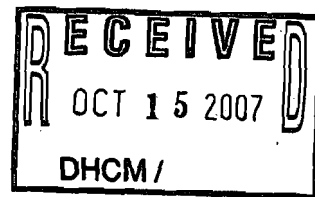


Yavapai County Department of
Medical Assistance
Long Term Care Division

Report on Audit of Financial Statements

June 30, 2007



Yavapai County Department of
Medical Assistance
Long Term Care Division

June 30, 2007

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ROBERT L. MILLER, C.P.A.
(1931 - 1992)

Independent Auditor's Report

The Board of Supervisors of
Yavapai County, Arizona

We have audited the accompanying financial statements of the Yavapai County Department of Medical Assistance, Long Term Care Division (a proprietary fund of Yavapai County, Arizona) as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Yavapai County Department of Medical Assistance, Long Term Care Division and do not purport to, and do not present fairly the financial position of Yavapai County, Arizona, as of June 30, 2007 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yavapai County Department of Medical Assistance, Long Term Care Division as of June 30, 2007, and the changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2007, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information contained in Schedules 1 - 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Yavapai County Department of Medical Assistance, Long Term Care Division. The information in these schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Miller, Allen & Co., P.C.

September 17, 2007

Yavapai County Department of
 Medical Assistance
 Long Term Care Division
 Statement of Net Assets
 June 30, 2007

ASSETS

Current assets:

Cash	\$ 9,208,371
Due from Arizona Health Care Cost Containment System	785,005

Total current assets	9,993,376
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Noncurrent assets:

Capital assets	707,221
Less accumulated depreciation	(511,318)

Total capital assets (net of accumulated depreciation)	195,903
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Total Assets	10,189,279
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LIABILITIES

Current liabilities:

Accounts payable	86,518
Accrued wages and benefits	260,764
Medical claims payable	2,826,604
Due to Arizona Health Care Cost Containment System	1,796,384

Total current liabilities	4,970,270
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Total Liabilities	4,970,270
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NET ASSETS

Invested in capital assets, net of related debt	195,903
Restricted - health and welfare	5,023,106

Total net assets	\$ 5,219,009
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The accompanying notes to financial statements are an integral part of this statement.

Yavapai County Department of
 Medical Assistance
 Long Term Care Division
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 For the Year Ended June 30, 2007

Operating revenues:

Capitation	\$ 35,409,765
Miscellaneous	130,610
	35,540,375

Operating expenses:

Institutional care

Institutional care facilities	4,558,358
Skilled nursing facilities - Level I	6,371,193
Skilled nursing facilities - Level II	1,694,745
Specialty care	3,608,513
PPC institutional	197,985
Share of cost reconciliation	525,960
	16,956,754

Home and community based services

Home health nurse	475,972
Home health aide	43,071
Personal care	428,790
Homemaker	749,283
Home delivered meals	216,555
Respite care	145,329
Attendant care	3,832,537
Assisted living homes	474,021
Adult day health	190,516
Adult foster care	26,941
Assisted living centers	938,640
Hospice	25,328
Environmental modifications	50,776
Other HCBS	42,610
	7,640,369

Acute care

Inpatient services (Hospitalization)	581,130
Primary care physician services	303,475
Referral physician services	345,971
Emergency services	113,378
Out patient facility	151,321
Prescription drug	501,212
Laboratory/radiology	100,817
Durable medical equipment	360,452
Dental	60,762
Transportation	810,737
Therapies	159,247

The accompanying notes to financial statements are an integral part of this statement.

Yavapai County Department of
 Medical Assistance
 Long Term Care Division
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 For the Year Ended June 30, 2007
 (Continued)

