

***PURMS***

Joint Self-Insurance Fund

# ***2007 Annual Report***

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

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# PUBLIC UTILITY RISK MANAGEMENT SERVICES JOINT SELF-INSURANCE FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is designed to provide an overview of Public Utility Risk Management Services (PURMS) Joint Self-Insurance Fund's financial activities for the years ended December 31, 2007 and December 31, 2006. This supplementary information should be read in conjunction with PURMS's financial statements.

PURMS is a public entity risk pool organized on December 30, 1976 in the State of Washington under RCW 54.16.200. It currently operates under RCW 48.62. Its members include 18 public utility districts and 1 non-profit mutual corporation. The objectives of PURMS are to formulate, develop and administer a program of self-insurance in order to obtain lower costs for the various coverages provided to its members. Liability and property coverages are available to its members and health & welfare coverage for its member's employees.

### FINANCIAL SUMMARY AND ANALYSIS

The *Statement of Net Assets* shows information on all of the Fund's assets and liabilities. The difference between the two is reported as *Net Assets*. The *Statement of Revenues, Expenses and Changes in Net Assets* shows how the *Net Assets* changed during the year. All *Net Assets* are classified as restricted because of the enabling legislation of RCW 48.62.

*Current Assets* are comprised of cash in checking accounts and investments, accounts receivable owed by members (including future assessments) and interest receivable. *Current Liabilities* reflect the total of Known and IBNR Claims Reserve and fees payable as of December 31, 2007, 2006 and 2005 respectively. PURMS has no non-current assets or liabilities.

*Operating Revenues* include assessments from members including future assessments. *Nonoperating Revenue* is from interest on investments. *Operating Expenses* include claims and claims adjustment expenses, excess and stop loss insurance premiums and administrative expenses. There are no nonoperating expenses at this time. For 2007, 2006 and 2005 there is an extraordinary item which is a settlement from Marsh USA, the Fund's broker. Member Deposits refer to amounts held by PURMS, on behalf of its members, to pay health & welfare claims before a member is assessed for those claims.

### Condensed Comparative Financial Information:

#### *PURMS Net Assets*

	2007	2006	2005
Current Assets	6,526,380	6,877,291	6,119,725
Total Assets	\$6,526,380	\$6,877,291	\$6,119,725
Current Liabilities	3,219,536	3,430,743	2,920,390
Net Assets	3,306,844	3,446,548	3,199,335
Total Liabilities and Net Assets	\$6,526,380	\$6,877,291	\$6,119,725

*PURMS Changes in Net Assets*

	2007	2006	2005
Operating Revenues	9,458,019	10,598,821	9,858,156
Nonoperating Revenues	93,118	83,762	52,592
<b>Total Revenues</b>	<b>\$9,551,137</b>	<b>\$10,682,583</b>	<b>\$9,910,748</b>
Operating Expenses	9,695,250	10,442,138	9,764,940
<b>Total Expenses</b>	<b>\$9,695,250</b>	<b>\$10,442,138</b>	<b>\$9,764,940</b>
Excess/(Deficiency) Before Extraordinary Items	\$(144,113)	\$240,445	\$145,808
Extraordinary Item	4,408	6,768	7,021
<b>Changes in Net Assets</b>	<b>\$(139,705)</b>	<b>\$247,213</b>	<b>\$152,829</b>
Beginning Net Assets (January 1)	\$3,446,549	\$3,199,335	\$3,046,506
Ending Net Assets (December 31)	\$3,306,844	\$3,446,548	\$3,199,335

During 2007, 2006 and 2005, the overall financial position of PURMS has remained relatively unchanged. In 2007 and 2006 there were no changes in PURMS operations. In 2005 the property pool completed funding a \$250,000 increase in its reserve balance. At a Board meeting on May 20, 2005 the members voted to increase the health & welfare pool Member Deposit by \$179,062. This amount was assessed and paid during 2005.

PURMS has no commitments or other limitations that would specifically affect the availability of pool resources for future use for its intended purpose as stated in its interlocal agreement and RCW 48.62.

