

**SARATOGA COUNTY MAPLEWOOD MANOR**  
**(An Enterprise Fund of the County of Saratoga, New York)**

**FINANCIAL REPORT**

**December 31, 2008 and 2007**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Saratoga County Maplewood Manor  
Ballston Spa, New York

We have audited the accompanying balance sheets of Saratoga County Maplewood Manor as of December 31, 2008 and 2007, and the related statements of revenue, expenses, and change in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Saratoga County Maplewood 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 audits 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, 2008 and 2007, and the change in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 7 are not a required part of the financial statements but are supplemental information required by accounting principles generally accepted in the United States of America for governments. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
May 22, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **INTRODUCTION**

Saratoga County Maplewood Manor (SCMM) is pleased to present its 2008 Financial Report developed in compliance with the 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. We encourage readers to consider the information on pages 2 to 7 in conjunction with SCMM's financial statements (presented on pages 8 to 22) to enhance their understanding of SCMM's financial performance.

### **PROFILE**

SCMM is a long-term care skilled nursing facility, which provides room, board, and health care to eligible individuals. The 277-bed facility is an operating unit and enterprise fund of the County of Saratoga, New York. It was created by local law in 1980 with a contribution of \$2,092,080 in net assets from the general fund of the County. The County has a proprietary interest in all assets and the responsibility for all obligations of the facility.

The staff of SCMM is committed to providing the highest quality nursing home care to our residents. The staff serves our residents with compassion, diligence, and professionalism. All residents have the right to a dignified existence in a safe, comfortable, and home-like environment. Residents' medical and psychosocial needs are identified. Through care, counseling, education, and advocacy, we strive to empower the residents to utilize their individual strengths to meet their optimum level of physical, psychosocial, and intellectual functioning. All staff recognize the importance of personal relationships and work hard to provide for the emotional well-being of our residents, their families, and friends. Whether a resident is here for short-term rehabilitation or long-term placement, staff members devote their time to making SCMM a comfortable home for our residents.

Quality care is extended to all residents regardless of race, creed, color, national origin, sex, disability, marital status, source of payment, or sexual preference. We provide 24-hour skilled nursing care, specialized dietary services, individualized social work services, pastoral care services, physical therapy, occupational therapy, speech therapy, a variety of activity programs, and housekeeping and laundry services.

As a Saratoga County-sponsored nursing home, priority placement is given to residents who currently reside in Saratoga County or have family members who reside here. Our 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 workforce at SCMM remained stable during 2008. Saratoga County, along with SCMM, is committed to supporting the development of the professional nursing staff. In 2008, Saratoga County committed \$4,500 in scholarship money to support the education of licensed practical nurses and registered nurses. The facility also provides a certified nurse training program at various times throughout the year to maintain adequate staffing levels.

## **RESPONSIBILITY AND CONTROLS**

SCMM has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

SCMM's system of internal accounting controls is evaluated on an ongoing basis by SCMM's internal financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The Public Health Committee, as established by the Chairman of the Saratoga County Board of Supervisors, governs SCMM. This committee meets with management on a regular basis to ensure that the facility is fulfilling Saratoga County's obligations and to discuss contracts, rate setting, and other financial related matters.

Management believes that its policies and procedures provide guidance and reasonable assurance that SCMM's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of SCMM in conformity with accounting principles generally accepted in the United States of America.

## **FINANCIAL HIGHLIGHTS**

Management believes SCMM has maintained its financial position in an always challenging and changing environment. The following highlights support management's assertions.

Our most recent census data shows our resident population to be 82% Medicaid, 4% Medicare, and the remaining 14% a combination of private pay, insurance, and hospice. Occupancy rates remained high throughout 2008, showing an overall occupancy rate of 99%.

As is the case for virtually all public nursing homes, Medicaid rates are insufficient to maintain the high level of service at the SCMM facility that our patients are entitled to, and which is required by the New York State Department of Health. In 2008 and 2007, the "full accrual" cost of operating the 277-bed facility was \$24,379,349 and \$23,410,924, respectively, of which only \$18,320,377 and \$16,239,569, respectively, was covered by fees and other revenue. Due to the insufficiency of Medicaid fees, the County transferred \$946,447 in 2008 and \$6,305,465 in 2007 from its general fund to SCMM. In 2008, IGT money (in the amount of \$10,087,134) provided some relief to the insufficiency of Medicaid fees. The release of IGT funding comes at a critical time when state and local governments are facing severe budget problems. One casualty of the current budget crisis is the public facility grant program which was terminated in August as part of a state cost-cutting measure. More IGT funding is anticipated in late 2009, which will help compensate for the loss of the grant funding and provide a needed financial boost to publicly-sponsored nursing homes.

