

Financial Statements and  
Independent Auditors' Report



**GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH**

June 30, 2012



*Certified Public Accountants*

A JOINT VENTURE OF  
CERTIFIED PUBLIC ACCOUNTING FIRMS

**MAULDIN  
& JENKINS**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**GEORGIA DEPARTMENT OF COMMUNITY HEALTH**

**June 30, 2012**

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**INDEPENDENT AUDITORS' REPORT**



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## Independent Auditors' Report

The Honorable David A. Cook, 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, 2012, 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, 2012, the changes in its financial position, or, where applicable, its cash flows 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2012, on our consideration of the Department of Community Health's internal control over financial reporting and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

We have applied certain limited procedures to the required supplementary information with respect to the schedules of funding progress and employer contributions, and budgetary comparison information (on pages 35 through 45) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Metcalf Davis*

*Mauldin & Testani*

Atlanta, Georgia  
November 28, 2012

## **FINANCIAL STATEMENTS**



# Department of Community Health

STATEMENT OF NET ASSETS

JUNE 30, 2012

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>            |
|---|------------------------------------|-------------------------------------|-------------------------|
| <b>Assets:</b>                                      |                                    |                                     |                         |
| <b>Current:</b>                                     |                                    |                                     |                         |
| Cash, Cash Equivalents and Investments              | \$ 37,912,679                      | \$ 18,029,739                       | \$ 55,942,418           |
| Cash, Cash Equivalents and Investments - Restricted | 22,948,866                         | -                                   | 22,948,866              |
| Receivables, Net of Allowances for Uncollectibles:  |                                    |                                     |                         |
| State Appropriation                                 | 84,094,366                         | -                                   | 84,094,366              |
| Intergovernmental - Federal                         | 1,129,504,882                      | -                                   | 1,129,504,882           |
| Other   | 223,543,661                        | 69,928,413                          | 293,472,074             |
| Due from Other Funds                                | 282,644                            | -                                   | 282,644                 |
| Total Current Assets                                | <u>1,498,287,098</u>               | <u>87,958,152</u>                   | <u>1,586,245,250</u>    |
| <b>Noncurrent:</b>                                  |                                    |                                     |                         |
| Receivables, Intergovernmental - Federal            | 11,585,474                         | -                                   | 11,585,474              |
| Capital Assets, Net of Accumulated Depreciation     | <u>1,233,698</u>                   | <u>-</u>                            | <u>1,233,698</u>        |
| Total Noncurrent Assets                             | <u>12,819,172</u>                  | <u>-</u>                            | <u>12,819,172</u>       |
| Total Assets  | <u>1,511,106,270</u>               | <u>87,958,152</u>                   | <u>1,599,064,422</u>    |
| <b>Liabilities:</b>                                 |                                    |                                     |                         |
| <b>Current:</b>                                     |                                    |                                     |                         |
| Cash Overdraft                                      | 1,215,051                          | 247,613                             | 1,462,664               |
| Accounts Payable and Other Accruals                 | 899,194,980                        | 3,458,707                           | 902,653,687             |
| Salaries Payable                                    | 74,893                             | 6,231                               | 81,124                  |
| Federal Deferred Revenue                            | 10,742,529                         | -                                   | 10,742,529              |
| Benefits Payable                                    | 971,501,502                        | 203,402,862                         | 1,174,904,364           |
| Due to Other Funds                                  | -                                  | 41,225,879                          | 41,225,879              |
| Other Deferred Revenue                              | 5,676,689                          | 111,779,284                         | 117,455,973             |
| Current Portion of Compensated Absences Payable     | <u>1,408,313</u>                   | <u>152,864</u>                      | <u>1,561,177</u>        |
| Total Current Liabilities                           | <u>1,889,813,957</u>               | <u>360,273,440</u>                  | <u>2,250,087,397</u>    |
| <b>Noncurrent:</b>                                  |                                    |                                     |                         |
| Other Accruals                                      | 17,733,773                         | -                                   | 17,733,773              |
| Compensated Absences Payable                        | <u>1,679,889</u>                   | <u>175,868</u>                      | <u>1,855,757</u>        |
| Total Noncurrent Liabilities                        | <u>19,413,662</u>                  | <u>175,868</u>                      | <u>19,589,530</u>       |
| Total Liabilities                                   | <u>1,909,227,619</u>               | <u>360,449,308</u>                  | <u>2,269,676,927</u>    |
| <b>Net Assets:</b>                                  |                                    |                                     |                         |
| Invested in Capital Assets                          | 1,233,698                          | -                                   | 1,233,698               |
| Restricted  | 84,436,426                         | -                                   | 84,436,426              |
| Unrestricted  | <u>(483,791,473)</u>               | <u>(272,491,156)</u>                | <u>(756,282,629)</u>    |
| Total Net Assets (Deficit)                          | <u>\$ (398,121,349)</u>            | <u>\$ (272,491,156)</u>             | <u>\$ (670,612,505)</u> |

The accompanying notes are an integral part of this statement.

# Department of Community Health

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

|   | Program Revenues        |                         |                                    | Net (Expense) Revenue and Changes in Net Assets |                           |                          |                           |
|---|-------------------------|-------------------------|------------------------------------|---|---------------------------|--------------------------|---------------------------|
|   | Expenses                | Charges for Services    | Operating Grants and Contributions | Capital Grants and Contributions                | Governmental Activities   | Business-Type Activities | Total                     |
| <b>Functions/Programs:</b>                |                         |                         |                                    |   |                           |                          |                           |
| <b>Governmental Activities:</b>           |                         |                         |                                    |   |                           |                          |                           |
| Education                                 | \$ 41,339,563           | \$ -                    | \$ -                               | \$ -  | \$ (41,339,563)           | \$ -                     | \$ (41,339,563)           |
| Health and Welfare                        | 9,598,970,782           | 128,530,690             | 6,390,245,293                      | 1,086,917                                       | (3,079,107,882)           | -                        | (3,079,107,882)           |
| Contribution to State General Fund        | 378,670,759             | -                       | -                                  | -   | (378,670,759)             | -                        | (378,670,759)             |
| Total Governmental Activities             | <u>10,018,981,104</u>   | <u>128,530,690</u>      | <u>6,390,245,293</u>               | <u>1,086,917</u>                                | <u>(3,499,118,204)</u>    | <u>-</u>                 | <u>(3,499,118,204)</u>    |
| <b>Business-Type Activities:</b>          |                         |                         |                                    |   |                           |                          |                           |
| Health and Welfare                        | <u>2,362,677,297</u>    | <u>2,273,415,940</u>    | <u>-</u>                           | <u>-</u>  | <u>-</u>                  | <u>(89,261,357)</u>      | <u>(89,261,357)</u>       |
| Total                                     | <u>\$12,381,658,401</u> | <u>\$ 2,401,946,630</u> | <u>\$ 6,390,245,293</u>            | <u>\$ 1,086,917</u>                             | <u>\$ (3,499,118,204)</u> | <u>\$ (89,261,357)</u>   | <u>\$ (3,588,379,561)</u> |
| <b>General Revenues:</b>                  |                         |                         |                                    |   |                           |                          |                           |
| State Appropriation                       |                         |                         |                                    |   | \$ 2,562,448,485          | \$ -                     | \$ 2,562,448,485          |
| <b>Revenue Collections:</b>               |                         |                         |                                    |   |                           |                          |                           |
| Care Management Organization Fees         |                         |                         |                                    |   | 718,919                   | -                        | 718,919                   |
| Nursing Home Provider Fees                |                         |                         |                                    |   | 132,385,805               | -                        | 132,385,805               |
| Intergovernmental Transfers               |                         |                         |                                    |   | 361,428,428               | -                        | 361,428,428               |
| Hospital Bed Tax                          |                         |                         |                                    |   | 225,267,061               | -                        | 225,267,061               |
| Other                                     |                         |                         |                                    |   | 18,574,701                | -                        | 18,574,701                |
| Interest and Other Investment Income      |                         |                         |                                    |   | 36,652                    | 131,046                  | 167,698                   |
| Total General Revenues and Transfers      |                         |                         |                                    |   | <u>3,300,860,051</u>      | <u>131,046</u>           | <u>3,300,991,097</u>      |
| Change in Net Assets (Deficit)            |                         |                         |                                    |   | (198,258,153)             | (89,130,311)             | (287,388,464)             |
| Net Assets (Deficit), July 1, as restated |                         |                         |                                    |   | <u>(199,863,196)</u>      | <u>(183,360,845)</u>     | <u>(383,224,041)</u>      |
| Net Assets (Deficit), June 30             |                         |                         |                                    |   | <u>\$ (398,121,349)</u>   | <u>\$ (272,491,156)</u>  | <u>\$ (670,612,505)</u>   |

The accompanying notes are an integral part of this statement.

# Department of Community Health

FUND BALANCE SHEET –  
GOVERNMENTAL FUNDS

JUNE 30, 2012

|   | <u>General<br/>Fund</u> | <u>Non-Major<br/>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|---|---|
| <b>Assets:</b>  |                         |   |   |
| Cash, Cash Equivalents and Investments  | \$ 32,609,263           | \$ -                                      | \$ 32,609,263                           |
| Cash with Fiscal Agent  | 5,303,416               | -   | 5,303,416                               |
| Cash, Cash Equivalents and Investments - Restricted   | 22,948,866              | -   | 22,948,866                              |
| Receivables, Net of Allowances for Uncollectables:  |                         |   |   |
| State Appropriation   | 84,094,366              | -   | 84,094,366                              |
| Intergovernmental - Federal   | 1,141,086,286           | 4,072                                     | 1,141,090,358                           |
| Other   | 223,543,661             | -   | 223,543,661                             |
| Due from Other Funds  | <u>282,644</u>          | <u>-</u>                                  | <u>282,644</u>                          |
| Total Assets  | <u>1,509,868,502</u>    | <u>4,072</u>                              | <u>1,509,872,574</u>                    |
| <b>Liabilities and Fund Balance:</b>  |                         |   |   |
| Liabilities:  |                         |   |   |
| Cash Overdraft  | 1,202,627               | 12,424                                    | 1,215,051                               |
| Accounts Payable and Other Accruals   | 916,801,465             | 127,290                                   | 916,928,755                             |
| Salaries Payable  | 74,893                  | -   | 74,893                                  |
| Federal Deferred Revenue  | 10,742,529              | -   | 10,742,529                              |
| Benefits Payable  | 971,501,502             | -   | 971,501,502                             |
| Other Deferred Revenue  | <u>5,676,689</u>        | <u>-</u>                                  | <u>5,676,689</u>                        |
| Total Liabilities   | <u>1,905,999,705</u>    | <u>139,714</u>                            | <u>1,906,139,419</u>                    |
| Fund Balance:   |                         |   |   |
| Restricted  | 84,436,426              | -   | 84,436,426                              |
| Unassigned  | <u>(480,567,629)</u>    | <u>(135,642)</u>                          | <u>(480,703,271)</u>                    |
| Total Fund Balance  | <u>\$ (396,131,203)</u> | <u>\$ (135,642)</u>                       | (396,266,845)                           |
| <b>Reconciliation from Governmental Funds Balance to Governmental Activities</b>  |                         |   |   |
| <b>Net Assets:</b>  |                         |   |   |
| Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources; and therefore, are not reported in the funds. |                         |   | 1,233,698                               |
| Long-term obligations, including compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.       |                         |   | <u>(3,088,202)</u>                      |
| Net Assets (Deficit) of Governmental Activities   |                         |   | <u>\$ (398,121,349)</u>                 |

The accompanying notes are an integral part of this statement.

