

CAMDEN COUNTY HEALTH SERVICES CENTER
FINANCIAL STATEMENTS
FOR THE YEARS 2009 AND 2008



**CAMDEN COUNTY HEALTH SERVICES CENTER
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INDEPENDENT AUDITORS' REPORT

Board of Managers

Camden County Health Services Center

We have audited the accompanying balance sheets of Camden County Health Services Center, a component unit of the County of Camden, New Jersey, as of December 31, 2009 and 2008, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of Camden County Health Services Center. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 Camden County Health Services Center as of December 31, 2009 and 2008 and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2010 on our consideration of Camden County Health Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and all 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Bowman & Company LLP
Bowman & Company LLP
Certified Public Accountants

Woodbury, New Jersey
October 19, 2010



Camden County Health Services Center

www.cchsc.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Camden County Health Services Center's financial performance provides an overall review of the Center's financial activities for the year ended December 31, 2009 and 2008. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the financial statements and the related footnote disclosures to enhance their understanding of the Center's financial performance and status.

Overview of the Financial Statements

This report contains management's discussion and analysis of the Center's position at December 31, 2009 and 2008, the basic financial statements with the accompanying note disclosures and other supplementary information.

The financial statements prescribed by the Governmental Accounting Standards Board (GASB) statement 34 are as follows:

- The Balance Sheet
- The Statement of Revenue, Expenses and Changes in Net Assets; and
- The Statement of Cash Flows

All statements are prepared using the accrual basis of accounting, which conforms to generally accepted accounting principles and is similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Balance Sheet

The Balance Sheet includes all assets, liabilities and net assets of the Center as a whole. Current assets are distinguished from non-current assets. Liabilities are also distinguished between current (short term) and non-current (long term). Net assets are displayed as (A) amounts invested in capital assets (net of debt), (B) restricted assets, and (C) unrestricted asset balances. This statement shown in comparison with last year is summarized in the following schedule:

Balance Sheets as of December 31			
(In thousands)			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
<i><u>Assets</u></i>			
Current Assets	12,083	9,227	7,020
Non-Current Assets	23,199	30,825	35,896
Total Assets	<u>35,282</u>	<u>40,052</u>	<u>42,916</u>
<i><u>Liabilities</u></i>			
Current Liabilities	10,626	11,180	9,310
Non-Current Liabilities	29,804	27,188	27,718
Total Liabilities	<u>40,430</u>	<u>38,368</u>	<u>37,028</u>
<i><u>Net Assets</u></i>			
Investment in Capital Assets	(2,259)	(2,601)	(3,297)
Restricted	513	573	600
Unrestricted	(3,402)	3,712	8,585
Total Net Assets	<u>(5,148)</u>	<u>1,684</u>	<u>5,888</u>
<i>Total Liabilities and Net Assets</i>	<u>35,282</u>	<u>40,052</u>	<u>42,916</u>

Current assets increased 31% from 2008. The Center experienced an increase of approximately \$2.9 million or 176% in current cash and cash equivalents. The majority increase can be attributed to the reclassification of the Debt Service Fund from a Non-current asset to a Current asset. This was Board approved in July 2009 by resolution removing the designation and will be further used for operations. In 2008, Current assets increased by 31.4%. The increase was due to the timing of the transfer of funds from the Debt Service Fund into the Payroll account in anticipation of the Center's payroll obligation which occurred within two days of the close of the year; thereby shifting balances out of Non-current assets and into Current assets. Also having a material impact on the Center's current cash and cash equivalents is the non-current estimated third party payor settlements receivable in the amount of \$1,297,360. This receivable relates to the Center's behavioral health operations and represents the estimated cash due to the 2008 under-collection of allowed costs. The cash is due to be received in calendar year 2010. Cash disbursements for payments on the Center's long-term capital lease obligation decreased approximately \$54,000 in 2009 and \$74,000 in 2008 and disbursements for the acquisition of capital items decreased approximately \$771,000 in 2009 after increasing approximately

\$521,000 in 2008. Cash receipts on behalf of residents and patients increased approximately \$1.3 million in 2009. Cash receipts on behalf of residents and patients increased approximately \$6.4 million in 2008. These increases were directly attributable to increases in per diem rates received by the Center's funding sources.

Another component of current assets, "Estimated third party payor settlements receivable," decreased in 2009 by 14% and increased in 2008 by 57%. This receivable includes the current amount due from the Behavioral Health (Psychiatric Hospital) 90/10 State Aid Program. The current receivable for the State Aid Program has changed from \$395,000 in 2007 to \$1,685,793 in 2008 to \$1,488,895 at December 31, 2009 (See Note 5 to the financial statements).

Non-current assets decreased by 25% from the prior year. As mentioned above, this is primarily due to the Board approved reclassification of the Debt Service Fund. Also contributing to this decline was the decreases in net property and equipment of \$1,459,000 in 2009 and \$678,000 in 2008 due to the net effect of annual depreciation and the purchase and retirement of capital equipment and improvements.

Despite the overall decrease in non-current assets, long term receivables due from third party payors decreased by \$1,025,000 and increased by \$325,000 in 2008. Increases or decreases to this particular receivable are directly related to the difference between program costs and the amount the Center was actually paid during the current year. The increases stem mainly from the decrease in billable days in the Behavioral Healthcare program. Because of a decrease in census, the program could not bill enough days in the program to sufficiently recoup its costs at the computed daily rate for 2009 and 2008. The result is costs not reimbursed during the year become a long term receivable or what is known as a "carry-forward" to be reimbursed in future years. Due to the Center's current cash constraints, discussions are now underway with the State's 85/15 program. The objective of these discussions is to demonstrate the Center's need for immediate reimbursement instead of the customary two year carry-forward.

Current liabilities include payables due within the next year, deferred revenue and patient funds on deposit. Total current liabilities decreased by 5%. In addition, accounts payable to vendors increased by \$435,147. The short term payable includes \$512,734 to be reimbursed to the state of New Jersey in relation to the Behavioral Health program as well as amounts due to Medicare based on the cost report for calendar year ended December 31, 2009. In addition \$3,884 is due to Medicaid as a result of a rate adjustment. (See note 10 to the financial statements.)

Non-current liabilities consist of the capital lease obligation; amounts accrued for compensated absences, estimated amounts due to third party payors, and net other post employment benefits obligation (GASB 45). In 2009, total non-current liabilities increased by approximately \$2,600,000 after they decreased by approximately \$530,000 in 2008. The increase in 2009 can be mainly attributed to the net other post employment benefits obligation. The actuarial estimated obligation rose from \$2,900,000 in 2008 to \$7,352,200 in 2009 which is detailed in Note 12 of the financial statements.

The final component of the Balance Sheet is net assets. Net assets are similar to the Center's previous fund balances and include various categories. Invested in capital assets net of related debt reflects the Center's investment in capital assets net of debt still outstanding that was used to acquire or construct those assets. Other net assets are categorized as either restricted or unrestricted based upon whether there are externally imposed constraints imposed upon their use. Net assets that do not meet the definition of "restricted" or "invested in capital assets" are considered unrestricted. The various components of the net assets are as follows:

Detail of Net Assets

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Investment in Capital Assets</u>			
Investment in property, plant & equipment, net of accumulated depreciation	21,586,546	23,045,888	23,723,794
Deferred charges, net of amortization	363,591	396,375	430,384
Bond proceeds in escrow	3,314	23,889	482,017
Capital lease obligation	<u>(22,369,105)</u>	<u>(24,212,512)</u>	<u>(26,066,605)</u>
	(415,654)	(746,360)	(1,430,410)
<u>Restricted Net Assets</u>			
Behavioral Health Services Trust Fund balance	513,297	573,465	599,452
<u>Unrestricted Net Assets</u>			
Current fund balance	<u>(3,402,581)</u>	<u>3,711,630</u>	<u>8,585,298</u>
	<u><u>(3,304,938)</u></u>	<u><u>3,538,735</u></u>	<u><u>7,754,340</u></u>

