

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 (ALTCS) 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 the 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 Arizona Health Care Cost Containment System.



2011

Year Ended June 30, 2011

Condensed Financial Information

The Division's ALTCS Contract financial information is presented in a Balance Sheet and a 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 ALTCS Contract's financial health. The summary to the right presents the ALTCS Contract's Balance Sheet at June 30, 2011.

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 ALTCS Contract's financial health has improved or deteriorated as a result of current-year operations. The ALTCS 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 monies remaining, the ALTCS Contract retains the monies as profit; if the costs are higher than the amount of capitation payments from AHCCCS, the ALTCS Contract absorbs the loss. During fiscal year 2011, the ALTCS Contract's fund balance increased by \$25.3 million due primarily to an increase in members. The summary to the right presents revenues and expenditures for the year ended June 30, 2011.

Balance Sheet June 30, 2011 (In Millions)	
Assets:	
Cash on deposit with the State Treasurer	\$ 31.9
Due from other state funds	103.1
Due from providers	0.6
Total assets	\$135.6
Liabilities and Fund Balance:	
Accrued administrative and payroll costs	\$ 6.5
Accrued medical and healthcare claims	61.1
Due to other state funds	1.9
Total liabilities	69.5
Fund balance—restricted	66.1
Total liabilities and fund balance	\$135.6

Statement of Revenues Expenditures, and Changes in Fund Balance Year Ended June 30, 2011 (In Millions)	
Revenues:	
Capitation	\$943.5
Investment earnings	0.9
Total revenues	944.4
Expenditures:	
Health and welfare:	
Aid to individuals	795.6
Allocated administrative expenditures	34.0
Case management	39.1
Professional and outside services	3.0
Premium tax	17.4
Total expenditures	889.1
Excess of revenues over expenditures	55.3
Other financing uses:	
Transfer to other state funds	(30.0)
Net change in fund balance	25.3
Fund balance—beginning	40.8
Fund balance—ending	\$ 66.1



TO OBTAIN
MORE INFORMATION

A copy of the full report
is available at:

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Year Ended June 30, 2011