

VAN RENSSELAER MANOR,
AN ENTERPRISE FUND OF THE
COUNTY OF RENSSELAER, NEW YORK
Combined Financial Statements and Required
Supplementary Information for the Years Ended
December 31, 2010 and 2009, Supplemental
Information for the Year Ended December 31,
2010 and Independent Auditors' Reports

VAN RENSSELAER MANOR,
AN ENTERPRISE FUND OF THE
COUNTY OF RENSSELAER, NEW YORK
Table of Contents
Years Ended December 31, 2010 and 2009

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Combined Financial Statements for the Years Ended December 31, 2010 and 2009:	
Statements of Net Assets (Deficits)	13
Statements of Revenues, Expenses and Changes in Net Assets (Deficits)	14
Statements of Cash Flows	15
Notes to Financial Statements	17
Supplemental Information for the Year Ended December 31, 2010:	
Combining Statement of Net Assets (Deficit)	28
Combining Statement of Revenues, Expenses and Changes in Net Assets (Deficit)	29
Combining Statement of Cash Flows	30
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	
	31

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable County Legislature
County of Rensselaer, New York:

We have audited the accompanying combined statements of net assets (deficits) of Van Rensselaer Manor (the "Manor"), an Enterprise Fund of the County of Rensselaer, New York, as of and for the years ended December 31, 2010 and 2009, and the related combined statements of revenues, expenses and changes in net assets (deficits), and combined statements of cash flows for the years then ended. These financial statements are the responsibility of the Manor's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Manor at December 31, 2010 and 2009, and the changes in its net assets (deficits) and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the combined financial statements, the Manor has a net assets deficit.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2011, on our consideration of the Manor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the respective combined financial statements that collectively comprise the Manor's basic financial statements. The supplemental information listed in the foregoing table of contents for the year ended December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Manor. This supplemental information is also the responsibility of Manor's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Drescher & Malecki LLP

May 2, 2011

VAN RENSSELAER MANOR,
AN ENTERPRISE FUND OF THE
COUNTY OF RENSSELAER, NEW YORK
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009

As management of the Van Rensselaer Manor (the "Manor"), an Enterprise Fund of Rensselaer County, (the "County") we offer readers of the Manor's financial statements this narrative overview and analysis of the financial activities of the Manor for the fiscal years ended December 31, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with additional information contained in the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- Total liabilities of the Manor exceeded assets (*net deficit*) by \$8,387,081 and \$6,537,215 at December 31, 2010 and 2009, respectively.
- The Manor's net assets decreased by \$1,849,866 and increased by \$10,092 for the years ended December 31, 2010 and 2009, respectively. The decrease in 2010 is primarily due to increased operating costs which outpaced increased operating revenues. The increase in 2009 is primarily due to an increased County contribution to offset operating costs.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Manor's basic financial statements. The Manor's basic financial statements comprise two components: 1) enterprise fund financial statements and 2) notes to the financial statements.

Enterprise fund financial statements. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Manor acts as a business-type activity for the County. The financial statements are designed to provide the reader with an overview of the Manor, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Manor's assets and liabilities, assets denote resources available to continue the operations of the Manor, while liabilities indicate how much the Manor owes vendors and lending institutions. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Manor is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information showing how the Manor's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *statement of cash flows* provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing and non-capital financing activities of the Manor during the year. This statement helps users assess the Manor's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Manor, liabilities exceeded assets (*net deficit*) by \$8,387,081 at December 31, 2010, as compared to a net deficit of \$6,537,215 at December 31, 2009. At December 31, 2010, the Manor had a deficit of \$10,613,095 invested in capital assets (debt issued in excess of the net value of such assets) and at December 31, 2009, the Manor had a deficit of \$10,436,084 invested in capital assets (debt issued in excess of the net value of such assets). These deficits in invested in capital assets reflect that the mortgage outstanding relating to capital assets exceeds the net book value of capital assets. Table 1, shown below, presents the condensed statements of net assets (deficits) for the Manor at December 31, 2010, December 31, 2009 and December 31, 2008.

Table 1—Condensed Statements of Net Assets (Deficits)

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$ 14,749,224	\$ 13,642,256	\$ 1,106,968	8.1 %
Noncurrent assets	16,789,365	18,090,716	(1,301,351)	(7.2)%
Total assets	<u>31,538,589</u>	<u>31,732,972</u>	<u>(194,383)</u>	<u>(0.6)%</u>
Current liabilities	6,094,114	5,151,325	942,789	18.3 %
Noncurrent liabilities	33,831,556	33,118,862	712,694	2.2 %
Total liabilities	<u>39,925,670</u>	<u>38,270,187</u>	<u>1,655,483</u>	<u>4.3 %</u>
Net assets (deficits)	<u>\$ (8,387,081)</u>	<u>\$ (6,537,215)</u>	<u>\$ (1,849,866)</u>	<u>(28.3)%</u>
	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$ 13,642,256	\$ 11,034,131	\$ 2,608,125	23.6 %
Noncurrent assets	18,090,716	19,587,112	(1,496,396)	(7.6)%
Total assets	<u>31,732,972</u>	<u>30,621,243</u>	<u>1,111,729</u>	<u>3.6 %</u>
Current liabilities	5,151,325	4,439,778	711,547	16.0 %
Noncurrent liabilities	33,118,862	32,728,772	390,090	1.2 %
Total liabilities	<u>38,270,187</u>	<u>37,168,550</u>	<u>1,101,637</u>	<u>3.0 %</u>
Net assets (deficits)	<u>\$ (6,537,215)</u>	<u>\$ (6,547,307)</u>	<u>\$ 10,092</u>	<u>0.2 %</u>

At December 31, 2010 and 2009, total Manor assets were \$31,538,589 and \$31,732,972, respectively. The Manor's capital assets (net of accumulated depreciation) represent the largest part of total assets. Net capital assets at December 31, 2010 and 2009 are \$13,891,002 and \$15,189,213, respectively.

The Manor's total liabilities were \$39,925,670 at December 31, 2010 and \$38,270,187 at December 31, 2009. Included in these liabilities is debt associated with the construction of the Manor facility of \$27,825,000 and \$28,980,000 at December 31, 2010 and 2009, respectively.

During 2010, the Manor's net asset deficit position increased by \$1,849,866, primarily due to increased cost of operations. During 2009, the Manor's net asset deficit position improved by \$10,092. This improvement was primarily due to the Manor receiving an increased County subsidy.

A key indicator of the short-term financial health of the Manor is the ratio of current assets to current liabilities (current ratio). At December 31, 2010, the current ratio of 2.42 indicates that the Manor has sufficient available resources to meet current obligations. Table 2, shown below, presents a comparison of current assets to current liabilities at December 31, 2010, December 31, 2009 and December 31, 2008.

Table 2—Current assets and current liabilities

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 14,749,224	\$ 13,642,256	\$ 11,034,131
Current liabilities	6,094,114	5,151,325	4,439,778
 Ratio of current assets to current liabilities	 2.42	 2.65	 2.49

The statement of revenues, expenses and changes in net assets presents revenues received and expenses paid from operations and any other revenues, expenses, gains or losses recognized by the Manor. Presented as Table 3, on the following page, are the condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2010, December 31, 2009 and December 31, 2008.

