the Manor owed the County \$268,282 and \$401,975, respectively. These amounts represent the Manor's reimbursements for accounts payable, accrued expenses, payroll and related costs. These services included administration, data processing, printing and mailing, personnel functions, purchasing, and internal auditing functions. No payments were made during 2010 and 2009.

(6) Estimated Third-Party Settlements

Estimated third-party settlements due to (from) Medicaid/Medicare as of December 31, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
2009 NYS rate methodology change impact	\$ (1,691,461)	(1,691,461)
2002-2006 Capital component overpayment	132,570	132,570
2004-2010 Cash receipt assessment reconciliation	(280,534)	(204,410)
1994-2010 Medicare part B offset	253,858	247,705
2002-2006 OMIG audit (note 13(d))	<u>988,673</u>	<u>1,566,394</u>
	\$ <u>(596,894)</u>	<u>50,798</u>

SARATOGA COUNTY MAPLEWOOD MANOR  
 (An Enterprise Fund of the County of Saratoga)  
 Notes to Financial Statements, Continued

(7) Capital Lease Payable

The Manor is party to a capital lease agreement for its Co-Generation Plant. Depreciation expense of these capital assets is included in the Manor's statements of revenue, expenses and changes in fund net assets. This agreement requires aggregate quarterly payments of \$120,657 at an imputed interest rate of 4.5% through September 14, 2012. A summary of the leased Co-Generation Plant at December 31, 2010 is as follows:

Building and improvements	\$ 3,750,405
Fixed equipment	<u>147,773</u>
	3,898,178
Less accumulated depreciation	<u>(1,707,455)</u>
	\$ <u>2,190,723</u>

Future scheduled payments under the terms of the agreement as of December 31, 2010 are as follows:

	2011	\$ 482,629
	2012	<u>361,972</u>
		844,601
	Less amount representing interest on capital lease obligations	<u>(36,760)</u>
	Capital lease obligations	807,841
	Less current portion	<u>(453,864)</u>
	Capital lease obligation, excluding current portion	\$ <u>353,977</u>

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Notes to Financial Statements, Continued

(8) Pension Plan

The Pension Plan of the Manor is detailed as follows:

(a) Plan Description

The Manor participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (the Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State Local Retirement Systems, 110 State Street, Albany, New York 12244.

(b) Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 (Tier 4) who contribute 3% of their salary for the first ten years of membership. Employees who joined the retirement system after January 1, 2010 (Tier 5) are required to contribute 3% for their entire employment and participation in the retirement system. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Manor is required to contribute at an actuarially determined rate. The required contributions for the current and two preceding years were as follows:

2010	\$ 2,175,229
2009	931,642
2008	<u>975,342</u>

The Manor's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

(9) Postemployment Benefits

In addition to providing retirement benefits, the Manor provides certain health insurance benefits to retired employees and their families. Substantially all of the Manor's employees may become eligible for these benefits if they reach normal retirement age while working for the Manor. The cost to the Manor of providing other postemployment benefits to retirees amounted to \$6,734,252 and \$6,469,322 for the years ended December 31, 2010 and 2009, respectively.

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Notes to Financial Statements, Continued

(9) Postemployment Benefits, Continued

(a) Plan Description

The County provides a single-employer self-insured medical plan (the Plan) that offers two options of which the Manor is a participant. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the County subject to the applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. Benefit provisions are established through negotiations between the County and the unions, representing employees, and are renegotiated at the end of each of the bargaining periods.

(b) Funding Policy

The obligation of the Plan members, employers and other entities, including the Manor, are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the Plan to satisfy current obligations. The costs of administering the Plan are paid by the County. For the years ended December 31, 2010 and 2009, the County contributed \$7,414,081 and \$6,790,900 to the plan, respectively. The Manor represented \$1,779,074 and \$1,688,251 of the total contribution to the Plan in 2010 and 2009, respectively.

The County's policy is to fund the pay as you go insurance premiums in its governmental funds. In accordance with the cost sharing requirements of GASB Statement No. 45, the participating enterprise funds have applied the requirements of GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," related to on-behalf payments for fringe benefits and salaries. This statement requires an employer (the enterprise funds) to recognize revenue equal to the amount of expense for the OPEB amounts associated with the enterprise funds.

(c) Accounting Policy

The accrual basis of accounting is used. The fair market value of assets is determined by the market value of assets paid by the willing buyer to a willing seller.

