

Financial Statements and Report of
Independent Certified Public Accountants



**GEORGIA DEPARTMENT OF
COMMUNITY HEALTH**

June 30, 2007



A JOINT VENTURE OF
CERTIFIED PUBLIC ACCOUNTING FIRMS



**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
GEORGIA DEPARTMENT OF COMMUNITY HEALTH**

June 30, 2007

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INDEPENDENT AUDITORS' REPORT



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Independent Auditors' Report

The Honorable Dr. Rhonda M. Medows, Commissioner
State of Georgia's Department of Community Health

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **State of Georgia's Department of Community Health** (hereinafter referred to as the "Department of Community Health") as of and for the year ended June 30, 2007, which collectively comprise the Department of Community Health's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department of Community Health's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. 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 the 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 opinions.

As discussed in note 1, the financial statements of the Department of Community Health are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the State of Georgia that is attributable to the transactions of the Department of Community Health. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Department of Community Health, as of June 30, 2007, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 of the financial statements, the Department of Community Health adopted Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during the year ended June 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007 on our consideration of the Department of Community Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

The Department of Community Health has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The schedules of funding progress and employer contributions as well as the budgetary comparison information on pages 30 through 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKR Mitchell Davis

Maudlin J. Jackson

Atlanta, Georgia
November 16, 2007

FINANCIAL STATEMENTS

Department of Community Health

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current:			
Cash, Cash Equivalents and Investments	\$ 5,765,828.02	\$ 317,835,846.52	\$ 323,601,674.54
Cash, Cash Equivalents and Investments - Restricted	26,051,145.22	-	26,051,145.22
Receivables, Net of Allowances for Uncollectibles:			
State Appropriation	355,743,082.58	-	355,743,082.58
Intergovernmental - Federal	636,870,497.21	-	636,870,497.21
Other	192,230,522.41	49,154,105.68	241,384,628.09
Investments	-	119,720,999.38	119,720,999.38
Total Current Assets	<u>\$ 1,216,661,075.44</u>	<u>\$ 486,710,951.58</u>	<u>\$ 1,703,372,027.02</u>
Noncurrent:			
Capital Assets, Net of Accumulated Depreciation	<u>\$ 474,037.63</u>	<u>\$ -</u>	<u>\$ 474,037.63</u>
Total Assets	<u>\$ 1,217,135,113.07</u>	<u>\$ 486,710,951.58</u>	<u>\$ 1,703,846,064.65</u>
Liabilities:			
Current:			
Cash Overdraft	\$ 3,355,746.40	\$ -	\$ 3,355,746.40
Accounts Payable and Other Accruals	139,595,596.86	2,757,202.09	142,352,798.95
Salaries Payable	44,089.20	11,538.70	55,627.90
Federal Deferred Revenue	32,699,084.62	-	32,699,084.62
Benefits Payable	741,480,437.00	179,907,044.67	921,387,481.67
Other Deferred Revenue	1,977,675.32	56,079,578.75	58,057,254.07
Current Portion of Compensated Absences Payable	850,468.47	109,471.38	959,939.85
Total Current Liabilities	<u>\$ 920,003,097.87</u>	<u>\$ 238,864,835.59</u>	<u>\$ 1,158,867,933.46</u>
Noncurrent:			
Compensated Absences Payable	<u>\$ 1,381,482.52</u>	<u>\$ 137,792.33</u>	<u>\$ 1,519,274.85</u>
Total Liabilities	<u>\$ 921,384,580.39</u>	<u>\$ 239,002,627.92</u>	<u>\$ 1,160,387,208.31</u>
Net Assets:			
Invested in Capital Assets	\$ 474,037.63	\$ -	\$ 474,037.63
Restricted for Return - State Revenue Collections	588,485.92	-	588,485.92
Restricted for Other Specific Purposes	27,977,006.60	-	27,977,006.60
Restricted for Return of Appropriations	14,886,216.78	-	14,886,216.78
Unrestricted	<u>251,824,785.75</u>	<u>247,708,323.66</u>	<u>499,533,109.41</u>
Total Net Assets	<u>\$ 295,750,532.68</u>	<u>\$ 247,708,323.66</u>	<u>\$ 543,458,856.34</u>

The accompanying notes are an integral part of this statement.

Department of Community Health

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED

JUNE, 2007

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Functions/Programs:						
Governmental Activities:						
Education	\$ 40,354,436.63	\$ -	\$ -	\$ (40,354,436.63)	\$ -	\$ (40,354,436.63)
Health and Welfare	7,594,573,836.57	480,487,942.07	4,734,946,433.05	(2,379,139,461.45)	-	(2,379,139,461.45)
Contribution to State General Fund	13,990,151.87	-	-	(13,990,151.87)	-	(13,990,151.87)
Total Governmental Activities	\$ 7,648,918,425.07	\$ 480,487,942.07	\$ 4,734,946,433.05	\$ (2,433,484,049.95)	\$ -	\$ (2,433,484,049.95)
Business-Type Activities:						
Health and Welfare	1,868,431,042.73	2,013,287,880.41	-	-	144,856,837.68	144,856,837.68
Total	\$ 9,517,349,467.80	\$ 2,493,775,822.48	\$ 4,734,946,433.05	\$ (2,433,484,049.95)	\$ 144,856,837.68	\$ (2,288,627,212.27)
General Revenues:						
State Appropriation				\$ 2,367,242,372.45	\$ -	\$ 2,367,242,372.45
Other				333,272,710.68	-	333,272,710.68
Interest and Other Investment Income				1,168,046.52	23,071,799.09	24,239,845.61
Total General Revenues				\$ 2,701,683,129.65	\$ 23,071,799.09	\$ 2,724,754,928.74
Change in Net Assets				\$ 268,199,079.70	\$ 167,928,636.77	\$ 436,127,716.47
Net Assets, July 1				27,551,452.98	79,779,686.89	107,331,139.87
Net Assets, June 30				\$ 295,750,532.68	\$ 247,708,323.66	\$ 543,458,856.34

The accompanying notes are an integral part of this statement.

Department of Community Health

FUND BALANCE SHEET
GOVERNMENTAL FUND – GENERAL FUND

JUNE 30, 2007

Assets:

Cash and Cash Equivalents	\$ 5,765,828.02
Cash - Restricted	26,051,145.22
Receivables, Net of Allowances for Uncollectibles:	
State Appropriation	355,743,082.58
Intergovernmental - Federal	636,870,497.21
Other	<u>192,230,522.41</u>

Total Assets \$ 1,216,661,075.44

Liabilities and Fund Balance:

Liabilities:

Cash Overdraft	\$ 3,355,746.40
Accounts Payable and Other Accruals	139,595,596.86
Salaries Payable	44,089.20
Federal Deferred Revenue	32,699,084.62
Benefits Payable	741,480,437.00
Other Deferred Revenue	<u>1,977,675.32</u>

Total Liabilities \$ 919,152,629.40

Fund Balance:

Reserved for Encumbrances	\$ 49,002,543.39
Reserved for Return - State Revenue Collections	588,485.92
Reserved for Other Specific Purposes	27,977,006.60
Reserved for Return of Appropriation	14,886,216.78
Unreserved, Undesignated	<u>205,054,193.35</u>

Total Fund Balance \$ 297,508,446.04

Reconciliation from Governmental Fund Balance to Governmental Activities

Net Assets:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and therefore are not reported in the funds.	\$ 474,037.63
Long-term obligations, including compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,231,950.99)</u>

Net Assets of Governmental Activities \$ 295,750,532.68

The accompanying notes are an integral part of this statement.

Department of Community Health

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND – GENERAL FUND

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

Revenues:

Intergovernmental:

State Appropriation	\$ 2,622,610,570.00
Federal	4,734,946,433.05
Other	<u>559,560,501.72</u>

Total Revenues \$ 7,917,117,504.77

Expenditures:

Education	\$ 40,354,436.63
Health and Welfare	7,594,350,335.68
Debt Service:	
Principal	<u>5,373,963.37</u>

Total Expenditures \$ 7,640,078,735.68

Excess of Revenues Over Expenditures \$ 277,038,769.09

Other Financing Uses:

Contribution to State General Fund	<u>13,990,151.87</u>
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Net Change in Fund Balance \$ 263,048,617.22

Fund Balance, July 1 34,459,828.82

Fund Balance, June 30 \$ 297,508,446.04

The accompanying notes are an integral part of this statement.

Department of Community Health

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND – GENERAL FUND – TO THE
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES –
CHANGE IN NET ASSETS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

Governmental Fund - General Fund - Net Change in Fund Balance \$ 263,048,617.22

Amounts reported for governmental activities in the statement of
Activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is allocated
over their estimated useful lives and reported as depreciation
expense. Due to the nature of the Department's operations, this
amount primarily represents the amount by which depreciation
exceeded capital outlays in the current period.