Outpatient behavioral health	\$ 151,575
PPC - acute	65,053
Other	106,144
	3,811,274
Total acute care	3,811,274
Other medical expenses	
Ventilator dependent	404,800
AHCCCS recoupment	61,461
	466,261
Total other medical expenses	466,261
Case management expenses	
Case Management	1,025,244
	1,025,244
Total medical expense	29,899,902
Administrative expenses	
Compensation and benefits	1,943,468
Occupancy	99,501
Depreciation	30,812
Professional services	562,737
Insurance tax	717,872
Utilities	26,742
Insurance	25,600
Office expenses	91,954
Repairs and maintenance	80,380
Small equipment	52,932
Vehicle charge	45,805
	3,677,803
Total administrative expenses	3,677,803
Total operating expense	33,577,705
Operating income	1,962,670
Nonoperating revenues:	
Investment earnings	356,585
	2,319,255
Income before transfers	2,319,255
Transfer out to County General Fund	1,000,000
	1,319,255
Change in net assets	1,319,255
Total net assets-beginning	3,899,754
	5,219,009
Total net assets-ending	\$ 5,219,009

Thee accompanying notes to financial statements are an integral part of this statement.

Yavapai County Department of
 Medical Assistance
 Long Term Care Division
 Statement of Cash Flows
 For the Year Ended June 30, 2007

Cash Flows From Operating Activities	
Cash received from AHCCCS	\$ 36,635,869
Cash payments for medical services	(29,049,176)
Cash payments for personnel services	(1,950,954)
Cash payments for quasi-external transactions with County	(819,686)
Cash payments for administration	(1,627,787)
Net cash provided by operating activities	<u>3,188,266</u>
Cash Flows From Non-Capital Financing Activities	
Transfers to general fund	(1,000,000)
Cash Flows From Capital And Related Financing Activities	
Acquisition of capital assets	(105,989)
Cash Flows From Investing Activities	
Interest on investments	<u>356,585</u>
Net increase in cash and cash equivalents	2,438,862
Cash and cash equivalents at beginning of year	<u>6,769,509</u>
Cash and cash equivalents at end of year	<u>\$ 9,208,371</u>
Reconciliation Of Net Income To Net Cash Provided By Operating Activities	
Net Income	\$ 1,962,670
Adjustments to reconcile net income to net cash provided (used) by operating activities	
Depreciation	53,721
Changes in assets and liabilities:	
Decrease in receivables from AHCCCS	410,403
Increase in claims payable	8,131
Increase in due to AHCCCS	685,091
Increase in accounts payable	75,736
Decrease in wages, benefits, and other payables	<u>(7,486)</u>
Net cash provided by operating activities	<u>\$ 3,188,266</u>

The accompanying notes to financial statements are an integral part of this statement.

Yavapai County Department of
Medical Assistance
Long Term Care Division
Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Yavapai County Department of Medical Assistance, Long Term Care Division ("Division") conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

Yavapai County Department of Medical Assistance, Long Term Care Division ("Division") was formed in May 1993 and began providing services on October 1, 1993. The Division's purpose is to operate a prepaid health program for qualified persons of Yavapai County within the State of Arizona. The program provides hospitalization, medical care, managed institutional care, and home and community based long term care for physically disabled and elderly persons. The funds used to carry out the Division's program are provided by the State of Arizona under its Arizona Long Term Care System ("ALTCS") administered by the Arizona Health Care Cost Containment System ("AHCCCS"). AHCCCS funds include federal, state and county monies.

For financial reporting purposes, the Division is accounted for as an enterprise fund of Yavapai County, Arizona, under the direction of administrators appointed by the Yavapai County Board of Supervisors. Ultimate fiscal responsibility for the Division remains with the County. The Division accounts for funds received from AHCCCS under its Arizona Long-Term Care System ("ALTCS"). ALTCS provides hospitalization and medical care services, as well as managed institutional and home and community based long term care services to eligible enrollees of the program. No other County operations are included in these financial statements.

B. Basis of Presentation

The financial statements of the Division conform to generally accepted accounting principles as applicable to governmental units. The Division's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The Proprietary Fund also applies Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

C. Basis of Accounting

The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are

Yavapai County Department of
Medical Assistance
Long Term Care Division
Notes to Financial Statements
June 30, 2007

accounted for by providing a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. This ensures observance of limitations and restrictions on the resources available.