Table 3—Condensed Statements of Revenues, Expenses and Changes in Net Assets

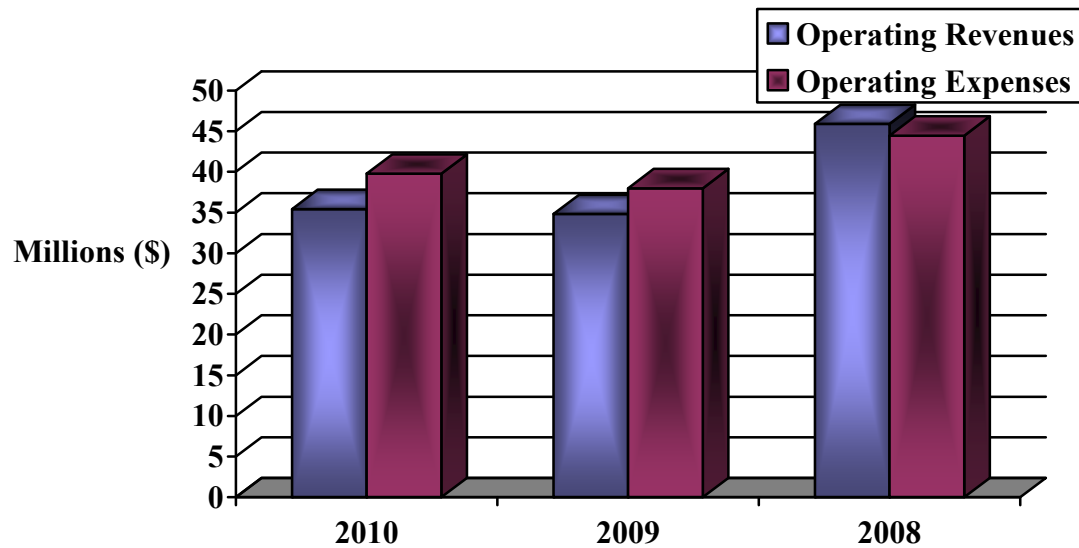
	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating revenues	\$ 35,433,095	\$ 34,817,042	\$ 616,053	1.8 %
Operating expenses	<u>39,773,686</u>	<u>37,978,850</u>	<u>1,794,836</u>	4.7 %
Operating (loss) income	(4,340,591)	(3,161,808)	(1,178,783)	37.3 %
Non-operating revenue	<u>2,490,725</u>	<u>3,171,900</u>	<u>(681,175)</u>	(21.5)%
Increase (decrease) in net assets	(1,849,866)	10,092	(1,859,958)	n/a
Net assets (deficits)—beginning	<u>(6,537,215)</u>	<u>(6,547,307)</u>	<u>10,092</u>	0.2 %
Net assets (deficits)—ending	<u>\$ (8,387,081)</u>	<u>\$ (6,537,215)</u>	<u>\$ (1,849,866)</u>	(28.3)%

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating revenues	\$ 34,817,042	\$ 45,909,835	\$ (11,092,793)	(24.2)%
Operating expenses	<u>37,978,850</u>	<u>44,459,536</u>	<u>(6,480,686)</u>	(14.6)%
Operating income (loss)	(3,161,808)	1,450,299	(4,612,107)	(318.0)%
Non-operating revenue (expense)	<u>3,171,900</u>	<u>2,046,333</u>	<u>1,125,567</u>	55.0 %
Decrease in net assets	10,092	3,496,632	(3,486,540)	(99.7)%
Net assets (deficits)—beginning	<u>(6,547,307)</u>	<u>(10,043,939)</u>	<u>3,496,632</u>	34.8 %
Net assets (deficits)—ending	<u>\$ (6,537,215)</u>	<u>\$ (6,547,307)</u>	<u>\$ 10,092</u>	0.2 %

Operating revenues are received for providing room, board and services to patients of the Manor. Operating expenses are those expenses paid to acquire services and supplies associated with those operating revenues and to carry out the mission of the Manor. Revenues received for which room, board and services are not provided are reported as non-operating revenues. For example, County contributions are non-operating revenues because they are provided to the Manor without the County directly receiving services for those revenues.

As shown in Figure 1 on the following page, operating revenues and operating expenses for the year ended December 31, 2010 compared to the year ended December 31, 2009 increased 1.8% and 4.7%, respectively.

Figure 1—Comparison of operating revenues and operating expenses



A summary of sources of revenues for the years ended December 31, 2010, December 31, 2009 and December 31, 2008 is presented below in Table 4.

Table 4—Sources of operating revenues

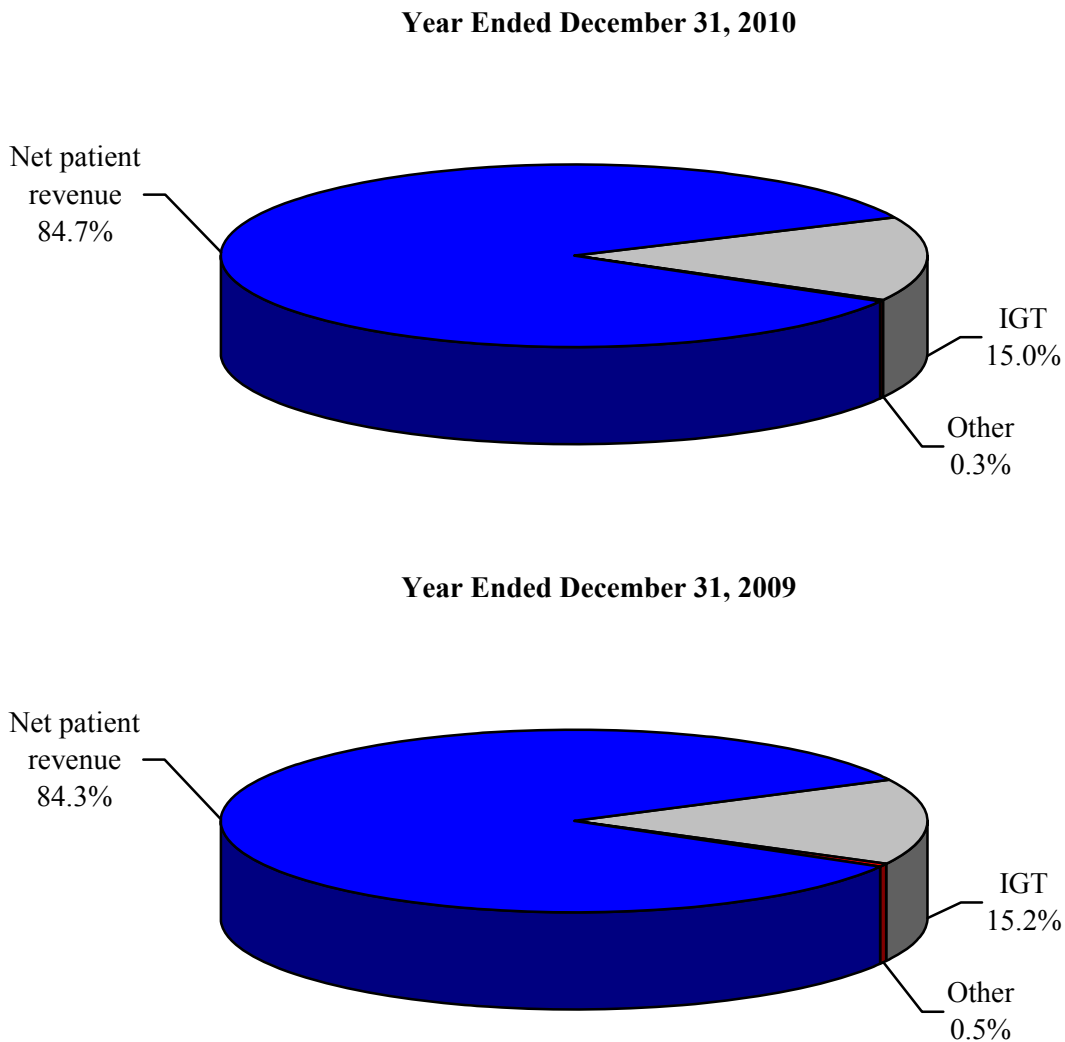
	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Net patient revenue	\$ 30,016,302	\$ 29,336,064	\$ 680,238	2.3 %
Intergovernmental transfer revenue	5,300,000	5,306,173	(6,173)	(0.1)%
Gift shop, vending and vendor refunds	35,719	34,331	1,388	4.0 %
Barber and beauty shop	37,830	41,305	(3,475)	(8.4)%
On the job training stimulus	-	23,289	(23,289)	(100.0)%
CNA training	36,445	42,060	(5,615)	(13.3)%
Workforce RHCF	-	29,157	(29,157)	(100.0)%
Miscellaneous	6,799	4,663	2,136	45.8 %
Operating revenue	<u>\$ 35,433,095</u>	<u>\$ 34,817,042</u>	<u>\$ 616,053</u>	1.8 %

