

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Financial Statements
and Supplementary Information
December 31, 2012 and 2011
(With Independent Auditors' Report Thereon)

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

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 8
Financial Statements:	
Statements of Net Position	9
Statements of Revenue, Expenses and Changes in Net Position	10
Statements of Cash Flows	11 - 12
Notes to Financial Statements	13 - 22
Schedule of Funding Progress - Other Postemployment Benefits	23
Schedules:	
Schedule 1 - Net Resident Service Revenue and Utilization	24
Schedule 2 - Other Revenue	25
Schedule 3 - Professional Care and Administrative and Support	26

* * * * *

INDEPENDENT AUDITORS' REPORT

The Board of Supervisors
Saratoga County Maplewood Manor:

Report on the Financial Statements

We have audited the basic financial statements of Saratoga County Maplewood Manor (the Manor) as of and for the years ended December 31, 2012 and 2011, and the related notes to the 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 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 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 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 Manor'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 Manor'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 Saratoga County Maplewood Manor as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 2 to the financial statements, the Manor adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities."

As disclosed in note 13, the County of Saratoga Legislature has approved the County's divestiture of Maplewood Manor in attempt to reduce County subsidies of the Manor's operating losses. The County believes that due to prior and forecasted future losses from operation divestiture of the operations is in the best interest of the County and County residents. During 2012, the County sponsored the formation of a not for profit, Local Development Corporation (LDC) to facilitate the marketing, sale and transfer of the Manor's assets and licensed operations. As of December 31, 2012, no transfer of the Manor's assets and operations has occurred.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress - other postemployment benefits on pages 4 through 8 and 23 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules 1, 2 and 3 on pages 24 through 26 are presented for purposes of additional analysis and are 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 24, 2013

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Management's Discussion and Analysis
December 31, 2012 and 2011

INTRODUCTION

Our discussion and analysis of Saratoga County Maplewood Manor's (the Manor) financial performance provides an overview of its financial activities for the year ended December 31, 2012 compared to the year ended December 31, 2011 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 9.

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 Medicare and Medicaid services (CMS).

FINANCIAL HIGHLIGHTS

Following are the financial highlights of the Manor for the years ended December 31, 2012 and 2011.

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 financial statements.

Financial Statements

The statements of net position present information on all of the Manor'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 useful indicators of whether the financial position of the Manor is improving or deteriorating. A summary of the Manor's statements of net position at December 31, 2012 and 2011 is as follows:

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

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 8,466,842	6,514,832
Non-current assets	<u>3,445,125</u>	<u>3,903,999</u>
Total assets	\$ <u>11,911,967</u>	<u>10,418,831</u>
Liabilities:		
Current liabilities	866,377	2,998,310
Long-term liabilities	<u>28,745,793</u>	<u>23,439,873</u>
Total liabilities	<u>29,612,170</u>	<u>26,438,183</u>
Deferred inflows of resources - deferred revenue	<u>13,025</u>	<u>-</u>
Net position:		
Unrestricted	(20,878,241)	(19,305,629)
Invested in capital assets, net of related debt	<u>3,165,013</u>	<u>3,286,277</u>
Total net position	<u>(17,713,228)</u>	<u>(16,019,352)</u>
Total liabilities and net position	\$ <u>11,911,967</u>	<u>10,418,831</u>

The statements of revenue, expenses and changes in net position report the activity of the Manor and provide information regarding revenue and expenses, both operating and nonoperating, that affect net position. A summary of the statements of revenue, expenses and changes in net position for the years ended December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Total revenue	\$ 18,335,784	19,858,880
Total expenses	<u>31,998,674</u>	<u>31,452,459</u>
Operating loss	(13,662,890)	(11,593,579)
Nonoperating revenue	<u>11,969,014</u>	<u>9,541,383</u>
Change in net position	(1,693,876)	(2,052,196)
Net position at beginning of year	<u>(16,019,352)</u>	<u>(13,967,156)</u>
Net position at end of year	\$ <u>(17,713,228)</u>	<u>(16,019,352)</u>

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

FINANCIAL ANALYSIS

Net Position

Net position of the Manor decreased from a deficit of approximately \$16.0 million at December 31, 2011 to a deficit of \$17.7 million at December 31, 2012, due to total expenses of \$32 million exceeding total operating and nonoperating revenue of \$30.3 million.

Operating Revenue

Overall operating revenue consisting of net resident service and other revenue decreased approximately \$1.7 million from \$19.9 million in 2011 to \$18.3 million in 2012.

