

*Report of Audit*  
*on the*  
*Financial Statements*  
*of*  
*Runnells Specialized Hospital*  
*of Union County*  
*for the*  
*Year Ended*  
*December 31, 2007*

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Honorable Director and Members of the  
Board of Chosen Freeholders  
County of Union  
Administration Building  
Elizabeth, New Jersey 07207

We have audited the Statement of Assets, Liabilities and Fund Balance - Statutory Basis of Runnells Specialized Hospital, a component unit of the County of Union, as of December 31, 2007. This financial statement is the responsibility of the County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.


As described in Note 1, the Statement of Assets, Liabilities and Fund Balance has been prepared on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the Statement of Assets, Liabilities and Fund Balance - Statutory Basis referred to above present fairly, in all material respects, the financial position of Runnells Specialized Hospital of Union County as of December 31, 2007 on the basis of accounting described in Note 1.

SUPLEE, CLOONEY & COMPANY

Our audit was conducted for the purpose of forming an opinion on the Statement of Assets, Liabilities and Fund Balance - Statutory Basis. The financial information listed as supporting schedules in the table of contents is presented for purposes of additional-analysis. Such information has been subjected to the auditing procedures applied in the audit of the Statement of Assets, Liabilities and Fund Balance and, in our opinion, is fairly presented in all material respects.

This report is intended solely for the information of the management of the County of Union, Runnells Specialized Hospital of Union County, the Division of Local Government Services and federal and state audit agencies and is not intended to be used by anyone other than the specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50

November 14, 2008

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

DECEMBER 31, 2007

ASSETS

<u>General Fund</u>		
Cash	\$	159,235
Change Fund		100
Accounts Receivable - Patients - Net		<u>9,607,817</u>
<u>Total General Fund</u>	\$	9,767,152
 <u>Restricted Fund</u>		
Cash		<u>168,495</u>
<u>TOTAL ASSETS</u>	\$	<u><u>9,935,647</u></u>

LIABILITIES AND FUND BALANCES

<u>General Fund</u>		
<u>Liabilities:</u>		
Due to County of Union	\$	<u>9,767,152</u>
<u>Total General Fund</u>	\$	9,767,152
 <u>Restricted Fund</u>		
<u>Fund Balances:</u>		
Patients	\$	160,867
Other		<u>7,628</u>
<u>Total Restricted Fund</u>		<u>168,495</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$	<u><u>9,935,647</u></u>

See Accompanying Notes to Financial Statements.

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accounting policies of Runnells Specialized Hospital of Union County conform to the general accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The following is a summary of the significant policies.

Basis of Accounting

General Fund - This fund is maintained on the accrual basis of accounting and is used primarily for recording patient care revenue. This revenue when received in cash is remitted to the County of Union. Purchasing for the Hospital is made through the Union County Purchasing Department based on requisitions originating at the Hospital. The Union County Department of Finance maintains detailed records relative to Hospital expenditures.

Restricted Fund - This fund is maintained on the cash basis of accounting and is used as a safekeeping service for funds belonging to patients.

Inventory of Supplies

Perpetual inventory records are maintained by quantity of each item. The value of the inventory is not recorded or reflected in the Hospital's records or these statements. Purchases of supplies, etc., are recorded as expenditures at the time individual items are purchased.

Fixed Assets

Property and equipment purchased by the County of Union for use by the Hospital are recorded as expenditures at the time of purchase.

Patients' Accounts Receivable

Psychiatric patients are admitted and their individual rates established by the County. All other admissions and their individual rates are established by the Admissions/Finance Department of the Hospital. In cases where the charges for patient care are made to other agencies and the amount the agencies have fixed as their maximum contribution is less than the amount fixed in the court order, the charges are based on the maximum recovery from the agencies.

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

(2) DR. WATSON B. MORRIS BEQUEST FUND

The Dr. Watson B. Morris Bequest Fund is held in trust by the Department of Finance of the County of Union. At December 31, 2007, the balance in the fund available for the benefit of the Hospital was \$24,489.