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Net patient revenue	\$ 29,336,064	\$ 29,979,088	\$ (643,024)	(2.1)%
Intergovernmental transfer revenue	5,306,173	14,314,000	(9,007,827)	(62.9)%
Gift shop, vending and vendor refunds	34,331	28,993	5,338	18.4 %
Barber and beauty shop	41,305	38,459	2,846	7.4 %
On the job training stimulus	23,289	-	23,289	n/a
CNA training	42,060	36,249	5,811	16.0 %
Facility grant proceeds	-	1,258,139	(1,258,139)	(100.0)%
Workforce RHCF	29,157	89,504	(60,347)	(67.4)%
Miscellaneous	4,663	165,403	(160,740)	(97.2)%
Operating revenue	<u>\$ 34,817,042</u>	<u>\$ 45,909,835</u>	<u>\$ (11,092,793)</u>	(24.2)%

For the year ended December 31, 2010, overall operating revenues increased by 1.8 percent from 2009. This is primarily due to increase in net patient revenues over 2009.

As presented in Figure 2, below, the most significant source, for both years, was net patient revenue, which was 84.7% and 84.3% of total operating revenues for the years, ended December 31, 2010 and 2009, respectively. The next largest source for both years was Intergovernmental transfer revenue (IGT), which was 15.0% and 15.2% of total operating revenues for the years ended December 31, 2010 and 2009, respectively. The remaining revenue was classified as other operating revenue and comprised 0.3% of total operating revenues in the year ended December 31, 2010, as compared to 0.5% for the year ended December 31, 2009.

Figure 2—Components of revenue



A summary of program expenses for the years ended December 31, 2010, December 31, 2009 and December 31, 2008 is presented below in Table 5.

Table 5—Operating expenses

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Nursing and medical	\$ 16,441,091	\$ 15,728,348	\$ 712,743	4.5 %
Ancillary	7,257,144	7,136,021	121,123	1.7 %
Administrative and general	3,575,604	3,635,661	(60,057)	(1.7)%
Fringe benefits	7,768,583	6,595,780	1,172,803	17.8 %
Other post employment benefits	1,608,705	1,553,737	54,968	3.5 %
Interest expense	1,257,945	1,661,761	(403,816)	(24.3)%
Depreciation	1,548,595	1,535,242	13,353	0.9 %
Bad debt expense	316,019	132,300	183,719	138.9 %
Total operating expenses	<u>\$ 39,773,686</u>	<u>\$ 37,978,850</u>	<u>\$ 1,794,836</u>	4.7 %

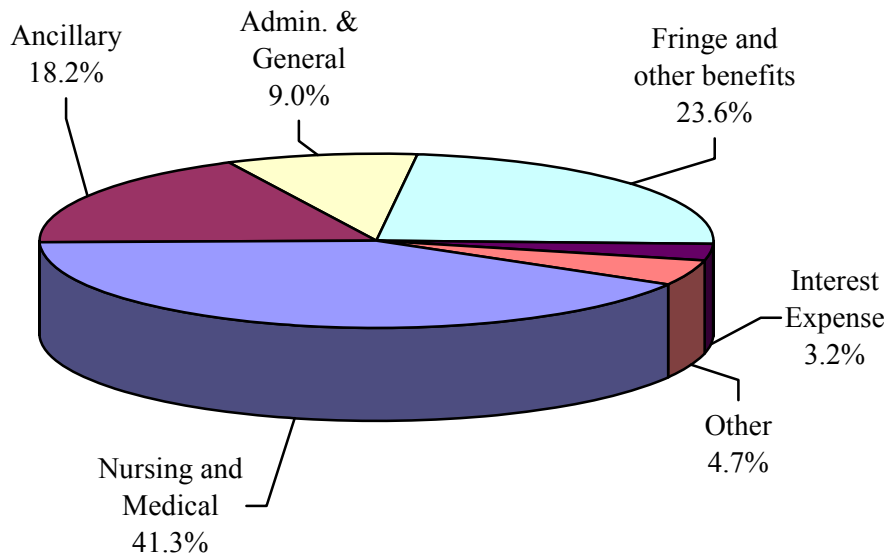
	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Nursing and medical	\$ 15,728,348	\$ 15,153,405	\$ 574,943	3.8 %
Ancillary	7,136,021	7,256,032	(120,011)	(1.7)%
Administrative and general	3,635,661	10,368,915	(6,733,254)	(64.9)%
Fringe benefits	6,595,780	6,431,076	164,704	2.6 %
Other post employment benefits	1,553,737	1,657,796	(104,059)	(6.3)%
Interest expense	1,661,761	1,798,930	(137,169)	(7.6)%
Depreciation	1,535,242	1,535,745	(503)	(0.0)%
Bad debt expense	132,300	257,637	(125,337)	(48.6)%
Total operating expenses	<u>\$ 37,978,850</u>	<u>\$ 44,459,536</u>	<u>\$ (6,480,686)</u>	(14.6)%

The Manor's total operating expenses for the year ended December 31, 2010, increased 4.7% from the previous year. The increase is primarily due to rising personnel costs (salaries and fringe benefits) incurred by the Manor.

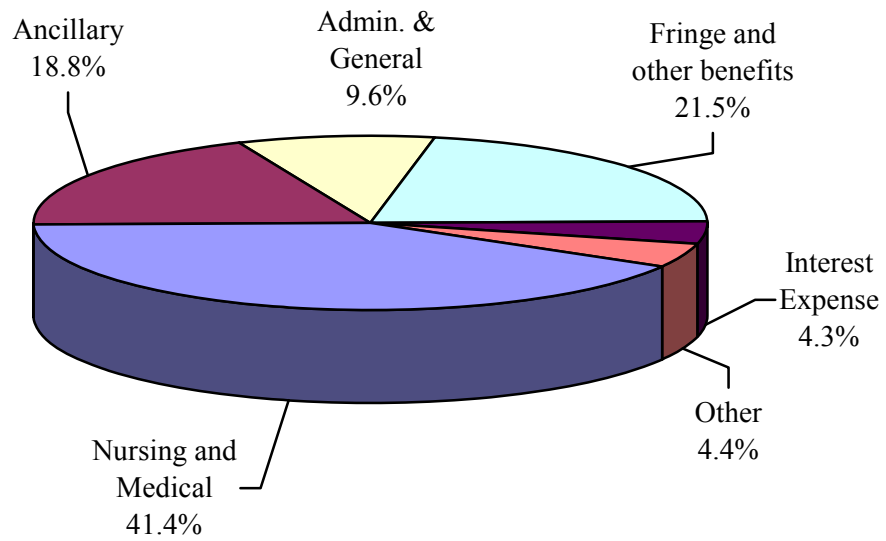
As presented in Figure 3 on the following page, the Manor's most significant expense item is nursing and medical care, which comprised 41.3% of total expenses for the year ended December 31, 2010, as compared with 41.4% for the year ended December 31, 2009.