The financial transactions of the Division are recorded and reported as an Enterprise fund since its operations are financed and operated in a manner similar to private business enterprises, in which the intent of the Board of Supervisors is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Division is accounted for using the economic resources measurement focus. With this measurement focus; all assets and all liabilities associated with the operation of this Division are included on the balance sheet. Net total assets consist of retained earnings. The Division's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The financial statements of the Division are presented on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Interfund transfers that would be treated as revenues or expenses if they involved parties external to the County are recorded in the appropriate revenue or expense account. All outside provider medical expenses are reported net of Medicare reimbursements.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as capitation from AHCCCS, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues, such as investment earnings, result from transactions in which the parties do not exchange equal values and are considered to be nonoperating revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Division considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Yavapai County Department of
Medical Assistance
Long Term Care Division
Notes to Financial Statements
June 30, 2007

Generally, State statutes allow investments in certain certificates of deposit, interest bearing savings accounts in qualified banks and savings and loan institutions, repurchase agreements with maximum maturity of thirty days, and pooled investment funds established by the State Treasurer. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance. All of the Division's monies are under the direct supervision of the Yavapai County Treasurer's Office, which has the fiduciary responsibility to administer all monies held in the County Treasury. The Treasurer invests, on a pooled cash basis, all cash not specifically invested for a fund or program. Interest earned from investments purchased with such pooled monies is allocated quarterly to each of the funds based on the average month-end cash balances. See the Yavapai County Financial Statements for the year ended June 30, 2007, for additional information on cash and investments.

E. Capital Assets

Equipment consists of office equipment, software, and durable medical equipment that are capitalized at cost. Depreciation of such assets is charged as an expense against operations. Depreciation has been provided using the straight-line method over an estimated useful life of five years.

Note 2 - Plan Description

AHCCCS was established by the Arizona Legislature in 1981 for the purpose of developing and testing "an alternative payment and delivery system for providing health care services which facilitates cost containment and improves patient access while, at the same time, encourages quality care and efficient treatment patterns". Under the present system, AHCCCS contracts with provider groups to provide certain medical services in return for monthly capitation payments and certain reimbursement provisions.

Yavapai County Long Term Care Division is such a provider group providing health services to individuals qualifying for care under AHCCCS, mainly in Yavapai County, Arizona. AHCCCS pays the Division monthly, based on a contracted capitated rate and on the number of AHCCCS members enrolled in the Division. In turn, the Division subcontracts with medical service providers to provide the medical and medically-related services required by AHCCCS. The Division contracts with primary care physicians and other acute care providers to render acute care services. The primary care physicians are capitated monthly to provide certain medical services. Other providers are compensated at negotiated rates or AHCCCS fee-for-service rates. The Division is currently under contract with AHCCCS through September 30, 2011.

Yavapai County Department of
 Medical Assistance
 Long Term Care Division
 Notes to Financial Statements
 June 30, 2007

Note 3 - Receivables from/Due to AHCCCS

In addition to the monthly capitation payments from AHCCCS, the Division receives reimbursements of medical and medically related expenses for certain types of cases (reinsurance and ventilator dependent). AHCCCS partially reimburses the Division for patients whose acute care service claim exceeds \$10,000 for Medicare patients and \$20,000 for Non-Medicare patients claim limit, as well as behavioral health reimbursement for patients who meet a medical criteria and are approved by AHCCCS in advance.

The contracted capitation rate from AHCCCS includes estimates for HCBS and share of costs components, thus after year-end, these components are adjusted to an assigned HCBS percentage and share of costs, based on actual experience during the year. The adjustments are made to capitation received during the year. At June 30, 2007, these adjustments resulted in amounts due from/to AHCCCS of the following:

	Due From	Due To
Reinsurance	\$ 606,425	
Capitation	4,949	
Home and community based services reconciliation 2005-2006	96,530	
Home and community based services reconciliation 2006-2007	65,372	
Prior period cost reconciliation 2006-2007	11,729	
Acute care recoupment 2006-2007		\$ 26,101
Share of costs reconciliation 2003-2004		162,599
Share of costs reconciliation 2004-2005		599,352
Share of costs reconciliation 2005-2006		695,138
Share of costs reconciliation 2006-2007		313,194
Total	\$ 785,005	\$1,796,384

There is no allowance for doubtful accounts, as all receivables are deemed collectible.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Ending Balance
Capital assets:			
Office furniture and equipment	\$ 601,232	\$ 105,989	\$ 707,221
Less accumulated depreciation for:			
Office furniture and equipment	(457,597)	(53,721)	(511,318)
Total, furniture and equipment net	\$ 143,635	\$ 52,268	\$ 195,903