Capital Outlays	\$ 309,430.68
Depreciation	(339,081.66)
	<u>\$ (29,650.98)</u>

Governmental funds do not report a liability for long-term obligations
or compensated absences. The issuance of long-term obligations
provides current financial resources to governmental funds while
the repayment of the principal consumes the current financial
resources of governmental funds. This amount is the net effect
of these differences in the treatment of long-term obligations and
related items.

Principal Repayment	\$ 5,373,963.37
Change in Compensated Absences	(193,849.91)
	<u>\$ 5,180,113.46</u>

Statement of Activities - Governmental Activities - Change in Net Assets \$ 268,199,079.70

The accompanying notes are an integral part of this statement.

Department of Community Health

STATEMENT OF NET ASSETS
PROPRIETARY FUND – ENTERPRISE FUND

JUNE 30, 2007

Assets:

Current:

Cash and Cash Equivalents	\$ 317,835,846.52
Receivables - Other, Net of Allowance for Uncollectibles	49,154,105.68
Investments	<u>119,720,999.38</u>
Total Assets	<u>\$ 486,710,951.58</u>

Liabilities:

Current:

Accounts Payable and Other Accruals	\$ 2,757,202.09
Salaries Payable	11,538.70
Benefits Payable	179,907,044.67
Deferred Revenue	56,079,578.75
Current Portion of Compensated Absences Payable	<u>109,471.38</u>
Total Current Liabilities	<u>\$ 238,864,835.59</u>

Noncurrent:

Compensated Absences Payable	<u>\$ 137,792.33</u>
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Total Liabilities	<u>\$ 239,002,627.92</u>
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Net Assets:

Unrestricted	<u>\$ 247,708,323.66</u>
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The accompanying notes are an integral part of this statement.

Department of Community Health

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS –
PROPRIETARY FUND – ENTERPRISE FUND

FOR FISCAL YEAR ENDED
JUNE 30, 2007

Operating Revenues:	
Contributions	\$ 2,013,287,880.41
Operating Expenses:	
Health and Welfare	<u>1,868,431,042.73</u>
Operating Income	\$ 144,856,837.68
Nonoperating Revenues:	
Interest and Other Investment Income	<u>23,071,799.09</u>
Change in Net Assets	\$ 167,928,636.77
Net Assets, July 1	<u>79,779,686.89</u>
Net Assets, June 30	<u><u>\$ 247,708,323.66</u></u>

The accompanying notes are an integral part of this statement.

Department of Community Health

STATEMENT OF CASH FLOWS
PROPRIETARY FUND – ENTERPRISE FUND

FOR FISCAL YEAR ENDED
JUNE 30, 2007

Cash Flows from Operating Activities:

Cash Received from Required Contributions	\$ 2,009,010,371.40
Cash Paid to Vendors	(25,228,119.88)
Cash Paid to Employees	(5,202,333.38)
Cash Paid for Benefits	<u>(1,904,771,879.38)</u>

Net Cash Provided by Operating Activities \$ 73,808,038.76

Cash Flows from Investing Activities:

Proceeds from Sales and Maturities of Investments	\$ 42,173,308.29
Interest and Other Investment Income	<u>23,071,799.09</u>

Net Cash Provided by Investing Activities \$ 65,245,107.38

Net Increase in Cash and Cash Equivalents \$ 139,053,146.14

Cash and Cash Equivalents, July 1 178,782,700.38

Cash and Cash Equivalents, June 30 \$ 317,835,846.52

Operating Income \$ 144,856,837.68

Adjustments to Reconcile Operating Income to

Net Cash Provided by Operating Activities:

Changes in Assets and Liabilities:

Increase in Other Receivables	\$ (2,286,291.90)
Increase in Accounts Payable and Other Accruals	665,053.88
Increase in Compensated Absences Payable	1,611.07
Increase in Salaries/Withholdings Payable	5,177.35
Decrease in Benefits Payable	(67,443,132.21)
Decrease in Deferred Revenue	<u>(1,991,217.11)</u>

Total Adjustments \$ (71,048,798.92)

Net Cash Provided by Operating Activities \$ 73,808,038.76

The accompanying notes are an integral part of this statement.

Department of Community Health

STATEMENT OF FIDUCIARY NET ASSETS
GEORGIA RETIREE HEALTH BENEFIT FUND

JUNE 30, 2007

Assets:

Cash and Cash Equivalents \$ 47,574,000.00

Total Assets \$ 47,574,000.00

Liabilities:

Liabilities:

Benefits Payable \$ 47,574,000.00

Total Liabilities \$ 47,574,000.00

Net Assets

Held in Trust for:

Other Postemployment Benefits \$ -

The accompanying notes are an integral part of this statement.

Department of Community Health

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
GEORGIA RETIREE HEALTH BENEFIT FUND

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

Additions:

Contributions	
Employer	\$ 422,156,840.49
Total Additions	<u>\$ 422,156,840.49</u>

Deductions:

General and Administrative Expenses	\$ 25,842,513.85
Benefits	<u>396,314,326.64</u>
Total Deductions	<u>\$ 422,156,840.49</u>

Change in Net Assets Held in Trust for:

Other Postemployment Benefits	\$ -
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Net Assets, July 1	<u>-</u>
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Net Assets, June 30	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of this statement.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 1. Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying basic financial statements follows.

A. Reporting Entity

The State of Georgia's Department of Community Health (the "Department of Community Health"), an organizational unit of the State of Georgia, is part of the executive branch of the government of the State of Georgia. The Department of Community Health was created to coordinate health planning and to maximize the State's healthcare purchasing power. The Board of Community Health is composed of nine members appointed by the Governor and is empowered to establish the general policy to be followed by the Department of Community Health.

The Department of Community Health does not have authority to determine the amount of funding it will receive from the State of Georgia for any given fiscal year. Such authority is vested in the General Assembly of Georgia. The Department of Community Health also does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, the Department of Community Health is included within the State's basic financial statements as a part of the primary government (as defined in Section 2100.114 of the Codification of Governmental Accounting and Financial Reporting Standards).

The accompanying basic financial statements include only the financial activities for the Department of Community Health. The latest available financial statements for the State of Georgia are as of and for the year ended June 30, 2006. These statements should be read in conjunction with the State's Comprehensive Annual Financial Report, available through the Georgia Department of Audits and Accounts, 270 Washington Street, S.W., Atlanta, Georgia 30334.

B. Basic Financial Statements

The basic financial statements include both department-wide (based on the Department of Community Health as a whole) and fund financial statements. The department-wide financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. These statements include the financial activities of the overall government, except for fiduciary activities. In the department-wide statement of net assets, both the governmental and business-type activities are reflected, on a full accrual, economic resource basis, which incorporates long-term assets as well as long-term obligations. The department-wide statement of activities reflects the net revenues and expenses by function/program and is offset by general revenues (intergovernmental revenues, interest income, etc.). Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

The department-wide focus is on the sustainability of the Department of Community Health as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund statements categorize primary activities as either governmental or proprietary and include the Department of Community Health's funds including its fiduciary fund. A fund is a separate accounting entity with a self-balancing set of accounts. The emphasis of the fund financial statements is on the Department of Community Health's major funds in either the governmental or proprietary categories. Separate fund financial statements for each fund category – governmental, proprietary and fiduciary – are presented.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 1. Summary of Accounting Policies (continued)

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the Department of Community Health's actual experience conforms to the budget fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the department-wide statements' governmental activities column, a reconciliation is presented on the page following the statement of revenues, expenditures and changes in fund balance – governmental fund – general fund, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the department-wide presentation. A reconciliation which explains the differences between the total fund balance on the governmental fund balance sheet and the net assets of governmental activities is also presented.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Department of Community Health's fiduciary fund accounts for the employer cost of retiree post-employment health insurance benefits. All assets of the fund are used solely for the payment of fund obligations.

All governmental and business-type activities, enterprise funds and fiduciary funds of the Department of Community Health follow the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

The major funds reported by the Department of Community Health are as follows:

Governmental Funds - Governmental funds are used to account for the Department of Community Health's general activities. The general fund is the Department of Community Health's primary operating fund and the only governmental fund. It accounts for all financial resources of the Department of Community Health except for those accounted for in the enterprise fund.

Proprietary Funds - Proprietary funds are used to account for activities similar to those found in the private sector, where cost recovery and the determination of net income is necessary or useful for sound financial administration. The Department of Community Health's only proprietary fund type is the enterprise fund. The Department of Community Health's enterprise fund is the State Health Benefit Plan (SHBP). The SHBP is a self-insured program of health benefits for the employees of units of government and local education agencies located within the State of Georgia.

