

**REPORT  
HIGHLIGHTS**  
FINANCIAL STATEMENT AUDIT

**Subject**

Maricopa County issues financial statements annually for its Risk Management and Employee Benefits Trust Funds. 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 Risk Management and Employee Benefits Trust Funds' financial statements is fairly stated in all material respects, and the financial statements can be relied on. Our audit also determined that the Trust Funds maintained adequate internal controls over financial transactions.



**2005**

Year Ended June 30, 2005

## The Trust Funds Manage the County's Self-Insurance Activities

The County manages its risk of loss related to liability, property, casualty, workers' compensation, unemployment, and certain employee health benefits coverage through self-insurance. The County accounts for its self-insurance activity in the Risk Management and Employee Benefits Trust Funds. The County's employee benefits-related activities are accounted for in the Employee Benefits Trust Fund. The table to the right lists the types of insurance coverage that each fund provides.

State law requires annual audited financial statements for all self-insurance activities be made available to interested parties. The Self-Insurance Trust Funds' financial statements were prepared and audited for that purpose.

### Types of Insurance Coverage

#### Risk Management Trust Fund

- General liability
- Workers' compensation
- Unemployment
- Medical malpractice
- Auto liability
- Auto physical damage
- Property

#### Employee Benefits Trust Fund

- Pharmacy
- Medical
- Dental
- Short-term disability

## The Employee Benefits Trust Fund Managed the Health Select Health Plan

On January 1, 2004, the Employee Benefits Trust Fund assumed the responsibility for managing and operating Health Select, a managed care health plan. Health Select provides healthcare coverage to Maricopa County employees electing this plan and their dependents. In prior years, the Maricopa Integrated Health System managed and operated the plan.

Fiscal year 2005 was the first complete fiscal year that the Employee Benefits Trust Fund administered the program. During fiscal year 2005, the County paid \$15.4 million in medical and pharmacy claims under the Health Select health plan, and estimated an accrued liability for outstanding claims of \$2.3 million at June 30, 2005. Medical and pharmacy premiums totaling \$17.8 million were received from both the County and the employees enrolled in the program.

# Risk Management and Employee Benefits Trust Funds' Expenses by Type

The table below summarizes the Trust Funds' operating expenses by type for fiscal year 2005.

Claims and insurance expenses account for 82 percent of the total fiscal year 2005 Trust Funds' expenses. Claims expense represents all losses recognized during the year, including an estimate of claims that have not yet been reported.

The County is responsible for any claim up to a certain self-insurance retention limit or an insurance deductible for each type of coverage. With the exception of pharmacy, dental, short-term disability, and unemployment claims, the County

purchases commercial insurance for claims exceeding those limits. For dental and short-term disability claims, the County has established benefit limits. There are no benefit limits for pharmacy claims. Benefit limits for unemployment claims are established by the State.

Legal expenses comprise about 10 percent of the total fiscal year 2005 expenses, and include attorney, expert witness, investigation, deposition, and arbitration costs. Other operating expenses, such as salaries and supplies comprise the remaining 8 percent of expenses.

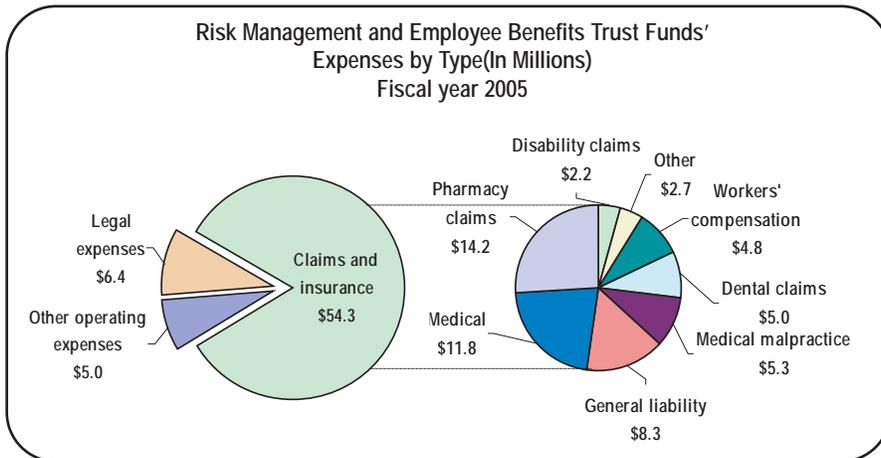
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Contact person for this report:  
Dennis Levine



## Facts About Self-Insured Trust Funds' Liabilities

Reported but unpaid claims (RBUC) and incurred but not reported (IBNR) claims liabilities at June 30, 2005, represent 98 percent and 82 percent of Risk Management and Employee Benefits Trust Funds' total liabilities, respectively.

The RBUC and IBNR claims liabilities for the Risk Management Trust Fund consist of auto, general, workers' compensation, medical malpractice, auto physical damage, and property. General, workers' compensation, and medical malpractice represent 97 percent of Risk Management's RBUC and IBNR claims liabilities.

The RBUC and IBNR claims liabilities for the Employee Benefits Trust Fund consist of pharmacy, medical, dental, short-term disability, and medical incentives. Medical represents 52 percent of Employee Benefits' RBUC and IBNR claims liabilities.

Other than a portion of pharmacy claims and medical incentives, the liability for all categories of RBUC and IBNR are based on actuarial reports. The liability for the Consumer Choice Plan portion of pharmacy claims is based on the unused portion of the members' pharmacy accounts, and the medical incentives liability was estimated based on the contract with the healthcare provider.

## REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Year Ended June 30, 2005