Yavapai County Department of
 Medical Assistance
 Long Term Care Division
 Notes to Financial Statements
 June 30, 2007

Note 5 - Claims payable

The Division utilizes a computerized authorization system to aid in the determination of claims incurred but not reported and to prevent unauthorized services from being rendered. In overview, providers are required to obtain authorization before services are rendered for all services except pharmacy, lab, x-ray, and fee-for-service primary care services, and certain specialty services. The authorizations are recorded and matched to claims as they are received. Thus, the amount of claims incurred but not reported can be determined by examining authorizations that have not been matched to claims. By including the amount of claims received but not paid, the total claims payable can be determined. Claims payable at June 30, 2007, consists of the following:

Claims reported but not paid	\$ 873,395
Claims incurred but not reported	<u>1,953,209</u>
 Total claims payable	 <u>\$ 2,826,604</u>

Note 6 - AHCCCS Revenues

Categories of capitation from AHCCCS for the year ended June 30, 2007, were as follows:

Regular	\$ 33,138,587
Adjustments for HCBS	<u>105,854</u>
	33,244,441
Reinsurance income	1,885,992
Prior period coverage (PPC)	271,969
HIV/AIDS supplement	<u>7,363</u>
 Total AHCCCS revenues	 <u>\$ 35,409,765</u>

Note 7 - Related Party Transactions

The Division contracts for services with other County operations for medically-related services. For the year ended June 30, 2007, the Division had expenses for Yavapai County Personal Care and Yavapai County Attendant Care, Divisions of the Yavapai County Health Department, totaling \$858,495 and had claims payable to them of \$104,938.

In addition, the Division incurred administration fees to the County of \$399,412 for the year ended June 30, 2007. The Division's employees are employees of the County and are subject to all rules and regulations of Yavapai County. The Division's liability insurance is provided as part of the County's coverage.

Yavapai County Department of
Medical Assistance
Long Term Care Division
Notes to Financial Statements
June 30, 2007

Note 8 - Retirement Plan

Plan Description. The Division contributes through Yavapai County to the Arizona State Retirement System ("ASRS"), a cost-sharing multiple-employer defined benefit retirement plan that covers employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits.

ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona, 85012, 1-800-621-3778.

Funding Policy. The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

For the year ended June 30, 2007, active ASRS members and the Division were each required to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and .5 percent long-term disability) of the members' annual covered payroll. The Division's contributions to ASRS for the years ended June 30, 2007, 2006, and 2005 were \$217,668, \$170,216 and \$125,874, respectively, which were equal to the required contributions for each year.

Note 9 - Bonding

The Yavapai County Board of Supervisors adopted a resolution in 1993 pledging to provide financial backing as an Arizona Long Term Care System program contractor.

Note 10 - Other Disclosures

AHCCCS requires that each plan providing AHCCCS services maintain a member to equity ratio of at least \$2,000 per member for long-term care plans. As of June 30, 2007, the Division had a member to equity ratio of \$5,600.

The insurance tax shown in the administrative expenses section of the statement of revenues, expenses, and changes in fund net assets represents the premium tax charged by Long Term Care that is remitted to the Arizona Department of Insurance.

Note 11 - Insurance Claims

The County provides health benefits to its employees and their dependents through the Yavapai Combined Trust, currently composed of four members. The Trust provides benefits up to \$175,000 per individual per plan year through a self-funding agreement with its participants and purchases commercial insurance to cover claims

Yavapai County Department of
Medical Assistance
Long Term Care Division
Notes to Financial Statements
June 30, 2007

in excess of this limit. An independent administrator provides the trust with claim and recordkeeping services. The County is responsible for paying the premiums and requires its employees to contribute for dependent coverage. The County is not liable for claims in excess of coverage limits and cannot be assessed retroactive premium adjustments. If it withdraws from the Trust, the County would be responsible for its proportional share of any claims run-out costs, which exceed Trust Fund reserves established for the incurred but not reported claims liability. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

Note 12 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool which are described below, and the Yavapai Combined Trust, which is described above.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of \$10,000 per occurrence for property claims and \$50,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk management services. The County is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among the members