The negative balance of Investment in Capital Assets Net of Related Debt as of December 2009 will be eliminated during the life of the May 2003 debt restructuring. The short term negative balance resulted from the excess of accumulated depreciation on property, plant and equipment over the amount of principal paid on the capital lease obligation for each of the seven preceding years. The following chart illustrates the depreciation vs. principal payments on debt from 1999 to 2009. While the Board has funded the depreciation to provide for future capital improvements, the cash flow requirements of the Center have necessitated the Board to formally remove its prior restrictions on the use of these funds in order that they be available to support the operational needs of the Center. (See Note 6 to the financial statements)



Statement of Revenue, Expenses and Changes in Net Assets

The following schedule summarizes the Center's Statement of Revenue, Expenses and Changes in Net Assets with the variances from the prior year:

Statement of Revenue, Expenses and Changes in Net Assets For the Year Ended December 31 (In thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<i><u>Operating revenues:</u></i>			
Net patient services	67,751	64,384	61,834
Training grant	261	280	164
County cash subsidy	584	-	-
Other revenue	381	410	356
Total operating revenues	<u>68,977</u>	<u>65,074</u>	<u>62,354</u>
<i><u>Operating expenses:</u></i>			
Salaries, wages and benefits, exclusive of postemployment healthcare benefits expense	45,085	43,063	40,199
Postemployment healthcare benefits expense	4,452*	1,400*	1,500*
Total salaries, wages, and benefits	49,537	44,463	41,699
Purchased services	14,211	12,936	11,976
Pharmaceuticals and supplies	6,042	6,196	5,837
Utilities	1,469	1,470	1,389
Insurance	768	660	922
Other expenses	632	696	465
Depreciation and amortization	2,028	2,020	1,964
Interest	1,214	1,140	1,202
Total operating expenses	<u>75,901</u>	<u>69,581</u>	<u>65,454</u>
Operating income (loss)	<u>(6,924)</u>	<u>(4,507)</u>	<u>(3,100)</u>
<i><u>Non-Operating revenue (expense)</u></i>			
County - grants to others	(413)	(537)	(527)
Net Payments from (to) County for allocated costs	149	685	829
Interest income	23	156	427
Net non-operating revenue	<u>(241)</u>	<u>304</u>	<u>729</u>
Excess of revenues over expenses before capital contributions	<u>(7,165)</u>	<u>(4,203)</u>	<u>(2,371)</u>
Contributions of capital assets from Camden County	332	-	-
Change in net assets	<u>(6,833)</u>	<u>(4,203)</u>	<u>(2,371)</u>
Net Assets - beginning of year	1,684	5,887	8,258
Net Assets - end of year	<u>(5,149)</u>	<u>1,684</u>	<u>5,887</u>

*See footnote 12 for details regarding the impact of GASB 45

Operating revenue increased 6.0% and 4.4% in 2009 and 2008, respectively, and includes a 5.2% and 4.1% increase in net patient service revenue. There was an increase of 4% in the Nursing Facility daily room and board charge. However, the Medicaid per diem reimbursement rate for the nursing center remained constant. The Psychiatric Program per diem interim reimbursement rate for psychiatric services increased 19% over 2008 due to program enhancements which were approved during the rate setting process.

The Center's in-house patient census decreased in both facilities as compared to 2008. The current year Nursing Facility (LTC) billed days were down by 1,667, for a decrease of 1.5%. The Psychiatric Hospital (BHS) census saw an overall decrease of 4%. Slightly more than 50% of the 2,109 decrease in days was due to the closing of the Center's Community Adjustment Program in August 2009. The hospital (BHS) experienced a decrease of 1,012 days, or 2% under 2008.

Operating expenses increased by 9.1% and 6.3% in 2009 and 2008, respectively. The increase is attributable to a rise in the Center's salaries, employee health insurance and other fringe benefits of \$2 million in 2009 and \$2.8 million in 2008. In addition, in 2009 purchased services increased \$1.3 million or approximately 10%. As discussed in Note 9 of the financial statements, the Center completed a restructuring of its debt in conjunction with its long term capital lease. The 5.2% decrease in 2008 for interest expense is reflective of the Center's obligation to service debt relating to the 2003 advanced refunding. The 6.5% increase in 2009 is the net of a decrease of \$42,000 relating to the capital lease obligation and \$116,000 of interest expense incurred in relation to the Center's pension obligation.

2010 Budget and Other Future Considerations

As the gap between the Center's Long Term Care Medicaid rate and expenses widen, the necessity of increased funding is pressing. In a strong effort to curtail the effects of its negative bottom line and diminishing cash reserves, the Center has engaged State and County officials in dialogue with the intent of obtaining much needed assistance.

As discussed in Note 6 of the financial statements, it has been the practice of the Center to fund a separate bank account with the intent of funding capital equipment and building improvements. This account has been successfully used as designed for many years. However, as cash requirements increasingly burden the Center's reserves, the Board of Managers agreed in 2008 to allow the Capital Improvements Fund to be used to supplement operational cash needs. Because of the current operating loss and projected future losses, the Board of Managers approved by resolution in July 2009, to remove previous restrictions from the account. Going forward, the funds will be utilized for operational expenses as needed.

As the facility ages, the Center must replace or upgrade equipment and fixtures as well as undertake various building improvements. Because the Center must now use funds formerly earmarked for capital improvements for daily operations, capital needs can no longer be funded. To alleviate this matter, the County has agreed to fund the Center's capital purchases for next year. In 2009 and 2008 the County has budgeted to fund acquisitions on behalf of the Center in the amount of \$700,000 and \$871,000, respectively.

The \$75.6 million, 2010 cash expenditure budget approved by the Board of Managers represents a 5.7% increase over the 2009 forecast budget.

Total revenue has been budgeted at \$72.4 million, representing a 4.5% increase over 2009. Occupancy was budgeted at 92% and 97% respectively, for the Psychiatric hospital and Long Term Care facility. The 2010 projection assumes reimbursement formulas for all programs will remain consistent with the prior year.

CAMDEN COUNTY HEALTH SERVICES CENTER
Balance Sheets
As of December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents, including patient funds of \$319,448 in 2009 and \$466,825 in 2008	\$ 4,552,083	\$ 1,645,901
Patient accounts receivable, net of estimated uncollectibles of \$1,052,250 in 2009 and \$951,129 in 2008	5,010,859	4,300,462
Estimated third-party payor settlements receivable	1,734,340	2,027,280
Due from Camden County	91,240	119,036
Inventory	392,697	331,542
Other current assets	<u>302,109</u>	<u>802,601</u>
Total current assets	<u>12,083,328</u>	<u>9,226,822</u>
Assets limited as to use		
Internally designated	445,955	5,444,894
Capital lease proceeds held in escrow	3,314	23,889
By State of New Jersey for behavioral health services	<u>527,084</u>	<u>617,075</u>
Total assets limited as to use	<u>976,353</u>	<u>6,085,858</u>
Property and equipment, net	<u>21,586,546</u>	<u>23,045,888</u>
Estimated third-party payor settlements receivable	<u>271,880</u>	<u>1,297,360</u>
Deferred financing costs, net of accumulated amortization of \$245,360 in 2009 and \$212,576 in 2008	<u>363,591</u>	<u>396,375</u>
	<u>\$ 35,281,698</u>	<u>\$ 40,052,303</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 4,022,401	\$ 3,587,254
Employee compensation and related benefit liabilities	2,878,976	2,628,499
Compensated absences, current portion	1,025,397	930,368
Patient funds on deposit	319,448	466,825
Current portion of capital lease obligations	1,843,407	1,854,093
Estimated due to third-party payors	<u>535,969</u>	<u>1,712,675</u>
Total current liabilities	10,625,598	11,179,714
Capital lease obligation, net of current portion	22,369,105	24,212,512
Compensated absences, net of current portion	83,140	75,435
Net other post-employment benefits obligation	<u>7,352,200</u>	<u>2,900,000</u>
Total liabilities	<u>40,430,043</u>	<u>38,367,661</u>
Net assets (deficit)		
Invested in capital assets, including costs to be recovered from future revenue, net of related debt	<u>(2,259,061)</u>	<u>(2,600,453)</u>
Restricted for behavioral health services	<u>513,297</u>	<u>573,465</u>
Unrestricted		
Deficit in net assets attributable to post-employment healthcare benefits	(7,352,200)	(2,900,000)
Other unrestricted net assets	<u>3,949,619</u>	<u>6,611,630</u>
Total unrestricted net assets (deficit)	<u>(3,402,581)</u>	<u>3,711,630</u>
Total net assets	<u>(5,148,345)</u>	<u>1,684,642</u>
	<u>\$ 35,281,698</u>	<u>\$ 40,052,303</u>

The accompanying notes are an integral part of the financial statements.