## **REQUIRED FINANCIAL STATEMENTS**

The financial statements of SCMM report information about SCMM's financial performance, financial position, and accounting methods. These financial statements are similar to those used by private sector companies. These statements offer short- and long-term information about SCMM's activities.

The balance sheets include all SCMM's assets, liabilities, and net assets. Assets and liabilities are classified as either current or long-term. These statements provide the basis for assessing SCMM's liquidity, working capital levels, and overall financial position.

The statements of revenue, expenses, and change in net assets measure the operating performance and highlight the challenges faced by SCMM over the past year. The operating revenue represent the amounts received from private pay customers, insurance companies, and federal and state funded programs in exchange for the health care services provided by SCMM. The operating expenses represent the costs incurred by SCMM to provide its residents with short-term rehabilitation and long-term care. The resulting operating loss indicates the degree to which SCMM's revenue was not able to cover its costs of operations.

The final required statements are the statements of cash flows. The primary purpose of this statement is to provide information about SCMM's cash receipts and cash payments resulting from its operating, investing, and financing activities during the year.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. They present information about SCMM's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

## **FINANCIAL ANALYSIS**

The following comparative condensed financial statements and other selected information provide key financial data and indicators to management for analysis and planning.

### **CONDENSED BALANCE SHEETS**

**December 31,  
(in thousands)**

	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>ASSET</b>			
Current assets	\$ 8,882	\$ 3,060	\$ 3,022
Capital assets	<u>4,998</u>	<u>5,339</u>	<u>5,784</u>
<b>Total assets</b>	<b><u>\$ 13,880</u></b>	<b><u>\$ 8,399</u></b>	<b><u>\$ 8,806</u></b>
<b>LIABILITIES</b>			
Current liabilities	\$ 5,245	\$ 3,701	\$ 3,583
Long-term debt	<u>9,796</u>	<u>6,052</u>	<u>2,157</u>
	<u>15,041</u>	<u>9,753</u>	<u>5,740</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,265	3,182	3,222
Unrestricted	<u>(4,426)</u>	<u>(4,535)</u>	<u>(156)</u>
	<u>(1,161)</u>	<u>(1,353)</u>	<u>3,066</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 13,880</u></b>	<b><u>\$ 8,399</u></b>	<b><u>\$ 8,806</u></b>

**CONDENSED STATEMENTS OF REVENUE, EXPENSES,  
AND CHANGE IN NET ASSETS**

**Years Ended December 31,  
(in thousands)**

	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>
RESIDENT SERVICE REVENUE, NET	\$ 18,320	\$ 16,240	\$ 15,772
OTHER OPERATING REVENUE	<u>929</u>	<u>606</u>	<u>445</u>
<b>Total operating revenue</b>	<b>19,249</b>	<b>16,846</b>	<b>16,217</b>
OPERATING EXPENSES	<u>28,545</u>	<u>27,610</u>	<u>22,158</u>
<b>Operating loss</b>	<b>(9,296)</b>	<b>(10,764)</b>	<b>(5,941)</b>
NONOPERATING REVENUES	<u>8,542</u>	<u>40</u>	<u>871</u>
<b>Net loss before County subsidy</b>	<b>(754)</b>	<b>(10,724)</b>	<b>(5,070)</b>
COUNTY SUBSIDY	<u>946</u>	<u>6,305</u>	<u>4,280</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>\$ 192</u></b>	<b><u>\$ (4,419)</u></b>	<b><u>\$ (790)</u></b>

**GENERAL TRENDS AND SIGNIFICANT EVENTS**

After years of debate and discussion, state lawmakers enacted comprehensive Medicaid reimbursement reform in the 2006-07 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 is now a delay in implementation. Not only is this system delayed, the state is now proposing in the 2009-10 budget to replace this new system (already authorized in law) with a new regional pricing system. The impact on SCMM is yet to be determined.

In addition to changes in rebasing, the state 2009-10 budget also includes reducing bed-hold payments to 75% of the full Medicaid rate and decreasing the allowable vacancy factor from 5% to 3%. Also proposed is the reduction of CMI weights for lower acuity residents by 25%, phased-in over 4 years, once again reducing Medicaid payments to nursing homes. The assumption is that lower acuity residents could be served at a lower level of care setting (assisted living), however there are not enough beds to accommodate this Medicaid population.

Nursing homes are labor-intensive service organizations. Approximately 80% of SCMM's expenses are personnel and benefit related. Although the facility's staffing levels have remained relatively constant, the ongoing staffing crisis in the health care industry is likely to continue to exert upward pressure on the cost of salaries and benefits. The upcoming year, 2009, is the final year on a five-year contract with the CSEA Union. Management will commence contract discussions with the CSEA Union beginning in the summer of 2009.