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 mix (i.e., private pay, Medicare, Medicaid). For the year ended December 31, 2012, resident service revenue decreased to approximately \$18.4 million from \$19.9 million at December 31, 2011. Medicare days were 3,027 in 2011 and 2,165 in 2012. Private pay days were 12,149 in 2011 and 10,618 in 2012. Insurance days were 1,174 in 2011 and 959 in 2012. Medicaid and hospice days, which are reimbursed at the lowest rate, were 82,825 in 2011 and 77,740 in 2012. In 2011, total patient days of 99,175 represented a 98.1% occupancy level. In 2012, total patient days of 91,482 represented a 90.5% occupancy level.

Medicare rates, which are determined based upon the level of care provided to a resident, averaged \$428 per day in 2011 and \$433 per day in 2012. Medicaid rates, which are revised at least quarterly, averaged \$160 per day in 2011 and \$176 per day in 2012. Net resident private pay revenue per day increased from \$265 per day in 2011 to \$365 per day in 2012.

Admissions decreased to 85 admissions in 2012 as compared to 131 admissions in 2011. The number of discharges decreased to 131 discharges in 2012 as compared to 138 discharges in 2011.

Declines in admissions and utilization costs were due to County mandated changes in admission policies, temporary closure of a 40 bed nursing unit to reduce surplus bed and labor capacity and general changes in the regional long-term care market conditions.

Nonoperating Revenue

Nonoperating revenue increased by approximately \$2.5 million from \$9.5 million in 2011 to \$12 million in 2012. The increase was the result of county subsidy of \$7.2 million, offset by a decrease of an intergovernmental transfer of \$4.9 million.

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

Expenses

Overall expenses increased approximately \$500 thousand in 2012. Total expenses for 2012 were \$32 million as compared to \$31.5 million in 2011.

Personnel

Salaries and fringe benefits represent approximately 87% in 2012 and 86% in 2011 of the Manor's operating expenses.

For the year ended December 31, 2012, salaries and fringe benefit expense increased approximately \$800 thousand from \$27.0 million in 2011 to \$27.8 million in 2012.

Non-Personnel

Fees, supplies, services and other direct expenses represent approximately 13% in 2012 and 14% in 2011 of the Manor's total operating expenses.

For the year ended December 31, 2012, fees, supplies, services and other direct expenses decreased approximately \$300 thousand from \$4.5 million in 2011 to \$4.2 million in 2012.

Capital Assets

As of December 31, 2012 and 2011, the Manor had net capital assets of \$3,165,013 and \$3,640,255, respectively. The decrease in 2012 was primarily due to an increase in depreciation expense which is reflected in accumulated depreciation on the Manor's balance sheet.

ECONOMIC FACTORS AND SIGNIFICANT EVENTS

The Manor receives a significant portion (74.7% in 2012 and 75.4% in 2011) of its revenue through the State funded Medicaid program and changes in the annual State budget can significantly impact its operating results.

The Manor's contract with the CSEA bargaining unit to which the Manor's employees are members expired on December 31, 2012. Negotiations between the Manor and the CSEA continue to be in process.

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

The County of Saratoga Legislature has approved the County's divestiture of Maplewood Manor in an attempt to reduce County subsidies of the Manor's operating losses. Based on existing and future trends in long-term care reimbursement and the Manor's cost structure it is believed that continued operation of the Manor as a public facility would not be in the best interest of the County or County residents. During 2012, the County sponsored the formation of a not for profit, Local Development Corporation (LDC) to facilitate the marketing, sale and transfer of the Manor's assets and licensed operations. As of December 31, 2012, the County was in the process of marketing the Manor and identifying prospective purchasers, however, as of and at the date of our report, management has not identified a purchaser for the Manor and there has been no transfer of operations or assets to the LDC. Sale of the Manor's licensed operations is contingent upon approval by the New York State Department of Health which regulates nursing homes operated in the state.