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CAMDEN COUNTY HEALTH SERVICES CENTER
Statements of Revenue, Expenses, and Changes in Net Assets
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Net patient service revenue	\$ 67,750,511	\$ 64,384,470
County cash subsidy	583,879	-
Training grant revenue	260,969	279,514
Other revenue	<u>381,153</u>	<u>409,823</u>
Total revenue	<u>68,976,512</u>	<u>65,073,807</u>
Expenses		
Salaries, wages, and benefits, exclusive of postemployment healthcare benefits expense	45,085,125	43,062,625
Postemployment health care benefits expense	<u>4,452,200</u> *	<u>1,400,000</u> *
Total salaries, wages, and benefits	49,537,325	44,462,625
Purchased services	14,210,626	12,935,902
Pharmaceuticals and supplies	6,041,813	6,196,496
Utilities	1,469,179	1,469,567
Insurance	767,596	660,146
Other expenses	631,999	695,854
Depreciation and amortization	2,028,262	2,020,110
Interest	<u>1,214,140</u>	<u>1,139,802</u>
Total expenses	<u>75,900,940</u>	<u>69,580,502</u>
Operating loss	<u>(6,924,428)</u>	<u>(4,506,695)</u>
Nonoperating revenue (expense)		
County of Camden peer grouping grants to others	(413,190)	(536,865)
Net amount received from Camden County for allocated costs	148,764	684,450
Interest income	21,676	144,301
Interest income earned on behavioral health services	<u>1,957</u>	<u>11,929</u>
Net nonoperating revenue (expense)	<u>(240,793)</u>	<u>303,815</u>
Deficit of revenues over expenses before capital contributions	(7,165,221)	(4,202,880)
Contributions of capital assets from Camden County	<u>332,234</u>	<u>-</u>
Change in net assets	(6,832,987)	(4,202,880)
Net assets - beginning of year	<u>1,684,642</u>	<u>5,887,522</u>
Net assets - end of year	<u>\$ (5,148,345)</u>	<u>\$ 1,684,642</u>

* The expense of \$4,452,200 and \$1,400,000 for the years ended December 31, 2009 and 2008, respectively, represents amounts in excess of pay-as-you-go funding for post-employment health care benefits related to the implementation of GASB 45 in 2007.

The accompanying notes are an integral part of the financial statements.

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CAMDEN COUNTY HEALTH SERVICES CENTER
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 62,335,383	\$ 61,040,060
Receipts from the County of Camden	5,450,773	4,159,147
Other operating cash receipts	321,753	331,223
Cash payments to employees for services	(32,350,633)	(31,090,410)
Cash payments to suppliers for goods and services	<u>(34,562,298)</u>	<u>(33,356,697)</u>
Net cash provided by operating activities	<u>1,194,978</u>	<u>1,083,323</u>
Cash flows from capital and related financing activities		
Principal payments on capital leases	(1,915,000)	(1,930,000)
Interest paid on long-term debt	(1,037,298)	(1,076,620)
Contributions of capital assets from Camden County	332,234	-
Purchase of property and equipment	<u>(537,444)</u>	<u>(1,308,195)</u>
Net cash used in capital and related financing activities	<u>(3,157,508)</u>	<u>(4,314,815)</u>
Cash flows from investing activities		
Interest income	<u>23,633</u>	<u>156,231</u>
Net cash provided by investing activities	<u>23,633</u>	<u>156,231</u>
Cash flows from noncapital financing activities		
Funding of peer grouping obligation	(413,190)	(536,865)
Net amount received from Camden County for allocated costs	<u>148,764</u>	<u>684,450</u>
Net cash provided by (used in) noncapital financing activities	<u>(264,426)</u>	<u>147,585</u>
Net decrease in cash and cash equivalents	(2,203,323)	(2,927,676)
Cash and cash equivalents - beginning	<u>7,731,759</u>	<u>10,659,435</u>
Cash and cash equivalents - ending	<u><u>\$ 5,528,436</u></u>	<u><u>\$ 7,731,759</u></u>

The accompanying notes are an integral part of the financial statements.

CAMDEN COUNTY HEALTH SERVICES CENTER
Statements of Cash Flows (continued)
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Operating loss	\$ (6,924,428)	\$ (4,506,695)
Interest expense considered capital financing activity	1,037,298	1,076,620
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	2,090,477	2,083,292
Provision for estimated uncollectible accounts receivable	101,121	(119,334)
(Increase) decrease in assets		
Patient accounts receivable	(811,518)	270,982
Estimated third-party payor settlements receivable - current	292,940	(734,928)
Due from Camden County	27,796	-
Inventory	(61,155)	(68,923)
Other current assets	500,492	(330,194)
Estimated third-party payor settlements receivable - non-current	1,025,480	325,354
Increase (decrease) in liabilities		
Accounts payable	435,147	791,379
Employee compensation & related benefit liabilities	250,477	(340,189)
Due to Camden County	-	(186,830)
Compensated absences	102,734	7,645
Patient funds on deposit	(147,377)	73,545
Estimated due to third-party payors	(1,176,706)	1,341,599
Net other post-employment benefits obligation	4,452,200	1,400,000
Net cash provided by operating activities	<u>\$ 1,194,978</u>	<u>\$ 1,083,323</u>

Reconciliation of Cash and Cash Equivalents to the Balance Sheets

Cash and cash equivalents in current assets	\$ 4,552,083	\$ 1,645,901
Cash and cash equivalents in assets limited as to use	<u>976,353</u>	<u>6,085,858</u>
Total cash and cash equivalents	<u>\$ 5,528,436</u>	<u>\$ 7,731,759</u>

The accompanying notes are an integral part of the financial statements.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements

Note 1: REPORTING ENTITY

Camden County Health Services Center (the "Center") is an operating entity, which was established by the Board of Chosen Freeholders of the County of Camden, New Jersey (the "County") by resolution on October 27, 1988, and consists of a behavioral health care facility and a long-term care facility. A majority of the patients served represent Camden County residents.

N.J.S. 30:9-12.1 provides authority for the Board of Chosen Freeholders in a county with a population of more than 500,000 to establish a hospital for the sick, disabled, aged, mentally ill, and persons suffering from communicable diseases. The County is responsible for purchasing, leasing and acquiring property, erecting buildings, and making alterations subject to the approval of the Department of Health. In addition, the County is responsible for the appropriation of monies and borrowing and issuing of obligations for the purpose of construction and/or renovations deemed necessary for the Center's continued operation.

In accordance with N.J.S. 30:9-12.2, the Board of Chosen Freeholders adopted a resolution on October 27, 1988 establishing a Board of Managers, which became responsible for the daily operations of the Center as of January 1, 1989. The duties of the Board of Managers include, but are not limited to: operation of the long-term care, medical day care, and psychiatric facilities; compliance with standards and requirements of all state and federal regulatory agencies and the Joint Commission for the Accreditation of Health Care Organizations; management of the physical plant and grounds; personnel/employment relations including contract negotiations; budgeting; strategic planning; establishment of banking relationships; and funding and allocation of peer grouping funds on behalf of the County of Camden. The Board of Managers is required to report quarterly to the Board of Chosen Freeholders concerning the operations of the Center.

The Center is a component unit of the County and is includable in the basic financial statements of the County in accordance with accounting principles generally accepted in the United States of America applicable to government entities.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Center have been prepared in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit and accounting guide for health care organizations and in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Propriety Fund Accounting, the Center applies authoritative U.S. accounting and reporting standards for nongovernmental entities issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant of the Center's accounting policies are described below.

Operating income – The Center distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expense generally result from the primary purpose of the Center, which is to provide various healthcare services to the region. Operating revenue consists of net patient services, County subsidies and grants, and other miscellaneous services. Operating expenses consist of salaries and benefits, medical supplies, depreciation of property and equipment, professional fees, bad debt, interest expense, and other overhead costs. All revenue and expenses not meeting these criteria are considered nonoperating.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents on the balance sheet include all bank deposits, exclusive of amounts limited as to use by board designation. For purposes of the statement of cash flows, all cash and cash equivalents are included, regardless of any restrictions or designations on use.