Employee health and retirement expenses have dramatically increased over the past few years. In addition to providing pension benefits, SCMM provides health insurance benefits for retirees. For 2008 and 2007, approximately \$1,130,000 and \$910,000, respectively, was paid on behalf of our retirees and recorded as a facility expense.

### **LONG-TERM OBLIGATIONS**

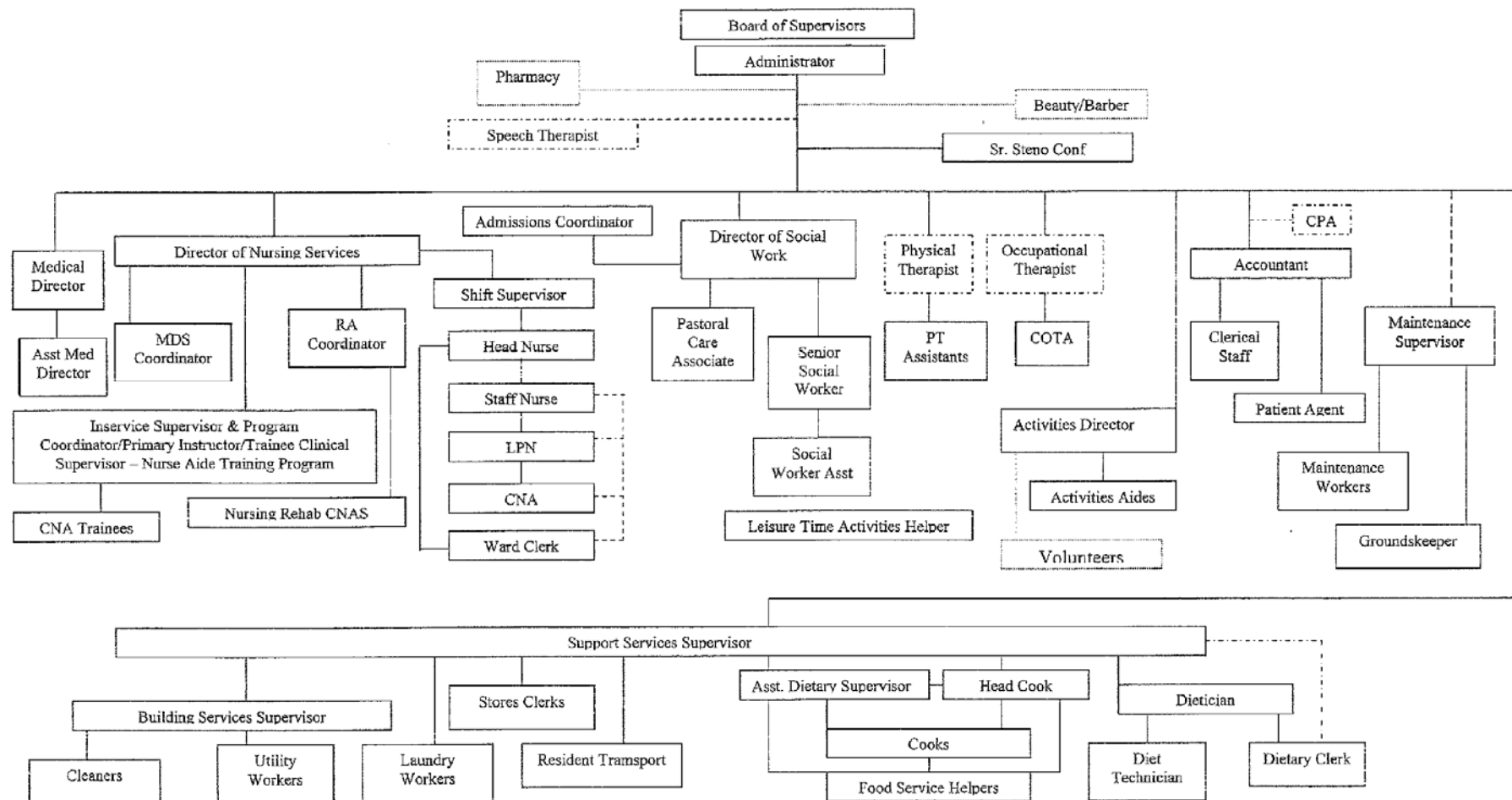
As of December 31, 2008, SCMM had approximately \$1.7 million in outstanding debt relating to its capital lease obligation and approximately \$76,000 outstanding on its software license payable. More detailed information about this long-term obligation is presented in the notes to the financial statements on page 14.