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**COMPARATIVE STATEMENT OF NET ASSETS**

ASSETS	YEAR ENDED DECEMBER 31,	
	2007	2006
Current Assets:		
Cash in Banks	\$ 829,559	\$ 975,217
Investments	1,750,000	1,600,000
Accounts Receivable - Assessments Billed	739,934	698,086
Accounts Receivable - Future Assessments	3,126,974	3,330,254
Accounts Receivable - Miscellaneous	56,466	66,373
Accounts Receivable - Excess/Stop Loss Ins.	8,371	197,970
Investment Interest Receivable	15,076	9,391
<b>Total Current Assets</b>	<b>\$ 6,526,380</b>	<b>\$ 6,877,291</b>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Claims Reserve (Known)	\$ 1,074,901	\$ 1,082,304
Claims Reserve (IBNR)	2,052,074	2,247,950
Fund Legal Fees Payable	8,362	23,040
Administrator's Fee Payable	43,442	39,005
Stop Loss Premium Payable	35,265	33,192
PPO Networks Payable	5,492	5,252
<b>Total Current Liabilities</b>	<b>3,219,536</b>	<b>3,430,743</b>
<b>Total Net Assets</b>	<b>3,306,844</b>	<b>3,446,548</b>
<b>Total Net Assets and Liabilities</b>	<b>\$ 6,526,380</b>	<b>\$ 6,877,291</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	YEAR ENDED DECEMBER 31,	
	2007	2006
<b>OPERATING REVENUES:</b>		
Premium Assessments	\$ 1,827,425	\$ 1,867,615
General Assessments	7,833,873	8,246,878
General Assessments - Future	(203,279)	484,328
Total Operating Revenues	\$ 9,458,019	\$ 10,598,821
<b>OPERATING EXPENSES:</b>		
Claims Paid on Current Losses	\$ 6,227,846	\$ 6,085,245
Claims Paid on Prior Losses	184,188	219,574
Established Claims Reserve	94,074	709,068
Adjustment to Prior Years Claims Reserve	(297,353)	(224,740)
Claims Adjustment on Current Losses	56,078	882
Claims Adjustment on Prior Losses	131,922	98,390
Insurance Purchased	2,238,615	2,259,069
PPO Network Fee	64,057	61,640
Administrator's Fee	540,846	518,117
Brokers Fee	125,700	120,000
Fund Legal Fees	262,107	386,451
General Expense	3,099	20,963
Professional Fees	64,071	187,479
Total Operating Expenses	\$ 9,695,250	\$ 10,442,138
Operating Income (Loss)	\$ (237,231)	\$ 156,683
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest on Investments	93,118	83,762
Total Nonoperating Revenues (Expenses)	\$ 93,118	\$ 83,762
Income (Loss) Before Extraordinary Items	\$ (144,113)	\$ 240,445
Extraordinary Items - Revenue/(Expense)	4,408	6,768
CHANGE IN NET ASSETS	\$ (139,705)	\$ 247,213
TOTAL NET ASSETS, January 01	\$ 3,446,549	\$ 3,199,335
TOTAL NET ASSETS, December 31	\$ 3,306,844	\$ 3,446,548

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**COMPARATIVE STATEMENT OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Members	\$ 9,818,956	\$ 9,782,079
Cash Payments To Vendors	(9,906,457)	(9,931,787)
Marsh Settlement Fund	4,408	6,768
Net Cash Provided (Used) for Operating Activities	<u>(83,093)</u>	<u>(142,940)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(7,390,000)	(7,400,000)
Sale of Investments	7,240,000	7,750,000
Interest Received	87,433	81,976
Net Cash Provided (Used) for Investing Activities	<u>(62,567)</u>	<u>431,976</u>
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(145,660)	289,036
CASH & CASH EQUIVALENTS, January 1	<u>975,219</u>	<u>686,181</u>
CASH & CASH EQUIVALENTS, December 31	<u>\$ 829,559</u>	<u>\$ 975,217</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