New Jersey local units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 40A:5-15.1 provides a list of permissible investments that may be purchased which include, but are not limited to bonds or other obligations of, or guaranteed by, the United States of America, government market mutual funds, bonds or other obligations of the local unit, and deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977,c.281.

The Center has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Patient accounts receivable – Patient accounts receivable are recorded at amounts billed less an allowance for estimated uncollectibles. The Center records a provision for estimated uncollectible accounts when, through a review of patient records, it appears that sources of payments will not be available to satisfy the charges to the patient. Delinquent accounts receivable are charged against the allowance when all attempts at collection have been exhausted. The amount of the allowance for estimated uncollectibles is a significant estimate used in preparing these financial statements, and it is at least reasonably possible that the amount of the estimate will change within the next year.

Inventory - Inventories, consisting of pharmaceutical, medical, dietary, and general supplies, are stated at the lower of cost or market, cost being determined primarily using the first-in, first-out method.

Assets limited as to use - Assets limited as to use includes assets designated by the governing board and assets externally restricted (restricted assets). The Board retains control over designated assets and may, at its discretion, subsequently use them for other purposes. Internally designated assets limited as to use consist of: cash set aside by the Board of Managers for future capital improvements/capital debt; a peer grouping fund administered on behalf of the County of Camden; cash set aside by the Board of Managers for use in paying insurance deductibles; and a patient needs fund maintained by the Center which is funded by various donors for the purchase of items considered necessary in patient care or beneficial to patient well-being. Designation of capital improvements/capital debt cash was formally removed by Board resolution in July 2009. Externally restricted assets limited as to use include escrowed funds for capital improvements and restricted funding received from the State of New Jersey, which is restricted for use to benefit of psychiatric care at the behavioral health care division.

Property and equipment - Property and equipment is stated at cost. When property and equipment is retired or otherwise disposed of, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference, less any amount realized from disposition, is charged or credited to income.

Major additions and betterments are charged to property and equipment accounts while replacements, maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred.

Depreciation of property and equipment is provided using the straight-line method based upon the estimated useful lives of the assets. Generally, the estimated useful lives of buildings, building improvements, and land improvements are 25 to 40 years; furniture and fixtures are 7 to 10 years; major movable equipment is five to 10 years; and office and computer equipment is 3 to 7 years. Buildings, land improvements, and equipment under capital leases are amortized on the straight-line method over the estimated useful life of the assets. Such amortization expense is included in depreciation and amortization in the financial statements.

The Board of Managers of the Center has been authorized and directed by resolution of the Board of Chosen Freeholders of the County of Camden to utilize and maintain certain property in the furtherance of the Center's operating purposes. Upon dissolution of the Board of Managers of the Center, all assets of the Center revert back to the County of Camden.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred financing costs – The costs associated with the issuance of the capital lease are being amortized over the term of the capital lease, using the principal outstanding method.

Compensated absences - Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Center and applicable collective bargaining agreements. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to accrued vacation leave upon termination. Sick leave generally vests after 25 years of service. Vested compensated absences are recorded as accrued expenses in the financial statements.

Net assets – In accordance with the provisions of Statement No. 34 (“Statement 34”) of the Governmental Accounting Standards Board “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, the corporation has classified its net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation, and unamortized debt acquisition costs, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definitions of “restricted” or “invested in capital assets, net of related debt.”

In 1989, the Center received grant funding through legislation which contained an allocation formula which resulted in the County being distributed the sum of \$1,905,000 for the benefit of psychiatric care at the behavioral health care division. This state aid, and investment income earned thereon, is accounted for as restricted net assets as it is to be used solely to upgrade direct-care staff, undertake capital improvements, and purchase required equipment related to the behavioral health care division. The related cash account is included in assets limited as to use.

The Center’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Net patient service revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The amounts of estimated third-party settlements are significant estimates used in preparing these financial statements, and it is at least reasonably possible that the amount of the estimates will change within the next year.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes - The Center is a semi-autonomous agency of the Board of Chosen Freeholders of the County of Camden which is a governmental entity exempt from federal and state income taxes pursuant to Section 115 of the Internal Revenue Code and accordingly, does not record a provision for federal or state income taxes in the financial statements.

Reclassifications – Certain reclassifications have been made to the financial statements for the year ended December 31, 2008 to conform to the presentation of the current year.

Note 3: NET PATIENT SERVICE REVENUE

The Center is approved for participation in the Medicare/Medicaid programs and has agreements with other third-party payors for participation. A summary of the current payment arrangements with major third-party payors is as follows:

State Aid - Inpatient psychiatric services rendered to State Aid program beneficiaries are reimbursed at a per-diem rate based upon the actual costs of the program two years prior, adjusted for inflation for the interim two-year period. The final settlement for each cost reporting year is based upon the audit of the Center's annual cost report. Any amount determined to be due to or from the payor source is utilized in the calculation of second subsequent year's per-diem rate calculations.

Medicare - Inpatient psychiatric hospital services rendered to Medicare beneficiaries were previously reimbursed at an interim per-diem rate set by the intermediary. The final reimbursement was determined upon an audit of the Center's annual cost report, and any amounts determined to be due to or from the payor, in accordance with the applicable regulations, were payable upon the acceptance of the intermediary audit at final settlement.

Beginning in 2005, the Prospective Payment System (PPS) methodology is applicable to inpatient psychiatric hospital services based on a four-year phase in. Under PPS, standardized reimbursement rates are utilized for each Medicare patient day, based on a methodology utilized by the program which incorporates factors such as geographical location, date of service, and level of care deemed required by the patient. The reimbursement rate for 2007 is 75% of the PPS rate and 25% of the per-diem rate described above. The transition to 100% PPS was completed in 2008.

PPS is also the Medicare reimbursement methodology utilized for payment for skilled nursing services provided to Medicare Part A eligible patients.

Medicaid - Inpatient hospital services rendered to Medicaid beneficiaries are reimbursed in a manner similar to Medicare beneficiaries, except in accordance with Medicaid reimbursement regulations. Inpatient skilled nursing services rendered to Medicaid beneficiaries are reimbursed at a per-diem rate established by the Cost Accounting and Rate Evaluation (CARE) program based upon the annual submission of the CARE report. The CARE reports are subject to audit, and recovery from the Center, if any, is based upon the final audit adjustments.

Other commercial insurance - The Center has agreements with certain commercial insurers to accept predetermined, all-inclusive per-diem rates, as opposed to the Center's prevailing fee schedules.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 3: NET PATIENT SERVICE REVENUE (continued)

Other municipal, county, and state programs - The Center also accepts clients under various other funding agreements with municipalities, counties and through other state programs. The Center utilizes various per-diem rates in accordance with agreements that have been reached with these agencies.

Revenues based on cost reimbursement principles are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, negative retroactive adjustments, if any, would not be material to the financial position or results of operations of the Center. Differences between estimated and final settlements are recorded in the year of settlement. Net patient service revenue for both 2009 and 2008 includes adjustments of prior year estimates.

In 2009, preliminary settlements of Medicare and Medicaid cost reports for 2008 resulted in positive adjustments of \$71,866 and \$347,079, respectively. Additionally, as a result of an audit of the 2003 and 2004 Medicaid program, it was calculated that the Center was due \$3,820 and \$100,069, respectively.

In 2008, positive adjustments were made to the cost report receivables from Medicare for 2006 in the amount of \$196,090 and negative adjustments to the cost report receivable for 2007 in the amount of \$69,589.