### **FINAL COMMENTS**

This financial report is intended to provide a general overview of SCMM's financial position and to illustrate SCMM's accountability for the revenue it receives. If you have any question about this report or need additional financial information, contact Diane Brown, Administrator, or Sandy Fisher, Accountant at (518) 885-2288.



**SARATOGA COUNTY MAPLEWOOD MANOR  
ORGANIZATIONAL CHART**



**SARATOGA COUNTY MAPLEWOOD MANOR**  
**(An Enterprise Fund of the County of Saratoga, New York)**

**BALANCE SHEETS**  
**December 31,**

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,080,457	\$ 278,564
Accounts receivable, net	2,396,282	2,397,258
Inventories	60,533	74,798
Prepaid expenses	100,509	97,777
Assets limited as to use	116,294	68,449
Resident funds held in trust	<u>127,349</u>	<u>143,649</u>
Total current assets	8,881,424	3,060,495
<b>PROPERTY AND EQUIPMENT, net</b>	<u>4,998,435</u>	<u>5,338,547</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 13,879,859</b></u>	<u><b>\$8,399,042</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current installments of		
Capital lease obligation	\$ 415,009	\$ 396,847
Software license payable	26,281	26,281
Due to Saratoga County	1,886,655	1,588,761
Accounts payable	55,246	7,582
Estimated third-party payer settlements	1,875,262	727,865
Accrued compensated absences	719,390	720,054
Deferred revenue	23,658	21,097
Security deposits from residents	116,294	68,449
Resident funds held in trust	<u>127,349</u>	<u>143,649</u>
Total current liabilities	<u>5,245,144</u>	<u>3,700,585</u>
<b>LONG-TERM DEBT, less current installments</b>		
Capital lease obligation	1,241,842	1,656,850
Software license payable	50,372	76,653
Other postemployment benefits liability	<u>8,503,299</u>	<u>4,318,151</u>
Total liabilities	<u>9,795,513</u>	<u>6,051,654</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,264,931	3,181,916
Unrestricted	<u>(4,425,729)</u>	<u>(4,535,113)</u>
	<u>(1,160,798)</u>	<u>(1,353,197)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 13,879,859</b></u>	<u><b>\$8,399,042</b></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SARATOGA COUNTY MAPLEWOOD MANOR**  
**(An Enterprise Fund of the County of Saratoga, New York)**

**STATEMENTS OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS**  
**Years Ended December 31,**

	<u><b>2008</b></u>	<u><b>2007</b></u>
RESIDENT SERVICE REVENUE, net	\$ 18,320,377	\$ 16,239,569
OTHER OPERATING REVENUE		
Workforce grant	64,967	272,179
Grants, other	803,829	295,370
Other	59,940	38,353
	<u>928,736</u>	<u>605,902</u>
<b>Total operating revenue</b>	<u><b>19,249,113</b></u>	<u><b>16,845,471</b></u>
OPERATING EXPENSES		
Program services	11,348,484	10,841,996
Ancillary services	1,161,242	1,137,198
Non-revenue support services	11,213,940	10,673,114
Other postemployment benefits expense	4,185,148	4,318,151
Depreciation	550,521	536,105
Interest	85,782	103,149
Total operating expenses	<u>28,545,117</u>	<u>27,609,713</u>
<b>Operating loss</b>	<u><b>(9,296,004)</b></u>	<u><b>(10,764,242)</b></u>
NONOPERATING REVENUE (LOSS)		
Inter-governmental transfer	10,087,134	-
OMIG audit recoupment	(1,566,394)	
Interest earned	21,216	39,613
	<u>8,541,956</u>	<u>39,613</u>
<b>Net income (loss) before County subsidy</b>	<b>(754,048)</b>	<b>(10,724,629)</b>
COUNTY SUBSIDY	<u>946,447</u>	<u>6,305,465</u>
<b>Change in net assets</b>	<b>192,399</b>	<b>(4,419,164)</b>
<b>NET ASSETS, beginning of year</b>	<u>(1,353,197)</u>	<u>3,065,967</u>
<b>NET ASSETS, end of year</b>	<u><b>\$ (1,160,798)</b></u>	<u><b>\$ (1,353,197)</b></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SARATOGA COUNTY MAPLEWOOD MANOR**  
**(An Enterprise Fund of the County of Saratoga, New York)**