C. Measurement Focus

Governmental Funds - The Department of Community Health's governmental fund is presented using the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. As noted previously, the Department of Community Health's only governmental fund is the general fund.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 1. Summary of Accounting Policies (continued)

Department-Wide, Proprietary Fund and Fiduciary Fund Financial Statements – The department-wide, proprietary fund and fiduciary fund financial statements of the Department of Community Health are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principle ongoing operations. Operating revenue for the enterprise fund consists primarily of employer and participant contributions to the SHBP. Operating expense for the enterprise fund includes direct general and administrative expense related to administering the SHBP. All revenue and expense not meeting this definition are reported as non-operating revenue/expense.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The department-wide, proprietary fund and fiduciary fund financial statements are presented on an accrual basis of accounting. The governmental fund financial statements are presented on a modified accrual basis.

Accrual - Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the following six months. Principal revenue sources, which are susceptible to accrual, include federal grants and shared revenues (which include State appropriations). Revenues applicable to expenditure-driven programs, however, may be accrued based on the unexecuted portion of contracts for goods and services. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that certain long-term obligations are recognized when due rather than when incurred.

E. Cash, Cash Equivalents and Investments

The State Depository Board is designated by State law as the oversight Board for the State of Georgia's cash management and investment policies. The Office of Treasury and Fiscal Services (OTFS) acts as the administrative agent of the State Depository Board. The policy of the State of Georgia is to maximize the protection of State funds on deposit while accruing an advantageous yield on those funds in excess of those required for current operating expenditures (Official Code of Georgia Annotated [O.C.G.A.] Section 50-17-51). The State Depository Board may permit any department, board, bureau or other agency to invest funds collected directly by such organization in short-term time deposit agreements. Except for amounts earned on investments of the SHBP, the Other Post Employment Benefits Trust Fund (OPEB) and those on restricted funds, the interest income of those short-term time deposit agreements must be remitted to the Director of the OTFS as revenues of the State of Georgia. As a matter of general practice, however, State funds of any department, board, bureau or other agency in excess of current operating needs are required to be deposited with the Director of the OTFS for the purposes of pooled investment. Such cash is managed in pooled investment funds to maximize interest earnings. Authorized pool investments are limited to the following in accordance with State statutes and policies of the State Depository Board:

- 1) Obligations issued by the State of Georgia or its agencies or other political subdivisions of the State.
- 2) Obligations issued or guaranteed by the United States government and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States Government.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 1. Summary of Accounting Policies (continued)

- 3) Prime bankers' acceptances.
- 4) Repurchase agreements.
- 5) Obligations and commercial paper issued by domestic corporations.
- 6) Obligations of industrialized foreign governments.
- 7) Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation.
- 8) Certificates of deposit.

Pooled assets and other deposits of the Department of Community Health are categorized on the statement of net assets as follows:

Cash and Cash Equivalents include currency on hand, demand deposits with banks and other financial institutions and funds in transit from other spending units. Cash and cash equivalents also include short-term, highly liquid investments with maturities of three months or less from the date of acquisition and the Department of Community Health's investments in Georgia Fund 1.

Restricted Cash is cash held in a separate bank account to comply with federal regulations stipulating that the proceeds of federally forfeited cash, property or interest shall not be commingled with other funds of any kind. The majority of these funds are restricted for use solely for the purpose of criminal fraud investigations as described in the Federal Equitable Sharing Agreement entered into by the Department of Community Health and for the purpose of assisting nursing home facilities that have been sanctioned by the Centers for Medicare and Medicaid Services (CMS). Restricted cash also includes amounts held in escrow under the terms of contractual agreements.

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase and certain other securities held for the production of revenue.

Health Insurance Fund Portfolio

As of June 30, 2007, the Health Insurance Fund Portfolio investments consist of shares of Georgia Fund 1, shares of the Georgia Extended Asset Pool and a separately managed cash concentration account. These investments are recorded at fair value. Fair value is determined based on market value.

The duration of the Health Insurance Fund Portfolio at June 30, 2007 was 0.24 years.

Georgia Fund 1

Georgia Fund 1 (the Pool) is a combination of local and State government investment pools. The Pool is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAM rated money market funds. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal. Net asset value (NAV) is calculated daily and reported to the rating agency weekly to ensure stability. The Pool distributes earnings (net of management fees) on a monthly basis and values participants' shares sold and redeemed at the Pool's share price, \$1.00 per share. Pooled cash and cash equivalents and investments are reported at cost. The Pool does not issue any legally binding guarantees to support the value of the shares. Participation in the Pool is voluntary and deposits consist of funds from local governments, operating and trust funds of State agencies, colleges and universities and current operating funds of the State's general fund. Investments in the Pool are directed toward short-term instruments such as U. S. Treasury obligations, securities issued or guaranteed as to principal and interest by the U. S. Government or any of its agencies or instrumentalities, bankers' acceptances and repurchase agreements.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 1. Summary of Accounting Policies (continued)

The weighted average maturity of the Pool may not exceed 60 days. The weighted average maturity for the Pool on June 30, 2007 was 15 days. The Department of Community Health does not have any risk exposure related to investments in derivatives or similar investments in the Pool, as the investment policy of the OTFS does not provide for investments in derivatives or similar investments through the Pool.

Georgia Extended Asset Pool

The Georgia Extended Asset Pool (the Asset Pool) is a variable net asset value investment pool which follows Standard and Poor's criteria for AAAs rated funds. The Asset Pool is not registered with the SEC as an investment company. The Asset Pool's primary objective is the prudent management of public funds on behalf of the State of Georgia and local governments seeking income higher than money market rates. NAV is calculated daily to determine current share price. NAV is calculated by taking the closing fair value of securities owned plus other assets and subtracting liabilities. The remainder is then divided by the total number of shares outstanding to compute NAV per share (current share price). The Asset Pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on the current share price, which at June 30, 2007, was at \$1.99 per share. The OTFS hired a third party bank, Investors Bank and Trust, to perform custody and valuation services to include calculation of the NAV. Pooled cash and cash equivalents and investments are reported at fair value. The Asset Pool does not issue any legally binding guarantees to support the value of the shares. Participation in the Asset Pool is voluntary and deposits consist of funds from local governments, operating and trust funds of State agencies and current operating funds of the State's general fund. Investments in the Asset Pool consist generally of securities issued or guaranteed as to principal and interest by the U. S. Government or any of its agencies or instrumentalities, bankers' acceptances and repurchase agreements. The average investment duration of the Asset Pool at June 30, 2007 was 0.91 years.

The Department of Community Health maintains a Cash Concentration Account with the OTFS which is used to concentrate money from multiple deposit accounts in order to invest excess cash. For additional disclosures related to cash, cash equivalents and investments see note 2.

F. Accounts Receivable

The State Appropriation receivable consists of funds appropriated and allotted to the Department of Community Health by the General Assembly of Georgia that have not been drawn down from the OTFS as of June 30, 2007. Receivables reported as intergovernmental-federal result from expenditures incurred by the Department of Community Health for which all eligibility requirements have been met that are related to federal grants and entitlements. Reimbursement for these expenditures has not been received from the federal government as of June 30, 2007. Management has determined the State Appropriation receivable and the intergovernmental – federal receivables to be fully collectible at June 30, 2007. Therefore, no provision for uncollectible amounts has been reported for such receivables.

The Constitution of the State of Georgia precludes the Department of Community Health from forgiving certain debts due the State in the absence of statutory exception. Although the Department of Community Health has implemented policies and procedures for continued collection efforts, significant claim refunds due cannot be deleted from the accounting records of the Department of Community Health.

G. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Depreciation on capital assets is provided on the straight-line basis over the asset's useful life. The Department of Community Health's capitalization threshold is \$5,000 for equipment, furniture and fixtures.

Note 1. Summary of Accounting Policies (continued)

H. Compensated Absences/Sick Leave

The Department of Community Health accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. For the enterprise fund and the department-wide financial statements, the entire liability is accrued within the current period. The compensated absences are not considered matured and therefore, are not a governmental fund liability. The compensated absences liability represents a reconciling item between the fund level and department-wide presentations for the governmental fund. Employees earn annual leave ranging from ten to fourteen hours each month depending upon the employee's length of continuous State service with a maximum accumulation of 45 days. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Compensated absences reported by the Department of Community Health are charged to the health and welfare function for each fund type and activity.

Sick leave does not vest with the employee. Unused accumulated sick leave is forfeited upon retirement or termination of employment. However, certain employees who retire with 120 days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System of Georgia. Funds are provided in the appropriation of State funds each fiscal year to cover the cost of annual leave of terminated employees. Employees earn 10 hours of sick leave each month with a maximum accumulation of 90 days.