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)
Statements of Net Position
December 31, 2012 and 2011

	<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:			
Cash and equivalents		\$ 272,439	3,337,857
Resident receivables, net of allowance for doubtful accounts		2,611,581	3,062,125
Intergovernmental receivable		4,739,473	-
Estimated third-party payor settlement		119,436	-
Due from the County of Saratoga		617,370	-
Inventory		77,811	74,786
Prepaid expenses		28,732	40,064
Total current assets		<u>8,466,842</u>	<u>6,514,832</u>
Non-current assets:			
Capital assets, net of accumulated depreciation		3,165,013	3,640,255
Security deposits		127,293	145,968
Residents' funds held in trust		152,819	117,776
Total non-current assets		<u>3,445,125</u>	<u>3,903,999</u>
Total assets		<u>\$ 11,911,967</u>	<u>10,418,831</u>
<u>Liabilities and Net Position</u>			
Current liabilities:			
Accounts payable		171,999	228,790
Accrued benefits		694,378	811,328
Due to the County of Saratoga		-	1,593,245
Estimated third-party payor settlements		-	10,969
Current portion of capital lease payable		-	353,978
Total current liabilities		<u>866,377</u>	<u>2,998,310</u>
Long-term liabilities:			
Other postemployment benefits		28,465,681	23,176,129
Security deposits		127,293	145,968
Residents' funds held in trust		152,819	117,776
Total long-term liabilities		<u>28,745,793</u>	<u>23,439,873</u>
Total liabilities		<u>29,612,170</u>	<u>26,438,183</u>
Deferred inflows of resources - deferred revenue		<u>13,025</u>	<u>-</u>
Net position:			
Unrestricted		(20,878,241)	(19,305,629)
Invested in capital assets, net of related debt		<u>3,165,013</u>	<u>3,286,277</u>
Total net position		<u>(17,713,228)</u>	<u>(16,019,352)</u>
Total liabilities and net position		<u>\$ 11,911,967</u>	<u>10,418,831</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 Net Position
 Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue:		
Net resident service	\$ 18,473,220	19,905,830
Other	25,351	117,020
Bad debts	<u>(162,787)</u>	<u>(163,970)</u>
Total revenue	<u>18,335,784</u>	<u>19,858,880</u>
Expenses:		
Professional care	15,243,951	15,092,948
Administrative and support	10,972,642	10,871,198
Other postemployment benefits	5,289,552	4,936,581
Depreciation	<u>492,529</u>	<u>551,732</u>
Total expenses	<u>31,998,674</u>	<u>31,452,459</u>
Operating loss	<u>(13,662,890)</u>	<u>(11,593,579)</u>
Nonoperating revenue:		
Inter-governmental transfers	4,739,473	9,595,577
Interest income	1,238	1,906
Interest expense	(7,994)	(56,100)
County subsidy	<u>7,236,297</u>	<u>-</u>
Total nonoperating revenue	<u>11,969,014</u>	<u>9,541,383</u>
Change in net position	<u>(1,693,876)</u>	<u>(2,052,196)</u>
Net position at beginning of year	<u>(16,019,352)</u>	<u>(13,967,156)</u>
Net position at end of year	<u>\$ (17,713,228)</u>	<u>(16,019,352)</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from residents and third-party payors	\$ 17,994,787	19,563,015
Payments to suppliers and service providers	(5,330,921)	(3,917,989)
Payments to employees	<u>(22,587,560)</u>	<u>(21,983,334)</u>
Net cash used in operating activities	<u>(9,923,694)</u>	<u>(6,338,308)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(17,287)	(172,028)
Payments on capital lease payable	(353,978)	(477,954)
Interest paid	<u>(7,994)</u>	<u>(56,100)</u>
Net cash used in capital and related financing activities	<u>(379,259)</u>	<u>(706,082)</u>
Cash flows from non-capital financing activities:		
Inter-governmental transfers	-	9,595,577
County subsidy	<u>7,236,297</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>7,236,297</u>	<u>9,595,577</u>
Cash flows from investing activities- interest income	<u>1,238</u>	<u>1,906</u>
Net increase (decrease) in cash and equivalents	(3,065,418)	2,553,093
Cash and equivalents at beginning of year	<u>3,337,857</u>	<u>784,764</u>
Cash and equivalents at end of year	<u>\$ 272,439</u>	<u>3,337,857</u>

(Continued)

See accompanying notes to financial statements.