(d) Other Disclosure Information

The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitation of the pattern of cost-sharing between the employer and Plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

SARATOGA COUNTY MAPLEWOOD MANOR  
 (An Enterprise Fund of the County of Saratoga)  
 Notes to Financial Statements, Continued

(9) Postemployment Benefits, Continued

(e) Annual OPEB Cost at December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Annual required contribution (ARC)	\$ 6,941,566	6,602,023
Interest on net OPEB obligation	531,375	340,132
Adjustment to ARC	<u>(738,689)</u>	<u>(472,833)</u>
OPEB expense	<u>\$ 6,734,252</u>	<u>6,469,322</u>

(f) Reconciliation of Net OPEB Obligation at December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net OPEB obligation at the beginning of the year	\$ 13,284,370	8,503,299
OPEB expense	6,734,252	6,469,322
Net OPEB contributions made during the year	<u>(1,779,074)</u>	<u>(1,688,251)</u>
Net OPEB obligation at the end of the year	<u>\$ 18,239,548</u>	<u>13,284,370</u>
Percentage of expense contributed	<u>26.4%</u>	<u>26.1%</u>

The County's total annual net OPEB obligation at December 31, 2010 and 2009 is calculated as follows:

	<u>2010</u>	<u>2009</u>
Net OPEB obligation at the beginning of the year	\$ 62,429,308	40,201,919
OPEB expense	30,252,900	29,018,089
Net OPEB contributions made during the year	<u>(7,414,081)</u>	<u>(6,790,700)</u>
Net obligation at the end of the year	<u>\$ 85,268,127</u>	<u>62,429,308</u>
Percentage of expense contributed	<u>24.5%</u>	<u>23.4%</u>

(10) Concentrations

The majority of services provided by the Manor are paid for by the State. The Manor, therefore, is highly dependent on the New York State health care reimbursement system.

The Manor grants credit without collateral to its residents, most of who are insured under third-party payors. The composition of receivables from patients and third-party payors is as follows:

SARATOGA COUNTY MAPLEWOOD MANOR  
 (An Enterprise Fund of the County of Saratoga)  
 Notes to Financial Statements, Continued

(10) Concentrations, Continued

	<u>2010</u>	<u>2009</u>
Medicaid	47%	62%
Medicare	6%	7%
Private pay	36%	23%
Insurance	7%	7%
Unbilled charges	<u>4%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

Financial instruments, which potentially subject the Manor to a concentration of credit risk, are cash accounts with major financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

(11) Inter-Governmental Transfers (IGT)

The Inter-Governmental Transfers (IGT) program provides Medical rate enhancement to all non-state operated publicly sponsored nursing facilities. Annual State legislation and the approval of the Inter-Governmental Transfer program by the facilities for Medicare and Medicaid Services (CMS) for this program are required, therefore, the availability, timing and amount of this funding is not always available in the year the expenditures are incurred by the Manor and subsidies are made by the sponsoring government.

The New York State Department of Health, which administers the Medicaid program in New York State, has been notified by CMS that federal Inter-Government Transfer payment reimbursement was approved for 2009 for the Manor. This amount was recorded as nonoperating revenue on the accompanying statements of revenue, expenses and changes in fund net assets. In order to receive these funds, the County was required to provide a 50% local share of the total funds to be received by the Manor. Payment was made to the Manor upon remittance of the sponsor's local Medicaid share to New York State. Inter-Governmental Transfer revenue for the year ended December 31, 2009 amounted to \$945,841. No inter-governmental transfer revenue was recognized by the Manor in 2010.

(12) Medical Malpractice Claims

The Manor was insured for medical malpractice claims under an occurrence based insurance policy during the years ended December 31, 2010 and 2009. There have been no claims, threatened or asserted, against the Manor that in the opinion of the Manor's management and legal counsel would be in excess of the policy's limits of coverage. The Manor's management intends on maintaining the policy in full force and effect and believes any claims asserted would be within the limits of the Manor's policy.

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Notes to Financial Statements, Continued

(13) Commitments and Contingencies

Commitments and contingencies at December 31, 2010 are as follows:

(a) Regulatory

The healthcare industry is a highly regulated environment that requires compliance with various Federal, State and local laws and regulations, including contractual and participation agreements with third party payors. The Manor is subject to compliance with these and other requirements in the normal course of the Manor's operations. Recent increases in surveillance and enforcement by regulators have resulted in the imposition of fines and penalties to health care providers. Compliance with these laws and regulations is subject to future review, interpretation and actions by government regulatory agencies, the impact of which are unknown and unasserted.

(b) Self Insurance Plans

The Manor participates in a self-insurance plan sponsored by the County for workers' compensation under Local Law No. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any municipality for participation. The County is responsible for the administration of the plan and it reserves and accounts for this plan in a separate special revenue fund, which is included in the County's combined financial statements. Contributions are based on an estimated claim basis with excess contributions transferred to the reserve at the end of the fiscal year. Additionally, the County has commercial insurance for claims in excess of \$1,000,000 (each occurrence). The Manor's workers' compensation expense for the years ended December 31, 2010 and 2009 amounted to \$292,578 and \$293,358, respectively.

The Manor currently uses reimbursement financing rather than paying contributions under the regular experience rating provisions of New York State Unemployment Insurance Law. Under this method, the Manor is liable to New York State for payments of amounts equal to the benefits paid to its claimants. The Manor's unemployment expense for the years ended December 31, 2010 and 2009 amounted to \$43,748 and \$31,152, respectively.