OPERATING INCOME:	\$ (237,231)	\$ 156,683
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Increase/Decrease in A/R Assessments - Billed	(41,848)	(162,327)
Increase/Decrease in A/R Future Assessments	203,280	(484,328)
Increase/Decrease in A/R Miscellaneous	9,907	28,183
Increase/Decrease in A/R Excess/Stop Loss Ins	189,599	(198,271)
Increase/Decrease in Claims Payable - Known	(7,404)	(6,069)
Increase/Decrease in Claims Payable - IBNR	(195,876)	490,396
Increase/Decrease in Fund Legal Fees Payable	(14,678)	23,040
Increase/Decrease in Administrative Fee Payable	4,437	(3,291)
Increase/Decrease in Stop Loss Premium Payable	2,073	5,919
Increase/Decrease in PPO Network Fees Payable	240	357
Extraordinary Items - Income/(Expense)	4,408	6,768
Net Cash Provided (Used) for Operating Activities	<u>\$ (83,093)</u>	<u>\$ (142,940)</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006**

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The notes are an integral part of the accompanying financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Public Utility Risk Managements Services Joint Self-Insurance Fund conform to generally accepted accounting principles as applicable to proprietary funds of governmental units (in most respects). The following is a summary of the more significant policies:

**a. Reporting Entity**

The Public Utility Risk Management Services Joint Self-Insurance Fund (known formerly as Washington Public Utility Districts' Utilities System Joint Self-Insurance Fund) was organized as of December 30, 1976, pursuant to the provisions of the Revised Code of Washington, Chapter 54.16.200, and interlocal governmental agreements. PURMS is currently operating under RCW 48.62. The program's general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Admission of a new member requires a supermajority vote of the current members (85%) of the Fund or the particular risk pool. Members may withdraw from the Fund on December 31st of any year by giving 90 days prior notice.

**Liability and Property Pools** - The members, through the Fund, provide liability self-insurance for the first \$1,000,000 of individual loss claims. Effective April 1, 1997 the Fund established a self-insured program for member's property. The property program provides property self-insurance for the first \$250,000 of individual loss claims. The risks shared by the members are defined in the member's Self-Insurance Agreement. Both pools (liability and property) operate independently of one another. The Fund maintains assets from which liability claims against the member districts and property losses of member districts are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for losses incurred. The Fund also purchases excess insurance for losses above \$1,000,000 for liability and above \$250,000 for property. [See Note 4]

Members that withdraw continue to receive coverage from the Fund for occurrences that happened while they were a member. Withdrawn members continue to be responsible for their share of assessments for occurrences that happen to all members while they were a member.

**Health and Welfare Pool** - On April 1, 2000 Public Utility Risk Management Services implemented a health & welfare pool pursuant to Board Resolution #3-16-00-1 passed on March 16, 2000. A Member Deposit is required upon initial participation in the pool. This deposit amount was recalculated during 2005 and the total was increased by \$179,062. The pool provides a cooperative program to fund health and medical claims for the employees of the members of PURMS. As a result, there are lowered costs associated with the administration of claims and the procurement of excess or stop loss insurance. Stop Loss insurance is purchased for this pool. [See Note 4]

**Member Changes and Participation** – Fund members currently include 18 utilities, and 1 non-profit mutual corporation. Thurston County PUD began participation in the property pool on January 1, 2006. As of December 31, 2007 the members participation was as follows:

		Liability Program	Property Program	Health & Welfare Program
1	Asotin County PUD	Yes	Yes	Yes
2	Benton County PUD	Yes	Yes	No
3	Clallam County PUD	Yes	Yes	Yes
4	Grays Harbor County PUD	Yes	Yes	No
5	Jefferson County PUD	Yes	No	Yes
6	Kitsap County PUD	Yes	Yes	No
7	Klickitat County PUD	Yes	Yes	Yes
8	Lewis County PUD	Yes	Yes	No
9	Mason County PUD #3	Yes	Yes	Yes
10	NoaNet	Yes	Yes	Yes
11	Okanogan County PUD	Yes	Yes	No
12	Pacific County PUD	Yes	Yes	Yes
13	Pend Oreille County PUD	Yes	Yes	No
14	Skagit County PUD	Yes	Yes	Yes
15	Skamania County PUD	Yes	Yes	Yes
16	Stevens County PUD	Yes	Yes	Yes
17	Thurston County PUD	Yes	Yes	Yes
18	Wahkiakum County PUD	Yes	Yes	Yes
19	Whatcom County PUD	Yes	Yes	No