ADDITIONAL INFORMATION



SCHEDULE 1

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
GENERAL FUND

JANUARY 1, 2007 TO DECEMBER 31, 2007

Balance, January 1, 2007		\$	671,472
Increased by Receipts:			
Patients' Accounts Receivable Current Year	\$		31,037,432
State of New Jersey-Peer Grouping			2,237,396
State Aid Program			4,778,176
Medicare Settlement			169,168
Medicaid Settlement			163,248
Miscellaneous Revenues			75,396
Cafeteria			83,407
TV Rentals			18,030
Interest			817
Refunds			61,831
Transferred to Patients' Fund			38,251
Bad Debt Medicare			292,440
			38,955,592
		\$	39,627,064
Decreased by Disbursements:			
Transferred to County of Union	\$		39,368,144
Refunds			61,831
Transferred to Patients' Fund			38,251
			39,468,226
Balance, December 31, 2007		\$	158,838

CASH RECONCILIATION-DECEMBER 31, 2007

Balance Per Statement:			
Bank of America:			
Account No. 0009-100962		\$	6,000
Deposits in Transit			152,838
<u>BOOK BALANCE</u>		\$	158,838

SCHEDULE 2

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-  
PATIENTS' FUND

JANUARY 1, 2007 TO DECEMBER 31, 2007

Balance, January 1, 2007		\$	157,152
Increased by Receipts:			
Patients' Deposits	\$		115,650
Transferred From Social Security Fund		40,504	
Transferred From General Fund		38,251	
Interest		8,509	
		202,914	
		\$	360,066
Decreased by Disbursements:			
Patients' Expenses			199,199
Balance, December 31, 2007		\$	160,867

CASH RECONCILIATION-DECEMBER 31, 2007

Balance Per Statement:			
Independence Community Bank:			
Account No. 1759000450		\$	162,362
Add (Deduct):			
Deposit in Transit	\$		337
Cash on Hand		306	
		643	
		\$	163,005
Less: Outstanding Checks			(2,138)
<u>BOOK BALANCE</u>		\$	160,867

SCHEDULE 3

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-  
SOCIAL SECURITY FUND

JANUARY 1, 2007 TO DECEMBER 31, 2007

Balance, January 1, 2007		\$	70,897
Increased by Receipts:			
Patients' Deposits			<u>925,731</u>
		\$	<u>996,628</u>
Decreased by Disbursements:			
Transferred to Patients' Fund	\$	40,504	
Returned to Social Security		31,648	
Transferred to County of Union		918,939	
Fee Adjustments		<u>20</u>	
			<u>991,111</u>
Balance, December 31, 2007		\$	<u><u>5,517</u></u>

CASH RECONCILIATION-DECEMBER 31, 2007

Balance Per Statement:			
Independence Community Bank:			
Account No. 1759000493		\$	<u>5,517</u>
<u>BOOK BALANCE</u>		\$	<u><u>5,517</u></u>

SCHEDULE 4

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-  
OTHER FUNDS

JANUARY 1, 2007 TO DECEMBER 31, 2007

FUND	BALANCE JANUARY 1, 2007	RECEIPTS	DISBURSEMENTS	BALANCE DECEMBER 31, 2007
Donations	\$ 1,944	\$ 663	\$	\$ 2,607
Volunteer Service	15	150	51	114
Cornerstone - Beauty Shop	(7)	300	152	141
Cornerstone - Out Trip	381	920	887	414
Recreational Therapy	1,048	3,071	1,751	2,368
Roberta Knox Fund	-	5,769	4,847	922
Medical Staff	39			39
John T. Hennessy Memorial	100			100
Occupational Therapy	169	1	162	8
Garden	375			375
Chapel	-	300		300
Special Function	40			40
Oncology	200			200
	<u>\$ 4,304</u>	<u>\$ 11,174</u>	<u>\$ 7,850</u>	<u>\$ 7,628</u>

CASH RECONCILIATION-DECEMBER 31, 2007

Balance Per Bank Statements:		
Independence Community Bank:		
Account No. 1759000469		\$ 7,628
Less: Outstanding Check		<u>- 0 -</u>
<u>BOOK BALANCE</u>		<u>\$ 7,628</u>

SCHEDULE 5

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-  
PETTY CASH FUND

JANUARY 1, 2007 TO DECEMBER 31, 2007

Balance, January 1, 2007	\$	-0-
Increased by Receipts:		
Advances and Reimbursements From County of Union - Department of Finance		8,044.94
	\$	<u>8,044.94</u>
Decreased by Disbursements:		
Refund to County	\$	1,751.63
Petty Cash Expenditures		6,293.31
	\$	<u>8,044.94</u>
Balance, December 31, 2007	\$	<u>-0-</u>

CASH RECONCILIATION - DECEMBER 31, 2007

Balance Per Statement:		
Fleet Bank:		
Account No. 09009201459	\$	1,751.75
Outstanding Check		<u>(1,751.75)</u>
Adjusted Bank Balance, December 31, 2007	\$	<u>-0-</u>

SCHEDULE 6

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF ACCOUNTS RECEIVABLE-PATIENTS