I. Fund Balances

Reservations of fund balances represent amounts that are not appropriable for expenditure or are legally segregated for a specific future use. See note 8 for a reconciliation of reservation of fund balances from the fund balance sheet governmental fund-general fund to the statement of net assets at June 30, 2007.

J. Net Assets

The department-wide, proprietary fund and fiduciary fund financial statements utilize a net asset presentation. The statement of net assets is intended to show net assets categorized as investment in capital assets (net of related debt), restricted and unrestricted. When both restricted and unrestricted resources are available for use, the Department of Community Health's policy is to use restricted resources first then unrestricted resources as needed.

Invested in Capital Assets (net of related debt) – Net assets which are associated with non-liquid, capital assets are reported less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Assets – Net assets are reported as restricted when constraints are externally imposed by creditors or imposed by law.

Unrestricted Net Assets – Net assets are reported as unrestricted when they do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

K. Related Party Transactions

During the normal course of business, the Department of Community Health provides services to various agencies and departments of the State. As an organizational unit of the State and a substantial component of the primary government's financial statements, the relationship with other parties of the State is so pervasive that disclosure of the relationship alone is sufficient.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 1. Summary of Accounting Policies (continued)

L. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the department-wide columnar presentation. The Department of Community Health has the following types of interfund transactions:

Quasi-external transactions for services rendered by one fund to another are accounted for as revenues by the recipient fund and expenditures or expenses by the disbursing fund.

Transfers are recorded for all other interfund transactions.

M. 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 at the date of the financial statements as well as the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Deposits and Investments

Total cash, cash equivalents and investments as of June 30, 2007 for the Department of Community Health's governmental, business-type activities and fiduciary fund are summarized as follows:

Deposits and Investments:

Amounts Included as Deposits in Bank	\$ 5,322,391.79
Amounts Included as Deposits in OTFS	26,370,240.48
Amounts Deposited in Georgia Fund 1	310,904,714.73
Amounts Deposited in Georgia Extended Asset Pool	119,720,999.38
Amounts Invested in Cash Concentration	<u>51,273,726.36</u>
	<u>\$ 513,592,072.74</u>

As Reported in the Statement of Net Assets:

Cash, Cash Equivalents and Investments	\$ 323,601,674.54
Cash, Cash Equivalents and Investments - Restricted	26,051,145.22
Investments	119,720,999.38
Cash Overdraft	<u>(3,355,746.40)</u>

	466,018,072.74
As Reported in the Statement of Fiduciary Net Assets	<u>47,574,000.00</u>

\$ 513,592,072.74

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 2. Deposits and Investments (continued)

A. Deposits

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of a bank failure, the Department of Community Health’s deposits may not be returned. At year-end, the carrying amounts of the Department of Community Health’s deposits totaled \$5,322,391.79 and the bank balances were \$13,749,934.65.

As of June 30, 2007, \$13,449,934.65 of the Department of Community Health’s bank balance of \$13,749,934.65 was exposed to custodial risk as follows:

Uninsured and Uncollateralized	\$ 13,449,934.65
Insured	<u>300,000.00</u>
Total Bank Balances	<u>\$ 13,749,934.65</u>

The uninsured, uncollateralized bank balance of \$13,449,934.65 primarily represents outstanding checks and electronic fund transfers that have not cleared the bank as of June 30, 2007.

B. Investments

The carrying amount of the Department of Community Health’s investment balances as of June 30, 2007, shown below is maintained in an investment pool by the OTFS and is not subject to risk categorization. The investment pool is included in “cash and cash equivalents” on the statement of net assets.

Type of Investment	Fair Value	Weighted Average Maturity (Days)	Duration (Years)
Georgia Fund 1	\$ 310,904,714.73	15.00	
Georgia Extended Asset Pool	119,720,999.38		0.91
Cash Concentration Account	<u>51,273,726.36</u>		0.003
Total Fair Value	<u>\$ 481,899,440.47</u>		

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates may adversely affect an investment’s fair value. The Department of Community Health does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It relies on the policy of the State to maximize the protection of State funds while accruing an advantageous yield on those funds in excess of those required for current operating expenditures. The State manages interest rate risk by attempting to match investments with expected cash requirements.

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investment in US Treasury Bills and notes, obligations issued by federal financial institutions and repurchase agreements collateralized by authorized securities. The Department of Community Health has no investment policy that would further limit its investment choices. As stated above, the Department of Community Health relies on the policy of the State as a whole. As of June 30, 2007, Standard and Poor’s rated the Department of Community Health’s investment in the Georgia Fund 1 as AAAM and the Georgia Extended Asset Pool as AAAF.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 2. Deposits and Investments (continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Department of Community Health will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Department of Community Health has no policy on custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. The State places no limit on the amount the OTFS may invest in any one issuer.

Note 3. Accounts Receivable

At June 30, 2007, receivables – other arising from governmental activities are reported as follows:

	<u>Receivables - Other</u>	<u>Allowance Amount</u>	<u>Receivables - Other (Net of Allowances for Uncollectibles)</u>
Interim payments to providers and other receivables	\$ 53,883,715.86	\$ (21,307,770.00)	\$ 32,575,945.86
Direct billings for services provided	<u>159,654,576.55</u>	<u>-</u>	<u>159,654,576.55</u>
	<u>\$ 213,538,292.41</u>	<u>\$ (21,307,770.00)</u>	<u>\$ 192,230,522.41</u>

At June 30, 2007, the accounts receivable for business-type activities are reported as follows:

	<u>Receivables - Other</u>	<u>Allowance Amount</u>	<u>Receivables - Other (Net of Allowances for Uncollectibles)</u>
Contributions receivable	\$ 46,549,085.24	\$ -	\$ 46,549,085.24
Claims refunds due	<u>6,410,021.05</u>	<u>(3,805,000.61)</u>	<u>2,605,020.44</u>
	<u>\$ 52,959,106.29</u>	<u>\$ (3,805,000.61)</u>	<u>\$ 49,154,105.68</u>

A contra-asset valuation account has been established to indicate the portion of claim refunds due and estimated to be uncollectible in excess of the statutory limit, which cannot be legally written off (\$100.00 for governmental activities; \$400.00 for business – type activities). At June 30, 2007, the allowance for uncollectible interim payments to providers and claim refunds due to the governmental fund was determined to be \$21,307,770.00. The allowance for uncollectible claim refunds due was determined to be \$3,805,000.61.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 4. Capital Assets

The following is a summary of equipment presented in the statement of net assets in the governmental activities column at June 30, 2007:

	Balance at July 1, 2006	Additions and Adjustments	Deletions and Adjustments	Balance at June 30, 2007
Governmental Activities:				
Depreciable Capital Assets Equipment	\$ 1,502,984.11	\$ 553,476.00	\$ 410,347.10	\$ 1,646,113.01
Accumulated Depreciation Equipment	<u>999,295.50</u>	<u>339,081.66</u>	<u>166,301.78</u>	<u>1,172,075.38</u>
	<u>\$ 503,688.61</u>	<u>\$ 214,394.34</u>	<u>\$ 244,045.32</u>	<u>\$ 474,037.63</u>

The investment in capital assets includes equipment, furniture and fixtures. All capital outlays and depreciation were charged to the health and welfare function.

Note 5. Operating Leases

The Department of Community Health has entered into certain agreements to lease equipment, which are classified for accounting purposes as operating leases. These leases generally contain provisions that, at the expiration date of the original term of the lease, the Department of Community Health has the option of renewing the lease on a year-to-year basis. Total expenditures for the rental of equipment under such leases were \$113,331.56 for the year ended June 30, 2007. The future minimum commitments for operating leases as of June 30, 2007 are listed below. Amounts are included only for non-cancelable multi-year leases and for cancelable leases for which an option to renew for the subsequent fiscal year has been exercised.

<u>Fiscal year ending June 30,</u>	
2008	\$ 90,951.46
2009	60,985.16
2010	<u>8,821.60</u>
	<u>\$ 160,758.22</u>

Note 6. Long-Term Obligations

The following is a summary of changes in long-term obligations during the fiscal year:

	Balance at July 1, 2006	Additions and Adjustments	Deductions and Adjustments	Balance at June 30, 2007	Due within one year
Governmental Activities:					
Compensated Absences	\$ 2,038,101.08	\$ 910,493.06	\$ 716,643.15	\$ 2,231,950.99	\$ 850,468.47
Contracts Payable	<u>5,373,963.37</u>	<u>-</u>	<u>5,373,963.37</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,412,064.45</u>	<u>\$ 910,493.06</u>	<u>\$ 6,090,606.52</u>	<u>\$ 2,231,950.99</u>	<u>\$ 850,468.47</u>
Business-Type Activities:					
Compensated Absences	<u>\$ 245,652.64</u>	<u>\$ 96,821.20</u>	<u>\$ 95,210.13</u>	<u>\$ 247,263.71</u>	<u>\$ 109,471.38</u>

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 7. Contributions to the State

Contributions to the State for the fiscal year ended June 30, 2007, consist of the following:

General Fund

Office of Treasury and Fiscal Services

Return of Appropriations	\$ 8,671,964.53
Remittance of Collections	<u>5,318,187.34</u>
	<u>\$ 13,990,151.87</u>

Note 8. Reservations of Fund Balances and Restricted Net Assets

Fund balance in governmental fund types and net assets in governmental activities are classified as follows:

Reserved/Restricted for Other Specific Purposes – funds reserved to comply with specific federal and State regulations.