**b. Basis Of Accounting And Presentation**

The accounting records of the Pool are maintained in accordance with methods prescribed by the State Auditor’s Office under the authority of Chapter 43.09 RCW. The Pool also follows the accounting standards established by the Governmental Accounting Standards Board (GASB) Statement 10, *Accounting And Financial Reporting For Risk Financing And Related Insurance Issues*, as amended by the GASB Statement 30, *Risk Financing Omnibus*, the GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds* and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In 1999 the GASB issued Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The presented financial statements (including notes) reflect this and consecutive statements.

PURMS has elected not to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989.

The Fund prepares its financial statements on the full accrual basis. Under the full accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The principal operating revenues of the Fund are member assessments. Operating expenses include claims and claims adjustment expenses, excess and stop loss insurance premiums and administrative expenses. Nonoperating revenues are interest on investments. There are no nonoperating expenses at this time. Unbilled receivables are recorded at year end.

In accordance with the ongoing application of GASB Statement No. 10, the Fund's Statement of Net Assets reflects both "Known" and "Incurred But Not Reported" Claims Reserve. To counter this expense, the Fund also records entries to "General Assessments - Future" and "Accounts Receivable - Future Assessments."

"Member Deposits" refer to amounts held by PURMS, on behalf of its members, in order to pay their employee health & welfare claims before a member is assessed for those claims. Currently this amount is based on 2.5 times a member's average monthly health & welfare claims.

**c. Cash And Cash Equivalents**

For purposes of the Statement of Cash Flows, PURMS considers all highly liquid investments with a maturity of six months or less when purchased to be cash equivalents.

**d. Capital Assets**

PURMS owns no capital assets.

**e. Receivables**

Management decides if any accounts are deemed uncollectible. Uncollectible accounts are charged to expense in the period they are deemed uncollectible.

**f. Investments**

See Note 2

**g. Unpaid Claims Liabilities**

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. [See Note 8 and RSI]

#### **h. Member Assessments**

Member assessments for the liability and property pools are recognized as revenue at the time they are assessed. Assessments for the liability pool are based upon a formula whose elements include; basic fees, historic claims experience and workers hours. Assessments for the property pool are based upon a formula whose elements include; basic fees, property values and risk based rates. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. The member districts are obligated to replenish the liability program to a level of \$2,000,000 through an annual assessment each January. In addition, interim assessments are levied whenever the level of the liability program is reduced to an amount less than \$1,500,000 to bring the level back up to \$2,000,000. For the property program, member districts are obligated to replenish to a level of \$750,000 through an annual assessment each January. In addition, interim assessments are levied whenever the level of the property program is reduced to an amount less than \$500,000 to bring the level back up to \$750,000. At the November 20, 2003 Annual Board meeting, it was decided to increase the Designated Risk Pool Balance for the property pool from \$250,000 to \$500,000. This would be funded over time by adding \$50,000 to each general assessment leaving a balance of \$500,000 in the property pool after five assessments. As of December 31, 2005, the funding was completed, \$150,000 was assessed in 2004 and \$100,000 was assessed in 2005.

Member assessments for the health & welfare pool are recognized as revenue in the period for which the insurance protection is provided. Assessments for the health and welfare pool are based upon a formula whose elements include claims and census. The assessments include amounts for stop loss insurance premiums, claims paid, and operating costs. The members are assessed at the beginning of each month for all the expenses of the prior month.

#### **i. Claims Reserves (Unpaid Claims & Loss Adjustment Expenses)**

Claims are charged to income as incurred. Claim Reserves represent the accumulation of estimates for reported, unpaid claims (Known), plus a provision for claims incurred, but not reported (IBNR) including the loss adjustment expenses of these claims. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings. For the liability and property pool, all known claims have a reserve set when the claim is reported. The IBNR is set based on an actuarial report. Health and welfare claims are generally not reserved. The IBNR for the health and welfare program is the average monthly claims paid plus half of the average monthly prescription claims paid multiplied by the average number of days from the date incurred to the date reported.

