

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 auditors also determined that the Trust Funds' maintained adequate internal controls over financial transactions.



2002

Year Ended June 30, 2002

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

The County manages its risk of loss related to liability, property, casualty, workers' compensation, and certain employee health and accident benefits coverage through self-insurance. The County accounts for nearly all of its self-insurance activity in the Risk Management Trust Fund. The County's employee benefits related activities are accounted for in the Employee Benefits Trust Fund. The table to the right includes the type of insurance coverage provided by each Fund.

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.

Type of Insurance Coverage

Risk Management Trust Fund

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

Employee Benefits Trust Fund

- Dental
- Short-term disability

County's Exposure to Liability Claims Increases

The Risk Management Trust Fund obtains commercial insurance coverage to limit Maricopa County's self-insurance for general liability claims due to negligent acts or omissions attributable to the County. Upon renewal of this insurance policy for fiscal year 2002, the insurance premium increased significantly. Therefore, the self-insurance retention amount was

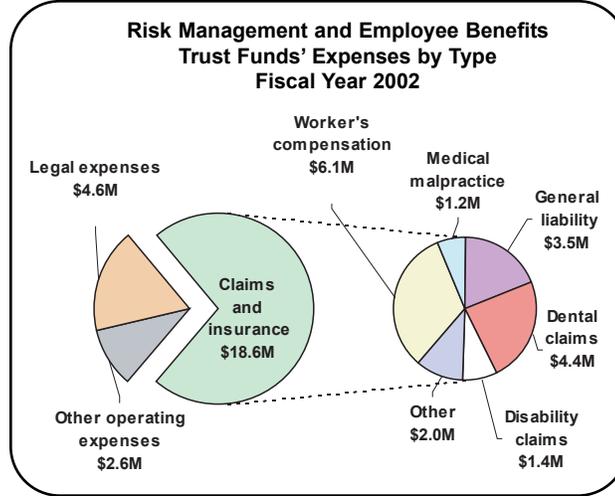
increased from \$1,000,000 to \$2,000,000 per occurrence, thereby increasing the County's liability by \$1,000,000 per occurrence before receiving any insurance benefits. Additionally, the insurance coverage aggregate limit for general liability was reduced from a total of \$50 million to \$10 million per occurrence increasing the County's exposure to high dollar claims.

Risk Management and Employee Benefits Trust Funds' Expenses by Type

The table to the right summarizes the Trust Funds' operating expenses by type for fiscal year 2002.

Claims and insurance expenses account for 72% of the total fiscal year 2002 Trust Funds' expenses. Claims expense represents all losses recognized during the year, including an estimate of claims that have not yet been reported. An actuary determines the estimate of the ultimate cost of those claims.

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 dental and disability claims, the County purchases commercial insurance for claims exceeding those limits. For dental and disability claims, the County has established benefit limits.



Legal expenses comprise about 18% of the total fiscal year 2002 expenses, and includes attorney, expert witness, investigation, deposition, and arbitration costs. Other operating expenses such as salaries, supplies, and claims administrative servicing fees comprise the remaining 10% of costs.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling Maricopa County at (602) 506-2827



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

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

The Trust Funds Implemented a New Reporting Model

As a result of the County implementing GASB Statement No. 34 for the fiscal year 2002, the Trust Funds made several accounting and reporting changes. The Trust Funds are reported as proprietary internal service funds of the County. The new reporting model changes the financial statement presentation for proprietary funds

requiring that the Balance Sheet be presented as a Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Equity be retitled to a Statement of Revenues, Expenses, and Changes in Fund Net Assets. In addition, the Trust Funds' fund equity and its components have been relabeled as net assets.

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Year Ended June 30, 2002