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Notes to Financial Statements, Continued

(13) Commitments and Contingencies, Continued

(c) Co-Generation Plant Technical Support

The Manor has a Technical Support Program (the Program) for its Co-Generation Plant. The Program requires annual payments through 2012. The initial payment of \$55,953 was made during 2003. Additional payments increase by 4% per year. For the years ended December 31, 2010 and 2009, the payments for the Program amounted to \$73,630 and \$70,798, respectively.

Future scheduled payments under the terms of the agreement for years following December 31, 2010 are as follows:

2011	\$ 76,576
2012	<u>79,639</u>
	<u>\$ 156,215</u>

(d) Co-Generation Plant

The Manor was audited by the New York State Office of Medicaid Inspector General (OMIG) in October 2007. The scope of the audit was the Capital Component of the Manor's Medicaid rate for the years December 1, 2002 through December 31, 2006. OMIG is seeking recoupment of past and future Medicaid reimbursement for the cost of a Co-Generation Plant installed in the Manor in 2002. The County has retained counsel as most of the disallowance pertains to the Co-Generation Plant for which the Manor had a Certificate of Need approval. Management of the County and the Manor believe that many of the disallowances will be found erroneous. The Manor has accrued estimated liabilities of \$988,673 and \$1,566,394 at December 31, 2010 and 2009, respectively, which reflect tentative results of audits and subsequent revisions thereto. On May 20, 2009, OMIG rescinded its draft report dated November 21, 2008 and the final audit report dated March 4, 2009 and conducted further review of the findings contained in the reports. On December 31, 2009, OMIG issued a new draft report, which was substantially the same as the original draft report dated November 21, 2008. The report was finalized on July 29, 2010. Management of the County and the Manor still believe that many of the disallowances will still be found erroneous and will vigorously contest the audit findings.

SARATOGA COUNTY MAPLEWOOD MANOR  
 (An Enterprise Fund of the County of Saratoga)  
 Net Resident Service Revenue and Utilization  
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net resident service revenue:		
Medicaid	\$ 12,961,576	14,752,072
Medicare	809,742	1,229,394
Private pay	2,889,133	2,682,575
Insurance	<u>385,436</u>	<u>402,073</u>
Total net resident service revenue:	<u>\$ 17,045,887</u>	<u>19,066,114</u>
Patient days:		
Medicaid	84,582	83,155
Medicare	2,482	3,838
Private pay	11,114	10,592
Insurance	<u>1,545</u>	<u>1,684</u>
Total resident days:	<u>99,723</u>	<u>99,269</u>
Total available days	<u>101,105</u>	<u>101,105</u>
Occupancy rate	<u>98.6%</u>	<u>98.2%</u>

Schedule 2

SARATOGA COUNTY MAPLEWOOD MANOR  
(An Enterprise Fund of the County of Saratoga)  
Other Revenue  
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Other revenue:		
Grant income	\$ 28,336	424,742
Cafeteria income	1,213	1,167
Miscellaneous	<u>35,197</u>	<u>42,720</u>
Total other revenue	<u>\$ 64,746</u>	<u>468,629</u>

SARATOGA COUNTY MAPLEWOOD MANOR  
 (An Enterprise Fund of the County of Saratoga)  
 Professional Care and Administrative and Support  
 Year ended December 31, 2010  
 with comparative totals for 2009

	<u>Salaries and fringe benefits</u>	<u>Supplies and other expenses</u>	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
Professional care:				
Nursing	\$ 12,811,726	100,911	12,912,637	11,727,209
Physical therapy	312,680	82,184	394,864	350,395
Occupational therapy	155,069	45,818	200,887	188,989
Speech therapy	-	23,355	23,355	23,400
Pharmacy	-	231,602	231,602	278,923
Dental	-	50,205	50,205	47,741
Medical director	85,128	-	85,128	80,892
Social services	479,478	-	479,478	439,237
Activities	558,967	3,041	562,008	508,845
Total professional care	<u>\$ 14,403,048</u>	<u>537,116</u>	<u>14,940,164</u>	<u>13,645,631</u>
Administrative and support:				
Administration	316,754	1,081,648	1,398,402	1,468,895
Fiscal	572,031	41,368	613,399	540,414
Nursing	1,210,845	2,267	1,213,112	1,060,865
Dietary	2,731,783	676,446	3,408,229	3,105,067
Housekeeping	1,809,976	77,019	1,886,995	1,670,673
Laundry	296,531	331,476	628,007	600,635
Maintenance	421,994	537,627	959,621	872,343
Grounds	49,159	6,637	55,796	48,876
Security	266,741	800	267,541	286,694
Transportation	69,996	585	70,581	66,714
Central supply	180,638	188,863	369,501	321,515
Trainees	530	-	530	-
Total administrative and support	<u>\$ 7,926,978</u>	<u>2,944,736</u>	<u>10,871,714</u>	<u>10,042,691</u>