JANUARY 1, 2007 TO DECEMBER 31, 2007

Accounts Receivable - Open Balances	\$	18,675,393		
Closed Addiction Recovery Unit		19,955		
Balance, January 1, 2007			\$	18,695,348
Increased by:				
Charges - Net				42,364,020
				61,059,368
Decreased by:				
Collections-Net				34,192,068
Adjustments and Write-Offs				3,073,807
Accounts Receivable - Closing Balances	\$	18,675,393		
Closed Addiction Recovery Unit		19,955		
Balance Before Adjustments			\$	23,793,493
Adjustments:				
Balances maintained for the State of New Jersey				8,185,676
Reserve for Uncollectible Accounts and Adjustments				6,000,000
Balance, December 31, 2007 - Net			\$	9,607,817

ANALYSIS OF COLLECTIONS

Collected by:				
Runnells Specialized Hospital-General Fund	\$	31,037,432		
Peer Grouping		2,237,396		
Social Security Direct Deposit		917,240		
Collections - Net			\$	34,192,068

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF EXPENDITURES - 2006 BUDGET

JANUARY 1, 2007 TO DECEMBER 31, 2007

	BUDGET AFTER MODIFICATION AND CANCELLATIONS	DISBURSED BY COUNTY IN 2007	COMMITMENTS PAYABLE DECEMBER 31, 2007	RESERVE OR (DEFICIT)
<u>SALARIES AND WAGES</u>				
Office of Director	\$ 1,260,807.00	\$ 754,627.60		\$ 506,179.40
Telephone and Mail	67,874.00	69,724.55		(1,850.55)
Ancillary Services	242,945.00	270,104.94		(27,159.94)
Medical Services	798,811.00	746,784.04		52,026.96
Utilization Review	191,057.00	192,869.40		(1,812.40)
Medical Records	740,464.00	587,732.61		152,731.39
Clinic	120,713.00	118,452.74		2,260.26
Nursing Services	1,704,402.00	1,595,016.46		109,385.54
Registered Nurses	4,713,836.00	4,685,221.32		28,614.68
Practical Nurses	3,309,103.00	3,450,489.06		(141,386.06)
Institutional Attendants	7,424,282.00	7,544,359.63		(120,077.63)
Unit Clerks	-	118,746.14		(118,746.14)
Patient Transportation	217,077.00	247,124.62		(30,047.62)
Finance	953,601.00	1,042,691.30		(89,090.30)
Patient Accounts	279,637.00	280,017.45		(380.45)
Data Processing	56,681.00	55,920.20		760.80
Material Management	250,473.00	249,488.09		984.91
Admitting	82,430.00	74,782.41		7,647.59
Professional- Support Services	169,227.00	168,937.75		289.25
Volunteers	120,206.00	95,269.41		24,936.59
Physical Therapy	494,883.00	472,116.81		22,766.19
Occupational Therapy	204,756.00	210,130.84		(5,374.84)
Dietary	2,342,167.00	2,392,565.47		(50,398.47)
Immunization Clinic	83,031.00	98,100.32		(15,069.32)
Social Services	918,929.00	908,108.66		10,820.34
Activities Therapy	790,511.00	709,735.25		80,775.75
Laundry	402,898.00	453,808.39		(50,910.39)
Housekeeping	1,586,473.00	1,638,535.10		(52,062.10)
Maintenance	695,487.00	695,618.20		(131.20)
Engineering	411,919.00	416,600.44		(4,681.44)
<u>TOTAL SALARIES AND WAGES</u>	<u>\$ 30,634,680.00</u>	<u>\$ 30,343,679.20</u>		<u>\$ 291,000.80</u>
<u>OTHER EXPENSES</u>				
Office of Director	\$ 352,700.00	\$ 250,294.19	\$ 45,684.00	\$ 56,721.81
Personnel	11,950.00	8,527.20	654.41	2,768.39
Security	359,950.00	335,372.39	31,182.80	(6,605.19)
Telephone and Mail	23,750.00	14,090.64	883.81	8,775.55
Ancillary Services	7,860.00	4,515.21	536.80	2,807.99
Public Relations and Marketing	354,150.00	126,868.10	35,101.37	192,180.53
Medical Services	376,370.00	301,223.22	38,583.36	36,563.42
Utilization Review	25,525.00	15,276.81	1,541.03	8,707.16
Medical Records	40,150.00	35,208.49	8,827.15	(3,885.64)
Physical Medicine and Rehabilitation	725.00	-	-	725.00
Cornerstone Psychology	361,200.00	310,374.43	28,728.74	22,096.83
Clinic	4,135.00	14,092.56	61.57	(10,019.13)
Nursing Services	67,800.00	50,975.20	1,866.15	14,958.65
Registered Nurses	76,250.00	49,266.64	-	26,983.36
Practical Nursing	32,850.00	25,081.56	-	7,768.44
Institutional Attendants	73,000.00	64,069.26	90.00	8,840.74
Respiratory Therapy	95,600.00	85,743.45	9,448.54	408.01
Staff Development	31,250.00	30,047.00	2,199.01	(996.01)
Patient Transportation	89,600.00	170,459.01	20,384.64	(101,243.65)
Finance	39,500.00	55,868.56	2,832.26	(19,200.82)
Patient Accounts	2,500.00	660.95	113.78	1,725.27