# Department of Community Health

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

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

|  | <u>General Fund</u>     | <u>Non-Major<br/>Capital Projects</u> | <u>Total Governmental<br/>Funds</u> |
|--|-------------------------|---------------------------------------|-------------------------------------|
| <b>Revenues:</b>                             |                         |                                       |                                     |
| Intergovernmental:                           |                         |                                       |                                     |
| State Appropriation                          | \$ 2,562,448,485        | \$ -                                  | \$ 2,562,448,485                    |
| Federal                                      | 6,390,245,294           | 1,086,917                             | 6,391,332,211                       |
| Other  | <u>866,942,256</u>      | <u>-</u>                              | <u>866,942,256</u>                  |
| Total Revenues                               | <u>9,819,636,035</u>    | <u>1,086,917</u>                      | <u>9,820,722,952</u>                |
| <b>Expenditures:</b>                         |                         |                                       |                                     |
| Education                                    | 41,339,563              | -                                     | 41,339,563                          |
| Health and Welfare                           | <u>9,599,010,160</u>    | <u>1,222,559</u>                      | <u>9,600,232,719</u>                |
| Total Expenditures                           | <u>9,640,349,723</u>    | <u>1,222,559</u>                      | <u>9,641,572,282</u>                |
| Excess of Revenues Over (Under) Expenditures | 179,286,312             | (135,642)                             | 179,150,670                         |
| <b>Other Financing Uses:</b>                 |                         |                                       |                                     |
| Contribution to State General Fund           | <u>(378,670,759)</u>    | <u>-</u>                              | <u>(378,670,759)</u>                |
| Net Change in Fund Balance                   | (199,384,447)           | (135,642)                             | (199,520,089)                       |
| Fund Balance, July 1, as restated            | <u>(196,746,756)</u>    | <u>-</u>                              | <u>(196,746,756)</u>                |
| Fund Balance, June 30                        | <u>\$ (396,131,203)</u> | <u>\$ (135,642)</u>                   | <u>\$ (396,266,845)</u>             |

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 FUNDS – TO THE STATEMENT OF ACTIVITIES –  
GOVERNMENTAL ACTIVITIES – CHANGE IN NET ASSETS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

Governmental Funds - Net Change in Fund Balance \$ (199,520,089)

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 of Community Health's operations, this amount primarily represents the amount by which depreciation exceeded capital outlays in the current period.

|                 |                 |           |
|-----------------|-----------------|-----------|
| Capital Outlays | \$ 1,222,559    |           |
| Depreciation    | <u>(36,438)</u> |           |
|                 |                 | 1,186,121 |

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. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

|   |                         |
|---|-------------------------|
| Change in Compensated Absences                      | <u>75,815</u>           |
| Statement of Activities - Governmental Activities - |                         |
| Change in Net Assets (Deficit)                      | <u>\$ (198,258,153)</u> |

The accompanying notes are an integral part of this statement.

# Department of Community Health

STATEMENT OF NET ASSETS  
PROPRIETARY FUND – ENTERPRISE FUND

JUNE 30, 2012

## Assets:

### Current:

|  |                   |
|--|-------------------|
| Cash, Cash Equivalents and Investments                   | \$ 18,029,739     |
| Receivables - Other, Net of Allowance for Uncollectibles | <u>69,928,413</u> |
| Total Current Assets                                     | <u>87,958,152</u> |

## Liabilities:

### Current:

|   |                    |
|---|--------------------|
| Cash Overdraft                                  | 247,613            |
| Accounts Payable and Other Accruals             | 3,458,707          |
| Salaries Payable                                | 6,231              |
| Benefits Payable                                | 203,402,862        |
| Due to Other Funds                              | 41,225,879         |
| Deferred Revenue                                | 111,779,284        |
| Current Portion of Compensated Absences Payable | <u>152,864</u>     |
| Total Current Liabilities                       | <u>360,273,440</u> |

### Noncurrent:

|                              |                |
|------------------------------|----------------|
| Compensated Absences Payable | <u>175,868</u> |
|------------------------------|----------------|

|                   |                    |
|-------------------|--------------------|
| Total Liabilities | <u>360,449,308</u> |
|-------------------|--------------------|

## Net Assets (Deficit):

|              |                         |
|--------------|-------------------------|
| Unrestricted | <u>\$ (272,491,156)</u> |
|--------------|-------------------------|

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 THE FISCAL YEAR ENDED  
JUNE 30, 2012

**Operating Revenues:**

|  |                  |
|--|------------------|
| Contributions  | \$ 2,272,765,277 |
| American Recovery and Reinvestment Act:<br>Cobra Premium Subsidy | <u>650,663</u>   |

|                          |                      |
|--------------------------|----------------------|
| Total Operating Revenues | <u>2,273,415,940</u> |
|--------------------------|----------------------|

**Operating Expenses:**

|                    |                      |
|--------------------|----------------------|
| Health and Welfare | <u>2,362,677,297</u> |
|--------------------|----------------------|

|                |              |
|----------------|--------------|
| Operating Loss | (89,261,357) |
|----------------|--------------|

**Nonoperating Revenues:**

|                                      |                |
|--------------------------------------|----------------|
| Interest and Other Investment Income | <u>131,046</u> |
|--------------------------------------|----------------|

|                      |              |
|----------------------|--------------|
| Change in Net Assets | (89,130,311) |
|----------------------|--------------|

|                              |                      |
|------------------------------|----------------------|
| Net Assets (Deficit), July 1 | <u>(183,360,845)</u> |
|------------------------------|----------------------|

|                               |                                |
|-------------------------------|--------------------------------|
| Net Assets (Deficit), June 30 | <u><u>\$ (272,491,156)</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 THE FISCAL YEAR ENDED  
JUNE 30, 2012

## Cash Flows from Operating Activities:

|   |                        |
|---|------------------------|
| Cash Received from Required Contributions | \$ 2,334,441,669       |
| Cash Paid to Vendors                      | (120,638,396)          |
| Cash Paid to Employees                    | (5,468,116)            |
| Cash Paid for Benefits                    | <u>(2,241,031,942)</u> |

Net Cash Used in Operating Activities (32,696,785)

## Cash Flows from Investing Activity:

|                                      |                |
|--------------------------------------|----------------|
| Interest and Other Investment Income | <u>131,046</u> |
|--------------------------------------|----------------|

Net Cash Provided by Investing Activity 131,046

Net Decrease in Cash and Cash Equivalents (32,565,739)

Cash and Cash Equivalents, July 1 50,595,478

Cash and Cash Equivalents, June 30 \$ 18,029,739

## Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:

|                |                        |
|----------------|------------------------|
| Operating Loss | \$ <u>(89,261,357)</u> |
|----------------|------------------------|

## Changes in Assets and Liabilities:

|   |                   |
|---|-------------------|
| Increase in Other Receivables                   | \$ (20,125,431)   |
| Decrease in Accounts Payable and Other Accruals | (7,745,613)       |
| Increase in Compensated Absences Payable        | 16,826            |
| Increase in Salaries/Withholdings               | 804               |
| Increase in Due to Other Funds                  | 28,569,367        |
| Increase in Benefits Payable                    | 3,266,826         |
| Increase in Deferred Revenue                    | <u>52,581,793</u> |

Total Adjustments 56,564,572

Net Cash Used in Operating Activities \$ (32,696,785)

The accompanying notes are an integral part of this statement.



# Department of Community Health

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2012

|                                     | <b>Georgia<br/>State Employees<br/>Post-Employment<br/>Health Benefit Fund</b> | <b>Georgia<br/>School Personnel<br/>Post-Employment<br/>Health Benefit Fund</b> | <b>Total</b>      |
|-------------------------------------|--|---|-------------------|
| <b>Assets:</b>                      |  |   |                   |
| Receivables - Other                 | \$ 4,280,672   | \$ 8,417,214  | \$ 12,697,886     |
| Due from Other Funds                | <u>13,032,876</u>  | <u>27,910,359</u>   | <u>40,943,235</u> |
| Total Assets                        | <u>17,313,548</u>  | <u>36,327,573</u>   | <u>53,641,121</u> |
| <b>Liabilities:</b>                 |  |   |                   |
| Accounts Payable and Other Accruals | 176,642  | 328,040   | 504,682           |
| Benefits Payable                    | 13,453,247   | 28,316,733  | 41,769,980        |
| Deferred Revenue                    | <u>3,683,659</u>   | <u>7,682,800</u>  | <u>11,366,459</u> |
| Total Liabilities                   | <u>17,313,548</u>  | <u>36,327,573</u>   | <u>53,641,121</u> |
| <b>Net Assets:</b>                  |  |   |                   |
| Held in Trust for:                  |  |   |                   |
| Other Post-Employment Benefits      | <u>\$ -</u>  | <u>\$ -</u>   | <u>\$ -</u>       |

The accompanying notes are an integral part of this statement.

# Department of Community Health

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

|   | <b>Georgia<br/>State Employees<br/>Post-Employment<br/>Health Benefit Fund</b> | <b>Georgia<br/>School Personnel<br/>Post-Employment<br/>Health Benefit Fund</b> | <b>Total</b>           |
|---|--|---|------------------------|
| <b>Additions:</b>                       |  |   |                        |
| Contributions                           |  |   |                        |
| Employer                                | \$ 181,898,661   | \$ 380,858,538  | \$ 562,757,199         |
| Plan Members                            | 41,927,151   | 84,140,798  | 126,067,949            |
| Total Contributions                     | <u>223,825,812</u>   | <u>464,999,336</u>  | <u>688,825,148</u>     |
| <br>Total Additions                     | <br><u>223,825,812</u>   | <br><u>464,999,336</u>  | <br><u>688,825,148</u> |
| <b>Deductions:</b>                      |  |   |                        |
| General and Administrative Expenses     | 7,698,794  | 15,510,930  | 23,209,724             |
| Benefits                                | <u>216,127,018</u>   | <u>449,488,406</u>  | <u>665,615,424</u>     |
| Total Deductions                        | <u>223,825,812</u>   | <u>464,999,336</u>  | <u>688,825,148</u>     |
| Change in Net Assets Held in Trust for: |  |   |                        |
| Other Post-Employment Benefits          | -  | -   | -                      |
| <br>Net Assets, July 1                  | <br><u>-</u>   | <br><u>-</u>  | <br><u>-</u>           |
| <br>Net Assets, June 30                 | <br><u>\$ -</u>  | <br><u>\$ -</u>   | <br><u>\$ -</u>        |

The accompanying notes are an integral part of this statement.

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 1. Summary of Significant Accounting Policies

The accounting policies of the State of Georgia's Department of Community Health (Department of Community Health) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

### A. Reporting Entity

The Department of Community Health, an organizational unit of the State of Georgia (the State), is part of the executive branch of the government of the State. 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 for any given fiscal year. Such authority is vested in the Georgia General Assembly. 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 are as of and for the year ended June 30, 2011. The State's Comprehensive Annual Financial Report as of and for the year ended June 30, 2012 has not been issued as of the release of this report. These statements should be read in conjunction with the State's Comprehensive Annual Financial Report, available through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334.