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31,**

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from residents and third-party payers	\$ 17,805,285	\$ 15,256,819
Cash received from others	1,028,368	521,190
Cash paid to suppliers	(4,483,464)	(4,706,752)
Cash paid to employees for services	<u>(18,883,775)</u>	<u>(17,759,353)</u>
	<u><b>(4,533,586)</b></u>	<u><b>(6,688,096)</b></u>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND FINANCING ACTIVITIES</b>		
Purchase of property and equipment	(210,409)	(90,499)
Payments on capital lease obligation	(396,846)	(379,480)
Payments on software license payable	(26,281)	(26,281)
Interest paid	<u>(85,782)</u>	<u>(103,149)</u>
	<u><b>(719,318)</b></u>	<u><b>(599,409)</b></u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Inter-governmental transfer	10,087,134	-
County subsidy	946,447	6,305,465
Interest received	<u>21,216</u>	<u>39,613</u>
	<u><b>11,054,797</b></u>	<u><b>6,345,078</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,801,893</b>	<b>(942,427)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>278,564</u>	<u>1,220,991</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><b>\$ 6,080,457</b></u>	<u><b>\$ 278,564</b></u>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (9,296,004)	\$ (10,764,242)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	550,521	536,105
Other postemployment benefits liability	4,185,148	4,318,151
Interest paid	85,782	103,149
Decrease (increase) in		
Accounts receivable, net	976	(1,157,644)
Inventories	14,265	11,306
Prepaid expenses	(2,732)	23,841
Increase (decrease) in		
Due to Saratoga County	297,894	133,329
Accounts payable	47,664	(5,848)
Estimated third-party payers settlements	(418,997)	84,133
Accrued compensated absences	(664)	23,575
Deferred revenue	<u>2,561</u>	<u>6,049</u>
	<u><b>\$ (4,533,586)</b></u>	<u><b>\$ (6,688,096)</b></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SARATOGA COUNTY MAPLEWOOD MANOR**  
**(An Enterprise Fund of the County of Saratoga, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting Entity*

Saratoga County Maplewood Manor (SCMM) is a 277-bed, skilled nursing facility. SCMM provides room, board, and health care to eligible individuals.

SCMM is an enterprise fund of the County of Saratoga, New York (County). SCMM was created by local law in 1980. The County has a proprietary interest in all SCMM's assets. The County is also responsible for all of SCMM's obligations.

SCMM's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as specified in the AICPA Audit and Accounting Guide *Health Care Organizations*. As a governmental health care organization that uses enterprise fund accounting and reporting, the Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and Comprehensive Annual Financial Reporting principles.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*1. Basis of Presentation*

SCMM uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, SCMM has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. SCMM's principal operating revenues are charges to residents and third-party payers for room, board, and medical services, and grant revenue. SCMM's operating expenses include the cost of services, administrative expenses, depreciation on capital assets, and interest expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SARATOGA COUNTY MAPLEWOOD MANOR**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*2. Cash and Cash Equivalents*

Cash and cash equivalents include amounts in demand deposit and money market funds.

The County's investment policies are governed by New York State statutes. In addition, the County has its own investment policy. County monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The County is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies, repurchase agreements, and obligations of New York State or its localities.

New York State statutes require the County to collateralize its cash deposits in excess of the FDIC 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. SCMM's deposits were adequately insured and collateralized as of December 31, 2008 and 2007.

*3. Accounts Receivable, Net*

SCMM uses the allowance method for uncollectible accounts. Charges to this account are made on a case-by-case basis. Accounts written off for the years ended December 31, 2008 and 2007, totaled \$19,380 and \$119,362, respectively. The allowance for doubtful accounts was \$350,000 at both December 31, 2008 and 2007.

*4. Inventories*

Inventories, consisting of food, housekeeping, and medical supplies, are reported at the lower of cost or market, on a first-in, first-out basis.

*5. Resident Funds Held in Trust*

SCMM, as trustee, holds residents' funds in individual interest bearing savings accounts. These funds are expended, at the residents' direction, for personal items. A corresponding current liability has been recorded.

*6. Capital Assets*

Capital assets include property and equipment and are reported at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. Capital assets are defined by SCMM as assets with an initial cost of \$500 or more. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to operations.

Depreciation, including amortization of the capital lease, is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on straight-line method. The estimated lives used in determining depreciation are as follows:

Land improvements	10 - 30 years
Buildings and improvements	5 - 40 years
Fixed equipment	10 - 30 years
Movable equipment	3 - 20 years

**SARATOGA COUNTY MAPLEWOOD MANOR**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*7. Resident Service Revenue, Net*

Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered.

Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

*8. Assets Limited as to Use*

SCMM requires that private pay residents provide security deposits as a condition of admission. These security deposits are classified as "Assets Limited as to Use." A corresponding current liability has been recorded to reflect the security deposits to be returned to the residents when they are discharged.