Note 4: CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Center's deposits may not be returned to it. The Authority's formal policy regarding custodial credit risk is the same as described in Note 1, N.J.S.A. 17:9-41 et seq. and included in its cash management plan. The Center shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of December 31, 2009 and 2008, the bank balances of \$6,259,207 and \$8,175,318, respectively, were entirely insured or collateralized as follows:

	<u>2009</u>	<u>2008</u>
Insured	\$ 250,000	\$ 250,000
Collateralized under GUDPA	<u>6,009,207</u>	<u>7,925,318</u>
	<u>\$ 6,259,207</u>	<u>\$ 8,175,318</u>

The above is exclusive of cash related to the capital lease proceeds held in escrow totaling \$3,314 and \$23,889 at December 31, 2009 and 2008, discussed in Note 6.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 5: ESTIMATED THIRD-PARTY SETTLEMENTS RECEIVABLE

The current estimated third-party payor settlements receivable at December 31, 2009 in the amount of \$1,734,340 includes the computed balances due from the fiscal intermediary (Medicare) in the amount of \$107,768 which is based on the cost reports prepared by the Center for the years ended December 31, 2009 and 2008. It also includes amounts of \$1,488,895 which represent the computed difference between actual reimbursable costs and the estimated per diem rate the Center was reimbursed by the State of New Jersey for psychiatric services during 2008, which will be included in the computation of the 2010 state aid per diem psychiatric reimbursement rate. It also includes \$12,813, \$20,975, \$100,069, and \$3,820 due from Medicaid for cost settlements for 2007, 2006, 2004 and 2003, respectively.

The current estimated third-party payor settlements receivable of \$2,027,280 at December 31, 2008 included the computed balances due from the fiscal intermediary (Medicare) in the amount of \$117,005 which is based on cost reports prepared by the organization for the years ended December 31, 2008 and 2007. It also included amounts of \$1,685,793 which represent the computed difference between actual reimbursable costs and the estimated per diem rate the Center was reimbursed by the State of New Jersey for psychiatric services during 2007. It also included \$27,435, \$51,252, and \$20,975 due from Medicaid for cost settlements for 2008, 2007 and 2006, respectively. Also included is \$124,820 due from Medicaid for 2008 rate adjustments

The non-current estimated third-party payor settlement receivable in the amount of \$271,880, at December 31, 2009, represents the computed difference between actual reimbursable costs and the estimated per diem rate the Center was reimbursed by the State of New Jersey for Psychiatric Services during 2009, which will be included in the computation of the 2011 state aid per diem psychiatric reimbursement rate.

The non-current estimated third-party payor settlement receivable in the amount of \$1,297,360, at December 31, 2008, represents the computed difference between actual reimbursable costs and the estimated per diem rate the Center was reimbursed by the State of New Jersey for Psychiatric Services during 2008, which will be included in the computation of the 2010 state aid per diem psychiatric reimbursement rate.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 6: **ASSETS LIMITED AS TO USE**

The composition of assets limited as to use which are internally designated is as follows:

	December 31,	
	2009	2008
By the Board for		
Capital improvements/debt		\$ 4,991,769
Peer grouping obligation	\$ 326,057	335,000
Insurance deductible retention	106,278	105,921
Patient needs fund	13,620	12,204
	\$ 445,955	\$ 5,444,894

The purposes for which assets limited as to use are available to be utilized are described below:

Capital improvements/debt service - The Center has designated amounts for future capital improvements and capital debt payments which are maintained in a separate bank account. Due to cash flow difficulties during 2008, with the approval of the Board of Managers, a portion of the monies previously designated to fund capital improvements and capital debt were utilized to finance current year operations. In July 2009, the Board formally, by resolution, removed their designation of the funds, which will be utilized for operations going forward as necessary.

Peer grouping obligation - The Center received Medicaid funding through the use of a governmental peer grouping system established by N.J.S.A. 30:4D-7. This statute requires that the governing body of each county, with the advice of agencies providing social and health related services, uses not less than 10% and no more than 50% of the savings in county expenditures which result from the increased federal reimbursement for community-based social and health related programs for elderly and disabled persons who may otherwise require nursing home care. The Board of Chosen Freeholders has delegated the peer grouping responsibility for funding and allocating of these monies to the Board of Managers of the Center.

In 2009 the Center incurred \$413,190 of expenditures in connection with grants made to agencies, which provide social and health related services, and designated \$326,057 for 2010 expenditures. \$335,000 was expended in 2008.

Insurance deductible account - The Center maintains, in a separate bank account, an amount designated for use in paying deductibles as required by its liability insurance provider. Maintenance of this account aids in minimizing premium increases.

Patient needs fund - The Center maintains a patient needs fund sponsored by the donations of various individuals and entities. Funds may be used at the Center's discretion for the purchase of items considered necessary in patient care or beneficial to the general well-being of patients.

Capital lease proceeds held in escrow - As part of the Center's capital lease obligation, a portion of the proceeds is maintained in escrow. The funds are to be utilized for capital improvements and acquisitions. Although these funds are held in escrow on behalf of the Center, the Center does not have autonomous control of or direct access to these funds. Withdrawals from this escrow must be approved by Camden County Improvement Authority.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 7: PROPERTY AND EQUIPMENT

Property and equipment activity for the years ended December 31, 2009 and 2008 was as follows:

	Balance December 31, 2008	Additions	Deletions	Balance December 31, 2009
Buildings and land improvements	\$ 1,915,228	\$ 13,997		\$ 1,929,225
Building and land improvement under a capital lease	38,732,356			38,732,356
Equipment	4,475,435	496,959	\$ 113,545	4,858,849
Equipment under a capital lease	6,032,665	20,576		6,053,241
Vehicle	30,924			30,924
Construction in progress	45,278	5,912		51,190
	51,231,886	537,444	113,545	51,655,785
Less accumulated depreciation and amortization	28,185,998	1,995,478	112,237	30,069,239
	<u>\$ 23,045,888</u>	<u>\$ (1,458,034)</u>	<u>\$ 1,308</u>	<u>\$ 21,586,546</u>
	Balance December 31, 2007	Additions	Deletions	Balance December 31, 2008
Buildings and land improvements	\$ 1,104,694	\$810,534		\$ 1,915,228
Building and land improvement under a capital lease	38,732,356			38,732,356
Equipment	4,211,465	370,046	\$ 106,076	4,475,435
Equipment under a capital lease	5,972,005	60,660		6,032,665
Vehicle	9,247	21,677		30,924
Construction in progress	45,278	45,278		45,278
	50,029,767	1,308,195	106,076	51,231,886
Less accumulated depreciation and amortization	26,305,973	1,986,101	106,076	28,185,998
	<u>\$ 23,723,794</u>	<u>\$ (677,906)</u>	<u>\$ -</u>	<u>\$ 23,045,888</u>

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 8: COMPENSATED ABSENCES

Changes in the compensated absence account were as follows:

	<u>2009</u>	<u>2008</u>
Balance January 1	\$ 1,005,803	\$ 998,158
Additions	3,765,979	3,416,078
Deletions	<u>3,663,245</u>	<u>3,408,433</u>
Balance at December 31	<u>\$1,108,537</u>	<u>\$1,005,803</u>
Current portion	<u>\$ 1,025,397</u>	<u>\$ 930,368</u>
Non-current portion	<u>\$ 83,140</u>	<u>\$ 75,435</u>

Note 9: CAPITAL LEASE OBLIGATIONS

During 1996, the Center entered into a 22-year agreement with the County of Camden and the Camden County Improvement Authority (CCIA) for the Center's use of a new facility for the Center's patient care, administrative, and pharmacy facilities, as well as a new non-certified behavioral health transitional residence. The payments made by the Center to the County under this agreement are equal to the debt service requirements of the bonds issued by the CCIA, on behalf of the County, to finance construction of the facilities. This agreement has been accounted for by the Center as a capital lease.

In May 2003, the Camden County Improvement Authority (CCIA) issued 2003A and 2003B Series Bonds, the purpose of which was to advance refund the Authority's 1993B Bonds, and to provide funding for the construction of improvements and acquisition of certain equipment as detailed in the capital lease agreement. As discussed in Note 6, a portion of the proceeds of the 2003B Series Bonds is being held in escrow and will be released for purchases upon approval of the CCIA. The repayment structure remains the same as discussed above, except that the final payment on the new capital lease will be due in 2032.

