



REPORT HIGHLIGHTS
FINANCIAL STATEMENT AUDIT

Subject

The Department of Economic Security issues financial statements annually for the Division of Developmental Disabilities Arizona Long-Term Care System Contract. The Division is responsible for preparing the financial statements, maintaining strong internal controls over financial reporting, and demonstrating accountability for its use of public monies. As auditors, our job is to determine whether the Division has met its responsibilities.

Our Conclusion

The information in the financial statements is fairly stated in all material respects, and the financial statements can be relied on. In addition, the Division maintained adequate internal control over financial reporting and compliance with its contractual agreements with AHCCCS.



2010

Year Ended June 30, 2010

Condensed Financial Information

The Division's ALTCS Contract financial information is presented in a Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

Balance Sheet—This statement reports all assets and liabilities using the modified accrual basis of accounting. Fund balance, the difference between assets and liabilities, is one way to measure the Division's financial health. The summary to the right presents the Division's Balance Sheet at June 30, 2010.

Statement of Revenues, Expenditures, and Changes in Fund Balance—This statement presents information showing how fund balance changed during the most recent fiscal year. The change in fund balance indicates whether the Contract's financial health has improved or deteriorated as a result of current-year operation. The Contract is required to provide all covered healthcare services to its members regardless of the cost of care. The ALTCS Contract receives fixed capitation payments based on certain rates for each member enrolled in the Division's ALTCS Contract program. If there are funds remaining, the Contract retains the funds as profit; if the costs are higher than the amount of capitation payments from AHCCCS, the Contract absorbs the loss. During fiscal year 2010, the Contract's fund balance increased by \$48.4 million due to an increase in members, provider rate reductions, and the Contract was not required to transfer monies to the State General Fund in 2010. The summary to the right presents revenues and expenditures for the year ended June 30, 2010.

Assets:	
Cash on deposit with the State Treasurer	\$ 7.1
Due from other state funds	106.6
Due from providers	0.3
Total assets	\$114.0
Liabilities and Fund Balance:	
Accrued administrative and payroll costs	\$ 5.6
Accrued medical and healthcare claims	59.6
Due to other state funds	8.0
Total liabilities	73.2
Fund balance	40.8
Total liabilities and fund balance	\$114.0

Revenues:	
Capitation	\$906.2
Fee for service	.1
Investment earnings	.8
Total revenues	907.1
Expenditures:	
Health and welfare:	
Aid to individuals	761.8
Allocated administrative expenditures	30.8
Case management	35.4
Professional and outside services	5.8
Premium tax	18.9
Total expenditures	852.7
Excess of revenues over expenditures	54.4
Other financing uses:	
Transfer to other state funds	(6.0)
Net change in fund balance	48.4
Fund deficit—beginning	(7.6)
Fund balance—ending	\$ 40.8



TO OBTAIN
MORE INFORMATION

A copy of the full report
is available at:

www.azauditor.gov

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Year Ended June 30, 2010