Effective July 1, 2011, under House Bill 214, the Department of Community Health was reorganized and the public health programs were removed. For further details, please refer below to Note 1D. *Department Reorganization and Resulting Restatement—Governmental Activities Net Assets and General Fund Balance*.

### B. Department-Wide and Fund Financial Statements

The basic financial statements include both department-wide (based on the Department of Community Health as a whole) and fund financial statements.

***Department-Wide Financial Statements*** - Department-wide 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. The department-wide statements focus 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 department-wide statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. The department-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. 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 function. Other items not meeting the definition of program revenues are instead reported as general revenues.

Governmental activities, which are normally financed through intergovernmental revenues and other non-exchange revenues, are reported separately from business-type activities, which are financed in whole or in part by fees charged to external parties for goods or services.

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 1. Summary of Significant Accounting Policies (continued)

**Fund Financial Statements** - Fund statements categorize primary activities as either governmental, proprietary, or fiduciary. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds.

Governmental funds are used to account for the Department of Community Health's general activities. Proprietary 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 reports the following major governmental funds:

**Governmental Fund - General Fund** - The general fund is the primary operating fund and accounts for all financial resources that are not required to be accounted for in another fund.

**Proprietary Fund - Enterprise Fund** - 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 of the State, units of county government and local education agencies located within the State.

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

**Capital Project** - The capital project fund is used to account for the financial resources used for the acquisition of major capital assets.

**Fiduciary Funds** - Fiduciary funds include those used to report the accumulation of resources for, and payment of post-employment health benefits. The Department of Community Health's fiduciary funds are the Georgia State Employees Post-Employment Health Benefit Fund (the "State OPEB Fund") and the Georgia School Personnel Post-Employment Health Benefit Fund (the "School OPEB Fund").

### C. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

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.

**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 and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation are included in the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

**Governmental Funds** - The Department of Community Health's governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Department of Community Health generally considers revenues to be available if the revenues are collected within six months after fiscal year-end. An exception to this policy is federal grant revenues, which generally are considered to be available if collection is expected within 12 months after year-end.

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 1. Summary of Significant Accounting Policies (continued)

All deferred revenue reported represents revenue that is unearned, rather than unavailable. 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. Capital purchases are recorded as expenditures and neither capital assets nor long-term liabilities, such as long-term obligations, are reflected in the balance sheet. Expenditures related to compensated absences are recorded only when payment is due.

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

As permitted by generally accepted accounting principles, the Department of Community Health has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 that do not contradict Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting practices for its proprietary operations.

### **D. Department Reorganization and Resulting Restatement—Governmental Activities Net Assets and General Fund Balance**

As previously stated, and in accordance with House Bill 214, effective July 1, 2011, as passed by the Georgia General Assembly, the Georgia Department of Community Health was reorganized to exclude the Division of Public Health, previously a part of the Georgia Department of Community Health. This reorganization created a new, stand-alone state agency, the Georgia Department of Public Health.

As of June 30, 2011, reserves associated with Division of Public Health in conjunction with the aforementioned reorganization, results in a restatement of governmental fund balance/governmental activities net assets in the amount of \$2,602,031.

Net capital assets and beginning net assets for governmental activities have been restated by \$28,213,533, to include amounts representing net capital assets transferred to the Georgia Department of Public Health. Accrued compensated absences and beginning net assets for governmental activities have been restated by \$4,731,890 to exclude amounts representing available, unused compensated absences of employees of the former Division of Public Health (see also Notes 4 and 6).

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 1. Summary of Significant Accounting Policies (continued)

The restatement of governmental activities net assets and the general fund balance for these items is summarized as follows:

|   | <b>Governmental<br/>Activities<br/>Net Assets</b> | <b>General<br/>Fund<br/>Balance</b> |
|---|---|-------------------------------------|
| Deficit, Beginning of Year, as Originally Stated                | \$ (173,779,522)                                  | \$ (194,144,725)                    |
| Department Reorganization and Restatement                       |   |                                     |
| Removal of Division of Public Health                            |   |                                     |
| Budgetary Reserves  | (2,602,031)                                       | (2,602,031)                         |
| Net Capital Assets  | (28,213,533)                                      | -                                   |
| Accrued Compensated Absences                                    | 4,731,890   | -                                   |
| Net Restatement   | <u>(26,083,674)</u>                               | <u>(2,602,031)</u>                  |
| Fund Balance Deficit/Net Assets, Beginning of Year, as Restated | <u>\$ (199,863,196)</u>                           | <u>\$ (196,746,756)</u>             |

### E. Cash, Cash Equivalents and Investments

The State Depository Board is designated by State law as the oversight board for the State's cash management and investment policies. The Georgia Office of the State Treasurer (OST) acts as the administrative agent of the State Depository Board. The policy of the State 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 [OCGA] 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 State OPEB Fund, the School OPEB Fund, and those on restricted funds, the interest income of those short-term time deposit agreements must be remitted to the Director of the OST as revenues of the State.

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 OST for the purposes of pooled investment funds. Such cash is managed in pooled investment funds to maximize interest earnings. Authorized pooled investments are limited to the following in accordance with State statutes and policies of the State Depository Board:

- 1) Obligations issued by the State 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.
- 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.

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 1. Summary of Significant Accounting Policies (continued)

Pooled assets and other deposits of the Department of Community Health are categorized in the governmental fund, proprietary fund, and fiduciary fund statements and 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.

*Cash with Fiscal Agent* is cash held by a third party service provider on behalf of the Department of Community Health and consists primarily of State Children's Health Insurance Program (SCHIP) premiums.

*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. Investments also consist of shares of Georgia Fund 1. These investments are recorded at fair value, based on market value.

### Georgia Fund 1

Georgia Fund 1 (the Pool) is a combination of local and State government investment pools managed by the Office of the State Treasurer. The Pool is a stable net asset value investment pool which follows Standard and Poor's (S&P) 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 United States Treasury obligations, securities issued or guaranteed as to principal and interest by the United States government or any of its agencies or instrumentalities, bankers' acceptances and repurchase agreements.

Georgia Fund 1 is an AAAM rated fund by S&P. The S&P criteria require Georgia Fund 1 to maintain a weighted average maturity (WAM) of 60 days or less. The WAM for the Pool on June 30, 2012 was 48 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 OST does not provide for investments in derivatives or similar investments through the Pool.

For additional disclosures related to cash, cash equivalents and investments, see Note 2.

# Department of Community Health

## Note 1. Summary of Significant Accounting Policies (continued)

### F. Accounts Receivable

The State Appropriation receivable consists of funds appropriated and allotted to the Department of Community Health by the Georgia General Assembly that have not been drawn down from the OST as of June 30, 2012. Management has determined the State appropriation receivable to be fully collectible at June 30, 2012. Therefore, no provision for uncollectible amounts has been reported for such receivables. Receivables reported as intergovernmental-federal (both current and noncurrent) 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, 2012. Management provides a reserve for any balances expected to remain outstanding past the next fiscal year. As a result, management has reserved approximately \$90 million that it may not collect as of June 30, 2013.

The Constitution of the State 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. 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 for governmental activities; \$400 for business-type activities).

The receivables reported in the fiduciary funds consist of contributions receivable. Management has determined contribution receivables to be fully collectible at June 30, 2012. Therefore, no provision for uncollectible amounts has been reported for such receivables.

### G. Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the government-wide statement of net assets. Capital assets, if any, of proprietary funds are capitalized in the fund in which they are utilized. Capital assets are stated at historical costs or, in some instances, estimated historical cost. Estimation methods include using historical sources to determine the cost of similar assets at the time of acquisition and indexing where the historical cost of an asset is estimated by taking the current cost of a similar asset and dividing it by an index figure which adjusts for inflation. Donated capital assets are stated at fair value at the time of donation.

Capital assets have a cost equal to or greater than the capitalization threshold for the particular classification of the asset. Additionally, the asset has an estimated life of greater than one year. Thresholds used by the Department of Community Health include the following:

| <u>Asset<br/>Classification</u>   | <u>Capitalization<br/>Threshold</u> | <u>Estimated<br/>Lives in Years</u> |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Equipment, furniture and fixtures | \$ 5,000                            | Three to Five                       |



# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 1. Summary of Significant 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 10 to 14 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. Employees earn 10 hours of sick leave each month with a maximum accumulation of 90 days. 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 (ERS). Funds are provided in the appropriation of State funds each fiscal year to cover the cost of annual leave of terminated employees.

### I. Fund Balances and Net Assets

In accordance with GASB Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the Department of Community Health classifies governmental fund balance as unassigned and restricted. The governmental fund balance is comprised of amounts that are constrained for specific purposes by external grantors or amounts constrained in accordance with the Constitution of the State, Article III, Section IX - Appropriations, Paragraph IV(c) which states, in part, that all appropriated state funds, remaining unexpended and not contractually obligated at the expiration of such general appropriations Act, shall lapse.

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."

Fund balance in fiduciary fund types is classified as held in trust for the benefit of individuals or other governments.

### J. Related Party Transactions

During the normal course of business, the Department of Community Health provides services to and contracts for services from 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, 2012

## Note 1. Summary of Significant Accounting Policies (continued)

### K. 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.

|                                      | <b>Due from Other Funds</b> |                            |               |
|--------------------------------------|-----------------------------|----------------------------|---------------|
|                                      | <b>General<br/>Fund</b>     | <b>Fiduciary<br/>Funds</b> | <b>Total</b>  |
| <b>Due to Other Funds</b>            |                             |                            |               |
| State Employees' Health Benefit Plan | \$ 282,644                  | \$ 40,943,235              | \$ 41,225,879 |

### L. 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 at June 30, 2012 for the Department of Community Health's governmental, business-type activities and fiduciary fund are as follows:

#### Deposits and Investments:

|                                      |                      |
|--------------------------------------|----------------------|
| Amounts Included as Deposits in Bank | \$ 38,330,475        |
| Amounts Included as Deposits in OST  | 18,532,983           |
| Amounts Deposited in Georgia Fund 1  | <u>20,565,162</u>    |
|                                      | <u>\$ 77,428,620</u> |

#### As Reported in the Statement of Net Assets:

|   |                      |
|---|----------------------|
| Cash, Cash Equivalents and Investments              | \$ 55,942,418        |
| Cash, Cash Equivalents and Investments - Restricted | 22,948,866           |
| Cash Overdraft                                      | <u>(1,462,664)</u>   |
|   | <u>\$ 77,428,620</u> |

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 2. Deposits and Investments (continued)

### A. 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. All of Department of Community Health's bank depository accounts are noninterest-bearing accounts except for the State Health Benefit Plan Employee Health Insurance Account. Noninterest bearing accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) regardless of the account balance and ownership capacity of the funds. Department of Community Health has 100 percent FDIC insurance coverage for noninterest bearing accounts under the Dodd-Frank Wall Street Reform and Consumer Protection Act. Wells Fargo collateralizes interest bearing accounts (employee health insurance account) on a direct basis with the Bank of New York in a tri-party agreement with the OST at 110 percent after FDIC coverage is deducted. At year-end, the carrying amounts of the Department of Community Health's deposits totaled \$38,330,475 and the bank balances were \$65,179,162. Of the bank balances, \$2,511,255 was collateralized, \$57,364,491 was insured and \$5,303,416 was with fiscal agent.