Interest on the above described capital leases for the years ended December 31, 2009 and 2008 was \$1,033,476 and \$1,072,076, respectively.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 9: **CAPITAL LEASE OBLIGATIONS (continued)**

Activity in the capital lease account was as follows:

	Year Ended December 31,	
	<u>2009</u>	<u>2008</u>
Beginning of year	\$ 26,066,605	\$ 27,933,423
Reductions	<u>1,854,093</u>	<u>1,866,818</u>
End of year	<u>\$ 24,212,512</u>	<u>\$ 26,066,605</u>
Current portion	<u>\$ 1,843,407</u>	<u>\$ 1,854,093</u>
Non-current portion	<u>\$ 22,369,105</u>	<u>\$ 24,212,512</u>

At December 31, 2009, the future minimum lease payments computed under these agreements were as follows:

Year Ending December 31,	Principal	Interest	Total
2010	1,900,000	960,277	2,860,277
2011	1,730,000	910,401	2,640,401
2012	1,640,000	858,501	2,498,501
2013	1,400,000	809,301	2,209,301
2014	1,225,000	765,552	1,990,552
2015-2019	5,495,000	3,224,052	8,719,052
2020-2024	4,200,000	2,289,624	6,489,624
2025-2029	4,120,000	1,350,000	5,470,000
2030-2032	<u>2,895,000</u>	<u>294,000</u>	<u>3,189,000</u>
	<u>\$ 24,605,000</u>	<u>\$ 11,461,708</u>	<u>\$ 36,066,708</u>

Unamortized financing costs are allocated to current and non-current portions of the outstanding principal balance of the capital lease at December 31, 2009 as follows:

	Current	Non-Current	Total
Net present value of minimum capital lease payments	\$ 1,900,000	\$ 22,705,000	\$ 24,605,000
Less unamortized financing costs	<u>56,593</u>	<u>335,895</u>	<u>392,488</u>
	<u>\$ 1,843,407</u>	<u>\$ 22,369,105</u>	<u>\$ 24,212,512</u>

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 10: ESTIMATED DUE TO THIRD-PARTY PAYORS

At December 31, 2009, of the current estimated due to third-party payors of \$535,969, \$512,734 represent amounts due to the State of New Jersey for overpayments during 2009 based on established rates. It also includes \$19,351, which represents amounts due to the fiscal intermediary (Medicare) based on the cost reports prepared for the Center for the year ended December 31, 2009. The remaining \$3,884 represents the amount due to Medicaid as a result of a rate adjustment.

At December 31, 2008, of the current estimated due to third-party payors of \$1,712,675, \$76,570 represents estimated amounts that will be remitted back to the State of New Jersey in relation to the Center's behavioral health program. It also includes \$515,761 due to the State of New Jersey for overpayments during 2008 based on established rates. In addition, it included \$946,765 due to the State of New Jersey for an advance payment during 2008 to alleviate the Center's cash flow problems. The remaining \$109,099 and \$64,480 represent amounts due to the fiscal intermediary (Medicare) based on cost reports prepared for the Center for the years ended December 31, 2008 and 2007, respectively.

Note 11: PENSION COSTS

The Center contributes to the State of New Jersey Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the New Jersey Division of Pensions and Benefits. PERS provides retirement, death, disability and medical benefits to certain qualified plan members and beneficiaries. PERS was established in January 1955 under the provisions of N.J.S.A 43:15A. Membership in PERS is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. The Board of Trustees of PERS is primarily responsible for the administration of PERS.

According to the State of New Jersey administrative code, all obligations of PERS will be assumed by the State of New Jersey should PERS terminate.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly-available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Effective July 1, 2007, plan members are required to contribute 5.5% of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the Center are established and may be amended by State of New Jersey legislation. The Center's regular contributions to PERS for the years ending December 31, 2009, 2008, and 2007 approximated \$1,881,498, \$1,405,396, and \$839,477, respectively, equal to the required contributions for each year, as determined by the State system.

The annual pension contribution due in April 2009 was not paid when due. In addition, proper procedures to defer payment of half of the normal and accrued liability component of the PERS obligation to the subsequent year were not followed. As a penalty, interest was charged by the Division of Pensions and Benefits at a rate of 10% from the day the payment was due to the date it was paid in 2010. Interest expense applicable to 2009 totaled \$115,935.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 12: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Beginning in 2007, the Center adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, on a prospective basis.

Plan Description - The Center participates in Camden County's defined benefit postemployment healthcare plan, the Camden County Postemployment Benefits Plan (the "County Plan"), allows employees retiring with twenty-five (25) or more years of service with Camden County and/or affiliated organizations and twenty-five (25) or more years of service credit in a state or locally administered retirement system, and employees retiring on an accidental disability pension, to receive fully paid health and prescription benefits.

The Center also allows employees retiring at age 62 or older with at least fifteen (15) years of service with the Center; or retiring with at least ten (10) years of service with the Center and twenty-five (25) or more years of service credit in a state or locally administered retirement system; or retiring on an ordinary disability pension, to receive health and prescription benefits subject to a variety of co-pays based on years of service and respective retirement system.

The County Plan is an agent multiple-employer postemployment healthcare plan administered by Camden County. The benefit provisions of the plans that participate may be established or amended by the Center through its personnel policies and applicable collective bargaining agreements. The plan does not issue a separate financial report.

Funding Policy - The contribution requirement of the Center is established by policy of the Board of Managers and reflected in the various collective bargaining agreements. The Board may amend its policy, subject to contract inclusion, as deemed necessary. The required contribution is based on projected pay-as-you-go financing requirements. For the years ended December 31, 2009 and 2008, the Center contributed \$2.1 million to the County plan for current premiums. Various factors, as stipulated in employee contracts, dictate whether plan members are required to make contributions to the plan. For the years ended December 31, 2009 and 2008, employee contributions to the plan were \$90,830 and \$94,194, 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)*, 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 (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Center's net OPEB obligation to the Plan:

Normal Cost	\$ 3,213,500
Unfunded Actuarial Liability	3,361,100
Annual Required Contribution (expense)	<u>6,574,600</u>
Contributions made	(2,122,400)
Net OPEB Obligation - Beginning of Year	<u>2,900,000</u>
Net OPEB Obligation - End of Year	<u>\$ 7,352,200</u>

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 12: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Funded Status and Funding Progress - As of December 31, 2009, the most recent actuarial valuation date, the County Plan was 0% funded. The actuarial accrued liability for benefits was \$79.1 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$79.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$28.4 million, and the ratio of the UAAL to the covered payroll was 278%. 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 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. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, compares the assets used for funding purposes to the comparable liabilities to determine how well the County Plan is funded. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the County Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(c) (b)-(a)	(d) (a)/(b)	(e)	(f) [(b)-(a)]/(e)
12/31/2007	\$ -	\$ 61,500,000	\$ 61,500,000	0%	\$ 23,600,000	261%
12/31/2009	\$ -	\$ 79,147,200	\$ 79,147,200	0%	\$ 28,423,600	278%

Actuarial 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 actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% initially, reducing by decrements to an ultimate rate of 5% after ten years. Both rates include a 4 percent salary inflation assumption. The actuarial value of the County Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three year period. The County Plan's 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, 2009, was 27 years.

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 13: ALLOCATION OF COSTS

The County provides various services to the Center. The Center recognizes the costs of such services based upon a cost allocation plan prepared on behalf of the County utilizing the standards prescribed by OMB Circular A-87. The allocation plan assigns costs to benefiting departments, wherever possible, based upon direct identification of relevant charges. Other costs which cannot be directly assigned are allocated to benefiting departments based upon methodology appropriate to the costs being allocated.

The Center's service department costs are allocated directly to benefiting cost centers based on identification of applicable charges, wherever possible. Other costs which cannot be directly related to any single cost center are indirectly allocated to the benefiting cost centers based upon methodology appropriate to the costs being allocated.

Note 14: RELATED PARTY TRANSACTIONS

Statutory obligations - In 2009 and 2008, respectively, the Center received the sum of \$5,674,582 and \$4,580,231 from the County of Camden. For 2009 and 2008, respectively, a portion of these amounts, \$2,247,586 and \$1,747,932, represents the computed cost of caring for indigent County residents maintained in the Center's psychiatric hospital and is included in net patient service revenue in the financial statements. Under N.J.S. 30:4-68 the County is responsible for paying a portion of the cost of a patient maintained in a state psychiatric facility if he or she has a legal residency in the County and his/her legally responsible relatives are unable to pay the costs of his hospitalization. N.J.S. 30:4-78 states that the rebate to be paid by the County on behalf of the maintenance of County patients in State hospitals for the mentally ill is ten percent of the actual per capita cost of maintenance of these patients in such hospitals, computed in the same manner as New Jersey State Aid rate calculations.