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receives independent audits annually and an audit by

Yavapai County Department of
Medical Assistance
Long Term Care Division
Notes to Financial Statements
June 30, 2007

the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

Supplementary Information

Yavapai County Department of
Medical Assistance
Long Term Care Division
Supplementary Information
Schedule 1 – Risk Pool Payable/Receivable by Participant
June 30, 2007

Not Applicable

Yavapai County Department of Medical Assistance
 Long Term Care Division
 supplementary Information
 Schedule 2 - Activities/Income Statement
 Nine Months Ended June 30, 2007

	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM
Revenues						
Capitation	\$ 21,621,874	\$ 2,814.99	\$ 3,551,789	\$ 3,951.35	\$ 25,173,663	\$ 2,934.04
Prior period cost capitation	183,061	23.83	8,539	9.50	191,600	22.33
Reinsurance	738,552	96.15	482,364	536.63	1,220,916	142.30
Prior period cost reconciliation	-	-	11,729	13.05	11,729	1.37
HCBS placement reconciliation	18,914	2.46	46,458	51.68	65,372	7.62
HIV-AIDS Supplement	-	-	7,363	8.19	7,363	0.86
Total AHCCCS revenue	<u>22,562,401</u>	<u>2,937.43</u>	<u>4,108,242</u>	<u>4,570.40</u>	<u>26,670,643</u>	<u>3,108.52</u>
Investment income	242,973	31.63	28,831	32.07	271,804	31.68
Patient Contributions	8,768	1.14	416	0.46	9,184	1.07
Other non-AHCCCS income	44,747	5.83	24,856	27.65	69,603	8.11
Total non-AHCCCS revenue	<u>296,488</u>	<u>38.60</u>	<u>54,103</u>	<u>60.18</u>	<u>350,591</u>	<u>40.86</u>
Total revenues	<u>22,858,889</u>	<u>2,976.03</u>	<u>4,162,345</u>	<u>4,630.58</u>	<u>27,021,234</u>	<u>3,149.38</u>
Expenses						
Institutional Care Expenses						
NF ICF & Bedholds	3,042,312	396.08	373,664	415.70	3,415,976	398.14
Level I	4,530,011	589.77	238,667	265.52	4,768,678	555.80
Level II	1,179,144	153.51	80,527	89.59	1,259,671	146.82
Level III	2,575,635	335.33	317,001	352.66	2,892,636	337.14
PPC institutional	127,408	16.59	6,738	7.50	134,146	15.63
Other	588,811	76.66	(275,619)	(306.62)	313,192	36.50
Total institutional care	<u>12,043,321</u>	<u>1,567.94</u>	<u>740,978</u>	<u>824.35</u>	<u>12,784,299</u>	<u>1,490.03</u>
HCBS expenses						
Home health nurse	265,440	34.56	68,521	76.23	333,961	38.92
Home health aide	33,183	4.32	-	-	33,183	3.87
Personal care	277,740	36.16	34,481	38.36	312,221	36.39
Homemaker	484,345	63.06	75,141	83.59	559,486	65.21
Home delivered meals	148,612	19.35	14,982	16.67	163,594	19.07
Respite care	76,331	9.94	10,403	11.57	86,734	10.11
Attendant care	2,472,129	321.85	412,745	459.18	2,884,874	336.24
Assisted living home	311,857	40.60	63,426	70.56	375,283	43.74
Assisted living center	662,652	86.27	48,548	54.01	711,200	82.89
Adult day health	123,190	16.04	9,081	10.10	132,271	15.42
Adult foster care	24,191	3.15	-	-	24,191	2.82
Group respite	-	-	-	-	-	-

Yavapai County Department of Medical Assistance
 Long Term Care Division
 supplementary Information
 Schedule 2 - Activities/Income Statement
 Nine Months Ended June 30, 2007

