

**REPORT HIGHLIGHTS**  
FINANCIAL STATEMENT AUDIT

**Subject**

Maricopa County issues a Comprehensive Annual Financial Report. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

**Our Conclusion**

The information in the County's financial statements is fairly stated in all material respects and the financial statements can be relied on. The financial statements include data for the Maricopa County Stadium District. The District, which had over \$367 million in assets and \$68 million in long-term debt, was audited by a local public accounting firm. Our opinion is based, in part, on the work of those auditors.



2002

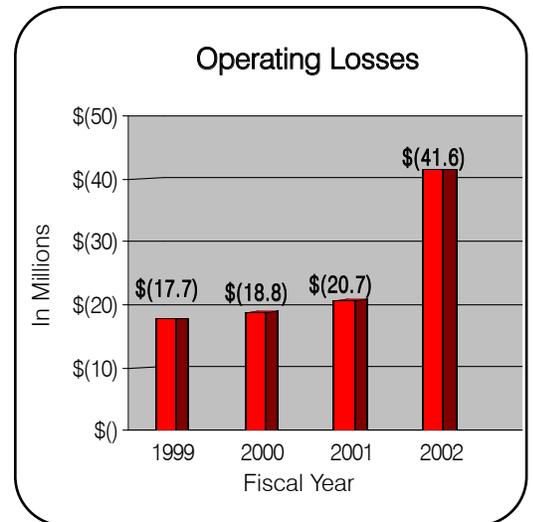
Year Ended June 30, 2002

**Medical Center Financial Condition Continues to Worsen**

**Operating Loss and Cash Deficit Continue to Grow**

The Medical Center is more dependent on the County to subsidize its operations since there has been a significant increase in both its operating losses and cash deficits as described below.

- The fiscal year 2002 operating loss has increased by 101 percent since last year and 135 percent since fiscal year 1999, as shown in the figure on the right. Contributing factors include: a \$14 million patient-related expense increase due to a larger uninsured patient population; a loss of disproportionate share revenues totaling \$13.1 million in fiscal year 2001 due to a change in state laws; and a \$3.6 million increase in depreciation expense due to additional purchased equipment and newly-improved and constructed capital assets.
- Over the past decade, the Medical Center operated with cash deficits ranging from \$30.9 million to \$91.3 million. At June 30, 2002, a \$57 million cash deficit existed despite \$79.4 million in subsidies being received from the County's General Fund during fiscal year 2002. The \$79.4 million in cash subsidies received during fiscal year 2002 was \$38.8 million more than cash subsidies received in the prior fiscal year.



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

As a result of these increased operating losses and cash deficits, the County's General Fund more heavily subsidizes the Medical Center's operations. The Medical Center cannot continue operations without these increased subsidies from the County's General Fund. As a result of these subsidies, less General Fund money is available for other County operations.

# The County Implemented a New Reporting Model

The information presented in the Maricopa County *Comprehensive Annual Financial Report* for the year ended June 30, 2002, follows the new reporting model specified by the Governmental Accounting Standards Board. The new accounting standards required the County to implement the new reporting model this year.

The new reporting model's objective is to enhance the understandability and usefulness of government financial reports to the citizenry, legislative and oversight bodies, and investors and creditors.

The most important changes resulting from this reporting model's implementation include:

- New government-wide financial statements that focus on the overall government are presented, in addition to traditional fund-based financial statements;
- Separate financial statements are presented for the County's largest funds, rather than by aggregate fund types, such as special revenue, capital projects, and debt service funds;
- The value of the County's infrastructure, such as roadways, is reported in the government-wide financial statements;
- Depreciation expense is reported for all capital assets the County owns;
- Reconciliations are presented between the government-wide financial statements, which focus on the economic changes in total resources, and the fund-based financial statements, which focus on the financial changes in current spendable resources; and
- Management's Discussion and Analysis, a new document in which the County provides an introduction and analytical overview of the County's financial activities is presented.

The management's discussion and analysis, government-wide financial statements, and fund-based financial statements provides three different views of the County's financial resources and results of the year's financial activities.

The tables below present a summarized version of the County's government-wide Statement of Net Assets and Statement of Activities reported in the current year CAFR for the first time.