All cash, cash equivalents and investments reported by the Department of Community Health that are maintained in an investment pool by the OST are not subject to risk categorization.

### B. Investments

The Georgia Fund 1 investment pool is included in "cash, cash equivalents and investments" in the statement of net assets. The carrying amount of the Department of Community Health's investment balances as of June 30, 2012 is summarized below.

**Interest Rate Risk** is the risk that changes in interest rates which 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** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investment in U. S. 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, 2012, S&P rated the Department of Community Health's investment in the Georgia Fund 1 as AAAM.

**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** is the risk of loss attributable to the magnitude of investment in a single issuer.

At June 30, 2012, the carrying amount of the Department of Community Health's investment is summarized as follows.

| <u>Type of Investment</u>  | <u>Fair Value</u>    | <u>Weighted<br/>Average<br/>Maturity (Days)</u> |
|----------------------------|----------------------|---|
| Investments pooled by OST: |                      |   |
| Georgia Fund 1             | <u>\$ 20,565,162</u> | 48  |

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 3. Accounts Receivable

At June 30, 2012, receivables – other arising from governmental activities are reported as follows:

|  | <u>Receivables - Other</u> | <u>Allowance<br/>Amount</u> | <u>Receivables - Other<br/>(Net of Allowances<br/>for Uncollectibles)</u> |
|--|----------------------------|-----------------------------|---|
| Interim Payments to Providers and<br>Other Receivables | \$ 120,382,772             | \$ (75,324,773)             | \$ 45,057,999   |
| Direct Billings for Services Provided                  | <u>178,929,047</u>         | <u>(443,385)</u>            | <u>178,485,662</u>  |
|  | <u>\$ 299,311,819</u>      | <u>\$ (75,768,158)</u>      | <u>\$ 223,543,661</u>   |

At June 30, 2012, the accounts receivable for business-type activities are reported as follows:

|                          | <u>Receivables Other</u> | <u>Allowance<br/>Amount</u> | <u>Receivables - Other<br/>(Net of Allowances<br/>for Uncollectibles)</u> |
|--------------------------|--------------------------|-----------------------------|---|
| Contributions Receivable | \$ 69,863,791            | \$ -                        | \$ 69,863,791   |
| Claims Refunds Due       | <u>3,921,367</u>         | <u>(3,856,745)</u>          | <u>64,622</u>   |
|                          | <u>\$ 73,785,158</u>     | <u>\$ (3,856,745)</u>       | <u>\$ 69,928,413</u>  |

At June 30, 2012, the allowance for uncollectible interim payments to providers and claim refunds due to the governmental fund was determined to be \$75,768,158. The allowance for uncollectible claim refunds due to the enterprise fund was determined to be \$3,856,745.

## Note 4. Capital Assets

The following is a summary of capital assets presented in the statement of net assets in the governmental activities column at June 30, 2012:

|                                     | <u>Balance<br/>June 30, 2011,<br/>as<br/>Originally<br/>Stated</u> | <u>Departmental<br/>Reorganization<br/>and<br/>Resulting<br/>Restatement</u> | <u>Balance at<br/>June 30, 2011,<br/>as Restated</u> | <u>Additions<br/>and<br/>Adjustments</u> | <u>Deletions<br/>and<br/>Adjustments</u> | <u>Balance at<br/>June 30, 2012</u> |
|-------------------------------------|--|--|--|--|--|-------------------------------------|
| Governmental Activities:            |  |  |  |  |  |                                     |
| Depreciable Capital Assets:         |  |  |  |  |  |                                     |
| Equipment, Furniture and<br>Fixture | \$ 17,297,075  | \$ (15,887,077)  | \$ 1,409,998   | \$ -                                     | \$ -                                     | \$ 1,409,998                        |
| Construction in Progress            | -  | -  | -  | 1,222,559                                | -  | 1,222,559                           |
| Buildings                           | <u>38,806,297</u>  | <u>(38,806,297)</u>  | <u>-</u>   | <u>-</u>                                 | <u>-</u>                                 | <u>-</u>                            |
| Total Depreciable Capital Assets    | <u>56,103,372</u>  | <u>(54,693,374)</u>  | <u>1,409,998</u>                                     | <u>1,222,559</u>                         | <u>-</u>                                 | <u>2,632,557</u>                    |
| Less Accumulated Depreciation       | <u>27,842,262</u>  | <u>(26,479,841)</u>  | <u>1,362,421</u>                                     | <u>36,438</u>                            | <u>-</u>                                 | <u>1,398,859</u>                    |
| Depreciable Capital Assets, net     | <u>\$ 28,261,110</u>   | <u>\$ (28,213,533)</u>   | <u>\$ 47,577</u>                                     | <u>\$ 1,186,121</u>                      | <u>\$ -</u>                              | <u>\$ 1,233,698</u>                 |

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 4. Capital Assets (continued)

All capital outlays and depreciation were charged to the health and welfare function. Construction in progress (capital projects fund) includes initial costs incurred on implementation of a new eligibility system.

## 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 cancelable 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 \$139,940 for the year ended June 30, 2012. The future minimum commitments for operating leases as of June 30, 2012 are listed below.

| <u>Fiscal Year Ending June 30,</u> |                   |
|------------------------------------|-------------------|
| 2013                               | \$ 111,709        |
| 2014                               | 77,323            |
| 2015                               | 53,745            |
| 2016                               | <u>10,188</u>     |
|                                    | <u>\$ 252,965</u> |

## Note 6. Long-Term Obligations

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

|                           | <u>Balance at<br/>June 30, 2011,<br/>as Originally<br/>Stated</u> | <u>Departmental<br/>Reorganization<br/>and<br/>Resulting<br/>Restatement</u> | <u>Balance at<br/>June 30, 2011,<br/>as<br/>Restated</u> | <u>Additions<br/>and<br/>Adjustments</u> | <u>Deletions<br/>and<br/>Adjustments</u> | <u>Balance at<br/>June 30, 2012</u> | <u>Due within<br/>One Year</u> |
|---------------------------|---|--|--|--|--|-------------------------------------|--------------------------------|
| Governmental Activities:  |   |  |  |  |  |                                     |                                |
| Compensated Absences      | \$ 7,895,907  | \$ (4,731,890)   | \$ 3,164,017   | \$ 1,362,716                             | \$ 1,438,531                             | \$ 3,088,202                        | \$ 1,408,313                   |
| Business-Type Activities: |   |  |  |  |  |                                     |                                |
| Compensated Absences      | \$ 311,907  | \$ -   | \$ 311,907   | \$ 144,673                               | \$ 127,848                               | \$ 328,732                          | \$ 152,864                     |

## Note 7. Contributions to the State

Contributions to the State for the fiscal year ended June 30, 2012, consisted of the following:

|                               |                       |
|-------------------------------|-----------------------|
| General Fund                  |                       |
| Office of the State Treasurer |                       |
| Return of Appropriation       | \$ 10,624,561         |
| Remittance of Collections     | <u>368,046,198</u>    |
|                               | <u>\$ 378,670,759</u> |

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 8. Fund Balances and Net Assets

**General Fund Fund Balance** - The Department of Community Health's fund balances reported as unassigned and restricted as summarized as follows.

|  |                         |
|--|-------------------------|
| Unassigned:                            |                         |
| Medicaid, Aged Blind and Disabled      | \$ (419,926,663)        |
| Medicaid, Low Income                   | (53,565,058)            |
| Peachcare                              | (6,526,206)             |
| Other Health Programs                  | (549,702)               |
|  | <u>(480,567,629)</u>    |
| Restricted:                            |                         |
| Administration                         | \$ 62,632,789           |
| Health Care Access and Improvement     | 8,381,880               |
| Other Health Programs                  | 6,483,808               |
| Indigent Care Trust Fund               | 6,013,347               |
| Healthcare Facility Regulation         | 515,625                 |
| Georgia Board for Physicians Workforce | 375,545                 |
| Georgia Composite Medical Board        | 33,432                  |
|  | <u>84,436,426</u>       |
| Total Fund Balance                     | <u>\$ (396,131,203)</u> |

**Encumbered Commitments** - As of June 30, 2012, the Department of Community Health has encumbered amounts for the following programs:

|                                    |                      |
|------------------------------------|----------------------|
| Administration                     | \$ 50,581,699        |
| Health Care Access and Improvement | 5,349,703            |
| Healthcare Facility Regulation     | 856,877              |
| Indigent Care Trust Fund           | 2,308,769            |
| Infant and Child Health Promotion  | 2,475,290            |
| Other                              | 367,187              |
|                                    | <u>61,939,525</u>    |
| Total Fund Balance                 | <u>\$ 61,939,525</u> |

## Note 9. Risk Management

**Public Entity Risk Pool** - The Department of Community Health's business-type activities internally administers for the State a program of health benefits for the employees of units of government of the State, units of county government and local education agencies located within the State. This pool is funded by participants covered in the pool, by employers' contributions paid by the various units of government participating in the pool and appropriations by the Georgia General Assembly. The Department of Community Health has contracted with Cigna and United Health Care 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 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. These self-insurance funds are accounted for as internal service funds of the State where assets are set aside for claim settlements.

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## 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 Comprehensive Annual Financial Report for the year ended June 30, 2012.

The Department of Community Health's estimated fiscal year end liability for the health benefits program 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, 2012 and 2011 for governmental activities, business-type activities and fiduciary funds is shown below:

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

|   | Governmental Activities |                        | Business-Type Activities |                        | Fiduciary Funds      |                      |
|---|-------------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|
|   | Fiscal Year Ended       | Fiscal Year Ended      | Fiscal Year Ended        | Fiscal Year Ended      | Fiscal Year Ended    | Fiscal Year Ended    |
|   | June 30, 2012           | June 30, 2011          | June 30, 2012            | June 30, 2011          | June 30, 2012        | June 30, 2011        |
| Unpaid claims and claim adjustments, July 1   | \$ 709,525,145          | \$ 752,903,961         | \$ 200,136,036           | \$ 215,454,072         | \$ 43,586,453        | \$ 25,299,093        |
| Incurred claims and claim adjustment expenses - provisions for insured events of the current year                   | 9,312,234,901           | 8,625,372,387          | 2,244,298,768            | 2,108,482,246          | 665,615,424          | 594,562,331          |
| Payments-claims and claim adjustment expenses attributable to insured events of the current year and of prior years | <u>(9,050,258,544)</u>  | <u>(8,668,751,203)</u> | <u>(2,241,031,942)</u>   | <u>(2,123,800,282)</u> | <u>(667,431,897)</u> | <u>(576,274,971)</u> |
|   | <u>\$ 971,501,502</u>   | <u>\$ 709,525,145</u>  | <u>\$ 203,402,862</u>    | <u>\$ 200,136,036</u>  | <u>\$ 41,769,980</u> | <u>\$ 43,586,453</u> |

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 10. Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code (IRC). The plan, available to employees of the State 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, 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 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's Comprehensive Annual Financial Report for the year ended June 30, 2012.

