

**REPORT
HIGHLIGHTS**
FINANCIAL STATEMENT AUDIT

Subject

Maricopa County Medical Center is a 541-bed, full service hospital. Its other medical facilities include the Arizona Burn Center, the Psychiatric Center, the Comprehensive Healthcare Center, the McDowell Healthcare Center, and 11 Family Health Centers.

The Medical Center is responsible for preparing and issuing financial statements annually, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the Medical Center has met its responsibilities.

Our Conclusion

The information in the financial statements is reliable. Generally, the Medical Center maintained adequate internal controls over its financial transactions.



2002

Year Ended June 30, 2002

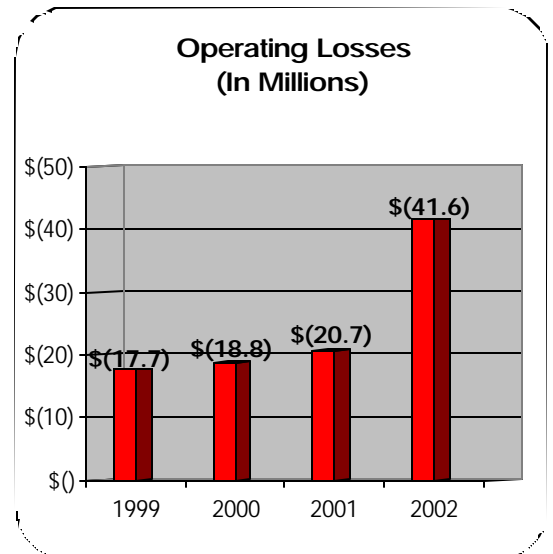
**Medical Center
Continues to Lose
Money**

**Operating Loss Continues to
Grow**

The Medical Center has experienced operating losses over the past decade. The fiscal year 2002 operating loss increased 101% from the prior year and 135% since fiscal year 1999.

While net patient service and other operating revenues did increase \$8.6 million and \$1.2 million, respectively, from last year by providing more patient services, the increase in operating loss increased significantly compared to last year, primarily resulted from the following:

- State laws required Maricopa County to return all of the Medical Center's disproportionate share revenue to the State's general fund. Last year, the Medical Center kept \$13.1 million of this funding.
- Patient-related expenses increased by \$14 million due to larger patient population.
- Depreciation expense increased by \$3.6 million due to additional purchased equipment and newly improved and constructed capital assets during the year.



**County Continues to Subsidize
Medical Center**

The County has subsidized the Medical Center since fiscal year 1994 and will continue to transfer monies to the Medical Center in the future. The County's fiscal year 2003 adopted budget includes the following transfers into the Medical Center Fund:

- \$13.1 million from the General Fund, primarily to replace the fiscal year 2003 reduction in disproportionate share funding.
- \$8.7 million from the AHCCCS Health Plan, \$11.7 million from the ALTCS Health Plan and \$1.7 million from the Health Select Plan to reduce Medical Center deficits.

Medical Center Continues Operating with Cash Deficit

The Medical Center has been operating with cash deficits ranging from \$30.9 million to \$91.3 million over the past decade. At June 30, 2002, a \$57.5 million cash deficit existed despite \$79.4 million in subsidies received from the General Fund during fiscal year 2002.

For financial statement presentation, this cash deficit is displayed as amounts due to other County funds to represent a temporary loan from the County General Fund.

TO OBTAIN MORE INFORMATION

A copy of the full report
can be obtained by calling
(602) 553-0333



or by visiting
our Web site at:
www.auditorgen.state.az.us

Contact person for
this report:
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Other Pertinent Information

On July 1, 2002, the County Board of Supervisors discontinued its contract with the private sector company that had been managing, operating, and administering the Medical Center for the last five and one-half years. The Board then hired the chief executive officer and the chief financial officer as County employees.

Financial Reporting Changes

As a result of the implementing GASB Statement No. 34, the County made several accounting and reporting changes. Specifically, the County changed the financial statement presentation for its Proprietary Funds from a Balance Sheet to a Statement of Net Assets and a Statement of Revenues, Expenses, and Changes in Fund Equity to a Statement of Revenues, Expenses, and Changes in Fund Net Assets. In addition, the Medical Center's fund equity and its components have been relabeled as net assets.

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Year Ended June 30, 2002