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Statements of Cash Flows, Continued

	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (13,662,890)	(11,593,579)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	492,529	551,732
Bad debts	162,787	163,970
Changes in:		
Resident receivables	287,757	(1,012,872)
Estimated third-party payor settlements	(130,405)	607,863
Due from the County of Saratoga	(617,370)	-
Inventory	(3,025)	1,737
Prepaid expenses	11,332	2,979
Accounts payable	(56,791)	(39,492)
Accrued benefits	(116,950)	92,722
Due to the County of Saratoga	(1,593,245)	(34,615)
Deferred revenue	13,025	(15,334)
Other postemployment benefits	<u>5,289,552</u>	<u>4,936,581</u>
Net cash used in operating activities	<u>\$ (9,923,694)</u>	<u>(6,338,308)</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, 2012 and 2011

(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 Medicare and Medicaid Services (CMS).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts of the County are organized on the basis of funds and account groups. A fund is a separate accounting entity with a self-balancing set of accounts.

Proprietary Funds are used to account for ongoing organizations or activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and changes in cash flow. Enterprise Funds are Proprietary Funds used to report any activity for which a fee is charged to external users for goods or services. The Manor is an Enterprise Fund.

The financial statements of the Manor have been prepared in conformity with GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. Beginning in 2012, the Manor adopted the provisions of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature. Also, during 2012, the Manor adopted GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." These statements provide guidance on presenting deferred outflows, deferred inflows and net position.

(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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

(2) Summary of Significant Accounting Policies, Continued

(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 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. 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, 2012 and 2011.

(d) Receivables and Bad Debts

Accounts receivable are stated net of an allowance for doubtful accounts. The Manor estimates the allowance based on its analysis of specific balances, taking into consideration the age of past due accounts, the status of the billing process with third-party payers, the value of remaining assets held by residents, and anticipated collections resulting from legal action. Receivables are considered impaired if payment is not received in accordance with terms. Accounts are written off once collection efforts have been exhausted and uncollectibility has been confirmed by the Manor's management.

(e) Inventory

Inventory of the Manor consists primarily of food, housekeeping and medical supplies. Inventory is 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. No impairment in value has been recognized at December 31, 2012 and 2011.

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

(2) Summary of Significant Accounting Policies, Continued

(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.

(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 services rendered including estimated retroactive adjustments under reimbursement agreements with third party payors. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. 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) Subsequent Events

The Manor has evaluated events after December 31, 2012, and through June 24, 2013, 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.

(3) Resident Receivables

A summary of resident receivables at December 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Medicaid	\$ 2,269,853	2,179,468
Medicare	204,056	216,007
Private pay	674,257	1,118,684
Insurance	106,210	148,110
Unbilled charges	<u>57,205</u>	<u>99,856</u>
	3,311,581	3,762,125
Less allowance for doubtful accounts	<u>(700,000)</u>	<u>(700,000)</u>
	\$ <u>2,611,581</u>	<u>3,062,125</u>

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

(4) Capital Assets

Capital assets as of December 31, 2012 and 2011 are summarized as follows:

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2012</u>
Land	\$ 54,000	-	-	54,000
Land improvements	140,773	-	-	140,773
Building and improvements	8,829,997	-	-	8,829,997
Fixed equipment	3,144,953	6,295	-	3,151,248
Movable equipment	<u>1,735,184</u>	<u>10,992</u>	<u>(3,224)</u>	<u>1,742,952</u>
	13,904,907	<u>17,287</u>	<u>(3,224)</u>	13,918,970
Less accumulated depreciation	<u>(10,264,652)</u>	<u>(492,529)</u>	<u>3,224</u>	<u>(10,753,957)</u>
Capital assets, net	\$ <u>3,640,255</u>			<u>3,165,013</u>

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2011</u>
Land	\$ 54,000	-	-	54,000
Land improvements	140,773	-	-	140,773
Building and improvements	8,784,709	45,288	-	8,829,997
Fixed equipment	3,126,259	18,694	-	3,144,953
Movable equipment	<u>1,649,070</u>	<u>108,046</u>	<u>(21,932)</u>	<u>1,735,184</u>
	13,754,811	<u>172,028</u>	<u>(21,932)</u>	13,904,907
Less accumulated depreciation	<u>(9,732,852)</u>	<u>(551,732)</u>	<u>21,932</u>	<u>(10,264,652)</u>
Capital assets, net	\$ <u>4,019,959</u>			<u>3,640,255</u>

(5) Related Party Transactions

At December 31, 2012, the County owed the Manor \$617,730. The amount represents underpayments by the County to the Manor for services rendered. At December 31, 2011, the Manor owed the County \$1,593,245. The amount represents 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.

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

(6) Capital Lease Payable

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

Building and improvements	\$ 3,750,405
Fixed equipment	<u>147,773</u>
	3,898,178
Less accumulated depreciation	<u>(3,898,178)</u>
	\$ <u> -</u>

(7) 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 ERS after July 27, 1976 (Tier 4) and 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 participate 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.