## Note 11. Other Post-employment Benefits

The Department of Community Health administers the group health plans established pursuant to OCGA Sections 45-18-2, 20-2-881 and 20-2-2-911, (together, the SHBP.) Post-employment health benefits due under the SHBP are paid through the State OPEB Fund established by OCGA Section 45-18-25 and the School OPEB Fund established by OCGA Section 20-2-875.

### A. Summary of Significant Accounting Policies

**Basis of Accounting** - Post-employment trust fund financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

### B. Plan Descriptions and Membership Information

**Plan Descriptions** - The State OPEB Fund and the School OPEB Fund are each "cost sharing multiple-employer defined benefit post-employment healthcare plans" for OPEB purposes. The State OPEB Fund and the School OPEB Fund are reported as employee benefit trust funds.

**State OPEB Fund** - The State OPEB Fund provides post-employment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations and other entities authorized by law to contract with the Department of Community Health for inclusion in the plan (established by OCGA Section 45-18-2). It also pays administrative expenses of the Fund. By law, no other use of the assets of the State OPEB Fund is permitted.

**School OPEB Fund** - The School OPEB Fund provides post-employment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers including librarians and other certified employees of the public schools and regional educational service agencies (established by OCGA Section 20-2-881), post-employment health benefits due under the group health plan for non-certified public school employees (established by OCGA Section 20-2-911), and administrative expenses of the Fund. By law, no other use of assets of the School OPEB Fund is permitted.



# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 11. Other Post-employment Benefits (continued)

The Statutes of the State assign the authority to establish and amend the benefit provisions of the group health plans, including benefit provisions related to retirees, to the Board.

**Membership Information** - Membership consisted of the following at June 30, 2012:

|   | <u>State OPEB Fund</u> | <u>School OPEB Fund</u> |
|---|------------------------|-------------------------|
| Retirees and beneficiaries receiving benefits                         | 41,427                 | 87,848                  |
| Terminated plan members entitled to<br>but not yet receiving benefits | 184                    | 224                     |
| Active plan members   | <u>58,727</u>          | <u>173,605</u>          |
| Total members   | <u>100,338</u>         | <u>261,677</u>          |
| Number of participating employers                                     | <u>218</u>             | <u>246</u>              |

### C. Funding Policy, Funding Progress and Funded Status

The plans are currently funded on a pay-as-you go basis. That is, annual costs of providing benefits will be financed in the same year as claims occur, with no significant assets accumulating as would occur in an advance funding strategy.

The contribution requirements of plan members and participating employers are established by the Department of Community Health's Board in accordance with current appropriation and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. As of January 1, 2012, for members with fewer than five years of service, contributions also vary based on years of service. As of January 1, 2012, on average, members with five years or more of service, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from zero percent for fewer than 10 years of service to 75 percent (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from zero to 55 percent (but no greater than the subsidy percentage offered to dependents of active employees minus 20 percent). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of the Department of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers, including but not limited to State organizations and school systems, are statutorily required to contribute in accordance with the employer contribution rate established by the Board. These contribution rates are established to fund all benefits due under the SHBP, including post-employment benefits, based on projected pay-as-you-go financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 11. Other Post-employment Benefits (continued)

The combined rates for the active and retiree plans for the fiscal year ended June 30, 2012 were as follows:

### SHBP Contributions Rates for Employers Participating in the State OPEB Fund

#### **For State organizations, including technical colleges, and certain other eligible participating employers:**

|                            |   |
|----------------------------|---|
| June 2011                  | 22.667% of covered payroll for July coverage              |
| July - November 2011       | 27.363% of covered payroll for August - December coverage |
| December 2011 - April 2012 | 34.063% of covered payroll for January - May coverage     |
| May 2012 - June 2012       | 27.363% of covered payroll for June - July coverage       |

### SHBP Contribution Rates for Employers Participating in the School OPEB Fund

#### **For certificated teachers, librarians, regional educational service agencies, and certain other eligible participating employers:**

|                          |  |
|--------------------------|--|
| June 2011                | 1.429 % of covered payroll for July coverage               |
| July 2011                | 18.534 % of covered payroll for August coverage            |
| August 2011 - March 2012 | 24.000 % of covered payroll for September - April coverage |
| April 2012 - June 2012   | 3.958 % of covered payroll for May - July coverage         |

#### **For non-certificated school personnel:**

|                            |                               |
|----------------------------|-------------------------------|
| June 2011 - August 2011    | \$246.20 per member per month |
| September 2011 - June 2012 | \$296.20 per member per month |

The following table summarizes the Department of Community Health's contribution for the health insurance plan for the years ended June 30, 2012, 2011 and 2010.

|      | <u>Required<br/>Contribution</u> | <u>Percent<br/>Contributed</u> |
|------|----------------------------------|--------------------------------|
| 2012 | \$ 9,821,924                     | 100%                           |
| 2011 | \$ 19,902,830                    | 100%                           |
| 2010 | \$ 16,415,119                    | 100%                           |

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 11. Other Post-employment Benefits (continued)

The funded status of the State OPEB Fund and the School OPEB Fund as of the most recent actuarial valuation date is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a/c) |
|--------------------------|-------------------------------|-------------------------------|---------------------------|--------------------|---------------------|---|
| <b>State OPEB Fund</b>   |                               |                               |                           |                    |                     |   |
| June 30, 2011            | \$ -                          | \$ 4,311,635,522              | \$ 4,311,635,522          | 0.0%               | \$ 2,542,890,541    | 169.6%  |
| <b>School OPEB Fund</b>  |                               |                               |                           |                    |                     |   |
| June 30, 2011            | \$ -                          | \$ 11,143,125,071             | \$ 11,143,125,071         | 0.0%               | \$ 11,127,288,000   | 100.1%  |

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 valuations as of June 30, 2011 reflect revised assumptions based on an experience investigation for the five year period ended June 30, 2010. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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 presents trend information about the amounts contributed to the plan by employers in comparison to the 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 30 years. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing 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. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Additional information as of the latest actuarial valuation follows:

|                               |                               |
|-------------------------------|-------------------------------|
| Valuation Date                | June 30, 2011                 |
| 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*    | 4.50%                         |
| Healthcare Cost Trend Rate*   |                               |
| Pre-Medicare Eligible         | 8.50%                         |
| Medicare Eligible             | 7.50%                         |
| Ultimate Trend Rate           |                               |
| Pre-Medicare Eligible         | 5.00%                         |
| Medicare Eligible             | 5.00%                         |
| Year of Ultimate Trend Rate   | 2018                          |

\*Includes an assumption of three percent inflation

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 12. Retirement Systems

The Department of Community Health participates in various retirement plans administered by the State under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia (TRS). These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The significant retirement plans that the Department of Community Health participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

### *Employees' Retirement System of Georgia*

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State except for teachers and other employees covered by the TRS. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board of Trustees created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. 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. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Post-retirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Member contributions are set by law. Member contributions under the old plan are four percent of annual compensation up to \$4,200 plus six percent of annual compensation in excess of \$4,200. Under the old plan, the Department of Community Health pays member contributions in excess of 1.25 percent of annual compensation. Under the old plan, these Department of Community Health contributions are included in the members' accounts for refund purposes and are used in the computation of members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25 percent of annual compensation.

# Department of Community Health

## Note 12. Retirement Systems (continued)

The Department of Community Health is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Department of Community Health contributions are not at any time refundable to the member or his/her beneficiary. Employer contributions required for fiscal year 2012 were based on the June 30, 2009 actuarial valuation as follows:

|           |        |
|-----------|--------|
| Old Plan* | 11.63% |
| New Plan  | 11.63% |
| GSEPS     | 7.42%  |

\*6.88% exclusive of contributions paid by the employer on behalf of old plan members

### *Teachers Retirement System of Georgia*

The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board of Trustees created the SRBP of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the IRC as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to two percent of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of seven percent for each month the member is below age 60 or by seven percent for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than five percent or more than six percent of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012 were 5.53 percent of annual salary. Member contributions for the fiscal year ended June 30, 2012 were 5.53 percent of annual salary. Employer contributions required for fiscal year 2012 were 10.28 percent of annual salary as required by the June 30, 2009 actuarial valuation.

# Department of Community Health

## Note 12. Retirement Systems (continued)

The following table summarizes the Department of Community Health’s contributions by defined benefit plan for the fiscal years ended June 30, 2012, 2011, and 2010:

|      | ERS                          |                            | TRS                          |                            |
|------|------------------------------|----------------------------|------------------------------|----------------------------|
|      | <u>Required Contribution</u> | <u>Percent Contributed</u> | <u>Required Contribution</u> | <u>Percent Contributed</u> |
| 2012 | \$ 3,453,761                 | 100%                       | \$ 16,235                    | 100%                       |
| 2011 | \$ 7,600,450                 | 100%                       | \$ 10,483                    | 100%                       |
| 2010 | \$ 7,976,372                 | 100%                       | \$ 10,871                    | 100%                       |

### *Georgia Defined Contribution Plan*

Certain employees of the Department of Community Health participate in the Georgia Defined Contribution Plan (GDCP), a single-employer defined contribution plan established by the Georgia General Assembly for the purpose of providing retirement allowances for State employees who are not members of a public retirement or pension system. GDCP is administered by the ERS Board of Trustees. ERS issues a publicly available financial report that includes the financial statements and disclosures applicable to GDCP.

### *GSEPS 401(k) Defined Contribution Component*

In addition to the ERS defined benefit pension described above, GSEPS members may also participate in the Peach State Reserves 401(k) defined contribution plan (401(k) plan) and receive an employer matching contribution. The 401(k) plan is administered by the ERS System and was established by the State of Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the IRC. The GSEPS segment of the 401(k) plan was established by State law effective January 1, 2009. Plan provisions and contribution requirements specific to GSEPS can be amended by State law. Other general 401(k) plan provisions can be amended by the ERS Board of Trustees as required by changes in Federal tax law or for administrative purposes. The State was not required to make significant contributions to the 401(k) plan prior to GSEPS because most members under other segments of the 401(k) plan either were not State employees or were not eligible to receive an employer match on their contributions.

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of one percent of salary, along with a matching contribution from the State. The State will match 100 percent of the employee’s initial one percent contribution. Employees can elect to contribute up to an additional four percent and the State will match 50 percent of the additional four percent of salary. Therefore, the State will match three percent against the employee’s five percent total savings. Contributions greater than five percent do not receive any matching funds.

GSEPS employer contributions are subject to a vesting schedule, which determines eligibility to receive all or a portion of the employer contribution balance at the time of any distribution from the account after separation from all State service. Vesting is determined based on the following schedule:

|                  |      |
|------------------|------|
| Less than 1 year | 0%   |
| 1 year           | 20%  |
| 2 years          | 40%  |
| 3 years          | 60%  |
| 4 years          | 80%  |
| 5 or more years  | 100% |

# Department of Community Health

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

## Note 12. Retirement Systems (continued)

Employee contributions and earnings thereon are 100 percent vested at all times. The 401(k) plan also allows participants to roll over amounts from other qualified plans to their respective account in the 401(k) plan on approval of the 401(k) plan administrator. Such rollovers are 100 percent vested at the time of transfer. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

The participants may receive the value of their vested accounts upon attaining age 59 ½, qualifying financial hardship, or retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Distributions are made in installments or in a lump sum.