Additional amounts of \$2,843,117 and \$2,832,299 represent the County's obligation to match increased federal funding to the long-term care facility for the years ended December 31, 2009 and 2008, respectively, resulting from a separate peer grouping of County nursing homes and hospitals which occurred in 1985. These amounts are also included in net patient service revenue in the financial statements.

The balance of the sum received from the County, \$583,879 for the year ended December 31, 2009 is recognized as a cash subsidy in the financial statements. There was no cash subsidy for the year ended December 31, 2008.

During 2009, the County of Camden began reimbursing the Center for purchases of certain capital additions. For the year ended December 31, 2009, contributions of capital assets from Camden County totaled \$332,234.

Shared costs - The County of Camden also provides certain services to the Center and their employees. The computation of these costs is determined utilizing a cost allocation plan that has been consistently applied since the inception of Camden County Health Services Center. These services include telecommunications, insurance, county adjuster, police, and fire protection services allocable to the Center. Employee health, dental, and accident benefits, and workers compensation benefits, which are provided to Center employees under the County's self-insurance program, are determined on the basis of actual claims paid for Center employees. The County purchases commercial insurance for claims over certain dollar thresholds. The net allocated benefit received by the Center relating to the above transactions amounted to \$6,660,387 and \$6,731,085 for the years ended December 31, 2009 and

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 14: RELATED PARTY TRANSACTIONS (CONT'D)

2008, respectively. The Center remitted amounts to the County in the form of charge-backs related to the above services of \$6,511,623 and \$6,046,635 for 2009 and 2008, respectively. Under the terms of the original agreement, and consistent with prior year reporting, any excess (deficit) of allocated costs to the Center increases/decreases the County subsidy to the Center. The total computed amount of the net transfers from County of Camden for services and costs, amounted to \$148,764 and \$684,450 for the years ended December 31, 2009 and 2008, respectively, and is recorded as nonoperating revenue in the accompanying financial statements.

The Center funds the County's peer grouping obligation with operating funds, and administers the distribution of these monies on behalf of the County of Camden in fulfillment of the County obligation (see note 6 above).

Note 15: RISK MANAGEMENT

The Center is exposed to various risks of loss. Commercial insurance is purchased to cover exposure to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; and natural disasters. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.

As described in Note 14, The Center participates in the self-insurance program of the County of Camden for risks related to employee health, dental, and accident benefits. The Center has not recorded any estimated amounts incurred but not reported liabilities related to these claims because management has determined that any potential liabilities related to these employee benefits will not have a material effect on the financial statements.

The Center is self-insured for employee unemployment claims, as discussed in Note 17.

Note 16: CONCENTRATION OF CREDIT RISK

The Center is located in Blackwood, New Jersey. The Center grants secured credit to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2009</u>	<u>2008</u>
Medicaid	41 %	39 %
Medicare	31	35
Patients	16	14
Other third-party payors	<u>12</u>	<u>12</u>
	<u>100 %</u>	<u>100 %</u>

CAMDEN COUNTY HEALTH SERVICES CENTER
Notes to Financial Statements (continued)

Note 17: UNEMPLOYMENT CLAIMS

The Center uses the benefit reimbursement method for employees covered by the New Jersey Unemployment Compensation Act. The State of New Jersey charges the Center for actual claims paid on behalf of the Center's employees, as well as an administrative fee to administer the claims. For the years ended December 31, 2009 and 2008, the Center was assessed \$161,913 and \$65,421, respectively. The Center is permitted to retain the difference between the .425% withheld on employee taxable wages and the .125% required to be remitted to the State of New Jersey on a quarterly basis. The difference retained by the Center defrays the costs paid for actual claim. The amounts retained by the Center for 2009 and 2008 were \$48,420 and \$46,978, respectively.

Note 18: LITIGATION

The Center is occasionally involved in certain legal claims arising in the ordinary course of operations. Management believes that the ultimate settlement of such claims will not exceed its insurance coverage, and therefore will have no material effect on the Center's financial position.

Note 19: OTHER MATTERS

The Center has experienced significant recurring losses from operations due principally to the shortfall in Medicaid reimbursement rates for its long-term care program. In addition, recent proposed legislative changes to the Medicaid reimbursement system for long-term care facilities are scheduled to become effective July 1, 2010. The industry is unaware of what the full impact of the change in reimbursement methodology will be at the present time. Currently, rates have not yet been determined and will be applied retroactively to July 1, 2010.

The Center's ability to operate the long-term care program at a sustainable level in the future will be dependent on a number of factors including its ability to generate increased revenue and cash flow from operations. The Center's management is currently negotiating with the State of New Jersey to obtain increased support for its long-term care program.

**CAMDEN COUNTY HEALTH SERVICES CENTER
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Managers

Camden County Health Services Center

Our report on our audit of the basic financial statements of Camden County Health Services Center for the year ended December 31, 2009, appears on the first page of this document. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of net patient service revenue and schedule of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman & Company LLP
Bowman & Company LLP
Certified Public Accountants

Woodbury, New Jersey
October 19, 2010

CAMDEN COUNTY HEALTH SERVICES CENTER

Schedule of Net Patient Service Revenue

For the Year Ended December 31, 2009

	Long-Term Care	Behavioral Health Services	Outpatient Therapy	Total
Gross revenue				
Daily patient services				
Long-term care	\$ 32,265,152			\$ 32,265,152
Psychiatric Therapy		\$ 28,335,086	\$ 3,795	28,335,086 3,795
	<u>32,265,152</u>	<u>28,335,086</u>	<u>3,795</u>	<u>60,604,033</u>
Other professional services				
Medical supplies	191,248	-		191,248
Occupational therapy	1,376,725	12,950	-	1,389,675
Pharmacy	3,166,837	2,961,870		6,128,707
Physical therapy	1,275,031	76,595	-	1,351,626
Physicians		1,456,971		1,456,971
Speech therapy	293,934	4,472	-	298,406
X-Ray/EKG and lab	221,019	45,820		266,839
Respiratory/other	12,567	1,870		14,437
	<u>6,537,361</u>	<u>4,560,548</u>	<u>-</u>	<u>11,097,909</u>
	38,802,513	32,895,634	3,795	71,701,942
Less adjustments and contractual allowances	<u>6,814,907</u>	<u>(2,864,293)</u>	<u>817</u>	<u>3,951,431</u>
Net patient service revenue	<u>\$ 31,987,606</u>	<u>\$ 35,759,927</u>	<u>\$ 2,978</u>	<u>\$ 67,750,511</u>

CAMDEN COUNTY HEALTH SERVICES CENTER

Schedule of Expenses

For the Year Ended December 31, 2009

	Cost Centers				Total Expenses
	Long-Term Care	Behavioral Health Services	CAP Program	Other Operations	
Direct care					
Salaries & wages	\$ 12,132,617	\$ 12,422,038	\$ 366,082		\$ 24,920,737
Employee benefits	4,600,220	4,691,659	138,804		9,430,682
Drugs	2,473,129	2,210,628	7,634		4,691,391
Therapies	1,803,446	74,558	316		1,878,320
Depreciation	77,818	54,164	2,491	\$ 1,526	135,999
Other direct expenses	928,791	1,665,144	17,655		2,611,590
Dietary	3,878,646	1,883,115	58,328		5,820,089
Operation of plant	1,972,117	1,372,603	63,115	38,673	3,446,508
Interest and depreciation on building	894,098	622,298	28,615	17,536	1,562,547
Housekeeping	825,698	610,048	17,812		1,453,558
Laundry & linen service	529,388	252,226	7,676		789,290
Social services	562,749	1,795,148	-		2,357,897
Maintenance & repairs	488,493	331,387	15,238	9,337	844,455
Medical records & library	381,639	388,217	11,799		781,655
Cafeteria	124,082	113,736	4,257		242,075
Pharmacy	94,370	46,331	-		140,701
Administrative & general	2,995,925	6,905,379	89,391	3,067	9,993,762
Peer Grouping				413,190	413,190
Training grant				260,969	260,969
Marketing				86,515	86,515
Total expenses per cost report	\$ 34,763,225	\$ 35,438,679	\$ 829,213	\$ 830,813	71,861,930
Additional other post-employment benefit expense (GASB 45)					4,452,200
Total expenses per statement of revenue, expenses, and changes in net assets					\$ 76,314,130

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Managers

Camden County Health Services Center

Our report on our audit of the basic financial statements of Camden County Health Services Center for the year ended December 31, 2009, appears on the first page of this document. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The pro-forma balance sheets and statements of revenue, expenses, and changes in net assets without the effect of GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and condensed financial statements with and without the effect of GASB 45, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, these statements are not fairly stated in all material respects in relation to the basic financial statements taken as a whole because they do not constitute a presentation in accordance with accounting principles generally accepted in the United States of America.

