

**REPORT
HIGHLIGHTS**
FINANCIAL STATEMENT AUDIT

Subject

Pima Health Care System issues financial statements annually. The System is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, we determine whether the System 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. Our audit also determined that the System's internal controls over its financial transactions were adequate and the System substantially complied with the Arizona Health Care Cost Containment System's contract requirements. Our management letter describes an internal control recommendation.



2003

Year Ended June 30, 2003

About the Pima Health Care System Enterprise Fund

Pima Health Care System is administered through two of its service entities, Pima Health Systems and Services (PHS&S) and Kino Community Hospital.

PHS&S

- Contracts with Arizona Health Care Cost Containment System (AHCCCS) Administration to provide medical and long-term care services to indigents.
- Operates the Posada Del Sol Nursing Home and administers grants and programs that provide health care services to the elderly, physically disabled, and indigents.

Kino Community Hospital

- Provides in-patient and out-patient medical, surgical, psychiatric, and emergency services.

The assets, liabilities, and activities of Pima Health Care System are accounted for as an enterprise fund because it is operated and financed similar to a private business. Pima County intends for the System's costs to be recovered primarily through its operating revenues.

The tables to the right present summarized versions of the System's Statement of Net Assets and its Statement of Revenues, Expenses, and Changes in Net Assets.

**Statement of Net Assets
June 30, 2003**

Assets:	
Cash and cash equivalents	\$23,747,536
Receivables (net of allowances)	12,164,943
Capital assets (net of accumulated depreciation)	10,894,345
Other	<u>6,372,744</u>
Total assets	<u>53,179,568</u>
Liabilities:	
Accounts payable	4,106,963
Accrued medical and health care claims	10,055,882
Accrued employee compensation	4,846,186
Other	<u>7,691,572</u>
Total liabilities	<u>26,700,603</u>
Net assets:	
Invested in capital assets	10,894,345
Restricted for health care	13,216,839
Unrestricted	<u>2,367,781</u>
Total net assets	<u>\$26,478,965</u>

**Statement of Revenues, Expenses,
and Changes in Net Assets
Year Ended June 30, 2003**

Operating revenues:	
Net patient services revenues	\$ 32,646,685
Capitation received from AHCCCS	152,361,400
Other operating revenues	<u>15,650,498</u>
Total operating revenues	<u>200,658,583</u>
Operating expenses:	
Hospital and ancillary services	34,192,195
Medical and health care claims	147,006,491
General, fiscal, and administrative	23,218,379
Other operating expenses	<u>17,271,286</u>
Total operating expenses	<u>221,688,351</u>
Operating loss	<u>(21,029,768)</u>
Other increases	<u>20,625,940</u>
Decrease in net assets	<u>(403,828)</u>
Net assets—beginning of year	<u>26,882,793</u>
Net assets—end of year	<u>\$ 26,478,965</u>

Kino Community Hospital is making Operational Changes

Subsequent to the fiscal year-end, the County initiated several operational changes at Kino Community Hospital to improve the Hospital's patient care services and its financial position. The most significant changes are:

- Leasing the ambulatory clinic building and equipment to University Physicians, Inc. to operate most of the outpatient clinics.
- Contracting with Spinnaker, Inc. to provide expanded emergency room and urgent care services.
- Reducing surgical and intensive care services.
- Refurbishing psychiatric facilities, and expanding psychiatric care.
- Contracting with Horizon Mental Health Management to manage psychiatric services.

Currently, the County is monitoring and evaluating the financial impact of these changes. However, the County has not yet determined their ultimate impact on the Hospital's financial position because of the extent of changes.



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.auditor.gen.state.az.us

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REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Year Ended June 30, 2003