In 2012, the Department of Community Health employer and employee GSEPS contributions were \$106,207 and \$197,096, respectively.

## Note 13. On-behalf-of Payments

During the year, the Survivors Benefit Fund (SBF) provided payments to the State Employees' Assurance Department – OPEB (SEAD-OPEB) on behalf of the Department of Community Health. SEAD-OPEB is a cost-sharing multiple-employer defined OPEB plan created by the Georgia General Assembly to establish a fund for the provision of term life insurance to retired and vested inactive members of the ERS System. Total amounts of such payments for the year ended June 30, 2012 were \$157,515.

## Note 14. Contingencies

Amounts received or receivable from grantor agencies as well as certain vendor contract liabilities and claims are subject to audit and review by grantor agencies, principally the federal government or its representatives. This could result in a request for reimbursement by the grantor agency and/or adjustments to claims payable 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.

The Department is involved in various lawsuits arising from the normal course of business. Management intends to vigorously defend the Department's position. Further in the opinion of management and the Department's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Department's financial position.

## Note 15. Subsequent Event

On July 18, General Obligation (GO) Debt in the amount of \$2,000,000 was issued for the purpose of acquiring, constructing and implementing a new Medicaid eligibility system. Future debt service will be paid from the state GO Debt sinking fund and will be appropriated thereto by the Georgia General Assembly.

**REQUIRED SUPPLEMENTARY INFORMATION**



# Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2012

| Actuarial Valuation Date | Actuarial Value Of Assets (a) | Actuarial Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll*  | UAAAL as a Percentage of Covered Payroll (b-a/c) |
|--------------------------|-------------------------------|-------------------------------|---------------------------|--------------------|-------------------|--|
| <b>State OPEB Fund</b>   |                               |                               |                           |                    |                   |  |
| 6/30/2011                | \$ -                          | \$ 4,311,635,522              | \$ 4,311,635,522          | 0.0%               | \$ 2,542,890,541  | 169.6%   |
| 6/30/2010                | \$ 186,000                    | \$ 4,478,594,086              | \$ 4,478,408,086          | 0.0%               | \$ 2,626,081,000  | 170.5%   |
| 6/30/2009                | \$ 136,932,084                | \$ 4,520,953,493              | \$ 4,384,021,409          | 3.0%               | \$ 2,730,018,000  | 160.6%   |
| <b>School OPEB Fund</b>  |                               |                               |                           |                    |                   |  |
| 6/30/2011                | \$ -                          | \$ 11,143,125,071             | \$ 11,143,125,071         | 0.0%               | \$ 11,127,288,000 | 100.1%   |
| 6/30/2010                | \$ 58,000                     | \$ 11,250,400,224             | \$ 11,250,342,224         | 0.0%               | \$ 11,446,504,000 | 98.3%  |
| 6/30/2009                | \$ 33,806,176                 | \$ 11,900,505,254             | \$ 11,866,699,078         | 0.3%               | \$ 11,628,960,000 | 102.0%   |

\* Salary amount for the School Fund was provided by the Teachers' Retirement System. The salary amount shown is total salaries and is not the state salary amount upon which regular employer contributions to the SHBP are based. Since individual Public School Employee's Retirement Fund (PSERS) salary is not available, assumes annual salary for PSERS members of \$26,192 for 2011, \$25,244 for 2010, and \$24,332 for 2009.

# Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS

JUNE 30, 2012

| <u>Year<br/>Ended<br/>June 30</u> | <u>Annual<br/>Required<br/>Contribution</u> | <u>Actual<br/>Employer<br/>Contribution</u> | <u>Percentage<br/>of ARC<br/>Contributed</u> |
|-----------------------------------|---|---|--|
| <b>State OPEB Fund</b>            |   |   |  |
| 2011                              | \$ 327,052,844                              | \$ 168,384,000                              | 51.5%  |
| 2010                              | \$ 347,772,066                              | \$ 22,209,006                               | 6.4%   |
| 2009                              | \$ 387,790,092                              | \$ 170,789,710                              | 44.0%  |
| <b>School OPEB Fund</b>           |   |   |  |
| 2011                              | \$ 1,050,850,962                            | \$ 339,221,000                              | 32.3%  |
| 2010                              | \$ 1,080,041,803                            | \$ 308,539,258                              | 28.6%  |
| 2009                              | \$ 1,290,050,224                            | \$ 303,348,168                              | 23.5%  |

# Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE – BUDGET FUND

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

|  | Funds Available Compared to Budget |                         |                         |                       |                                  |                         | Expenditures Compared to Budget |                         | Excess (Deficiency) of Funds Available |                              |
|--|------------------------------------|-------------------------|-------------------------|-----------------------|----------------------------------|-------------------------|---------------------------------|-------------------------|--|------------------------------|
|  | Original Appropriation             | Final Budget            | Current Year Revenues   | Prior Year Carry-Over | Program Transfers or Adjustments | Total Funds Available   | Variance Positive (Negative)    | Actual                  |  | Variance Positive (Negative) |
| <b>Departmental Administration and Program Support</b>       |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| State Appropriation  |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| State General Funds  | \$ 63,956,153                      | \$ 66,917,489           | \$ 66,917,489           | \$ -                  | \$ -                             | \$ 66,917,489           | \$ -                            | \$ 61,555,793           | \$ 5,361,696                           | \$ 5,361,696                 |
| Federal Funds  |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| Medical Assistance Program                                   | 217,167,038                        | 253,415,875             | 228,568,907             | -                     | -                                | 228,568,907             | (24,846,968)                    | 228,568,907             | 24,846,968                             | -                            |
| State Children's Insurance Program                           | 23,205,591                         | 25,536,955              | 23,571,557              | -                     | -                                | 23,571,557              | (1,965,398)                     | 23,571,557              | 1,965,398                              | -                            |
| Federal Funds Not Specifically Identified                    | 652,490                            | 4,659,395               | 4,073,439               | -                     | -                                | 4,073,439               | (585,956)                       | 4,073,439               | 585,956                                | -                            |
| American Recovery and Reinvestment Act of 2009               |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| Medical Assistance Program                                   | -                                  | 16,581,897              | 2,829,434               | -                     | -                                | 2,829,434               | (13,752,463)                    | 2,829,434               | 13,752,463                             | -                            |
| Promote Health Info Tech                                     | -                                  | 11,149,381              | 4,944,524               | -                     | -                                | 4,944,524               | (6,204,857)                     | 4,944,524               | 6,204,857                              | -                            |
| Other Funds  | 23,956,230                         | 25,178,579              | 9,375,422               | 21,138,729            | -                                | 30,514,151              | 5,335,572                       | 15,540,403              | 9,638,176                              | 14,973,748                   |
| <b>Total Departmental Administration and Program Support</b> | <b>\$ 328,937,502</b>              | <b>\$ 403,439,571</b>   | <b>\$ 340,280,772</b>   | <b>\$ 21,138,729</b>  | <b>\$ -</b>                      | <b>\$ 361,419,501</b>   | <b>\$ (42,020,070)</b>          | <b>\$ 341,084,057</b>   | <b>\$ 62,355,514</b>                   | <b>\$ 20,335,444</b>         |
| <b>Aged, Blind and Disabled Medicaid</b>                     |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| State Appropriation  |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| State General Funds  | \$ 1,182,182,833                   | \$ 1,165,757,376        | \$ 1,165,757,376        | \$ -                  | \$ -                             | \$ 1,165,757,376        | \$ -                            | \$ 1,238,520,511        | \$ (72,763,135)                        | \$ (72,763,135)              |
| Nursing Home Provider Fees                                   | 131,321,939                        | 132,393,274             | 132,393,274             | -                     | -                                | 132,393,274             | -                               | 132,393,274             | -                                      | -                            |
| Hospital Provider Payments                                   | 25,488,041                         | 25,452,921              | 25,452,921              | -                     | -                                | 25,452,921              | -                               | 25,452,921              | -                                      | -                            |
| State Funds - Prior Year Carry-Over                          |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| State General Funds - Prior Year                             | -                                  | 44,004,083              | -                       | 44,004,083            | -                                | 44,004,083              | -                               | 44,004,083              | -                                      | -                            |
| Federal Funds  |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| Federal Funds Not Specifically Identified                    | 2,787,214                          | 18,348,836              | 17,434,703              | -                     | -                                | 17,434,703              | (914,133)                       | 17,434,703              | 914,133                                | -                            |
| Medical Assistance Program                                   | 2,623,639,173                      | 3,241,403,937           | 3,146,200,138           | -                     | -                                | 3,146,200,138           | (95,203,799)                    | 3,146,200,138           | 95,203,799                             | -                            |
| American Recovery and Reinvestment Act of 2009               |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| Medical Assistance Program                                   | -                                  | 11,010,917              | 2,542,527               | -                     | -                                | 2,542,527               | (8,468,390)                     | 2,542,527               | 8,468,390                              | -                            |
| Other Funds  | 336,131,620                        | 350,946,478             | 329,213,944             | 5,772,812             | -                                | 334,986,756             | (15,959,722)                    | 329,023,367             | 21,923,111                             | 5,963,389                    |
| <b>Total Aged, Blind and Disabled Medicaid</b>               | <b>\$ 4,301,550,820</b>            | <b>\$ 4,989,317,822</b> | <b>\$ 4,818,994,883</b> | <b>\$ 49,776,895</b>  | <b>\$ -</b>                      | <b>\$ 4,868,771,778</b> | <b>\$ (120,546,044)</b>         | <b>\$ 4,935,571,524</b> | <b>\$ 53,746,298</b>                   | <b>\$ (66,799,746)</b>       |
| <b>Health Care Access and Improvement</b>                    |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| State Appropriation  |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| State General Funds  | \$ 6,104,116                       | \$ 6,148,595            | \$ 6,148,595            | \$ -                  | \$ -                             | \$ 6,148,595            | \$ -                            | \$ 5,431,702            | \$ 716,893                             | \$ 716,893                   |
| Federal Funds  |                                    |                         |                         |                       |                                  |                         |                                 |                         |  |                              |
| Medical Assistance Program                                   | 416,250                            | 416,250                 | -                       | -                     | -                                | -                       | (416,250)                       | -                       | 416,250                                | -                            |
| Federal Funds Not Specifically Identified                    | 172,588                            | 7,216,490               | 6,922,620               | -                     | -                                | 6,922,620               | (293,870)                       | 6,922,620               | 293,870                                | -                            |
| Other Funds  | 100,000                            | 100,000                 | 567,517                 | 153,061               | -                                | 720,578                 | 620,578                         | 20,504                  | 79,496                                 | 700,074                      |
| <b>Total Health Care Access and Improvement</b>              | <b>\$ 6,792,954</b>                | <b>\$ 13,881,335</b>    | <b>\$ 13,638,732</b>    | <b>\$ 153,061</b>     | <b>\$ -</b>                      | <b>\$ 13,791,793</b>    | <b>\$ (89,542)</b>              | <b>\$ 12,374,826</b>    | <b>\$ 1,506,509</b>                    | <b>\$ 1,416,967</b>          |

# Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE – BUDGET FUND

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

|  | Funds Available Compared to Budget |                         |                         |                      |                          |                         |                        | Expenditures Compared to Budget |                       | Excess (Deficiency) of Funds Available |
|--|------------------------------------|-------------------------|-------------------------|----------------------|--------------------------|-------------------------|------------------------|---------------------------------|-----------------------|--|
|  | Original                           | Final                   | Current Year            | Prior Year           | Program                  | Total                   | Variance               |                                 | Variance              |  |
|  | Appropriation                      | Budget                  | Revenues                | Carry-Over           | Transfers or Adjustments | Funds Available         | Positive (Negative)    | Actual                          | Positive (Negative)   | Over/(Under) Expenditures              |
| <b>Healthcare Facility</b>                     |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| State Appropriation                            |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| State General Funds                            | \$ 5,903,750                       | \$ 5,986,173            | \$ 5,986,173            | \$ -                 | \$ -                     | \$ 5,986,173            | \$ -                   | \$ 5,624,287                    | \$ 361,886            | \$ 361,886                             |
| Federal Funds                                  |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| Medical Assistance Program                     | 2,939,995                          | 3,994,598               | 3,787,507               | -                    | -                        | 3,787,507               | (207,091)              | 3,787,507                       | 207,091               | -                                      |
| Federal Funds Not Specifically Identified      | 5,521,905                          | 6,487,131               | 5,593,733               | -                    | -                        | 5,593,733               | (893,398)              | 5,593,733                       | 893,398               | -                                      |
| American Recovery and Reinvestment Act of 2009 |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| Federal Funds Not Specifically Identified      | -                                  | 14,200                  | 13,534                  | -                    | -                        | 13,534                  | (666)                  | 13,534                          | 666                   | -                                      |
| Other Funds                                    | 72,549                             | -                       | 10,704                  | 424                  | -                        | 11,128                  | 11,128                 | -                               | -                     | 11,128                                 |
| <b>Total Healthcare Facility</b>               | <b>\$ 14,438,199</b>               | <b>\$ 16,482,102</b>    | <b>\$ 15,391,651</b>    | <b>\$ 424</b>        | <b>\$ -</b>              | <b>\$ 15,392,075</b>    | <b>\$ (1,090,027)</b>  | <b>\$ 15,019,061</b>            | <b>\$ 1,463,041</b>   | <b>\$ 373,014</b>                      |
| <b>Indigent Care Trust Fund</b>                |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| State Appropriation                            |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| State General Funds                            | \$ -                               | \$ 17,270,374           | \$ 17,270,374           | \$ -                 | \$ -                     | \$ 17,270,374           | \$ -                   | \$ 15,737,305                   | \$ 1,533,069          | \$ 1,533,069                           |
| State Funds - Prior Year Carry-Over            |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| State General Funds - Prior Year               | -                                  | 1,533,069               | -                       | 1,533,069            | -                        | 1,533,069               | -                      | 1,533,069                       | -                     | -                                      |
| Federal Funds                                  |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| Medical Assistance Program                     | 257,075,969                        | 321,015,921             | 290,329,538             | -                    | -                        | 290,329,538             | (30,686,383)           | 290,329,538                     | 30,686,383            | -                                      |
| Other Funds                                    | 150,450,219                        | 134,306,994             | 128,761,862             | 6,061,952            | -                        | 134,823,814             | 516,820                | 133,239,026                     | 1,067,968             | 1,584,788                              |
| <b>Total Indigent Care Trust Fund</b>          | <b>\$ 407,526,188</b>              | <b>\$ 474,126,358</b>   | <b>\$ 436,361,774</b>   | <b>\$ 7,595,021</b>  | <b>\$ -</b>              | <b>\$ 443,956,795</b>   | <b>\$ (30,169,563)</b> | <b>\$ 440,838,938</b>           | <b>\$ 33,287,420</b>  | <b>\$ 3,117,857</b>                    |
| <b>Low-Income Medicaid</b>                     |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| State Appropriation                            |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| State General Funds                            | \$ 640,361,746                     | \$ 724,623,414          | \$ 724,623,414          | \$ -                 | \$ -                     | \$ 724,623,414          | \$ -                   | \$ 714,979,262                  | \$ 9,644,152          | \$ 9,644,152                           |
| Tobacco Settlement Funds                       | 102,193,257                        | 102,193,257             | 102,193,257             | -                    | -                        | 102,193,257             | -                      | 102,193,257                     | -                     | -                                      |
| Care Management Organization Funds             | -                                  | 473,120                 | 473,120                 | -                    | -                        | 473,120                 | -                      | 473,120                         | -                     | -                                      |
| Hospital Provider Payments                     | 197,022,758                        | 198,180,907             | 198,180,907             | -                    | -                        | 198,180,907             | -                      | 198,180,907                     | -                     | -                                      |
| State Funds - Prior Year Carry-Over            |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| State General Funds - Prior Year               | -                                  | 29,764,125              | -                       | 29,764,125           | -                        | 29,764,125              | -                      | -                               | 29,764,125            | 29,764,125                             |
| Federal Funds                                  |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| Medical Assistance Program                     | 1,813,018,576                      | 2,126,897,609           | 2,078,700,831           | -                    | -                        | 2,078,700,831           | (48,196,778)           | 2,078,700,831                   | 48,196,778            | -                                      |
| Federal Funds Not Specifically Identified      | -                                  | -                       | 2,650,014               | -                    | -                        | 2,650,014               | 2,650,014              | 2,650,014                       | (2,650,014)           | -                                      |
| American Recovery and Reinvestment Act of 2009 |                                    |                         |                         |                      |                          |                         |                        |                                 |                       |  |
| Medical Assistance Program                     | -                                  | 74,048,076              | 61,200,774              | -                    | -                        | 61,200,774              | (12,847,302)           | 61,200,774                      | 12,847,302            | -                                      |
| Other Funds                                    | 25,745,163                         | 48,151,897              | 40,581,183              | 2,614,774            | -                        | 43,195,957              | (4,955,940)            | 40,554,189                      | 7,597,708             | 2,641,768                              |
| <b>Total Low-Income Medicaid</b>               | <b>\$ 2,778,341,500</b>            | <b>\$ 3,304,332,405</b> | <b>\$ 3,208,603,500</b> | <b>\$ 32,378,899</b> | <b>\$ -</b>              | <b>\$ 3,240,982,399</b> | <b>\$ (63,350,006)</b> | <b>\$ 3,198,932,354</b>         | <b>\$ 105,400,051</b> | <b>\$ 42,050,045</b>                   |

# Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE – BUDGET FUND

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

|   | Funds Available Compared to Budget |                         |                         |                      |                          |                         | Expenditures Compared to Budget |                         | Excess (Deficiency) of Funds Available |                        |
|---|------------------------------------|-------------------------|-------------------------|----------------------|--------------------------|-------------------------|---------------------------------|-------------------------|--|------------------------|
|   | Original                           | Final                   | Current Year            | Prior Year           | Program                  | Total                   | Variance                        | Variance                | Over/(Under)                           |                        |
|   | Appropriation                      | Budget                  | Revenues                | Carry-Over           | Transfers or Adjustments | Funds Available         | Positive (Negative)             | Positive (Negative)     | Expenditures                           |                        |
| <b><u>PeachCare</u></b>                                 |                                    |                         |                         |                      |                          |                         |                                 |                         |  |                        |
| State Appropriation                                     |                                    |                         |                         |                      |                          |                         |                                 |                         |  |                        |
| State General Funds                                     | \$ 53,812,229                      | \$ 70,265,183           | \$ 70,265,183           | \$ -                 | \$ -                     | \$ 70,265,183           | \$ -                            | \$ 75,485,224           | \$ (5,220,041)                         | \$ (5,220,041)         |
| Care Management Organization Funds                      | -                                  | 245,826                 | 245,826                 | -                    | -                        | 245,826                 | -                               | 245,826                 | -                                      | -                      |
| Hospital Provider Payments                              | 1,627,249                          | 1,625,733               | 1,625,733               | -                    | -                        | 1,625,733               | -                               | 1,625,733               | -                                      | -                      |
| State General Funds - Prior Year                        | -                                  | 302,791                 | -                       | 302,791              | -                        | 302,791                 | -                               | 302,791                 | -                                      | -                      |
| State Children's Insurance Program                      | 176,186,477                        | 234,068,340             | 250,705,795             | -                    | -                        | 250,705,795             | 16,637,455                      | 250,705,795             | (16,637,455)                           | -                      |
| Other Funds   | 151,783                            | 275,269                 | 256,490                 | 23,486               | -                        | 279,976                 | 4,707                           | 256,490                 | 18,779                                 | 23,486                 |
| <b>Total PeachCare</b>                                  | <b>\$ 231,777,738</b>              | <b>\$ 306,783,142</b>   | <b>\$ 323,099,027</b>   | <b>\$ 326,277</b>    | <b>\$ -</b>              | <b>\$ 323,425,304</b>   | <b>\$ 16,642,162</b>            | <b>\$ 328,621,859</b>   | <b>\$ (21,838,717)</b>                 | <b>\$ (5,196,555)</b>  |
| <b><u>State Health Benefit Plan</u></b>                 |                                    |                         |                         |                      |                          |                         |                                 |                         |  |                        |
| Federal Funds   |                                    |                         |                         |                      |                          |                         |                                 |                         |  |                        |
| Federal Funds Not Specifically Identified               | \$ -                               | \$ 1,017,259            | \$ 650,663              | \$ -                 | \$ -                     | \$ 650,663              | \$ (366,596)                    | \$ 650,663              | \$ 366,596                             | \$ -                   |
| Other Funds   | 3,084,954,412                      | 3,028,020,541           | 2,981,646,457           | 39,445,501           | -                        | 3,021,091,958           | (6,928,583)                     | 3,039,517,603           | (11,497,062)                           | (18,425,645)           |
| <b>Total State Health Benefit Plan</b>                  | <b>\$ 3,084,954,412</b>            | <b>\$ 3,029,037,800</b> | <b>\$ 2,982,297,120</b> | <b>\$ 39,445,501</b> | <b>\$ -</b>              | <b>\$ 3,021,742,621</b> | <b>\$ (7,295,179)</b>           | <b>\$ 3,040,168,266</b> | <b>\$ (11,130,466)</b>                 | <b>\$ (18,425,645)</b> |
| <b><u>Adolescent and Adult Health Promotion</u></b>     |                                    |                         |                         |                      |                          |                         |                                 |                         |  |                        |
| Other Funds   | \$ -                               | \$ -                    | \$ -                    | \$ 42,208            | \$ (42,208)              | \$ -                    | \$ -                            | \$ -                    | \$ -                                   | \$ -                   |
| <b><u>Adult Essential Health Treatment Services</u></b> |                                    |                         |                         |                      |                          |                         |                                 |                         |  |                        |
| State Funds - Prior Year Carry-Over                     |                                    |                         |                         |                      |                          |                         |                                 |                         |  |                        |
| Tobacco Settlement Funds - Prior Year                   | \$ -                               | \$ -                    | \$ -                    | \$ 481,892           | \$ (481,892)             | \$ -                    | \$ -                            | \$ -                    | \$ -                                   | \$ -                   |
| <b>Treatment Services</b>                               | <b>\$ -</b>                        | <b>\$ -</b>             | <b>\$ -</b>             | <b>\$ 75,835</b>     | <b>\$ (75,835)</b>       | <b>\$ -</b>             | <b>\$ -</b>                     | <b>\$ -</b>             | <b>\$ -</b>                            | <b>\$ -</b>            |
| <b><u>Infant and Child Health Promotion</u></b>         |                                    |                         |                         |                      |                          |                         |                                 |                         |  |                        |
| State Appropriation                                     |                                    |                         |                         |                      |                          |                         |                                 |                         |  |                        |
| State General Funds - Prior Year                        | \$ -                               | \$ -                    | \$ -                    | \$ 117,726           | \$ (117,726)             | \$ -                    | \$ -                            | \$ -                    | \$ -                                   | \$ -                   |
| Other Funds   | -                                  | -                       | -                       | 239,796              | (239,796)                | -                       | -                               | -                       | -                                      | -                      |
| <b>Total Infant and Child Health Promotion</b>          | <b>\$ -</b>                        | <b>\$ -</b>             | <b>\$ -</b>             | <b>\$ 357,522</b>    | <b>\$ (357,522)</b>      | <b>\$ -</b>             | <b>\$ -</b>                     | <b>\$ -</b>             | <b>\$ -</b>                            | <b>\$ -</b>            |

# Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE – BUDGET FUND

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

|   | Funds Available Compared to Budget |                     |                       |                       |                                  |                       | Expenditures Compared to Budget |                     | Excess (Deficiency) of Funds Available |                           |
|---|------------------------------------|---------------------|-----------------------|-----------------------|----------------------------------|-----------------------|---------------------------------|---------------------|--|---------------------------|
|   | Original Appropriation             | Final Budget        | Current Year Revenues | Prior Year Carry-Over | Program Transfers or Adjustments | Total Funds Available | Variance Positive (Negative)    | Actual              | Variance Positive (Negative)           | Over/(Under) Expenditures |
| <b>Infectious Disease Control</b>   |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| Other Funds   | \$ -                               | \$ -                | \$ -                  | \$ 53,645             | \$ (53,645)                      | \$ -                  | \$ -                            | \$ -                | \$ -                                   | \$ -                      |
| <b>Inspections and Environmental Hazard Control</b>                           |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| Other Funds   | \$ -                               | \$ -                | \$ -                  | \$ 830,659            | \$ (830,659)                     | \$ -                  | \$ -                            | \$ -                | \$ -                                   | \$ -                      |
| <b>Brain and Spinal Injury Trust Fund</b>                                     |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| State Appropriation   |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| Brain and Spinal Injury Trust Funds   | \$ -                               | \$ -                | \$ -                  | \$ 602,795            | \$ (602,795)                     | \$ -                  | \$ -                            | \$ -                | \$ -                                   | \$ -                      |
| Other Funds   | -                                  | -                   | -                     | 203                   | (203)                            | -                     | -                               | -                   | -                                      | -                         |
| <b>Total Brain and Spinal Injury Trust Fund</b>                               | <b>\$ -</b>                        | <b>\$ -</b>         | <b>\$ -</b>           | <b>\$ 602,998</b>     | <b>\$ (602,998)</b>              | <b>\$ -</b>           | <b>\$ -</b>                     | <b>\$ -</b>         | <b>\$ -</b>                            | <b>\$ -</b>               |
| <b>Georgia Composite Medical Board</b>  |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| State Appropriation   |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| State General Funds   | \$ 1,967,046                       | \$ 1,969,535        | \$ 1,969,535          | \$ -                  | \$ -                             | \$ 1,969,535          | \$ -                            | \$ 1,959,143        | \$ 10,392                              | \$ 10,392                 |
| Other Funds   | -                                  | 250,078             | 122,930               | -                     | -                                | 122,930               | (127,148)                       | 236,027             | 14,051                                 | (113,097)                 |
| <b>Total Georgia Composite Medical Board</b>                                  | <b>\$ 1,967,046</b>                | <b>\$ 2,219,613</b> | <b>\$ 2,092,465</b>   | <b>\$ -</b>           | <b>\$ -</b>                      | <b>\$ 2,092,465</b>   | <b>\$ (127,148)</b>             | <b>\$ 2,195,170</b> | <b>\$ 24,443</b>                       | <b>\$ (102,705)</b>       |
| <b>Georgia Board for Physician Workforce: Board Administration</b>            |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| State Appropriation   |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| State General Funds   | \$ 654,416                         | \$ 623,929          | \$ 623,929            | \$ -                  | \$ -                             | \$ 623,929            | \$ -                            | \$ 547,083          | \$ 76,846                              | \$ 76,846                 |
| <b>Georgia Board for Physician Workforce: Graduate Medical Education</b>      |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| State Appropriation   |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| State General Funds   | \$ 7,878,358                       | \$ 7,878,358        | \$ 7,878,358          | \$ -                  | \$ -                             | \$ 7,878,358          | \$ -                            | \$ 7,829,153        | \$ 49,205                              | \$ 49,205                 |
| <b>Georgia Board for Physician Workforce: Mercer School of Medicine Grant</b> |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| State Appropriation   |                                    |                     |                       |                       |                                  |                       |                                 |                     |  |                           |
| State General Funds   | \$ 20,169,911                      | \$ 20,169,911       | \$ 20,169,911         | \$ -                  | \$ -                             | \$ 20,169,911         | \$ -                            | \$ 20,169,911       | \$ -                                   | \$ -                      |

# Department of Community Health

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULE – BUDGET FUND

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

|   | Original<br>Appropriation | Final<br>Budget          | Funds Available Compared to Budget |                          |  |                             | Expenditures Compared<br>to Budget |                          | Excess<br>(Deficiency)<br>of Funds<br>Available |                              |
|---|---------------------------|--------------------------|------------------------------------|--------------------------|--|-----------------------------|------------------------------------|--------------------------|---|------------------------------|
|   |                           |                          | Current Year<br>Revenues           | Prior Year<br>Carry-Over | Program<br>Transfers or<br>Adjustments | Total<br>Funds<br>Available | Variance<br>Positive<br>(Negative) | Actual                   | Variance<br>Positive<br>(Negative)              | Over/(Under)<br>Expenditures |
| <b>Georgia Board for Physician Workforce:</b>       |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| <b>Morehouse School of Medicine Grant</b>           |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| State Appropriation                                 |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| Medical Assistance Program                          | \$ 20,669,125             | \$ -                     | \$ -                               | \$ -                     | \$ -                                   | \$ -                        | \$ -                               | \$ -                     | \$ -  | \$ -                         |
| State General Funds                                 | 10,671,474                | 10,671,474               | 10,671,474                         | -                        | -                                      | 10,671,474                  | -                                  | 10,608,570               | 62,904  | 62,904                       |
| <b>Total Georgia Board for Physician Workforce:</b> |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| <b>Morehouse School of Medicine Grant</b>           | \$ 31,340,599             | \$ 10,671,474            | \$ 10,671,474                      | \$ -                     | \$ -                                   | \$ 10,671,474               | \$ -                               | \$ 10,608,570            | \$ 62,904                                       | \$ 62,904                    |
| <b>Georgia Board for Physician Workforce:</b>       |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| <b>Undergraduate Medical Education</b>              |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| State Appropriation                                 |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| State General Funds                                 | \$ 2,731,636              | \$ 2,731,636             | \$ 2,731,636                       | \$ -                     | \$ -                                   | \$ 2,731,636                | \$ -                               | \$ 2,731,636             | \$ -  | \$ -                         |
| <b>Georgia Board for Physician Workforce:</b>       |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| <b>Physicians for Rural Areas</b>                   |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| State Appropriation                                 |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| State General Funds                                 | \$ 790,000                | \$ 870,000               | \$ 870,000                         | \$ -                     | \$ -                                   | \$ 870,000                  | \$ -                               | \$ 869,920               | \$ 80   | \$ 80                        |
| <b>Georgia Trauma Care Network Commission</b>       |                           |                          |                                    |                          |  |                             |                                    |                          |   |                              |
| State General Funds - Prior Year                    | \$ -                      | \$ -                     | \$ -                               | \$ 157,269               | \$ (157,269)                           | \$ -                        | \$ -                               | \$ -                     | \$ -  | \$ -                         |
| <b>Budget Unit Totals</b>                           | <b>\$ 11,219,851,279</b>  | <b>\$ 12,582,565,456</b> | <b>\$ 12,183,705,232</b>           | <b>\$ 153,416,835</b>    | <b>\$ (2,602,028)</b>                  | <b>\$ 12,334,520,039</b>    | <b>\$ (248,045,417)</b>            | <b>\$ 12,357,562,328</b> | <b>\$ 225,003,128</b>                           | <b>\$ (23,042,289)</b>       |

# 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, 2012

## Sources/Inflows of Resources

|   |                         |
|---|-------------------------|
| Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule   | \$ 12,334,520,039       |
| Differences - budget to GAAP:   |                         |
| Revenues of budgeted funds included in the budget fund, but removed from the general fund for financial reporting purposes.   | (3,029,107,487)         |
| Revenue collections not included in the budget fund, but included in the general fund for financial reporting purposes.   | 368,046,200             |
| Budgeted carry-over funds from prior year fund balances shown as funds available in budget fund, but removed for financial reporting purposes.  | (113,971,305)           |
| 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 additional miscellaneous basis differences. | 61,906,931              |
| Fund balance adjustments for prior year revenue are not a budgetary resource, but do affect current year revenues for GAAP reporting purposes.  | 17,589,244              |
| Net revenue accrual for nonbudgetary Medicaid, PeachCare and WIC claims incurred but not reported.  | <u>180,652,413</u>      |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund   | <u>\$ 9,819,636,035</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, 2012

## Uses/Outflows of Resources

|   |                                |
|---|--------------------------------|
| Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule  | \$ 12,357,562,328              |
| Differences - budget to GAAP:   |                                |
| Expenditures of budgeted funds included in the budget fund, but removed from the general fund for financial reporting purposes.   | (3,053,115,488)                |
| 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; additional miscellaneous basis differences. | 56,194,289                     |
| Fund balance adjustments for prior year revenue are not a budgetary resource, but do affect current year expenses for GAAP reporting purposes.  | 13,259,637                     |
| Net expenditure accrual for nonbudgetary Medicaid, PeachCare and WIC claims incurred but not reported.  | <u>266,448,957</u>             |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund   | <u><u>\$ 9,640,349,723</u></u> |

# Department of Community Health

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

## 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 2012 expenditures are controlled per House Bill 948, 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.

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.)

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. 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 general fund balance sheet and the net assets of governmental activities is also presented.

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

The Department of Community Health's governmental funds consist of a general fund and a capital projects fund.

# Department of Community Health

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

## **C. Budgetary Compliance Exceptions**

Expenditures of the Department may not exceed the amount appropriated at the legal level of control provided by the Constitution. For the year ended June 30, 2012, certain expenditures exceed appropriated amounts as did the overall expenditures of the Department. For more information on budgetary exceptions, please refer to the Required *Supplemental Information Budget Comparison Schedule – Budget Fund*.