**NOTE B - PROPERTY AND EQUIPMENT, NET**

A summary of property and equipment, net, is as follows:

	January 1, <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2008</u>
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Land improvements	140,773	-	-	140,773
Building and improvements	8,715,573	33,493	-	8,749,066
Fixed equipment	3,031,690	76,329	-	3,108,019
Movable equipment	1,676,313	100,587	109,058	1,667,842
Minor equipment	<u>14,823</u>	<u>-</u>	<u>-</u>	<u>14,823</u>
	13,633,172	<u>\$ 210,409</u>	<u>\$ 109,058</u>	13,734,523
Less accumulated depreciation	<u>8,294,625</u>	<u>\$ 550,521</u>	<u>\$ 109,058</u>	<u>8,736,088</u>
Property and equipment, net	<u>\$5,338,547</u>			<u>\$4,998,435</u>

**SARATOGA COUNTY MAPLEWOOD MANOR**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE B - PROPERTY AND EQUIPMENT, NET - Continued**

	January 1, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2007</u>
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Land improvements	140,773	-	-	140,773
Building and improvements	8,702,983	12,590	-	8,715,573
Fixed equipment	3,015,681	16,009	-	3,031,690
Movable equipment	1,682,940	61,900	68,527	1,676,313
Minor equipment	<u>14,823</u>	<u>-</u>	<u>-</u>	<u>14,823</u>
	13,611,200	<u>\$ 90,499</u>	<u>\$ 68,527</u>	13,633,172
Less accumulated depreciation	<u>7,827,047</u>	<u>\$ 536,105</u>	<u>\$ 68,527</u>	<u>8,294,625</u>
Property and equipment, net	<u>\$5,784,153</u>			<u>\$5,338,547</u>

**NOTE C - CAPITAL LEASE OBLIGATION**

SCMM has a capital lease for its co-generation facility. The lease requires quarterly installments of \$120,657, including interest of 4.5%. The lease matures during September 2012 and is secured by the co-generation facility.

Future minimum lease payments under the capital lease are as follows:

For the year ending December 31, 2009	\$ 482,629
2010	482,629
2011	482,629
2012	<u>361,972</u>
	1,809,859
Less amount representing interest	<u>153,008</u>
	1,656,851
Less current installments	<u>415,009</u>
Capital lease obligation, less current installments	<u>\$ 1,241,842</u>



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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE C - CAPITAL LEASE OBLIGATION - Continued**

A summary of the leased facility at December 31, 2008, is as follows:

Building improvements	\$ 3,750,403
Fixed equipment	<u>147,773</u>
	3,898,176
Less accumulated depreciation	<u>1,287,407</u>
Leased facility, net	<u><u>\$ 2,610,769</u></u>

**NOTE D - RELATED PARTY TRANSACTIONS**

*Saratoga County*

At December 31, 2008 and 2007, SCMM owed the County \$1,886,655 and \$1,588,761, respectively. These amounts reflect SCMM's reimbursements for accounts payable, accrued expenses and payroll, and related costs.

During 2008 and 2007, SCMM paid the County \$520,783 and \$539,917, respectively, for services provided. These services include administration, data processing, printing and mailing, personnel functions, purchasing, and internal auditing services.

**NOTE E - ESTIMATED THIRD-PARTY SETTLEMENTS**

Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of estimated third-party settlements is as follows:

	December 31, <u>2008</u>	<u>2007</u>
Due to (from) Medicaid		
2008 case mix index changes	\$ 65,225	\$ -
2007 case mix index changes	-	36,459
2006 case mix index changes	-	31,150
2005 case mix index changes	-	(10,384)
2004 case mix index changes	-	(8,599)
2002-2006 capital component overpayment	132,570	81,798
2002-2006 disallowed construction interest	-	50,772
2004-2008 cash receipts assessment reconciliation	(164,068)	(78,570)
1994-2008 Medicare Part B offset	275,141	625,239
2002-2006 OMIG audit (Note J6)	<u>1,566,394</u>	<u>-</u>
	<u><u>\$ 1,875,262</u></u>	<u><u>\$ 727,865</u></u>

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE F - RESIDENT SERVICE REVENUE, NET**

Resident service revenue, net, consists of the following:

	Years Ended December 31,	
	<u>2008</u>	<u>2007</u>
Patient service revenue, billed patient days	\$ 24,308,771	\$ 23,196,156
Patient service revenue, other	<u>338,446</u>	<u>465,706</u>
Patient service revenue, gross	24,647,217	23,661,862
Contractual adjustments against patient service revenue	(6,307,460)	(7,302,931)
Bad debt expense	<u>(19,380)</u>	<u>(119,362)</u>
	<u>\$ 18,320,377</u>	<u>\$ 16,239,569</u>

**NOTE G - INTER-GOVERNMENTAL TRANSFER**

The New York State Association of Counties (NYSAC) and the State Division of the Budget agreed upon a methodology to bring additional federal revenues to county nursing homes. This methodology, known as the Inter-governmental Transfer program (IGT), provides for certain Medicaid rate enhancements to all nonstate operated, publicly sponsored nursing facilities. In order to receive these funds, Saratoga County was required to provide a 50% local share of the total funds to be received by SCMM.