## Statement of Net Assets June 30, 2002

|   | <b>Total Governmental<br/>and Business-type<br/>Activities</b> |
|---|--|
| Current and other assets                        | \$1,011,179,281  |
| Capital assets                                  | <u>1,645,429,990</u>   |
| Total assets                                    | <u>2,656,609,271</u>   |
| Current and other liabilities                   | 313,097,722  |
| Long-term liabilities                           | <u>412,677,406</u>   |
| Total liabilities                               | <u>725,775,128</u>   |
| Net assets                                      |  |
| Invested in capital assets, net of related debt | 1,340,288,321  |
| Restricted net assets                           | 375,721,923  |
| Unrestricted net assets                         | <u>214,823,899</u>   |
| Total net assets                                | <u>\$1,930,834,143</u>   |

## Statement of Activities For the Year Ended June 30, 2002

|                                    | <b>Total Governmental<br/>and Business-type<br/>Activities</b> |
|------------------------------------|--|
| Program revenues:                  |  |
| Governmental activities            | \$ 347,528,303   |
| Business-type activities           | 714,881,810  |
| General revenues:                  |  |
| Governmental activities            | 1,006,917,364  |
| Business-type activities           | <u>8,331,546</u>   |
| Total revenues                     | <u>2,077,659,023</u>   |
| Expenses:                          |  |
| Governmental-activities            | 1,025,816,211  |
| Business-type activities           | <u>742,785,776</u>   |
| Total expenses                     | <u>1,768,601,987</u>   |
| Loss on disposal of capital assets | <u>(8,959,314)</u>   |
| Change in net assets               | 300,097,722  |
| Net assets—beginning               | <u>1,630,736,421</u>   |
| Net assets—ending                  | <u>\$1,930,834,143</u>   |

## The County Reports Infrastructure Assets for the First Time

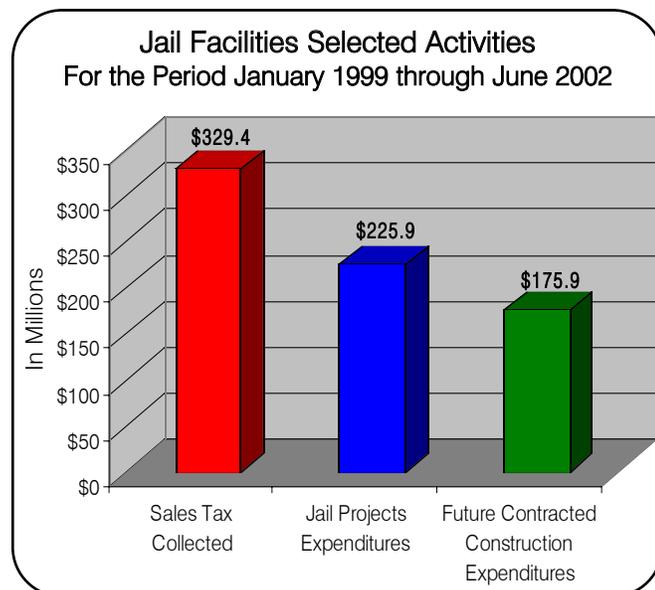
The government-wide financial statements report certain infrastructure assets for the first time as a result of implementing a new reporting model. The County's infrastructure assets include roads, traffic signals, bridges, dams, and drainage systems. The Transportation Department and the Flood Control District maintain the County's infrastructure assets.

The new reporting standards require that the current fiscal year capital expenditures for infrastructure assets be reported as capital assets on the financial statements. Relative to fiscal year 2002, the County reported infrastructure assets of \$64.9 million on its government-wide financial statements, \$1.9 million in infrastructure, \$44.2 million in construction in progress, and \$18.8 million in related land costs.

Reporting standards also require that the County report all infrastructure assets acquired or constructed subsequent to July 1980 on the financial statements by fiscal year 2006. The County is reporting all Transportation Department infrastructure assets and related land costs pertaining to prior years' activity, totaling \$490.2 million, \$355.1 million in infrastructure, \$63.9 million in construction in progress, and \$71.2 million in related land costs on the current year financial statements. The Flood Control District will report infrastructure assets pertaining to prior years in future County financial statements to meet reporting requirements.

## Sales Taxes Collected for Jail Facilities Construction and Maintenance

The County has collected a one-fifth cent sales tax since January 1, 1999, for the construction and maintenance of adult and juvenile jail facilities. The figure to the right shows selected Jail Facilities activities from the inception of the sales tax through June 30, 2002. In the November 5, 2002 General Election, voters approved Proposition 411, which extends the existing sales tax until the year 2027.



TO OBTAIN  
MORE INFORMATION

A copy of the full report  
can be obtained by calling  
the County at  
(602) 506-3561



or by visiting  
our Web site at:  
[www.auditorgen.state.az.us](http://www.auditorgen.state.az.us)

Contact person for  
this report is:  
Dennis Levine  
(602) 553-0333