Reserved for Encumbrances – funds reserved for commitments related to unperformed (executory) contracts or purchase orders for goods or services.

Reserved/Restricted for Return of Appropriations – unobligated State appropriations for administration, subject to return to the OTFS.

Reserved/Restricted for Return - State Revenue Collections – collection of specific fees mandated by statute and held for remittance to the OTFS.

Held in Trust – held in trust for the benefit of individuals or other governments.

Note 9. Risk Management

Public Entity Risk Pool - The Department of Community Health's business-type activities internally administers for the State of Georgia a program of health benefits for the employees of units of government of the State of Georgia, units of county government and local education agencies located within the State of Georgia. This plan is funded by participants covered in the plan, by employers' contributions paid by the various units of government participating in the plan and appropriations by the General Assembly of Georgia. The Department of Community Health has contracted with Blue Cross Blue Shield of Georgia, Cigna, United Health Care and Express Scripts to process claims in accordance with the SHBP as established by the Board of Community Health.

Other Risk Management - The Department of Community Health is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The State of Georgia utilizes self-insurance programs established by individual agreement, statute or administrative action, to provide property insurance covering fire, extended coverage and automobile insurance and to pay losses that might occur from such causes; liability insurance for employees against personal liability for damages arising out of performance of their duties; survivors' benefits for eligible members of the Employees' Retirement System; consolidating processing of unemployment compensation claims against State agencies and the payment of sums due to the Department of Labor; and workers' compensation insurance coverage for employees of the State and for the receipt of benefits as prescribed by the workers' compensation statutes of the State of Georgia. These self-insurance funds are accounted for as internal service funds of the State of Georgia where assets are set aside for claim settlements.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 9. Risk Management (continued)

The majority of the risk management programs are funded by assessments charged to participating organizations. A limited amount of commercial insurance is purchased by the self-insurance funds applicable to property, employee and automobile liability, fidelity and certain other risks to limit the exposure to catastrophic losses. Otherwise, the risk management programs service all claims against the State for injuries and property damage.

Financial information relative to the self-insurance funds will be presented in the State of Georgia Comprehensive Annual Financial Report for the year ended June 30, 2007.

The Department of Community Health's estimated fiscal year end liability includes an estimate for claims that have been incurred, but not reported, which is computed by both the Department of Community Health and its actuaries. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimates of liabilities for incurred, (both reported and unreported) but unpaid claims are actuarially determined based on estimates of the ultimate cost of settling claims, using past experience adjusted for current trends and any other factors that would modify past experience. Because actual claim liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claim liabilities may not result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The Department of Community Health utilizes third party administrators to process Medicaid, PeachCare and State employee health benefit claims. Agreements between individual administrators and the Department of Community Health are for the processing of specific claim types. If an administrator was unable to continue processing claims for the Department of Community Health under such an agreement, the Department of Community Health's ability to adjudicate such claims in the short-term could be threatened.

A reconciliation of total claim liabilities for fiscal years ended June 30, 2007 and 2006 for governmental activities, business-type activities and fiduciary funds is shown below:

	Governmental Activities		Business-Type Activities		Fiduciary Funds	
	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006
Unpaid claims and claim adjustment, July 1	\$ 829,500,000.00	\$ 957,200,000.00	\$ 221,523,000.00	\$ 169,380,000.00	\$ -	\$ -
Incurred claims and claim adjustment expenses - provisions for insured events of the current year	7,256,398,759.68	5,756,641,606.51	1,837,328,747.17	2,048,140,474.20	396,314,326.64	-
Payments-claims and claim adjustment expenses attributable to insured events of the current year and of prior years	<u>(7,378,198,759.68)</u>	<u>(5,884,341,606.51)</u>	<u>(1,900,727,747.17)</u>	<u>(1,995,997,474.20)</u>	<u>(348,740,326.64)</u>	<u>-</u>
Unpaid claims and claim adjustments, June 30	\$ 707,700,000.00	\$ 829,500,000.00	\$ 158,124,000.00	\$ 221,523,000.00	\$ 47,574,000.00	\$ -
Direct billings for services provided	<u>33,780,437.00</u>	<u>404,122,560.00</u>	<u>21,783,044.67</u>	<u>25,827,176.88</u>	<u>-</u>	<u>-</u>
	<u>\$ 741,480,437.00</u>	<u>\$ 1,233,622,560.00</u>	<u>\$ 179,907,044.67</u>	<u>\$ 247,350,176.88</u>	<u>\$ 47,574,000.00</u>	<u>\$ -</u>

The above liabilities include an actuarial estimate for claims incurred, but not reported based on analyses of historical data.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 10. Deferred Compensation Plan

The State of Georgia offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to employees of the State of Georgia and county health departments, permits participants to defer a portion of their salary until future years. The Department of Community Health makes no contributions to the plan. Participants choose the option or options in which they wish to participate. Deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the participant or beneficiary) solely the property or rights of the State of Georgia, subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State of Georgia in an amount equal to the fair market value of the deferred account of each participant. Financial information relative to the plan will be presented in the State of Georgia Comprehensive Annual Financial Report for the year ended June 30, 2007.

Note 11. Other Post Employment Benefits Trust Fund

The Department of Community Health administers a defined benefit postemployment healthcare plan — Other Post Employment Benefits Trust Fund (OPEB). The plan assets may be used solely for the payment of benefits to or on behalf of plan members or their beneficiaries and plan administrative expenses. In accordance with the provisions of GASB No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the Department of Community Health created a separate trust fund in which employer contributions for future retiree health costs may be accumulated and invested.

A. Summary of Significant Accounting Policies

Basis of Accounting – OPEB's financial statements are prepared using the accrual basis of accounting. Plan member deductions and employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

B. Plan Descriptions and Membership Information

Plan Description – OPEB is a cost sharing multiple-employer defined benefit postemployment healthcare plan that covers retired employees of the State including all departments, agencies and local school systems. OPEB provides health insurance benefits to eligible retirees and their qualified beneficiaries. The Official Code of the State of Georgia assigns the authority to establish and amend the benefit provisions of the plan to the state legislature.

Membership Information – Membership of the plan consisted of the following at June 30, 2007:

Retirees and beneficiaries receiving benefits	84,319
Terminated plan members entitled to but not yet receiving benefits	491
Active plan members	<u>253,630</u>
	<u>338,440</u>
Number of participating employers	<u>258</u>

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 11. Other Post Employment Benefits Trust Fund (continued)

C. Funded Status and Funding Progress—OPEB

The funded status of OPEB as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/2005	\$ -	\$ 15,035,226,707	\$ 15,035,226,707	0.00%	\$ 11,613,237,000	129.5%

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. Actuarially determined amounts 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 the financial statements, present trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Projections of benefits for financial purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2005
Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of pay, open
Asset valuation method	Market Value of Assets
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return*	6.00%
Healthcare cost trend rate*	10.00%
Ultimate trend rate	5.50%
Year of ultimate trend rate	2012

*Includes an inflation assumption of 3.75%

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 12. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and review by grantor agencies, principally the federal government. This could result in a request for reimbursement by the grantor agency for any expenditures which are disallowed under grant terms. The Department of Community Health believes that such disallowances, if any, will be immaterial to its overall financial position. However, the availability of future federal State Children's Health Insurance Program funds (SCHIP) is dependent on Congress reauthorizing the SCHIP legislation or passing a continuing resolution.

As part of providing health care benefits under the Medicaid and SCHIP programs, the Department of Community Health contracts with various managed care providers. Those providers include Wellcare, a national provider of government sponsored health plans. The Wellcare National Headquarters is currently under federal investigation. The Department of Community Health is not aware of any resulting adverse impact on Wellcare's Georgia family operations.

Litigation, claims and assessments filed against the Department of Community Health, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the year ended June 30, 2007.

Note 13. Retirement Systems

Employees' Retirement System of Georgia - The Department of Community Health participates in the Employees' Retirement System of Georgia (ERS), a single-employer defined benefit pension plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for employees of the State of Georgia. A "defined benefit plan" differs from a "defined contribution plan" in that benefits are based on a formula that include salary and length of service regardless of any other factors. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained at the ERS offices. The benefit structure of ERS was significantly modified on July 1, 1982. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. All other members are "new plan" members subject to the modified plan provisions.