During November 2008, SCMM received \$10,087,134 in IGT from the Department of Health.

**NOTE H - NEW YORK STATE RETIREMENT SYSTEMS**

*1. Plan Description*

SCMM participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multi-employer retirement system. The System provides 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 System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE H - NEW YORK STATE RETIREMENT SYSTEMS - Continued**

*2. Funding Policy*

The Systems are noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The required contributions for the current and two preceding years were:

	<u>ERS</u>
2008	\$ 975,342
2007	1,051,891
2006	1,119,215

Contributions made to the System were equal to 100 percent of the contributions required for each year.

**NOTE I - POST-RETIREMENT EMPLOYEE BENEFITS**

*Plan Description.* The County provides a single-employer self-insured medical plan (Plan) that offers two options of which SCMM is a participant. The Plan provides lifetime healthcare insurance and prescription drug coverage for eligible retirees and their spouses through the County's Plan, which covers both active and retired members. 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.

*Funding Policy.* Contribution requirements also are negotiated between the County and union representatives. The County contributes a percent of the cost of current year premiums for eligible retired Plan members and their spouses. For the years ended December 31, 2008 and 2007, the County contributed \$6,304,720 and \$5,876,839 to the Plan, respectively. SCMM represented \$1,582,337 and \$1,516,723 of the total contribution to the Plan in 2008 and 2007, respectively. Plan members receiving benefits hired on or after January 1, 2000, contribute 15% of their premium costs. Total member contributions were \$79,032 and \$77,755 for the years ended December 31, 2008 and 2007, respectively.

*Annual OPEB Cost and Net OPEB Obligation.* The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year. Unfunded actuarial liabilities (or funding excess) are amortized over a period not to exceed thirty years. The County's OPEB cost (expense) for the years ended December 31, 2008 and 2007, was \$26,031,978 and \$26,351,503, respectively. The following table shows the components of SCMM's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in SCMM's net OPEB obligation to the Plan:

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE I - POST-RETIREMENT EMPLOYEE BENEFITS - Continued**

	<u>2008</u>	<u>2007</u>
Annual required contribution	\$ 5,834,874	\$ 5,834,874
Interest on net OPEB obligation	172,726	-
Adjustment to annual required contribution	<u>(240,115)</u>	<u>-</u>
Annual OPEB cost	5,767,485	5,834,874
Contributions made	<u>(1,582,337)</u>	<u>(1,516,723)</u>
Net OPEB obligation	4,185,148	4,318,151
 Net OPEB obligation, beginning of year	 <u>4,318,151</u>	 <u>-</u>
 Net OPEB obligation, end of year	 <u><u>\$ 8,503,299</u></u>	 <u><u>\$ 4,318,151</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
12/31/2008	\$26,031,975	24.2%	\$40,201,921
12/31/2007	\$26,351,503	22.3%	\$20,474,664

*Funded Status and Funding Progress.* As of December 31, 2008 and 2007, the actuarial accrued liability for benefits was \$265,706,592 and \$249,683,818, respectively, all of which was unfunded. SCMM's portion of this liability was \$60,408,390 and \$57,108,491 at December 31, 2008 and 2007, respectively.

The projection of future benefit payments for an ongoing Plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE I - POST-RETIREMENT EMPLOYEE BENEFITS - Continued**

The following simplifying assumptions were made:

*Retirement Age for Active Employees* - The rates of decrement due to retirement based on the experience under the New York State and Local Retirement System were prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

*Marital Status* - It is assumed that 70% of retirees will be married at the time of their retirement, with the male spouse is assumed to be approximately three years older than the female.

*Mortality* - Life expectancies were based on RP-2000 mortality tables for males and for females.

*Turnover* - The rates of decrement due to turnover based on the experience under the New York State and Local Retirement System were prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

*Healthcare Cost Trend Rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 11 percent initially, reduced to an ultimate rate of five percent after six years, was used.