Figure 3—Components of total operating expenses

Year Ended December 31, 2010



Year Ended December 31, 2009



Presented below, as Table 6, are the condensed statements of cash flows for the years ended December 31, 2010, December 31, 2009 and December 31, 2008.

Table 6—Condensed Statements of Cash Flows

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>
Cash provided (used) by:			
Operating activities	\$ (1,088,481)	\$ (1,808,565)	\$ 720,084
Investing activities	(238)	(259)	21
Non-capital financing activities	2,490,725	3,171,900	(681,175)
Capital financing activities	<u>(1,402,244)</u>	<u>(1,363,335)</u>	<u>(38,909)</u>
Change in cash	(238)	(259)	21
Cash—beginning	<u>3,448</u>	<u>3,707</u>	<u>(259)</u>
Cash—ending	<u>\$ 3,210</u>	<u>\$ 3,448</u>	<u>\$ (238)</u>
	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>
Cash provided (used) by:			
Operating activities	\$ (1,808,565)	\$ (964,977)	\$ (843,588)
Investing activities	(259)	19	(278)
Non-capital financing activities	3,171,900	2,046,333	1,125,567
Capital financing activities	<u>(1,363,335)</u>	<u>(1,080,106)</u>	<u>(283,229)</u>
Change in cash	(259)	1,269	(1,528)
Cash—beginning	<u>3,707</u>	<u>2,438</u>	<u>1,269</u>
Cash—ending	<u>\$ 3,448</u>	<u>\$ 3,707</u>	<u>\$ (259)</u>

The Manor generated total negative cash flow of \$238 for the year ended December 31, 2010 and total negative cash flow of \$259 for the year ended December 31, 2009. The relatively small change in cash flows for each of these years reflects the County control of cash and use of the due from/due to the County account as a means of providing operating cash to the Manor.

Capital Asset Activity

The Manor's capital asset additions for the fiscal year ended December 31, 2010 amount to \$250,384 as compared with capital asset additions for the fiscal year ended December 31, 2009 of \$280,494. Depreciation for the years ended December 31 2010 and 2009 was \$1,548,595 and \$1,535,242, respectively.

Economic Outlook

The Manor's continuous struggle to provide quality health services to its residents at effective costs remains its biggest challenge. County operated nursing homes across the State are generally facing similar fiscal stress. This has been noticed by many state health organizations who continue to lobby to the New York State Legislature and oppose cuts that would be harmful to public nursing homes.

Request for Information

This financial report is designed to provide a general overview of the Van Rensselaer Manor's finances for all those with an interest in the Manor's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Douglas E. Cosey, Executive Director, Van Rensselaer Manor, 85 Bloomingrove Drive, Troy, New York 12180.

Van Rensselaer Manor
An Enterprise Fund of the County of Rensselaer, New York
Combined Statements of Net Assets (Deficits)
Years Ended December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,210	\$ 3,448
Resident trust cash	188,279	166,156
Accounts receivable, net of allowance for estimated uncollectibles	13,185,737	7,264,786
Due from County General Fund	1,168,125	6,027,049
Inventories	202,206	179,150
Prepaid items	1,667	1,667
Total current assets	14,749,224	13,642,256
Noncurrent assets:		
Assets held by trustee	2,898,363	2,901,503
Capital assets, net of accumulated depreciation	13,891,002	15,189,213
Total noncurrent assets	16,789,365	18,090,716
Total assets	31,538,589	31,732,972
LIABILITIES		
Current Liabilities		
Accounts payable	877,871	1,003,260
Due to Medicaid	622,362	216,379
Due to other governments	890	1,128
Accrued compensation and related costs	1,384,123	1,217,114
Current portion of retirement costs	1,519,227	885,312
Other accrued expenses	266,362	506,976
Resident trust funds	188,279	166,156
Current installments of long-term debt	1,235,000	1,155,000
Total current liabilities	6,094,114	5,151,325
Noncurrent liabilities		
Long-term debt - excluding current installments	26,167,460	27,371,800
Accrued workers' compensation liability	729,461	456,295
Accrued other post employment benefits	6,548,154	4,939,449
Accrued retirement costs - excluding current portion	386,481	351,318
Total noncurrent liabilities	33,831,556	33,118,862
Total liabilities	39,925,670	38,270,187
NET ASSETS (DEFICITS)		
Invested in capital assets, net of related debt	(10,613,095)	(10,436,084)
Unrestricted	2,226,014	3,898,869
Total net assets (deficits)	\$ (8,387,081)	\$ (6,537,215)

Van Rensselaer Manor
An Enterprise Fund of the County of Rensselaer, New York
Combined Statements of Revenues, Expenses and Changes in Net Assets (Deficits)
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Net patient revenue	\$ 30,016,302	\$ 29,336,064
Intergovernmental transfer revenue	5,300,000	5,306,173
Other revenue	116,793	174,805
Total operating revenue	<u>35,433,095</u>	<u>34,817,042</u>
Operating expenses:		
Nursing and medical expenses	16,441,091	15,728,348
Dietary	3,122,833	3,056,610
Household and plant operation	4,134,311	4,079,411
Administrative and general services	3,575,604	3,635,661
Fringe benefits	7,768,583	6,595,780
Other post employment benefits	1,608,705	1,553,737
Interest expense	1,257,945	1,661,761
Depreciation	1,548,595	1,535,242
Bad debt expense	316,019	132,300
Total operating expenses	<u>39,773,686</u>	<u>37,978,850</u>
Operating (loss) income	<u>(4,340,591)</u>	<u>(3,161,808)</u>
Nonoperating revenue (expense):		
Contribution from County	2,700,000	3,456,039
Other non-operating expenses	<u>(209,275)</u>	<u>(284,139)</u>
Total nonoperating revenue	<u>2,490,725</u>	<u>3,171,900</u>
Change in net assets (deficits)	(1,849,866)	10,092
Total net assets (deficits)—beginning	<u>(6,537,215)</u>	<u>(6,547,307)</u>
Total net assets (deficits)—ending	<u>\$ (8,387,081)</u>	<u>\$ (6,537,215)</u>

The notes are an integral part of these financial statements.

Van Rensselaer Manor
An Enterprise Fund of the County of Rensselaer, New York
Combined Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities:		
Receipts for patient care services	\$ 29,485,315	\$ 30,768,668
Payments to suppliers for goods and services	(7,008,058)	(8,038,707)
Payments to employees for services	(27,314,170)	(24,376,402)
Payments for interest	(1,227,285)	(1,645,472)
Internal activity-payment from (to) County	4,858,924	1,308,543
Other operating revenue	116,793	174,805
Net cash used by operating activities	(1,088,481)	(1,808,565)
Cash Flows From Investing Activities:		
Interest earned (fees incurred) on bank accounts	(238)	(259)
Net cash (used) provided by investing activities	(238)	(259)
Cash Flows From Noncapital Financing Activities:		
Contributions and advances from County	2,700,000	3,456,039
Other non-operating losses	(209,275)	(284,139)
Net cash provided by noncapital financing activities	2,490,725	3,171,900
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures, net	(250,384)	(280,494)
Net decrease in assets held by trustee	3,140	241,648
Proceeds from refunding bonds	-	28,980,000
Payment of bond issuance costs	-	(469,489)
Defeasance of long-term debt	-	(28,755,000)
Principal payments on long-term debt	(1,155,000)	(1,080,000)
Net cash used by capital and related financial activities	(1,402,244)	(1,363,335)
Net change in cash	(238)	(259)
Cash—beginning	3,448	3,707
Cash—ending	\$ 3,210	\$ 3,448

(continued)

Van Rensselaer Manor
An Enterprise Fund of the County of Rensselaer, New York
Combined Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	(concluded) 2009
Reconciliation of operating (loss) income to net cash used by operating activities:		
Operating (loss) income	\$ (4,340,591)	\$ (3,161,808)
Adjustments to reconcile operating (loss) income to net cash used by operating activities:		
Depreciation	1,548,595	1,535,242
Amortization of issuance costs	30,660	16,289
(Increase) in patient accounts receivable, net	(5,920,951)	(3,957,648)
Decrease in due from County	4,858,924	1,308,543
(Increase) in inventories	(23,056)	(1,666)
Decrease in prepaids	-	3,300
Increase in amounts due to Medicaid	405,983	216,379
(Decrease) increase in accounts payable	(125,389)	256,889
Increase in compensation and related costs	167,009	153,740
Increase in retirement and workers' compensation	942,244	65,809
Increase in other post employment benefits	1,608,705	1,553,737
(Decrease) increase in other accrued expenses	(240,614)	202,629
Total adjustments	3,252,110	1,353,243
Net cash used by operating activities	\$ (1,088,481)	\$ (1,808,565)

The notes are an integral part of these financial statements.