Total contributions to the ERS made during fiscal year 2007 amounted to \$2,942,543.44 of which \$2,572,415.03 was made by the Department of Community Health (including \$483,816.69 made on behalf of old plan employees) and \$309,704.30 was made by new plan employees.

Financial statements for ERS may be obtained from the ERS.

Georgia Defined Contribution Plan - Certain employees of the Department of Community Health participate in the Georgia Defined Contribution Plan (GDGP), a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for State employees who are not members of a public retirement or pension system. GDGP is administered by the ERS Board of Trustees. ERS issues a publicly available financial report that includes the financial statements and disclosures applicable to GDGP. Total contributions made by employees during fiscal year 2007 amounted to \$61,611.37. These contributions represented 7.5 percent of covered payroll as required by the GDGP. No contributions are required by the employer.

Teachers' Retirement System - Certain employees of the Department of Community Health participate in the Teacher's Retirement System (TRS). TRS was created by an act of the General Assembly of Georgia to provide retirement security to those individuals who choose to dedicate their lives to educating the children of the State of Georgia.

Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

Note 13. Retirement Systems (continued)

Since becoming operational, TRS has experienced significant growth in membership, assets and member benefits. TRS is administered by a ten-member Board of Trustees.

Total contributions made by employees during fiscal year 2007 amounted to \$4,927.44. Employer contributions amounted to \$9,144.96. Financial statements for TRS may be obtained from the Teachers' Retirement System of Georgia.

REQUIRED SUPPLEMENTARY INFORMATION

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2007

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value if Assets (a)	Actuarial Accrued Liability (AAL)-- Entry Age (b)	Unfunded AAL (UAAL)	AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/2005	\$ -	\$ 15,035,226,707	\$ 15,035,226,707		0.00%	\$ 11,613,237,000	129.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 1,262,369,550	0.33%

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE – BUDGET FUND

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

	Original Appropriation	Final Budget	Actual	Variance Positive (Negative)
Funds Available:				
State Funds:				
State General Funds	\$ 2,323,237,938.00	\$ 2,566,666,209.00	\$ 2,566,666,209.00	\$ -
Tobacco Funds	55,944,361.00	55,944,361.00	55,944,361.00	-
Federal Funds:				
Medical Assistance Program	4,773,739,347.00	5,843,045,509.00	4,665,122,943.89	(1,177,922,565.11)
State Childrens' Insurance Program	190,656,641.00	314,566,425.00	303,898,906.80	(10,667,518.20)
Other Funds	3,090,642,372.00	3,532,589,570.00	3,092,572,389.13	(440,017,180.87)
Total Revenues	<u>\$10,434,220,659.00</u>	<u>\$12,312,812,074.00</u>	<u>\$10,684,204,809.82</u>	<u>\$ (1,628,607,264.18)</u>
Prior Year Reserves Available for Expenditures	-	-	337,516,786.17	337,516,786.17
Total Funds Available	<u>\$10,434,220,659.00</u>	<u>\$12,312,812,074.00</u>	<u>\$11,021,721,595.99</u>	<u>\$ (1,291,090,478.01)</u>
Expenditures:				
Department Administration and Program Support	\$ 337,474,942.00	\$ 425,068,165.00	\$ 353,172,087.32	\$ 71,896,077.68
Health Care Access and Improvement	11,999,455.00	17,829,744.00	15,773,448.38	2,056,295.62
Indigent Care Trust Fund	795,216,715.00	1,001,285,613.00	992,026,715.54	9,258,897.46
Medicaid: Aged, Blind and Disabled	3,836,979,719.00	4,631,672,579.00	3,423,576,590.90	1,208,095,988.10
Medicaid: Low-Income Medicaid	2,501,610,038.00	3,143,484,270.00	2,647,502,616.95	495,981,653.05
Nursing Home Provider Fees	245,807,928.00	291,977,290.00	291,977,289.34	0.66
PeachCare	249,664,212.00	345,761,370.00	319,778,415.98	25,982,954.02
State Health Benefit Plan	2,411,434,062.00	2,411,434,062.00	2,377,546,895.02	33,887,166.98
Composite Board of Medical Examiners	2,202,555.00	2,369,055.00	2,330,071.78	38,983.22
Medical Education Board, State	1,412,716.00	1,511,609.00	1,347,261.46	164,347.54
Board Administration	559,455.00	559,455.00	559,455.00	-
Graduate Medical Education	6,712,223.00	6,712,223.00	6,566,996.68	145,226.32
Mercer School of Medicine Grant	19,060,862.00	19,060,862.00	19,060,862.00	-
Morehouse School of Medicine Grant	10,547,293.00	10,547,293.00	10,547,293.00	-
Undergraduate Medical Education	<u>3,538,484.00</u>	<u>3,538,484.00</u>	<u>3,538,483.70</u>	<u>0.30</u>
Total Expenditures	<u>\$10,434,220,659.00</u>	<u>\$12,312,812,074.00</u>	<u>\$10,465,304,483.05</u>	<u>\$ 1,847,507,590.95</u>
Excess of Funds Available Over Expenditures			\$ 556,417,112.94	<u>\$ 556,417,112.94</u>
Beginning Fund Balance - July 1			357,577,728.09	
Unreserved, Undesignated Fund Balance (Surplus) Returned to Office of Treasury and Fiscal Services Year Ended June 30, 2006			(8,671,964.53)	
Adjustments				
Prior Year Payables			6,708,205.60	
Prior Year Receivables			(6,748,836.66)	
Fund Balance Carried Forward for Benefits			<u>(337,516,786.17)</u>	
Ending Fund Balance - June 30, 2007			<u>\$ 567,765,459.27</u>	
Analysis of Fund Balance				
Reserved				
Medicaid Benefits			\$ 497,497,353.93	
Indigent Care Trust Fund			9,504,809.28	
Other Reserves				
Fraud and Other			13,847,006.60	
PeachCare			17,900,072.68	
Other			14,130,000.00	
Unreserved, Undesignated (Surplus)			<u>14,886,216.78</u>	
Total Ending Fund Balance - June 30, 2007			<u>\$ 567,765,459.27</u>	

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET COMPARISON SCHEDULE – BUDGET FUND
 REVENUES COMPARED TO BUDGET

FOR THE FISCAL YEAR ENDED
 JUNE 30, 2007

	<u>Original Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Department of Administration and Program Support				
State Appropriation				
State General Funds	\$ 62,802,199.00	\$ 115,362,839.00	\$ 115,362,839.00	\$ -
Federal Funds				
Medical Assistance Program	232,918,218.00	281,303,508.00	246,572,011.64	(34,731,496.36)
State Children's Insurance Program	8,152,102.00	7,495,796.00	4,751,802.08	(2,743,993.92)
Other Funds	33,602,423.00	20,906,022.00	16,531,418.29	(4,374,603.71)
Total Department Administration and Program Support	<u>\$ 337,474,942.00</u>	<u>\$ 425,068,165.00</u>	<u>\$ 383,218,071.01</u>	<u>\$ (41,850,093.99)</u>
Health Care Access and Improvement				
State Appropriation				
State General Funds	\$ 11,349,617.00	\$ 10,849,617.00	\$ 10,849,617.00	\$ -
Federal Funds				
Medical Assistance Program	549,838.00	6,850,130.00	5,613,794.81	(1,236,335.19)
State Children's Insurance Program			9,639.46	9,639.46
Other Funds	100,000.00	129,997.00	129,947.30	(49.70)
Total Health Care Access and Improvement	<u>\$ 11,999,455.00</u>	<u>\$ 17,829,744.00</u>	<u>\$ 16,602,998.57</u>	<u>\$ (1,226,745.43)</u>
Indigent Care Trust Fund				
State Appropriation				
State General Funds	\$ 145,500,635.00	\$ 143,600,688.00	\$ 143,600,688.00	\$ -
Federal Funds				
Medical Assistance Program	488,978,758.00	556,328,498.00	556,335,439.67	6,941.67
State Children's Insurance Program	-	64,549,888.00	64,549,887.91	(0.09)
Other Funds	160,737,322.00	236,806,539.00	225,119,744.24	(11,686,794.76)
Total Indigent Care Trust Fund	<u>\$ 795,216,715.00</u>	<u>\$ 1,001,285,613.00</u>	<u>\$ 989,605,759.82</u>	<u>\$ (11,679,853.18)</u>
Aged, Blind and Disabled Medicaid				
State Appropriation				
State General Funds	\$ 944,337,320.00	\$ 1,205,536,966.00	\$ 1,205,536,966.00	\$ -
Federal Funds				
Medical Assistance Program	2,521,247,723.00	2,870,237,508.00	2,045,767,848.12	(824,469,659.88)
Other Funds	371,394,676.00	555,898,105.00	310,777,559.47	(245,120,545.53)
Total Aged, Blind and Disabled Medicaid	<u>\$ 3,836,979,719.00</u>	<u>\$ 4,631,672,579.00</u>	<u>\$ 3,562,082,373.59</u>	<u>\$ (1,069,590,205.41)</u>
Low-Income Medicaid				
State Appropriation				
State General Funds	\$ 953,738,435.00	\$ 865,077,420.00	\$ 865,077,420.00	\$ -
Tobacco Funds	50,973,656.00	50,973,656.00	50,973,656.00	-
Federal Funds				
Medical Assistance Program	1,383,524,058.00	1,948,017,191.00	1,630,527,049.31	(317,490,141.69)
Other Funds	113,373,889.00	279,416,003.00	161,990,263.92	(117,425,739.08)
Total Low-Income Medicaid	<u>\$ 2,501,610,038.00</u>	<u>\$ 3,143,484,270.00</u>	<u>\$ 2,708,568,389.23</u>	<u>\$ (434,915,880.77)</u>