*Health Insurance Premiums* - The 2008 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation Rate* - The expected long-term inflation assumption of 3.3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll Growth Rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount rate of four percent was used in both 2008 and 2007. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, was 29 years.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

*1. General*

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at the time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud, and abuse of statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or asserted at this time.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE J - COMMITMENTS AND CONTINGENCIES - Continued**

*2. Co-Generation Facility Technical Support*

SCMM has a Technical Support Program (TSP) for its co-generation facility. The TSP requires annual payments through 2012. The initial \$55,953 payment was made during 2003. Additional payments increase by 4% per year. The 2008 TSP payment was \$68,075.

A summary of SCMM's future minimum TSP obligation is as follows:

For the year ending December 31, 2009	\$ 70,798
2010	73,630
2011	76,576
2012	<u>79,639</u>
	<u>\$ 300,643</u>

*3. Operating Leases*

SCMM has several lease agreements for office and medical equipment. These leases are reported herein as "operating leases." Payments for all these operating leases were \$6,399 during 2008.

A summary of the SCMM's future minimum operating lease obligations is as follows:

For the year ending December 31, 2009	\$ 5,711
2010	5,711
2011	5,711
2012	<u>2,855</u>
	<u>\$ 19,988</u>

*4. Unemployment Benefits*

SCMM currently uses reimbursement financing rather than paying contributions under the regular experience rating provisions of the New York State Unemployment Insurance Law. Under this method, SCMM is liable to New York State for payments of amounts equal to the benefits paid to its claimants. SCMM's 2008 and 2007 unemployment expense was \$32,407 and \$24,251, respectively.

*5. Workers' Compensation*

SCMM participates in the County of Saratoga's Self Insurance Pool (the Plan) to cover losses under the Workers' Compensation Law. Other cities, towns, fire districts, youth commissions, and public benefit corporations within the County of Saratoga can participate. Each participant is billed by the Plan for its share of the estimated costs for the ensuing year. Any deficiencies in the amounts billed are added to the next year's bill. SCMM's 2008 and 2007 workers' compensation expense was \$292,943 and \$307,548, respectively.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE J - COMMITMENTS AND CONTINGENCIES - Continued**

*6. Co-Generation Plant*

SCMM was audited by the New York State Office of Medicaid Inspector General (OMIG) in October 2007. The scope of this audit was the Capital Component of SCMM's Medicaid Rate for the rate years December 1, 2002 through December 31, 2006. That office is seeking recoupment of past and future Medicaid reimbursement for the cost of a co-generation plant installed in the Facility in 2002. Saratoga County has retained counsel as most of the disallowances pertain to the Co-Generation Plant for which SCMM had Certificate of Need approval. Management of Saratoga County and SCMM believe that many of the disallowances will be found to be erroneous.

SCMM has accrued a \$1,566,394 liability in these financial statements because on March 24, 2009, Medicaid notified SCMM that they would recoup the liability.

On May 20, 2009, OMIG rescinded its draft audit report dated November 21, 2008, and the final audit report dated March 4, 2009. OMIG will conduct a further review of the findings contained in the reports. At the completion of the review, a revised draft will be issued by OMIG.

**NOTE K - SIGNIFICANT PAYER**

Substantially all of SCMM's revenue is billed to third-party payers, including insurance companies and governmental payers. SCMM's most significant payer is Medicaid. Medicaid accounted for approximately 82% and 81%, respectively, of SCMM's 2008 and 2007 resident days. Medicaid revenue was approximately 76% and 73%, respectively, of SCMM's 2008 and 2007 net resident service revenue. Accounts receivable from Medicaid represented approximately 65% and 58% of SCMM's accounts receivable (before the allowance for doubtful accounts) at December 31, 2008 and 2007, respectively.

**NOTE L - ACCOUNTING STANDARDS NOT YET IMPLEMENTED**

During November 2006, GASB Statement No. 49, *Accounting for Pollution Remediation Obligations*, established standards for accounting and financial reporting for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This statement is effective for the County for the fiscal year beginning January 1, 2009.

During May 2007, GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27, more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances information disclosed in the notes to the financial statements or presented as required supplemental information by employers that provide pension benefits. This statement amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement is effective for the County for the fiscal year beginning January 1, 2009.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE L - ACCOUNTING STANDARDS NOT YET IMPLEMENTED - Continued**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. This statement is effective for the County as of January 1, 2010.

Management is not able to estimate the extent of the potential impact of these statements on the County's financial statements.

**NOTE M - OPERATING LOSSES**

SCMM experienced an operating loss in both 2008 and 2007.

The County has appropriations in its 2009 budget to provide the support that the operations of SCMM require.