Van Rensselaer Manor
An Enterprise Fund of the County of Rensselaer, New York
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity—The accompanying financial statements reflect the combined financial position and activity of Van Rensselaer Manor (the Manor) and Rensselaer Municipal Leasing Corporation (the “Corporation”) on the accrual basis of accounting. The Manor is an enterprise fund of the County of Rensselaer, New York (the County), a political subdivision of the State of New York. The Manor is operated under provisions of Article 6 of General Municipal Law. The Manor is operated as an enterprise fund of the County. The County provides certain administrative support to the Manor, and has a proprietary interest in all assets and has ultimate responsibility for all liabilities.

In accordance with the Governmental Accounting Standards Board (“GASB”) Statement No. 14, The Financial Reporting Entity, the Manor must include certain component units in its financial statements. A component unit is a legally separate entity for which the Manor, through the County, appoints a voting majority of its board and for which a potential financial benefit and/or burden for the Manor exists. The Corporation is a component unit of the Manor and has been blended into the Manor’s financial statements.

The Corporation, a not-for-profit corporation incorporated in the State of New York, was established in 1994 to assist the County in acquiring, financing, constructing and leasing any buildings, equipment or other facilities that may be useful to or usable by the County. The Corporation is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

In June 1994, by resolution, the Corporation issued leasehold mortgage revenue bonds to finance the construction of a new County nursing home (“project facility”) (see Note 4). The County has entered into an agreement with the Corporation to lease the project facility, with the option to buy, through June 1, 2024, for amounts equal to the annual bond principal and interest payments. Upon termination of the lease term, title to the project facility will transfer to the County.

Basis of Presentation—Enterprise Fund—An enterprise fund is accounted for as an operation that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs or expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting—As an enterprise fund, the Manor uses the accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. The Manor activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as guidance from the following sources issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting

Standards Board (FASB), Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Net Patient Revenue—Patient revenue is recorded at established rates for services rendered to all patients. Payments for services rendered to patients covered by Medicare, Medicaid and certain other prospective rate or cost based third-party payers are generally less than established rates, and contractual allowances are recorded to reflect these differences. Final determination of amounts due the Manor under these cost reimbursement programs are subject to audit or review by the respective administrative agencies, and provision has been made for estimated adjustments that may result. Differences between estimated amounts accrued and final settlements are reported in operations in the year of settlement. The Medicare cost report has been settled through 2009.

Resident Trust Cash —Resident trust cash represents deposits held in custody for patients and as such represent fiduciary responsibilities of the Manor rather than present or future interest.

Inventories—Inventories are recorded at the lower of cost (determined using first-in, first-out method) or market.

Prepaid items—Prepaid assets consist of certain payments to third parties, which apply to future accounting periods.

Assets Held by Trustee—Assets held by trustee represent amounts held by bond trustee for required reserve deposits in accordance with the Manor’s bond indenture agreement.

Capital Assets—Property and equipment are recorded at cost. Depreciation is computed under the straight-line method over the estimated useful life of the asset in accordance with the American Hospital Association guidelines as follows:

Buildings	10 - 64 years
Major movable equipment	4 - 20 years
Fixed equipment	5 - 25 years

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs are charged to expense as incurred, significant renewals and betterments are capitalized.

Property and equipment that are donated (without restriction) are recorded at their fair market values as a direct increase to retained earnings.

Donated Services—In 2010 and 2009, certain administrative costs incurred by the County on behalf of the Manor were recorded as both expense and non-operating revenues-contribution from County.

Pensions—The majority of the Manor’s employees are members of the New York State and Local Employees’ Retirement System. The County is invoiced annually by the State System for its share of the costs. The Manor is in turn, invoiced annually by the County for its share.

Medical Malpractice—The Manor is insured relative to medical malpractice claims.

Statements of Cash Flows— For purposes of the statements of cash flows, the Manor considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. There were no cash equivalent instruments at December 31, 2010 and 2009.

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Future Impact of Accounting Pronouncements—The Manor has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; No. 59, *Financial Instruments Omnibus*; and No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the year ending December 31, 2011; and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for the year ending December 31, 2012; and No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*; effective for the year ending December 31, 2013. The Manor is therefore unable to disclose the impact that adopting GASB Statements No. 54, 57, 59, 60, 61 and 62 will have on its financial position and results of operations when such statements are adopted.

During the year ended December 31, 2010, the Manor implemented GASB Statements No. 52, *Land and Other Real Estate Held as Investments* by GASB Statements No. 51 *Accounting and Financial Reporting for Intangible Assets*; No. 53, *Accounting and Financial Reporting for Derivative Investments*; and No. 58 *Accounting and Reporting for Chapter 9 Bankruptcies* were implemented and had no material impact to the Manor.

2. CASH AND CASH EQUIVALENTS

Operating Cash—The Manor participates in the pooled cash of the County for its operations. The County pooled cash is deposited and invested in accordance with the provisions of applicable State statutes. The County also has its own formal investment policy.

The County deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts, or certificates of deposit issued by FDIC-insured commercial banks or trust companies located within the State. Some of the County's accounts are required by various statutes and borrowing restrictions for specific funds, while the remainder are used for pooling County operating cash and for investment purposes. The County's bank accounts are maintained in a separate Treasury Group of accounts with the respective offset being to the various fund equities in pooled cash, investments and restricted cash.

Collateral is required for deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Deposits—Pertinent information relative to Manor bank deposits at December 31, 2010 and December 31, 2009:

	December 31,	
	2010	2009
Carrying amounts:		
Petty cash	\$ 70	\$ 70
Patient imprest funds	1,250	1,250
Patient petty cash	1,000	1,000
Bank deposits (Leasing Corporation)	<u>890</u>	<u>1,128</u>
Total	<u>\$ 3,210</u>	<u>\$ 3,448</u>

Custodial Credit Risk – Deposits—In the case of deposits, this is the risk that in the event of a bank failure, the Manor’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2010 and 2009, the Manor’s deposits were entirely covered by FDIC insurance.

The petty cash and patient petty cash funds are uninsured and uncollateralized.

3. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2010 and 2009 was as follows:

	Balance			Balance
	1/1/2010	Additions	Deletions	12/31/2010
Capital assets:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Buildings	20,439,030	-	-	20,439,030
Fixed equipment	10,873,491	-	-	10,873,491
Major moveable equipment	<u>4,944,135</u>	<u>250,384</u>	<u>(62,412)</u>	<u>5,132,107</u>
	<u>36,806,656</u>	<u>250,384</u>	<u>(62,412)</u>	<u>36,994,628</u>
Less accumulated depreciation:				
Buildings	(10,567,452)	(722,940)	-	(11,290,392)
Fixed equipment	(7,174,116)	(541,174)	-	(7,715,290)
Major moveable equipment	<u>(3,875,875)</u>	<u>(284,481)</u>	<u>62,412</u>	<u>(4,097,944)</u>
	<u>(21,617,443)</u>	<u>(1,548,595)</u>	<u>62,412</u>	<u>(23,103,626)</u>
Capital assets, net	<u>\$ 15,189,213</u>	<u>\$ (1,298,211)</u>	<u>\$ -</u>	<u>\$ 13,891,002</u>

	Balance 1/1/2009	Additions	Deletions	Balance 12/31/2009
Capital assets:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Buildings	20,439,030	-	-	20,439,030
Fixed equipment	10,873,491	-	-	10,873,491
Major moveable equipment	4,663,641	280,494	-	4,944,135
	<u>36,526,162</u>	<u>280,494</u>	<u>-</u>	<u>36,806,656</u>
Less accumulated depreciation:				
Buildings	(9,844,513)	(722,939)	-	(10,567,452)
Fixed equipment	(6,632,855)	(541,261)	-	(7,174,116)
Major moveable equipment	(3,604,833)	(271,042)	-	(3,875,875)
	<u>(20,082,201)</u>	<u>(1,535,242)</u>	<u>-</u>	<u>(21,617,443)</u>
Capital assets, net	<u>\$ 16,443,961</u>	<u>\$ (1,254,748)</u>	<u>\$ -</u>	<u>\$ 15,189,213</u>

The building account contains costs related to the construction costs of the nursing home facility. Depreciation expense for the years ended December 31, 2010 and 2009 was \$1,548,595 and \$1,535,242, respectively.

4. LONG-TERM DEBT

At December 31, 2008 the Manor's long-term debt consists of leasehold mortgage revenue bonds (Rensselaer County Nursing Home Project), Series 1994A and 1994B, with interest payable each June 1st and December 1st at rates ranging from 5.9% in 1997 to 6.9% in 2024. The bonds were secured by a mortgage on the related property, plant and equipment, as well as, gross receipts generated through the operation of the new facility.

However, on June 29, 2009 the Rensselaer Municipal Leasing Corporation (the "Corporation") issued \$28,465,000 Leasehold Mortgage Revenue Refunding Bonds (Rensselaer County Nursing Home Project), Series 2009A and \$515,000 Leasehold Revenue Refunding Bonds (Rensselaer County Nursing Home Project), Series 2009B (Taxable). The proceeds of these bonds were used to fund debt issuance costs and to fund an escrow account to defease the leasehold mortgage bonds described in the previous paragraph. On July 29, 2009, the escrow agent exercised a call provision on the Series 1994A and 1994B bonds and paid all outstanding principal and accrued interest on such debt.

As a result of the advance refunding, the Corporation reduced its total future debt service requirements by \$3,515,995, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,852,707.

A summary of debt for the year ended December 31, 2010 follows:

	Outstanding			Outstanding
	1/1/2010	Issued	Paid	12/31/2010
2009 - Series A & B Combined	\$ 28,980,000	\$ -	\$ 1,155,000	\$ 27,825,000
Less: Deferred amounts				
Bond issuance costs	<u>(453,200)</u>	<u>-</u>	<u>30,660</u>	<u>(422,540)</u>
Total bonds payable	<u>\$ 28,526,800</u>	<u>\$ -</u>	<u>\$ 1,185,660</u>	<u>\$ 27,402,460</u>

Principal repayments amounted to \$1,155,000 and \$1,080,000 (paid prior to refunding) during the years ended December 31, 2010 and 2009, respectively. Interest expense for the year ended December 31, 2010 amounted to \$1,257,945, which includes \$30,660 of amortized bond issuance costs. Interest expense for the year ended December 31, 2009 amounted \$1,661,761, which includes \$16,289 of amortized bond issuance costs.

Costs relating to issuance of the 2009 Leasehold Mortgage Revenue Refunding Bonds Series 2009A and 2009B totaled \$469,489. These costs of issuance are being amortized over the remaining life of the debt, using the straight line method. Amortization of these costs amounted to \$30,660 for the year ended December 31, 2010.

Future principal and interest payments are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,235,000	\$ 1,382,456
2012	1,315,000	1,331,456
2013	1,410,000	1,276,956
2014	1,505,000	1,218,656
2015	1,610,000	1,148,306
2016 - 2020	9,875,000	4,362,061
2021 - beyond	<u>10,875,000</u>	<u>1,215,217</u>
Total	27,825,000	<u>\$ 11,935,108</u>
Less: current portion	(1,235,000)	
Less: deferred amounts	<u>(422,540)</u>	
Total long-term debt, excluding current installments	<u>\$ 26,167,460</u>	

The bond indenture agreements required the establishment of various funds, which are held by a trustee. These funds are presented in the accompanying financial statements as assets held by trustee. The balances in these funds at December 31 are as follows:

<u>Fund</u>	<u>2010</u>	<u>2009</u>
Bond fund	\$ 2	\$ 3,441
Debt service reserve fund	<u>2,898,361</u>	<u>2,898,062</u>
	<u>\$ 2,898,363</u>	<u>\$ 2,901,503</u>

5. RETIREMENT PLAN

Plan Description—The Manor participates in the New York and Local Employees' Retirement System (the System). This is a cost-sharing multiple-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 custody and control of its funds. The System issues 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 and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy—The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. The New York State Legislature passed legislation in 2000 that suspends the 3% contribution for employees who have ten years or more of credited service. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers.

The required contributions for the current year and two preceding years were:

2010	\$ 1,938,300
2009	1,174,050
2008	1,424,633

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the System:

- ◆ Requires minimum contributions by employers of 4.5 percent of payroll every year, including years in which the investment performance would make a lower contribution possible
- ◆ Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g., billings due February 2010 would be based on the pension value as of March 31, 2009).

Legislation requires participating employers to make payments on a current basis. The Manor's contributions made to the System was equal to 100 percent of the contributions required for each year, and has not bonded or amortized any of the excess amounts.

6. OTHER POST EMPLOYMENT BENEFITS

Plan Description—The Manor, through the County, pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided. Eligibility for postretirement benefits requires a minimum age of 55 with at least ten (10) years of service. In addition, the employee must qualify for retirement as a member of the New York State retirement system and immediately begin receiving a New York State pension upon leaving the County.

Funding Policy—Authorization for the Manor to pay a portion of retiree health insurance premiums was enacted through a union contract, which are ratified by the County Legislature. Upon retirement, the then dollar equivalent of a retiree’s accumulated sick leave shall be credited to such retiree, and such retiree shall be reimbursed for the premium cost of the health insurance program that is available to the retiree group, should the retiree be eligible and elect to enroll in such coverage after retirement. The Manor recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the County or by the health insurance provider. The Manor contributed \$224,340 and \$190,529 for the fiscal years ended December 31, 2010 and 2009.

The Manor’s annual other postemployment benefit (“OPEB”) cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Manor’s annual OPEB costs for the years ended December 31, 2010 and 2009, the amount actually contributed to the plan, and changes in the Manor’s net OPEB obligation.

	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 1,833,045	\$ 1,797,103
Interest on net OPEB obligation	-	135,428
Adjustment to annual required contribution	-	(188,265)
Annual OPEB cost (expense)	1,833,045	1,744,266
Contributions made	(224,340)	(190,529)
Increase in net OPEB obligation	1,608,705	1,553,737
Net OPEB obligation - beginning of year	4,939,449	3,385,712
Net OPEB obligation - end of year	<u>\$ 6,548,154</u>	<u>\$ 4,939,449</u>

Funded Status and Funding Progress—As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was \$12,380,735.