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

(7) Pension Plan, Continued

(b) Funding Policy, Continued

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

2012	\$ 2,403,936
2011	1,647,313
2010	<u>2,175,229</u>

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

(8) 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 \$7,231,123 and \$6,946,323 which include current contributions of \$1,941,571 and \$2,009,742 that have been directly assigned to program and support departments for the years ended December 31, 2012 and 2011, respectively.

(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, 2012 and 2011, the County contributed \$8,313,198 and \$8,498,242 to the plan, respectively. The Manor represented \$1,941,571 and \$2,009,742 of the total contribution to the Plan in 2012 and 2011, respectively.

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

(8) Postemployment Benefits, Continued

(c) 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.

(d) Annual OPEB Cost at December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$ 7,592,807	7,230,967
Interest on net OPEB obligation	927,045	729,582
Adjustment to ARC	<u>(1,288,729)</u>	<u>(1,014,226)</u>
OPEB expense	\$ <u>7,231,123</u>	<u>6,946,323</u>

(e) Reconciliation of Net OPEB Obligation at December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Net OPEB obligation at the beginning of the year	\$ 23,176,129	18,239,548
OPEB expense	7,231,123	6,946,323
Net OPEB contributions made during the year	<u>(1,941,571)</u>	<u>(2,009,742)</u>
Net OPEB obligation at the end of the year	\$ <u>28,465,681</u>	<u>23,176,129</u>
Percentage of expense contributed	<u>26.9%</u>	<u>28.9%</u>

(9) 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

(9) Concentrations, Continued

	<u>2012</u>	<u>2011</u>
Medicaid	69%	57%
Medicare	6%	6%
Private pay	20%	30%
Insurance	3%	4%
Unbilled charges	<u>2%</u>	<u>3%</u>
	<u>100%</u>	<u>100%</u>

(10) Inter-Governmental Transfers (IGT)

The Inter-Governmental Transfers (IGT) program provides Medicaid 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 centers 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 through 2012 for the Manor. This amount was recorded as nonoperating revenue on the accompanying statements of revenue, expenses and changes in net position. 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. Estimated IGT revenue for the years ended December 31, 2012 and 2011 amounted to \$4,739,473 and \$9,595,577, respectively, and was recorded as nonoperating revenue on the accompanying statements of revenue expenses and changes in net position. The estimated amount of unfunded IGT revenue for which the Manor will receive payment in the future is presented on the Manor's balance sheets as a receivable. IGT receivable at December 31, 2012 amounted to \$4,739,473. There was no IGT receivable in 2011.

(11) Medical Malpractice Claims

The Manor was insured for medical malpractice claims under an occurrence based insurance policy during the years ended December 31, 2012 and 2011. 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 to maintain 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

(12) Commitments and Contingencies

Commitments and contingencies at December 31, 2012 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, 2012 and 2011 amounted to \$256,778 and \$287,014, 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, 2012 and 2011 amounted to \$64,707 and \$27,093, respectively.

(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, 2012 and 2011, the payments for the Program amounted to \$79,639 and \$76,576, respectively.

The County approved decommissioning of the co-generation plant effective April 2013 due to forecasted increases in replacement and maintenance costs of the aging plant and more cost effective availability of traditional utility supply services. Therefore, no further payments are required on this Program.

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

(12) Commitments and Contingencies, Continued

(d) CSEA Collective Bargaining Agreement

The collective bargaining agreement between the Manor and the CSEA bargaining unit which represents substantially all of the Manor's employees, expired on December 31, 2012. Negotiations between the Manor and the CSEA continue to be ongoing as of the report issuance date.

(e) NYS Medicaid Rate

Subsequent to December 31, 2012, the NYS Office of the Medicaid Inspector General has reversed a previous adverse determination relating to the Manor's co-generation plant. The revised ruling retrospectively allows reimbursement for previously disallowed capital expenses and will result in a positive adjustment to the Manor's rates on both a retrospective and prospective basis. The timing and amount of these adjustments were not reasonably determinable as of and at the financial statement date. As a result, no estimated revenue or receivable has been recognized by management in the financial statements at December 31, 2012 for periods prior to that date.