	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM
Hospice	\$ (2,363)	\$ (0.31)	\$ 17,208	\$ 19.14	\$ 14,845	\$ 1.73
Environmental modifications	22,506	2.93	17,044	18.96	39,550	4.61
PPC HCBS	-	-	-	-	-	-
Other	(5,010)	(0.65)	34,577	38.47	29,567	3.45
Total HCBS	4,894,803	637.27	806,157	896.84	5,700,960	664.47
Acute care expenses:						
Inpatient services	153,045	19.93	309,693	344.53	462,738	53.93
Primary care physician services	189,601	24.68	42,925	47.75	232,526	27.10
Referral physician services	106,076	13.81	151,219	168.23	257,295	29.99
Emergency services	29,010	3.78	45,848	51.01	74,858	8.72
Out patient facility	37,488	4.88	57,315	63.76	94,803	11.05
Prescription drug	358,778	46.71	46,782	52.04	405,560	47.27
Lab/radiology	31,039	4.04	50,280	55.94	81,319	9.48
Durable medical equipment	154,741	20.15	91,353	101.63	246,094	28.68
Dental	33,610	4.38	11,852	13.19	45,462	5.30
Transportation	481,324	62.66	105,578	117.45	586,902	68.40
Therapies	(26,905)	(3.50)	175,387	195.12	148,482	17.31
Outpatient behavioral health	87,116	11.34	42,702	47.51	129,818	15.13
PPC acute care	24,826	3.23	34,396	38.27	59,222	6.90
Other	59,253	7.71	21,239	23.63	80,492	9.38
Total acute care	1,719,002	223.80	1,186,569	1,320.06	2,905,571	338.64
Other medical expenses:						
Ventilator dependent	(32,951)	(4.29)	283,644	315.55	250,693	29.22
Other	55,798	7.26	3,429	3.81	59,227	6.90
Total other medical	22,847	2.97	287,073	319.36	309,920	36.12
Case management expenses						
Case Management	689,617	89.78	80,552	89.61	770,169	89.76
Total case management	689,617	89.78	80,552	89.61	770,169	89.76
Total medical expenses	19,369,590	2,521.76	3,101,329	3,450.22	22,470,919	2,619.02
Administrative Expenses						
Compensation	1,283,573	167.11	177,634	197.62	1,461,207	170.31
Occupancy	60,365	7.86	6,896	7.67	67,261	7.84
Depreciation	20,997	2.73	2,457	2.73	23,454	2.73

Yavapai County Department of Medical Assistance
 Long Term Care Division
 supplementary Information
 Schedule 2 - Activities/Income Statement
 Nine Months Ended June 30, 2007

	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM
Other	\$ 575,529	\$ 74.93	\$ 63,623	\$ 70.78	\$ 639,152	\$ 74.49
Total administrative	<u>1,940,464</u>	<u>252.63</u>	<u>250,610</u>	<u>278.80</u>	<u>2,191,074</u>	<u>255.37</u>
Tax expense						
Insurance	481,970	62.75	56,244	62.57	538,214	62.73
Total tax	<u>481,970</u>	<u>62.75</u>	<u>56,244</u>	<u>62.57</u>	<u>538,214</u>	<u>62.73</u>
Total expenses	<u>21,792,024</u>	<u>2,837.14</u>	<u>3,408,183</u>	<u>3,791.59</u>	<u>25,200,207</u>	<u>2,937.12</u>
Net income	<u>\$ 1,066,865</u>	<u>\$ 138.89</u>	<u>\$ 754,162</u>	<u>\$ 838.99</u>	<u>\$ 1,821,027</u>	<u>\$ 212.26</u>

Note to Schedule 2 - AHCCCS required the information in this schedule beginning October 1, 2006. Due to the Division's fiscal year, only nine months are presented for the year ending June 30, 2007.

Yavapai county Department of Medical Assistance
 Long Term Care Division
 Schedule 3 - Medical Claims Payable (RBUC's)
 Year Ended June 30, 2007

Reported but Unpaid Claims (RBUCs)

Account	0-30 days	31-60 days	61-90 days	Over 90 days	Total
Institutional care	\$ 69,342	\$ (5,506)	1,736	464	\$ 66,036
Home and community based services	502,156	8,056			510,212
Acute care	287,317	10,983		(1,153)	297,147
Total prospective	858,815	13,533	1,736	(689)	873,395
Total prior period coverage					
Total claims payable	\$ 858,815	\$ 13,533	\$ 1,736	\$ (689)	\$ 873,395