Actuarial valuations of an ongoing plan involve 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 health care 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.

As of December 31, 2010, the County had an actuarial valuation performed with a valuation date of January 1, 2009. Accordingly, information from this study is presented in the Manor's Schedule of Funding Progress and the Schedule of Contributions

The Manor's schedule of funding progress is presented below:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budget Covered Payroll
As of January 1, 2007	\$ -	\$ 15,383,081	\$ 15,383,081	-	Not Available	-
As of January 1, 2009	-	12,380,735	\$ 12,380,735	-	\$ 18,251,000	68%

The Manor's schedule of contributions is shown below:

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2010	\$ 1,833,045	\$ 224,340	12.2%
2009	1,797,103	190,529	10.6%
2008	2,019,148	334,387	16.6%

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2009 actuarial valuation, the projected unit credit method was used. The expected investment rate of return on employer's assets is 4.0%. The RP-2000 Mortality Table for males and females is used for mortality rates. The rates of decrement due to retirement is based on the experience under the New York State & Local Retirement System as 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 . The unfunded actuarial accrued liability is being amortized over thirty years, therefore the remaining amortization period at December 31, 2010, was twenty-six years.

7. RELATED PARTIES

The County provided operating subsidies to the Manor and incurred certain administrative cost on behalf of the Manor, which totaled \$2,700,000 in 2010 and \$3,456,039 in 2009. In both years the subsidy consisted of a cash payment. The subsidy payments provide funding to the Manor to cover a portion of the operating costs of the Manor.

Amounts due from/to the County General Fund represent the Manor's portion of pooled cash held by the County General Fund. The amount due from the County at December 31, 2010 was \$1,168,125; whereas, at December 31, 2009 the amount due from the County was \$6,027,049.

8. RISK FINANCING ACTIVITIES

The Manor maintains medical malpractice insurance purchased from insurance carriers, which is subject to certain deductibles and maximum coverage limits. The Manor is exposed to risk of loss relating to workers' compensation. The County established a workers' compensation fund to account for such activity. The County, the Manor and 20 other plan members participate in the program. The workers' compensation fund provides full coverage for each workers' compensation claim. Settled claims have not exceeded the annual self-insurance funding in any of the past three fiscal years. The participants make payments to the fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for unforeseen losses. The claims liability relating to workers' compensation at December 31, 2010 and 2009 was \$729,461 and \$456,295, respectively. Expenses for workers' compensation for the years ended December 31, 2010 and 2009 were \$745,323 and \$712,145, respectively. Claims and claim adjustments were \$1,018,489 and \$494,464 for the years ended December 31, 2010 and 2009, respectively.

9. INTERGOVERNMENTAL 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 facilities. This methodology, known as the Intergovernmental Transfer Program (IGT), provides for certain Medicaid rate enhancements to non-state operated, publicly sponsored nursing facilities, excluding public nursing facilities operated by a town or city within a county.

During the year ended December 31, 2009, subdivision 12(e-) of section 2808 of the Public Health Law approved total \$300 million supplemental Upper Payment Limit payments for the years 2009-2010 to non-state operated public nursing facilities. Under state law, counties are required to advance 50 percent of the total Intergovernmental Transfer Payment (IGT). The qualifying nursing homes were entitled to 100% of the share amount which was allocated based upon the ratio of each facility's reported Medicaid days divided by the total reported Medicaid days for all eligible facilities for 2009. The Manor's share totaled \$1,329,425 for January 1, 2009 through March 31, 2009. The Manor also recognized \$3,976,748 for the April 1, 2009 through December 31, 2009 allocation. In 2010, the Manor recognized \$5,300,000 in annual accruals from January 1 to December 31, 2010, bringing the total amount of IGT receivables to \$9,276,748. This amount is recorded within accounts receivable and is anticipated to be received during the third quarter of 2011.

10. CONCENTRATION OF CREDIT RISK

The Manor grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers was as follows at December 31, 2010 and 2009.

	December 31,	
	2010	2009
Medicaid	49.5%	56.8%
Self-pay	24.2%	24.5%
Medicare	21.3%	16.0%
Other	5.1%	2.7%

11. CONTINGENCIES

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 statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. While no regulatory inquiries have been made at the Manor, compliance with such laws and regulations can be subject to future government review and interpretations as well as regulatory actions unknown or unasserted at this time. It is the opinion of management and its counsel that there will not be any material adverse effects on the Manor's combined financial statements as a result of these actions.

12. NET ASSETS DEFICIT

The Manor had net asset deficits of \$8,387,081 and \$6,537,215 at December 31, 2010 and 2009, respectively. The major factors contributing to the deficit are the increasing costs of operations, combined with uncertainty in Medicaid reimbursement rates and other state/federal funding sources. The County does provide annual contributions to the Manor to support operations. There is currently no formal plan to fund the net asset deficit.

In recognition of these losses, the New York State Legislature passed the below referenced rebasing legislation, updating most nursing homes' base year to 2002.

In 2006, the New York State Legislature passed legislation updating how nursing homes would be reimbursed for Medicaid residents. This legislation was referred to as "rebasings." Prior to this legislation, New York State nursing homes were reimbursed for Medicaid residents with a methodology reflecting 1983 "base year" costs adjusted annually for inflation. To the extent that true inflationary costs outpaced the annual inflationary adjustments in the Medicaid rates, facilities were losing ground every year in terms of Medicaid payments covering the cost of care.

Given the economic constraints New York State has been under, to date the state has not paid any nursing homes the enhanced rebased Medicaid rates. The state has informed the industry that they will be making these payments to facilities retroactive to April 1, 2009. These payments are expected to be made no later than August 2011. Based on information received from the New York Association of Homes and Services for the Aging, Van Rensselaer Manor is expected to receive a retroactive payment for the rebased Medicaid rates in the amount of six million one hundred eighteen thousand dollars (\$6,118,000). The Manor has not accrued revenue related to the rebasing as of December 31, 2010.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

Van Rensselaer Manor
An Enterprise Fund of the County of Rensselaer, New York
Combining Statement of Net Assets (Deficit)
Year Ended December 31, 2010

	<u>Van Rensselaer Manor</u>	<u>Rensselaer Municipal Leasing Corporation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,320	\$ 890	\$ -	\$ 3,210
Resident trust cash	188,279	-	-	188,279
Accounts receivable, net of allowance for estimated uncollectables	13,185,737	-	-	13,185,737
Accrued interest receivable	-	117,263	(117,263)	-
Due from County General Fund	1,168,125	-	-	1,168,125
Inventories	202,206	-	-	202,206
Prepaid assets	1,667	-	-	1,667
Financing lease receivable	-	1,235,000	(1,235,000)	-
Total current assets	<u>14,748,334</u>	<u>1,353,153</u>	<u>(1,352,263)</u>	<u>14,749,224</u>
Noncurrent assets:				
Assets held by trustee	2,898,363	2,898,363	(2,898,363)	2,898,363
Capital assets, net of accumulated depreciation	13,891,002	-	-	13,891,002
Financing lease receivable	-	23,269,736	(23,269,736)	-
Total noncurrent assets	<u>16,789,365</u>	<u>26,168,099</u>	<u>(26,168,099)</u>	<u>16,789,365</u>
Total assets	<u>31,537,699</u>	<u>27,521,252</u>	<u>(27,520,362)</u>	<u>31,538,589</u>
LIABILITIES				
Current liabilities:				
Accounts payable	877,871	-	-	877,871
Due to Medicaid	622,362	-	-	622,362
Due to other governments	-	890	-	890
Accrued compensation and related costs	1,384,123	-	-	1,384,123
Current portion of retirement costs	1,519,227	-	-	1,519,227
Other accrued expenses	266,362	117,263	(117,263)	266,362
Resident trust funds	188,279	-	-	188,279
Current installments of long-term debt	1,235,000	1,235,000	(1,235,000)	1,235,000
Total current liabilities	<u>6,093,224</u>	<u>1,353,153</u>	<u>(1,352,263)</u>	<u>6,094,114</u>
Noncurrent liabilities:				
Long-term debt - excluding current installments	26,167,460	26,168,099	(26,168,099)	26,167,460
Accrued workers' compensation liability	729,461	-	-	729,461
Accrued other post employment benefits	6,548,154	-	-	6,548,154
Accrued retirement costs - excluding current portion	386,481	-	-	386,481
Total noncurrent liabilities	<u>33,831,556</u>	<u>26,168,099</u>	<u>(26,168,099)</u>	<u>33,831,556</u>
Total liabilities	<u>39,924,780</u>	<u>27,521,252</u>	<u>(27,520,362)</u>	<u>39,925,670</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	(10,613,095)	-	-	(10,613,095)
Unrestricted	2,226,014	-	-	2,226,014
Total net assets (deficit)	<u>\$ (8,387,081)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,387,081)</u>

