



REPORT HIGHLIGHTS

FINANCIAL STATEMENT AUDIT

Our Conclusion

The Department of Economic Security, Division of Developmental Disabilities (Division), is responsible for preparing annual financial statements for its Arizona Long Term Care System (ALTCS) Contract, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the Division's ALTCS Contract's financial statements annually. Since the Division is a component of the State, the information in the financial statements will also be incorporated in the State of Arizona's Comprehensive Annual Financial Report. A summary of the ALTCS Contract's financial statements is presented to the right.

Based on our audit, we issued a report that included our opinion on the Division's ALTCS Contract's financial statements and a report on its internal control and compliance. The information in its fiscal year 2012 financial statements is reliable. Our report on internal control and compliance did not include any reported deficiencies in the Division's internal control or compliance over financial reporting.



2012

Year Ended June 30, 2012

Financial information

The Department of Economic Security, Division of Developmental Disabilities (Division) is a contractor with the Arizona Health Care Cost Containment System (AHCCCS), Arizona's Medicaid agency, to administer a managed care plan through its Arizona Long Term Care System (ALTCS). The Division's plan provides medical services and long-term healthcare services to eligible developmentally disabled enrollees of the AHCCCS program. The Division's ALTCS Contract requires that it provide all covered healthcare services to those enrollees regardless of the cost of care.

Balance sheet—This statement reports the assets, liabilities, and fund balance of the Division's ALTCS Contract. The fund balance, or the difference between assets and liabilities, is one way to measure the Division's ALTCS Contract's financial health.

Statement of revenues, expenditures, and changes in fund balance—This statement reports information showing how the fund balance changed during the fiscal year. The change in fund balance indicates whether the Division's ALTCS Contract's financial health has improved or deteriorated as a result of current-year operations. The Division receives capitation revenue based on a fixed rate for each plan enrollee. If revenue exceeds the cost of care, the Division retains the monies for reserves or for legislatively authorized transfers that are required to be approved by AHCCCS. If costs are higher than the revenues, the Division absorbs the loss. During fiscal year 2012, the Division's ALTCS Contract's revenues were \$23 million greater than its costs.

During fiscal year 2012, the Division's ALTCS Contract's fund balance decreased by \$51.2 million primarily because of transfers to the State General Fund and to the State-Funded Long-Term Care Fund.

Balance sheet

As of June 30, 2012

(In millions)

Assets

Cash on deposit with the State Treasurer	\$15.3
Due from other state funds	66.3
Due from providers	<u>0.2</u>
Total assets	<u>81.8</u>

Liabilities and fund balance

Liabilities	
Accrued administrative and payroll costs	4.0
Accrued medical and healthcare claims	61.8
Due to other state funds	<u>1.1</u>
Total liabilities	<u>66.9</u>
Fund balance	
Restricted for health and welfare	<u>14.9</u>
Total liabilities and fund balance	<u>\$81.8</u>

Statement of revenues, expenditures, and changes in fund balance

For the year ended June 30, 2012

(In millions)

Revenues

Capitation	\$915.9
Investment earnings	<u>1.1</u>
Total revenues	<u>917.0</u>

Expenditures

Health and welfare	
Aid to individuals	793.7
Allocated administrative expenditures	37.8
Case management	39.8
Professional and outside services	3.7
Premium tax	<u>19.0</u>
Total expenditures	<u>894.0</u>

Excess of revenues over expenditures 23.0

Other financing uses

Transfers to other state funds	<u>(74.2)</u>
Net change in fund balance	(51.2)
Fund balance—beginning	66.1
Fund balance—ending	<u>\$ 14.9</u>

