

REPORT HIGHLIGHTS
 FINANCIAL STATEMENT AUDIT

Subject

Pima County issues financial statements annually for its Self-Insurance Trust Internal Service Fund. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, we determined whether the County 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.

Self-Insurance Trust Internal Service Fund Activities

Pima County manages its risk of loss related to general and automobile liability, workers' compensation, medical malpractice, environmental, unemployment, and dental claims through self-insurance. The Self-Insurance Trust Internal Service Fund financial statements account for those self-insurance activities.

The County is responsible for any claim up to certain self-insurance retention limits or insurance deductibles for each type of coverage. The County purchases commercial insurance for claims exceeding those limits.

State law requires that the Fund's financial statements be prepared and audited annually. The tables to the right summarize the Fund's Statement of Net Assets and its Statement of Revenues, Expenses, and Changes in Fund Net Assets as of and for the year ended June 30, 2004.

Statement of Net Assets
 June 30, 2004

Assets	
Cash and cash equivalents	\$39,386,487
Other	<u>1,778,459</u>
Total assets	<u>41,164,946</u>
Liabilities	
Reported but unpaid losses	10,842,547
Incurred but not reported losses	14,853,000
Other	<u>824,722</u>
Total liabilities	<u>26,520,269</u>
Net Assets	
Invested in capital assets	604,264
Unrestricted	<u>14,040,413</u>
Total net assets	<u>\$14,644,677</u>

**Statement of Revenues, Expenses,
 and Changes in Fund Net Assets**
 Year Ended June 30, 2004

Operating revenues:	
Charges for services	\$15,322,748
Other	<u>601,328</u>
Total operating revenues	<u>15,924,076</u>
Operating expenses:	
Incurred losses	7,467,782
Insurance premiums	4,391,154
Other	<u>3,359,877</u>
Total operating expenses	<u>15,218,813</u>
Operating income	705,263
Other	<u>528,431</u>
Increase in net assets	1,233,694
Net assets—beginning	<u>13,410,983</u>
Net assets—ending	<u>\$14,644,677</u>



2004

Year Ended June 30, 2004

Self-Insurance Trust Fund's Expenses by Type

The chart below summarizes the Fund's \$15.2 million in expenses by type for fiscal year 2004. Incurred losses, insurance premiums, and employee compensation, totaling \$13.5 million, represent almost 89 percent of the Fund's expenses.

Incurred losses consist of all claims reported during the year, including an estimate of those that have not yet been reported. An actuary determines the majority of the estimated ultimate cost of unreported claims. The chart below provides a further breakdown of the incurred losses by type of loss.

Insurance premiums include the costs of commercial insurance to cover claims in excess of the County's self-insurance retention limits. Claims covered by commercial insurance include:

- General and automobile liability claims in excess of \$2 million.
- Medical malpractice claims in excess of \$1 million.
- Workers' compensation claims in excess of \$750,000.
- Property claims in excess of insurance deductibles.

Employee compensation and other operating expenses, such as administrative and professional services costs, account for the Fund's remaining expenses.

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

Contact person for this report:
Rebecca Rosenberg