Bowman & Company LLP
Bowman & Company LLP
Certified Public Accountants

Woodbury, New Jersey
October 19, 2010

CAMDEN COUNTY HEALTH SERVICES CENTER
Pro-forma Balance Sheets without the Effects of GASB 45,
Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions
As of December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents, including patient funds of \$319,448 in 2009 and \$466,825 in 2008	\$ 4,552,083	\$ 1,645,901
Patient accounts receivable, net of estimated uncollectibles of \$1,052,250 in 2009 and \$951,129 in 2008	5,010,859	4,300,462
Estimated third-party payor settlements receivable	1,734,340	2,027,280
Due from Camden County	91,240	119,036
Inventory	392,697	331,542
Other current assets	<u>302,109</u>	<u>802,601</u>
Total current assets	<u>12,083,328</u>	<u>9,226,822</u>
Assets limited as to use		
Internally designated	445,955	5,444,894
Capital lease proceeds held in escrow	3,314	23,889
By State of New Jersey for behavioral health services	<u>527,084</u>	<u>617,075</u>
Total assets limited as to use	<u>976,353</u>	<u>6,085,858</u>
Property and equipment, net	<u>21,586,546</u>	<u>23,045,888</u>
Estimated third-party payor settlements receivable	<u>271,880</u>	<u>1,297,360</u>
Deferred financing costs, net of accumulated amortization of \$245,360 in 2009 and \$212,576 in 2008	<u>363,591</u>	<u>396,375</u>
	<u>\$ 35,281,698</u>	<u>\$ 40,052,303</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 4,022,401	\$ 3,587,254
Employee compensation and related benefit liabilities	2,878,976	2,628,499
Compensated absences, current portion	1,025,397	930,368
Patient funds on deposit	319,448	466,825
Current portion of capital lease obligations	1,843,407	1,854,093
Estimated due to third-party payors	<u>535,969</u>	<u>1,712,675</u>
Total current liabilities	10,625,598	11,179,714
Capital lease obligation, net of current portion	22,369,105	24,212,512
Compensated absences, net of current portion	<u>83,140</u>	<u>75,435</u>
Total liabilities	<u>33,077,843</u>	<u>35,467,661</u>
Net assets		
Invested in capital assets, including costs to be recovered from future revenue, net of related debt	(2,259,061)	(2,600,453)
Restricted for behavioral health services	513,297	573,465
Unrestricted	<u>3,949,619</u>	<u>6,611,630</u>
Total net assets	<u>2,203,855</u>	<u>4,584,642</u>
	<u>\$ 35,281,698</u>	<u>\$ 40,052,303</u>

The accompanying notes are an integral part of the financial statements.

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CAMDEN COUNTY HEALTH SERVICES CENTER

**Pro-forma Statements of Revenue, Expenses, and Changes in Net Assets without the Effects of GASB 45,
Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions
For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Net patient service revenue	\$ 67,750,511	\$ 64,384,470
County cash subsidy	583,879	-
Training grant revenue	260,969	279,514
Other revenue	<u>381,153</u>	<u>409,823</u>
Total revenue	<u>68,976,512</u>	<u>65,073,807</u>
Expenses		
Salaries, wages, and benefits	45,085,125	43,062,625
Purchased services	14,210,626	12,935,902
Pharmaceuticals and supplies	6,041,813	6,196,496
Utilities	1,469,179	1,469,567
Insurance	767,596	660,146
Other expenses	631,999	695,854
Depreciation and amortization	2,028,262	2,020,110
Interest	<u>1,214,140</u>	<u>1,139,802</u>
Total expenses	<u>71,448,740</u>	<u>68,180,502</u>
Operating loss	<u>(2,472,228)</u>	<u>(3,106,695)</u>
Nonoperating revenue (expense)		
County of Camden peer grouping grants to others	(413,190)	(536,865)
Net amount received from Camden County for allocated costs	148,764	684,450
Interest income	21,676	144,301
Interest income earned on behavioral health services	<u>1,957</u>	<u>11,929</u>
Net nonoperating revenue (expense)	<u>(240,793)</u>	<u>303,815</u>
Deficit of revenues over expenses before capital contributions	(2,713,021)	(2,802,880)
Contributions of capital assets from Camden County	<u>332,234</u>	<u>-</u>
Change in net assets	(2,380,787)	(2,802,880)
Net assets - beginning of year	<u>4,584,642</u>	<u>7,387,522</u>
Net assets - end of year	<u>\$ 2,203,855</u>	<u>\$ 4,584,642</u>

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CAMDEN COUNTY HEALTH SERVICES CENTER**Condensed Financial Statements as of and for the Year Ended December 31, 2009 Comparing Financial Position and Results of Operations With and Without the Effects of GASB 45**

GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, has had a severely negative effect on the financial position and results of operations of the Center since it was adopted in 2007. The tables below show the effect on the current year's financial statements of this accounting standard.

Condensed Balance Sheet as of December 31, 2009 showing the effect of removing the liability for post-employment health care benefits (which is reflected in the financial statements in accordance with GASB 45) and reclassifying the liability to equity:

	With	Reclassification of Post-Employment Health Care Benefits Liability to Equity	Without
ASSETS			
Current assets	\$ 12,083,328		12,083,328
Assets limited as to use	976,353		976,353
Property and equipment, net	21,586,546		21,586,546
Other noncurrent assets	635,471		635,471
	<u>\$ 35,281,698</u>		<u>\$ 35,281,698</u>
LIABILITIES AND EQUITY			
Current liabilities	\$ 10,625,598		10,625,598
Noncurrent liabilities	29,804,445	\$ (7,352,200)	22,452,245
	<u>40,430,043</u>	<u>(7,352,200)</u>	<u>33,077,843</u>
Net assets			
Invested in capital assets, net	(2,259,061)		(2,259,061)
Restricted for behavioral health services	513,297		513,297
Unrestricted	(3,402,581)	7,352,200	3,949,619
	<u>(5,148,345)</u>	<u>7,352,200</u>	<u>2,203,855</u>
	<u>\$ 35,281,698</u>	<u>\$ -</u>	<u>\$ 35,281,698</u>

Condensed Statement of Revenue, Expenses, and Changes in Net Assets for the Year Ended December 31, 2009 showing change in net assets with and without effect of expense for post-employment health care benefits in accordance with GASB 45:

	With	Removal of Post-Employment Health Care Benefits Expense	Without
Revenue	\$ 68,976,512		\$ 68,976,512
Expenses	75,900,940	\$ (4,452,200)	71,448,740
	<u>(6,924,428)</u>	<u>4,452,200</u>	<u>(2,472,228)</u>
Nonoperating revenue (expense)	(240,793)		(240,793)
	<u>(7,165,221)</u>	<u>4,452,200</u>	<u>(2,713,021)</u>
Contributions of capital assets from Camden County	332,234		332,234
	<u>(6,832,987)</u>	<u>4,452,200</u>	<u>(2,380,787)</u>
Net assets - beginning of year	1,684,642	2,900,000	4,584,642
Net assets - end of year	<u>\$ (5,148,345)</u>	<u>\$ 7,352,200</u>	<u>\$ 2,203,855</u>

**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**

Board of Trustees
Camden County Health Services Center

We have audited the financial statements of Camden County Health Services Center, as of and for the fiscal year ended December 31, 2009, and have issued our report thereon dated October 19, 2010. 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 Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Camden County Health Services Center internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Camden County Health Services Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's 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 a 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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 Camden County Health Services Center'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 that are required to be reported under Government Auditing Standards.

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This report is intended solely for the information and use of the Board of Managers, management, and certain governmental entities and is not intended to be and should not be used by anyone other than these specified parties.

Bowman & Company LLP
BOWMAN & COMPANY LLP
Certified Public Accountants

Woodbury, New Jersey
October 19, 2010