Yavapai County Department of Medical Assistance
 Long Term Care Division
 Supplementary Information
 Schedule 4A - Lag Report by Category of Service - Institutional Care Payments
 Year Ended June 30, 2007

Quarter of Payment	Quarter in Which Service Provided							Total
	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	
Current	\$ 2,620,271	\$ 1,395,818	\$ 3,989	\$ 1,830	\$ 259	\$ 1,428		\$ 4,023,595
1st Prior		2,594,893	1,476,704	1,331	3,309	299	\$ (808)	4,075,728
2nd Prior			2,818,168	1,296,642	13,161	10,257		4,138,228
3rd Prior				2,570,384	1,270,740	10,369	(1,345)	3,850,148
4th Prior					2,524,060	1,302,378	9,211	3,835,649
5th Prior						2,393,719	1,383,818	3,777,537
6th Prior							2,738,015	2,738,015
Totals	<u>2,620,271</u>	<u>3,990,711</u>	<u>4,298,861</u>	<u>3,870,187</u>	<u>3,811,529</u>	<u>3,718,450</u>	<u>4,128,891</u>	<u>26,438,900</u>
Expense reported	3,972,211	4,053,474	4,311,275	3,895,849	3,855,228	3,701,293	4,117,514	27,906,844
Adjustment				6,971	(91,976)		1,169	(83,836)
Remaining liability	<u>\$ 1,351,940</u>	<u>\$ 62,763</u>	<u>\$ 12,414</u>	<u>\$ 32,633</u>	<u>\$ (48,277)</u>	<u>\$ (17,157)</u>	<u>\$ (10,208)</u>	<u>\$ 1,384,108</u>

Yavapai County Department of Medical Assistance
 Long Term Care Division
 Supplementary Information
 Schedule 4B - Lag Report by Category of Service - HCBS Payments
 Year Ended June 30, 2007

Quarter of Payment	Quarter in Which Service Provided							Total
	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	
Current	\$ 1,284,833	\$ 648,268	\$ 12,036	\$ 1,824				\$ 1,946,961
1st Prior		1,215,015	598,084	12,233	\$ 1,012			1,826,344
2nd Prior			1,324,484	671,031	22,402	\$ 438		2,018,355
3rd Prior				1,174,042	619,001	3,425	\$ 130	1,796,598
4th Prior					1,190,477	620,177	3,285	1,813,939
5th Prior						1,099,751	546,541	1,646,292
6th Prior							1,090,604	1,090,604
Totals	<u>1,284,833</u>	<u>1,863,283</u>	<u>1,934,604</u>	<u>1,859,130</u>	<u>1,832,892</u>	<u>1,723,791</u>	<u>1,640,560</u>	<u>12,139,093</u>
Expense reported	1,856,259	1,893,056	1,951,645	1,939,409	1,753,386	1,788,889	1,805,587	12,988,231
Adjustment						(74,014)	(121,127)	(195,141)
Remaining liability	<u>\$ 571,426</u>	<u>\$ 29,773</u>	<u>\$ 17,041</u>	<u>\$ 80,279</u>	<u>\$ (79,506)</u>	<u>\$ (8,916)</u>	<u>\$ 43,900</u>	<u>\$ 653,997</u>

Yavapai County Department of Medical Assistance
 Long Term Care Division
 Schedule 4C - Lag Report by Category of Service - Acute Care Payments
 Year Ended June 30, 2007

Quarter of Payment	Quarter in Which Service Provided							Total
	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	
Current	\$ 528,304	\$ 446,640	\$ 35,437	\$ 5,206	\$ 1,256	\$ 1,770	\$ 73	\$ 1,018,686
1st Prior		504,560	411,696	34,145	15,028	982	7,578	973,989
2nd Prior			420,814	416,189	34,201	15,338	2,976	889,518
3rd Prior				451,645	421,102	55,948	58,282	986,977
4th Prior					620,243	540,745	37,599	1,198,587
5th Prior						474,682	540,915	1,015,597
6th Prior							1,205,554	1,205,554
Totals	528,304	951,200	867,947	907,185	1,091,830	1,089,465	1,852,977	7,288,908
Expense reported	954,001	1,054,621	837,731	899,868	999,138	1,111,809	2,253,726	8,110,894
Adjustment		(790)				65,771	(98,468)	(33,487)
Remaining liability	\$ 425,697	\$ 102,631	\$ (30,216)	\$ (7,317)	\$ (92,692)	\$ 88,115	\$ 302,281	\$ 788,499