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET COMPARISON SCHEDULE – BUDGET FUND
 REVENUES COMPARED TO BUDGET

FOR THE FISCAL YEAR ENDED
 JUNE 30, 2007

	<u>Original Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Nursing Home Provider Fees				
State Appropriation				
State General Funds	\$ 99,287,176.00	\$ 111,767,509.00	\$ 111,767,509.00	\$ -
Federal Funds				
Medical Assistance Program	<u>146,520,752.00</u>	<u>180,209,781.00</u>	<u>180,209,780.34</u>	<u>(0.66)</u>
Total Nursing Home Provider Fees	<u>\$ 245,807,928.00</u>	<u>\$ 291,977,290.00</u>	<u>\$ 291,977,289.34</u>	<u>\$ (0.66)</u>
PeachCare				
State Appropriation				
State General Funds	\$ 62,188,968.00	\$ 70,437,582.00	\$ 70,437,582.00	\$ -
Tobacco Funds	4,970,705.00	4,970,705.00	4,970,705.00	-
Federal Funds				
State Children's Insurance Program	182,504,539.00	242,520,741.00	234,587,577.35	(7,933,163.65)
Other Funds	<u>-</u>	<u>27,832,342.00</u>	<u>317,017.14</u>	<u>(27,515,324.86)</u>
Total PeachCare	<u>\$ 249,664,212.00</u>	<u>\$ 345,761,370.00</u>	<u>\$ 310,312,881.49</u>	<u>\$ (35,448,488.51)</u>
State Health Benefit Plan				
Other Funds	<u>\$ 2,411,434,062.00</u>	<u>\$ 2,411,434,062.00</u>	<u>\$ 2,377,546,895.02</u>	<u>\$ (33,887,166.98)</u>
Total State Health Benefit Plan	<u>\$ 2,411,434,062.00</u>	<u>\$ 2,411,434,062.00</u>	<u>\$ 2,377,546,895.02</u>	<u>\$ (33,887,166.98)</u>
Composite Board of Medical Examiners				
State Appropriation				
State General Funds	\$ 2,202,555.00	\$ 2,202,555.00	\$ 2,202,555.00	\$ -
Other Funds	<u>-</u>	<u>166,500.00</u>	<u>159,543.75</u>	<u>(6,956.25)</u>
Total Composite Board of Medical Examiners	<u>\$ 2,202,555.00</u>	<u>\$ 2,369,055.00</u>	<u>\$ 2,362,098.75</u>	<u>\$ (6,956.25)</u>
Georgia Board of Physician Workforce: Administration				
State Appropriation				
State General Funds	\$ 559,455.00	\$ 559,455.00	\$ 559,455.00	\$ -
Total Administration	<u>\$ 559,455.00</u>	<u>\$ 559,455.00</u>	<u>\$ 559,455.00</u>	<u>\$ -</u>
Georgia Board of Physician Workforce: Graduate Medical Education				
State Appropriation				
State General Funds	\$ 6,712,223.00	\$ 6,712,223.00	\$ 6,712,223.00	\$ -
Total Graduate Medical Education	<u>\$ 6,712,223.00</u>	<u>\$ 6,712,223.00</u>	<u>\$ 6,712,223.00</u>	<u>\$ -</u>

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET COMPARISON SCHEDULE – BUDGET FUND
 REVENUES COMPARED TO BUDGET

FOR THE FISCAL YEAR ENDED
 JUNE 30, 2007

	<u>Original Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Georgia Board of Physician Workforce:				
Mercer School of Medicine				
State Appropriation				
State General Funds	\$ 19,060,862.00	\$ 19,060,862.00	\$ 19,060,862.00	\$ -
Total Mercer School of Medicine	<u>\$ 19,060,862.00</u>	<u>\$ 19,060,862.00</u>	<u>\$ 19,060,862.00</u>	<u>\$ -</u>
Georgia Board of Physician Workforce:				
Morehouse School of Medicine				
State Appropriation				
State General Funds	\$ 10,547,293.00	\$ 10,547,293.00	\$ 10,547,293.00	\$ -
Total Morehouse School of Medicine	<u>\$ 10,547,293.00</u>	<u>\$ 10,547,293.00</u>	<u>\$ 10,547,293.00</u>	<u>\$ -</u>
Georgia Board of Physician Workforce:				
Undergraduate Medical Education				
State Appropriation				
State General Funds	\$ 3,538,484.00	\$ 3,538,484.00	\$ 3,538,484.00	\$ -
Total Undergraduate Medical Education	<u>\$ 3,538,484.00</u>	<u>\$ 3,538,484.00</u>	<u>\$ 3,538,484.00</u>	<u>\$ -</u>
State Medical Education Board				
State Appropriation				
State General Funds	\$ 1,412,716.00	\$ 1,412,716.00	\$ 1,412,716.00	\$ -
Federal Funds				
Medical Assistance Program	-	98,893.00	97,020.00	(1,873.00)
Total State Medical Education Board	<u>\$ 1,412,716.00</u>	<u>\$ 1,511,609.00</u>	<u>\$ 1,509,736.00</u>	<u>\$ (1,873.00)</u>

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET COMPARISON SCHEDULE – BUDGET FUND
 EXPENDITURES COMPARED TO BUDGET

FOR THE FISCAL YEAR ENDED
 JUNE 30, 2007

	Original Appropriation	Final Budget	Actual	Variance Positive (Negative)
Department of Administration and Program Support				
State Appropriation				
State General Funds	\$ 62,802,199.00	\$ 115,362,839.00	\$ 87,863,833.64	\$ 27,499,005.36
Federal Funds				
Medical Assistance Program	232,918,218.00	281,303,508.00	246,504,358.12	34,799,149.88
State Children's Insurance Program	8,152,102.00	7,495,796.00	4,751,802.08	2,743,993.92
Other Funds	33,602,423.00	20,906,022.00	14,052,093.48	6,853,928.52
Total Department Administration and Program Support	<u>\$ 337,474,942.00</u>	<u>\$ 425,068,165.00</u>	<u>\$ 353,172,087.32</u>	<u>\$ 71,896,077.68</u>
Health Care Access and Improvement				
State Appropriation				
State General Funds	\$ 11,349,617.00	\$ 10,849,617.00	\$ 10,020,067.41	\$ 829,549.59
Federal Funds				
Medical Assistance Program	549,838.00	6,850,130.00	5,623,434.27	1,226,695.73
State Children's Insurance Program				-
Other Funds	100,000.00	129,997.00	129,946.70	50.30
Total Health Care Access and Improvement	<u>\$ 11,999,455.00</u>	<u>\$ 17,829,744.00</u>	<u>\$ 15,773,448.38</u>	<u>\$ 2,056,295.62</u>
Indigent Care Trust Fund				
State Appropriation				
State General Funds	\$ 145,500,635.00	\$ 143,600,688.00	\$ 143,100,688.00	\$ 500,000.00
Federal Funds				
Medical Assistance Program	488,978,758.00	556,328,498.00	556,335,439.67	(6,941.67)
State Children's Insurance Program	-	64,549,888.00	64,549,887.91	0.09
Other Funds	160,737,322.00	236,806,539.00	228,040,699.96	8,765,839.04
Total Indigent Care Trust Fund	<u>\$ 795,216,715.00</u>	<u>\$ 1,001,285,613.00</u>	<u>\$ 992,026,715.54</u>	<u>\$ 9,258,897.46</u>
Aged, Blind and Disabled Medicaid				
State Appropriation				
State General Funds	\$ 944,337,320.00	\$ 1,205,536,966.00	\$ 885,805,770.68	\$ 319,731,195.32
Federal Funds				
Medical Assistance Program	2,521,247,723.00	2,870,237,508.00	2,045,767,848.12	824,469,659.88
Other Funds	371,394,676.00	555,898,105.00	492,002,972.08	63,895,132.92
Total Aged, Blind and Disabled Medicaid	<u>\$ 3,836,979,719.00</u>	<u>\$ 4,631,672,579.00</u>	<u>\$ 3,423,576,590.88</u>	<u>\$ 1,208,095,988.12</u>
Low-Income Medicaid				
State Appropriation				
State General Funds	\$ 953,738,435.00	\$ 865,077,420.00	\$ 687,011,648.95	\$ 178,065,771.05
Tobacco Funds	50,973,656.00	50,973,656.00	50,973,656.00	-
Federal Funds				
Medical Assistance Program	1,383,524,058.00	1,948,017,191.00	1,630,527,049.31	317,490,141.69
Other Funds	113,373,889.00	279,416,003.00	278,990,262.69	425,740.31
Total Low-Income Medicaid	<u>\$ 2,501,610,038.00</u>	<u>\$ 3,143,484,270.00</u>	<u>\$ 2,647,502,616.95</u>	<u>\$ 495,981,653.05</u>