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF EXPENDITURES - 2006 BUDGET

JANUARY 1, 2007 TO DECEMBER 31, 2007

	<u>BUDGET AFTER MODIFICATION AND CANCELLATIONS</u>	<u>DISBURSED BY COUNTY IN 2007</u>	<u>COMMITMENTS PAYABLE DECEMBER 31, 2007</u>	<u>RESERVE OR (DEFICIT)</u>
<u>OTHER EXPENSES (CONTINUED)</u>				
Data Processing	\$ 40,500.00	\$ 24,221.76	\$ 6,598.63	\$ 9,679.61
Material Management	703,400.00	621,454.21	110,029.05	(28,083.26)
Admitting	5,425.00	5,314.35	68.95	41.70
Professionalism- Support Services	107,800.00	104,724.56	21,224.76	(18,149.32)
Volunteers	16,370.00	10,309.99	1,991.65	4,068.36
Physical Therapy	588,324.00	430,436.49	63,389.67	94,497.84
Occupational Therapy	849,690.00	794,872.95	80,867.23	(26,050.18)
Dietary	1,295,416.00	1,144,893.39	90,654.30	59,868.31
Pharmacy	1,165,000.00	1,143,245.21	246,889.02	(225,134.23)
Immunization Clinic	9,395.00	5,981.73	331.13	3,082.14
Radiology	50,000.00	46,840.00	13,160.00	(10,000.00)
Social Services	17,100.00	7,191.55	1,077.97	8,830.48
Activities Therapy	32,330.00	17,639.36	2,456.87	12,233.77
Laboratory	110,000.00	103,546.78	21,284.74	(14,831.52)
Laundry	128,125.00	214,703.01	32,421.81	(118,999.82)
Housekeeping	104,880.00	103,473.01	29,047.08	(27,640.09)
Maintenance	203,400.00	126,461.28	28,289.05	48,649.67
Power Plant	61,720.00	28,507.79	15,008.13	18,204.08
Grounds	195,000.00	164,635.99	26,679.34	3,684.67
<u>TOTAL OTHER EXPENSES</u>	<u>\$ 8,110,690.00</u>	<u>\$ 7,046,468.28</u>	<u>\$ 1,020,188.80</u>	<u>\$ 44,032.92</u>
<u>TOTAL OPERATIONS</u>	<u>\$ 38,745,370.00</u>	<u>\$ 37,390,147.48</u>	<u>\$ 1,020,188.80</u>	<u>\$ 335,033.72</u>
Revenue:				
2007 Charges for Patients Services - Net	\$ 39,290,213.00			
Miscellaneous	176,833.00			
State of New Jersey - Peer Grouping	2,237,396.00			
		<u>\$ 41,704,442.00</u>		
Less:				
2007 Budget Expenditures:				
Disbursed by County in 2007	\$ 37,390,147.48			
Commitments Payable, December 31, 2007	1,020,188.80			
		<u>38,410,336.28</u>		
Excess Revenue		<u>\$ 3,294,105.72</u>		

Note: The above does not include other costs and services provided by the County of Union and charged to other County appropriations.



SCHEDULE 8

RUNNELLS SPECIALIZED HOSPITAL OF UNION COUNTY

SCHEDULE OF 2006 APPROPRIATION RESERVES

	<u>SALARIES AND WAGES</u>	<u>OTHER EXPENSES</u>
Balance, December 31, 2006:		
Commitments Payable	\$ -0-	\$ 1,189,715
Reserved	73,220	34,183
	<u>\$ 73,220</u>	<u>\$ 1,223,898</u>
Transfers	(68,000)	-
Balance After Transfers	<u>\$ 5,220</u>	<u>\$ 1,223,898</u>
Expended:		
By Cash (net)	\$ -	(833,969)
By Accounts Payable	-	(17,750)
Balance Lapsed	<u>\$ 5,220</u>	<u>\$ 372,179</u>