

**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 10 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, we determine whether the Medical Center has met its responsibilities.

Our Conclusion

The information in the financial statements is fairly stated in all material respects, and the financial statements can be relied on.



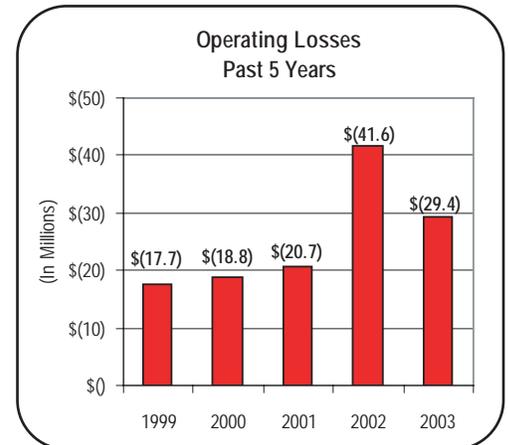
2003

Year Ended June 30, 2003

**Medical Center Reduced
 its Operating Loss**

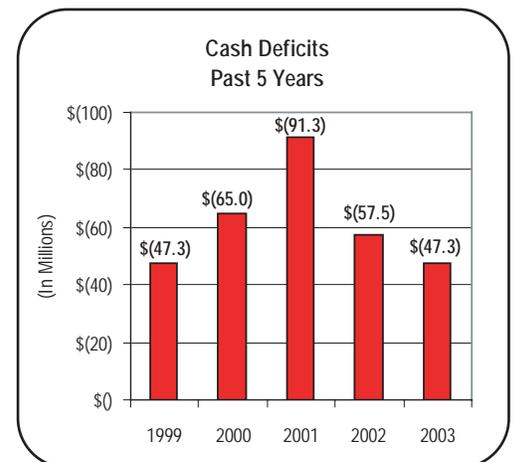
The Medical Center has experienced operating losses over the past decade. However, the fiscal year 2003 operating loss of \$29.4 million is 29 percent less than the prior year.

The reduced operating loss compared to last year primarily resulted from a 10 percent patient population growth and a 10 percent rate increase for patient services, home health, and attendant care.



**Medical Center Continues
 Operating with Cash Deficit**

The Medical Center has been operating with cash deficits over the past decade. At June 30, 2003, a \$47.3 million cash deficit existed despite \$16.7 million in cash received from General Fund subsidies during fiscal year 2003. 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.

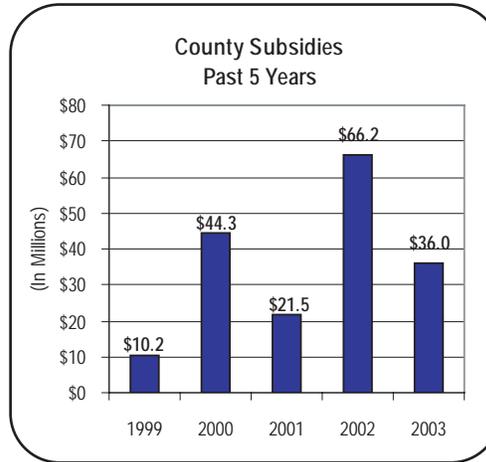


County Continues to Subsidize Medical Center

The County has subsidized the Medical Center since fiscal year 1994. During fiscal year 2003, the County authorized \$36.0 million in transfers to cover indigent healthcare costs, \$16.7 million of these subsidies were received during fiscal year 2003, and the remaining \$19.3 million was due to the Medical Center at year end. The County plans to continue to transfer monies to the Medical Center in the future. The County's fiscal year 2004 adopted budget includes the following transfers into the Medical Center Fund:

- \$11.8 million from the General Fund to subsidize the Medical Center's operation.
- \$3.5 million from the General Fund to subsidize the Medical Center's teaching program.

- \$6.3 million from the AHCCCS Health Plan, \$8 million from the ALTCS Health Plan, and \$1.9 million from the Health Select Plan to reduce Medical Center deficits.



Special Healthcare District to Take Over Medical Center's Operation

The Arizona State Legislature passed House Bill 2530 during the year ended June 30, 2003, to allow Maricopa County to ask its voters to decide in the November 2003 election whether to create a special healthcare taxing district to operate the Maricopa Integrated Health Systems (MIHS), which includes the Medical Center.

Subsequent to the publication of the Medical Center's audited financial statements, voters approved the creation of the healthcare district.

Once the district is created, it will have the authority to levy taxes, and an independently elected governing board will control its operations. Since the Medical Center is part of MIHS, the new healthcare district could significantly affect future Medical Center operations.

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

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REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Year Ended June 30, 2003