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET COMPARISON SCHEDULE – BUDGET FUND
 EXPENDITURES COMPARED TO BUDGET

FOR THE FISCAL YEAR ENDED
 JUNE 30, 2007

	<u>Original Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Nursing Home Provider Fees				
State Appropriation				
State General Funds	\$ 99,287,176.00	\$ 111,767,509.00	\$ 111,767,509.00	\$ -
Federal Funds				
Medical Assistance Program	146,520,752.00	180,209,781.00	180,209,780.34	0.66
Total Nursing Home Provider Fees	\$ 245,807,928.00	\$ 291,977,290.00	\$ 291,977,289.34	\$ 0.66
PeachCare				
State Appropriation				
State General Funds	\$ 62,188,968.00	\$ 70,437,582.00	\$ 52,537,509.49	\$ 17,900,072.51
Tabacco Funds	4,970,705.00	4,970,705.00	4,970,705.00	-
Federal Funds				
State Children's Insurance Program	182,504,539.00	242,520,741.00	234,587,577.35	7,933,163.65
Other Funds	-	27,832,342.00	27,682,624.14	149,717.86
Total PeachCare	\$ 249,664,212.00	\$ 345,761,370.00	\$ 319,778,415.98	\$ 25,982,954.02
State Health Benefit Plan				
Other Funds	\$ 2,411,434,062.00	\$ 2,411,434,062.00	\$ 2,377,546,895.02	\$ 33,887,166.98
Total State Health Benefit Plan	\$ 2,411,434,062.00	\$ 2,411,434,062.00	\$ 2,377,546,895.02	\$ 33,887,166.98
Composite Board of Medical Examiners				
State Appropriation				
State General Funds	\$ 2,202,555.00	\$ 2,202,555.00	\$ 2,170,528.03	\$ 32,026.97
Other Funds	-	166,500.00	159,543.75	6,956.25
Total Composite Board of Medical Examiners	\$ 2,202,555.00	\$ 2,369,055.00	\$ 2,330,071.78	\$ 38,983.22
Georgia Board of Physician Workforce: Administration				
State Appropriation				
State General Funds	\$ 559,455.00	\$ 559,455.00	\$ 559,455.00	\$ -
Total Administration	\$ 559,455.00	\$ 559,455.00	\$ 559,455.00	\$ -
Georgia Board of Physician Workforce: Graduate Medical Education				
State Appropriation				
State General Funds	\$ 6,712,223.00	\$ 6,712,223.00	\$ 6,566,996.68	\$ 145,226.32
Total Graduate Medical Education	\$ 6,712,223.00	\$ 6,712,223.00	\$ 6,566,996.68	\$ 145,226.32

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET COMPARISON SCHEDULE – BUDGET FUND
 EXPENDITURES COMPARED TO BUDGET

FOR THE FISCAL YEAR ENDED
 JUNE 30, 2007

	<u>Original Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Georgia Board of Physician Workforce:				
Mercer School of Medicine				
State Appropriation				
State General Funds	\$ 19,060,862.00	\$ 19,060,862.00	\$ 19,060,862.00	\$ -
Total Mercer School of Medicine	\$ 19,060,862.00	\$ 19,060,862.00	\$ 19,060,862.00	\$ -

	<u>Original Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Georgia Board of Physician Workforce:				
Morehouse School of Medicine				
State Appropriation				
State General Funds	\$ 10,547,293.00	\$ 10,547,293.00	\$ 10,547,293.00	\$ -
Total Morehouse School of Medicine	\$ 10,547,293.00	\$ 10,547,293.00	\$ 10,547,293.00	\$ -

	<u>Original Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Georgia Board of Physician Workforce:				
Undergraduate Medical Education				
State Appropriation				
State General Funds	\$ 3,538,484.00	\$ 3,538,484.00	\$ 3,538,483.70	\$ 0.30
Total Undergraduate Medical Education	\$ 3,538,484.00	\$ 3,538,484.00	\$ 3,538,483.70	\$ 0.30

	<u>Original Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
State Medical Education Board				
State Appropriation				
State General Funds	\$ 1,412,716.00	\$ 1,412,716.00	\$ 1,250,241.46	\$ 162,474.54
Federal Funds				-
Medical Assistance Program	-	98,893.00	97,020.00	1,873.00
Total State Medical Education Board	\$ 1,412,716.00	\$ 1,511,609.00	\$ 1,347,261.46	\$ 164,347.54

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE – BUDGET FUND
BUDGET – To – GAAP RECONCILIATION –
SOURCES/INFLOWS OF RESOURCES

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

	<u>Governmental Fund - General Fund</u>
Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule.	\$ 11,021,721,595.99
Differences - budget to GAAP:	
Revenues of budgeted funds included in the budget fund, but removed from the general fund for financial reporting purposes.	(2,392,495,591.94)
Budgeted carry-over funds from prior year fund balances shown as funds available in budget fund, but removed for financial reporting purposes.	(337,516,786.17)
Receivables and revenues accrued based on encumbrances reported for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year they are received for GAAP reporting.	(19,008,370.30)
Fund balance adjustments for prior year revenue are not a budgetary resource, but do affect current year revenues for GAAP reporting purposes.	(793,569,305.08)
Other net accrued receivables and revenues	<u>437,985,962.27</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 7,917,117,504.77</u>

Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE – BUDGET FUND
BUDGET – To – GAAP RECONCILIATION –
USES/OUTFLOWS OF RESOURCES

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

	<u>Governmental Fund - General Fund</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	\$ 10,465,304,483.05
Differences - budget to GAAP:	
Expenses of budgeted funds included in the budget fund, but removed from the general fund for financial reporting purposes.	(2,396,056,155.45)
Encumbrances for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year they are received for GAAP reporting.	(38,531,670.31)
Fund balance adjustments for prior year expenditures are not a budgetary resource, but do affect current year expenses for GAAP reporting purposes.	(1,086,908,656.19)
Expenditure accrual for nonbudgetary Medicaid claims	707,700,000.00
Other net accrued liabilities and expenditures	<u>(11,429,265.37)</u>
Total expenses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 7,640,078,735.73</u>

Department of Community Health

Budgetary Reporting

A. General Fund Budgetary Process

The annual budget of the Department of Community Health is prepared primarily on the modified accrual basis utilizing encumbrance accounting. The legal level of budgetary control is the departmental program expenditure level. Fiscal Year 2007 expenditures are controlled per House Bill 1027 section 17. The budget is submitted by the Department of Community Health and approved by the Legislature and the Governor. All un-encumbered annual appropriations lapse at fiscal year end unless otherwise specified by constitutional or statutory provisions. Supplementary and amended appropriations may be enacted during the next legislative session by the same process used for original appropriations. Encumbrances are used to indicate the intent to purchase goods or services. The basis of budget method is modified accrual plus encumbrances. Liabilities and expenditures are recorded upon issuance of completed purchase orders. Goods or services need not have been received for liabilities and expenditures to be recorded.

B. Budgetary Presentation

The accompanying budgetary comparison schedule for the Budget Fund presents comparisons of the legally adopted budget with actual data prepared on the budgetary basis of accounting utilized by the Department of Community Health. Because the basis of budget differs from GAAP, budget and actual amounts in the accompanying Budgetary Comparison Schedules - Budget Fund are presented on the basis of budget and are included as required supplementary information. The Budget-to-GAAP reconciliation following the budgetary comparison schedules identifies the necessary adjustments to convert the Budget Fund to the governmental fund as required by generally accepted accounting principles (GAAP).