



# Maricopa County Risk Management and Employee Benefits Trust Funds

## 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.



# 2006

Year Ended June 30, 2006

## 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

## Facts About Self-Insured Trust Funds' Liabilities

Reported but unpaid claims (RBUC) and incurred but not reported (IBNR) claims liabilities at June 30, 2006, represent 97 percent and 86 percent of the 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, and short-term disability. Pharmacy represents 50 percent of Employee Benefits' RBUC and IBNR claims liabilities.

Other than a portion of pharmacy claims, 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.

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

The table below summarizes the Trust Funds' operating expenses by type for fiscal year 2006.

Claims and insurance expenses account for 80 percent of the total fiscal year 2006 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 self-funded claim up to a certain self-insurance retention limit or an insurance deductible for each type of coverage. With the exception of 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. Benefit limits for unemployment claims are established by the State.

Legal expenses comprise about 13 percent of the total fiscal year 2006 expenses, and include attorney, expert witness, investigation, deposition, and arbitration costs. Other operating expenses, such as salaries and supplies comprise the remaining 7 percent of expenses.

## TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling  
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Contact person for this report:  
Jay Zsorey