(13) Sale of Substantially All Assets

The County of Saratoga Legislature has approved the County's divestiture of Maplewood Manor in attempt to reduce the County subsidies of the Manor's operating losses. Based on existing and future trends in long-term care reimbursement and the Manor's cost structure it is believed that continued operation of the Manor as a public facility would not be in the best interest of the County or County residents. During 2012, the County sponsored the formation of a not for profit, Local Development Corporation (LDC) to facilitate the marketing, sale and transfer of the Manor's assets and licensed operations. As of December 31, 2012, the County was in the process of marketing the Manor and identifying prospective purchasers, however, as of and at the date of our report, management has not identified a purchaser for the Manor and there has been no transfer of operations or assets to the LDC. Sale of the Manor's licensed operations is contingent upon approval of the New York State Department of Health which regulates nursing homes operated in the state.

SARATOGA COUNTY MAPLEWOOD MANOR
 (An Enterprise Fund of the County of Saratoga)
 Required Supplementary Information
 Schedule of Funding Progress - Other Postemployment Benefits
 December 31, 2012

<u>Actuarial valuation date</u>	Actuarial value of assets <u>(a)</u>	Actuarial accrued liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded ratio <u>(a/b)</u>	Covered payroll <u>(c)</u>	UAAL as a percentage covered payroll <u>((b-a/c)</u>
December 31, 2012	\$ -	72,574,632	72,574,632	0.0%	N/A	N/A
December 31, 2011	-	68,576,129	68,576,129	0.0%	N/A	N/A
December 31, 2010	-	66,205,765	66,205,765	0.0%	N/A	N/A

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Net Resident Service Revenue and Utilization
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Net resident service revenue:		
Medicaid	\$ 13,741,716	15,006,762
Medicare	938,341	1,295,731
Private pay	3,501,308	3,302,861
Insurance	<u>291,855</u>	<u>300,476</u>
Total net resident service revenue	<u>\$ 18,473,220</u>	<u>19,905,830</u>
Patient days:		
Medicaid	77,740	82,825
Medicare	2,165	3,027
Private pay	10,618	12,149
Insurance	<u>959</u>	<u>1,174</u>
Total resident days	<u>91,482</u>	<u>99,175</u>
Total available days	<u>101,105</u>	<u>101,105</u>
Occupancy rate	<u>90.5%</u>	<u>98.1%</u>

SARATOGA COUNTY MAPLEWOOD MANOR
(An Enterprise Fund of the County of Saratoga)
Other Revenue
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Other revenue:		
Grant income	\$ -	82,080
Cafeteria income	1,221	1,226
Miscellaneous	<u>24,130</u>	<u>33,714</u>
Total other revenue	<u>\$ 25,351</u>	<u>117,020</u>

SARATOGA COUNTY MAPLEWOOD MANOR
 (An Enterprise Fund of the County of Saratoga)
 Professional Care and Administrative and Support
 Year ended December 31, 2012
 with comparative totals for 2011

	<u>Salaries and fringe benefits</u>	<u>Supplies and other expenses</u>	<u>Total</u>	
			<u>2012</u>	<u>2011</u>
Professional care:				
Nursing	\$ 13,094,659	94,877	13,189,536	13,066,664
Physical therapy	304,198	84,182	388,380	363,193
Occupational therapy	188,971	49,748	238,719	211,924
Speech therapy	-	23,985	23,985	24,683
Pharmacy	14,607	168,881	183,488	213,390
Dental	-	50,201	50,201	51,064
Medical director	90,395	-	90,395	86,980
Social services	493,920	-	493,920	505,133
Activities	582,511	2,816	585,327	569,917
Total professional care	<u>\$ 14,769,261</u>	<u>474,690</u>	<u>15,243,951</u>	<u>15,092,948</u>
Administrative and support:				
Administration	327,358	1,420,507	1,747,865	1,712,626
Fiscal	522,597	65,063	587,660	554,618
Nursing	1,186,981	35,464	1,222,445	1,201,026
Dietary	2,752,799	694,858	3,447,657	3,341,349
Housekeeping	1,753,299	87,924	1,841,223	1,844,300
Laundry	312,650	329,655	642,305	650,766
Maintenance	364,947	462,586	827,533	910,629
Grounds	47,774	4,341	52,115	50,324
Security	258,910	700	259,610	258,553
Transportation	71,669	687	72,356	70,727
Central supply	102,365	169,508	271,873	276,280
Total administrative and support	<u>\$ 7,701,349</u>	<u>3,271,293</u>	<u>10,972,642</u>	<u>10,871,198</u>