Van Rensselaer Manor
An Enterprise Fund of the County of Rensselaer, New York
Combining Statement of Revenues, Expenses and Changes in Net Assets (Deficit)
Year Ended December 31, 2010

	<u>Van Rensselaer Manor</u>	<u>Rensselaer Municipal Leasing Corporation</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:				
Net patient revenue	\$ 30,016,302	\$ -	\$ -	\$ 30,016,302
Intergovernmental transfer revenue	5,300,000	-	-	5,300,000
Other revenue	116,793	1,455,797	(1,455,797)	116,793
Total operating revenues	<u>35,433,095</u>	<u>1,455,797</u>	<u>(1,455,797)</u>	<u>35,433,095</u>
Operating expenses:				
Nursing and medical expenses	16,441,091	-	-	16,441,091
Dietary	3,122,833	-	-	3,122,833
Household and plant operation	4,134,311	-	-	4,134,311
Administrative and general services	3,575,604	241	(241)	3,575,604
Fringe benefits	7,768,583	-	-	7,768,583
Other post employment benefits	1,608,705	-	-	1,608,705
Interest expense	1,257,945	1,455,559	(1,455,559)	1,257,945
Depreciation	1,548,595	-	-	1,548,595
Bad debt expense	316,019	-	-	316,019
Total operating expenses	<u>39,773,686</u>	<u>1,455,800</u>	<u>(1,455,800)</u>	<u>39,773,686</u>
Operating income (loss)	<u>(4,340,591)</u>	<u>(3)</u>	<u>3</u>	<u>(4,340,591)</u>
Nonoperating revenue (expense):				
Interest income	-	3	(3)	-
Contribution from County	2,700,000	-	-	2,700,000
Other non-operating expenses	(209,275)	-	-	(209,275)
Total nonoperating revenue (expense)	<u>2,490,725</u>	<u>3</u>	<u>(3)</u>	<u>2,490,725</u>
Change in net assets (deficit)	(1,849,866)	-	-	(1,849,866)
Total net assets (deficit)—beginning	<u>(6,537,215)</u>	<u>-</u>	<u>-</u>	<u>(6,537,215)</u>
Total net assets (deficit)—ending	<u>\$ (8,387,081)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,387,081)</u>

Van Rensselaer Manor
An Enterprise Fund of the County of Rensselaer, New York
Combining Statement of Cash Flows
Year Ended December 31, 2010

	Van Rensselaer Manor	Rensselaer Municipal Leasing Corporation	Eliminations	Total
Cash Flows From Operating Activities:				
Receipts for patient care services	\$ 29,485,315	\$ -	\$ -	\$ 29,485,315
Receipts from direct financing lease	-	2,582,681	(2,582,681)	-
Payments to suppliers for goods and services	(7,008,058)	-	-	(7,008,058)
Payments to employees for services	(27,314,170)	-	-	(27,314,170)
Payments for interest	(1,227,285)	(1,427,681)	1,427,681	(1,227,285)
Internal activity-payment made by County	4,858,924	-	-	4,858,924
Other operating revenue	116,793	-	-	116,793
Net cash used by operating activities	<u>(1,088,481)</u>	<u>1,155,000</u>	<u>(1,155,000)</u>	<u>(1,088,481)</u>
Cash Flows From Investing Activities:				
Interest earned (fees incurred) on bank accounts	-	(238)	-	(238)
Net cash provided by investing activities	<u>-</u>	<u>(238)</u>	<u>-</u>	<u>(238)</u>
Cash Flows From Noncapital Financing Activities:				
Contributions and advances from County	2,700,000	-	-	2,700,000
Other non-operating losses	(209,275)	-	-	(209,275)
Net cash provided by noncapital financing activities	<u>2,490,725</u>	<u>-</u>	<u>-</u>	<u>2,490,725</u>
Cash Flows From Capital and Related Financing Activities:				
Capital expenditures, net	(250,384)	-	-	(250,384)
Net decrease (increase) in assets held by trustee	3,140	-	-	3,140
Principal payment on long-term debt	(1,155,000)	(1,155,000)	1,155,000	(1,155,000)
Net cash used by capital and related financial activities	<u>(1,402,244)</u>	<u>(1,155,000)</u>	<u>1,155,000</u>	<u>(1,402,244)</u>
Net increase in cash	-	(238)	-	(238)
Cash—beginning	2,320	1,128	-	3,448
Cash—ending	<u>\$ 2,320</u>	<u>\$ 890</u>	<u>\$ -</u>	<u>\$ 3,210</u>
Reconciliation of operating loss to net cash used by operating activities:				
Operating income	\$ (4,340,591)	\$ 28,116	\$ (28,116)	\$ (4,340,591)
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation	1,548,595	-	-	1,548,595
Amortization of issuance costs	30,660	-	-	30,660
(Increase) in patient accounts receivable, net	(5,920,951)	-	-	(5,920,951)
Decrease in due from County	4,858,924	-	-	4,858,924
(Increase) in inventories	(23,056)	-	-	(23,056)
Change in accrued interest receivable/payable	-	3,421	(3,421)	-
Decrease in direct financing lease receivable	-	1,200,561	(1,200,561)	-
Decrease in assets held by trustee	-	3,140	(3,140)	-
(Increase) in financing income receivable	-	(80,000)	80,000	-
(Decrease) in amounts due to other governments	-	(238)	238	-
Increase in amounts due to Medicaid	405,983	-	-	405,983
Increase in accounts payable	(125,389)	-	-	(125,389)
Increase in compensation and related costs	167,009	-	-	167,009
Increase in accrued retirement and workers' compensation	942,244	-	-	942,244
Increase in other post employment benefits	1,608,705	-	-	1,608,705
Increase in other accrued expenses	(240,614)	-	-	(240,614)
Total adjustments	<u>3,252,110</u>	<u>1,126,884</u>	<u>(1,126,884)</u>	<u>3,252,110</u>
Net cash used by operating activities	<u>\$ (1,088,481)</u>	<u>\$ 1,155,000</u>	<u>\$ (1,155,000)</u>	<u>\$ (1,088,481)</u>

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable County Legislature
County of Rensselaer, New York:

We have audited the combined financial statements of Van Rensselaer Manor, an Enterprise Fund of the County of Rensselaer, New York, (the "Manor"), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 2, 2011 (which report contains an explanatory paragraph regarding a net asset deficit position). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Manor's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Manor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Manor's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Manor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Manor's Board of Directors and others within the Manor, the Rensselaer County Legislators, and the Office of the State Comptroller of State of New York and is not intended to be and should not be used by anyone other than these specified parties.

Dresscher & Malecki LLP

May 2, 2011