Yavapai County Department of Medical Assistance
 Long Term Care Division
 Supplementary Information
 Schedule 5 - Utilization Report
 Year Ended June 30, 2007

ITEM DESCRIPTION	Medicare	Non-Medicare	Total
A. Enrollees	829	103	932
B. Member months (unduplicated)	10,264.63	1,190.73	11,455.36
1. Institutional member months total	4,609.72	286.67	4,896.39
a. ICF1	1,478.23	109.80	1,588.03
b. SNF1	1,941.05	73.40	2,014.45
c. SNF2	392.33	25.46	417.79
d. Other (wandering/behavioral health)	798.12	78.01	876.13
2. Acute care total	41.26	48.99	90.25
3. Home and community based services (HCBS) total	5,315.14	794.51	6,109.65
a. Adult foster care	44.43		44.43
b. Assisted living homes	352.71	17.23	369.94
c. Individual home	2,321.50	430.15	2,751.65
d. Assisted living centers	865.20	40.82	906.02
e. Other (attendent care)	1,731.29	306.31	2,037.60
4. Ventilator total	3.19	48.00	51.19
5. Prior period coverage (PPC) total	295.32	12.56	307.88
C. Acute patient day information			
a. Admissions	467	45	512
b. Patient days	2,664	270	2,934
c. Discharges	460	42	502
d. Discharge days	2,616	266	2,882
e. Average length of stay	5.69	6.33	5.74
D. Emergency room visits	402	60	462

**Yavapai County Department of
 Medical Assistance
 Long Term Care Division
 Supplementary Information
 Schedule 6 – Listing of Plan Officers and Directors
 June 30, 2007**

Name, Title	Other Relationship to Plan	Type of Compensation
Yavapai County Board of Supervisors:		
A.G. "Chip" Davis, Chairman	None	No compensation from Plan
Carol Springer, Vice Chairman	None	No compensation from Plan
Thomas Thurman, Member	None	No compensation from Plan
Yavapai County Manager:		
Julie Ayers	None	No compensation from Plan
Yavapai County Department of Medical Assistance, Director		
Jan Hart	Employee	Salary

MILLER, ALLEN & CO., P.C.

Certified Public Accountants

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PHOENIX, ARIZONA 85014
TEL (602) 264-3888
FAX (602) 230-0348

MARK L. LANDY, C.P.A.
STEPHEN T. HARRIS, C.P.A.
THOMAS L. FRIEND, C.P.A.
ROBERT N. SNYDER, C.P.A.

ROBERT L. MILLER, C.P.A.
(1931 - 1992)

**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***

The Board of Supervisors of
Yavapai County, Arizona

We have audited the financial statements of Yavapai County Department of Medical Assistance, Long Term Care Division as of and for the year ended June 30, 2007, and have issued our report thereon dated September 17, 2007. 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, and the *State of Arizona Administrative Rules and Regulations* (R9-22-219; R-22-520), as detailed in the *Reporting Guide for Arizona Long Term Care Systems (ALTCs) Program Contractors with the Arizona Health Care Cost Containment System* (dated October 1, 1997).

Internal Control over Financial Reporting

In planning and performing our audit, we considered Yavapai County Department of Medical Assistance, Long Term Care Division's 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 the Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies

in internal control that might be significant deficiencies or material weaknesses. 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 Yavapai County Department of Medical Assistance, Long Term Care Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 or other matters that are required to be reported under *Government Auditing Standards* or State of Arizona Administrative Rules and Regulations.

This report is intended for the information of the Board of Supervisors and management of Yavapai County Department of Medical Assistance, Long Term Care Division. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Miller, Allen & Co., P.C.

September 17, 2007

Yavapai County Department of
Medical Assistance
Long Term Care Division
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Prior Year Findings

No matters were reported

Financial Statement Findings

No matters were reported

AHCCCS Findings and Questioned Costs

No matters were reported