#### **j. Exemption From Federal And State Taxes**

Pursuant to Revenue Ruling 90-74, income of Municipal Risk Funds is excluded from gross income under IRC Section 115(1).

Chapter 48.62 RCW exempts the Fund from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

#### **k. Inter-pool Loans**

Effective April 1, 2000 the Self-Insurance Agreement was amended to allow inter-pool loans. As of the years ending December 31, 2007 and December 31, 2006 there were no outstanding inter-pool loans.

## **NOTE 2 - DEPOSITS AND INVESTMENTS**

PURMS deposits and certificates of deposit are covered by federal depository insurance (FDIC) up to \$100,000. The amount in excess of the FDIC insurance limit is secured by eligible, marketable securities by the Bank. It is the Fund's policy to invest and hold until maturity all funds. Interest is credited to the statement of net assets as accrued. Certificates of deposit are stated at cost.

As of December 31, 2007, PURMS had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
Certificate of Deposits	18 – 74 days	\$1,750,000.

As of December 31, 2006, PURMS had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
Certificate of Deposits	22 – 75 days	\$1,600,000.

*Credit Risk.* As required by State Law, all deposits and investments are obligations of the U.S. Government, deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW.

*Custodial credit risk* is the risk that in event of a failure of the counterparty to an investment transaction PURMS would not be able to recover the value of the investment or collateral securities. All of PURMS investments as of December 31, 2007 and 2006 were exposed to custodial credit risk because the investments were held by a Washington State bank, which is also the counterparty in those securities. PURMS investment policy does not address custodial credit risk for its investments or deposits.

*Concentration of Credit Risk.* The investment policy of PURMS places no limit on the amount that may be invested in any one issuer. On December 31, 2007, 100% of the investments were in seven certificates of deposit. On December 31, 2006, 100% of the investments were in four certificates of deposit.

*Interest Rate Risk.* PURMS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In general, investments mature in less than six months.

## **NOTE 3 - SELF-INSURED RETENTION**

The Fund retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. If a claim exceeds the self-insured retention the Fund will pay the claim and is reimbursed by the excess insurance carrier. Amounts paid in excess of the retention are reflected on the statement of net assets as an account receivable.

#### **NOTE 4 - EXCESS INSURANCE CONTRACTS**

The Fund maintains excess insurance contracts with several insurance carriers which provide various limits of coverage over the Fund's self-insured retention (SIR) limits. Not all members participate in all coverages available. The limits provided by these excess insurance contracts are as follows (2007 & 2006 are the same unless noted otherwise):

<b>Liability Pool</b>	<b>Per Occurrence/Aggregate</b>
General Liability (1 <sup>st</sup> Layer)	\$35,000,000/\$35,000,000 over \$1,000,000 SIR
General Liability (2 <sup>nd</sup> Layer)	\$25,000,000/\$25,000,000 over \$35,000,000
Professional Liability (E&O)	\$10,000,000/\$10,000,000 over \$1,000,000 SIR
Public Officials Liability	\$35,000,000/\$35,000,000 over \$500,000 SIR
<b>Property Pool</b>	
Property Including Boiler & Machinery	Replacement cost, \$150,000,000 policy limits (sublimits apply) over \$250,000 SIR
Flood Policy	\$500,000/\$500,000 over \$500 SIR
<b>Health &amp; Welfare Pool</b>	
Stop Loss on Medical, Dental, Prescription	Individual Stop Loss \$150,000 (2006) Aggregate Stop Loss (12/31/06) \$8,175,312
Stop Loss on Medical, Dental, Prescription	Individual Stop Loss \$170,000 (2007) Aggregate Stop Loss (12/31/07) \$8,794,040
<b>All Pools</b>	
Crime Bond	\$1,000,000 occurrence over \$10,000 SIR

#### **NOTE 5 - RESTRICTED NET ASSETS**

All Net Assets are classified as restricted because of the enabling legislation of RCW 48.62. PURMS has no commitments or other limitations that would specifically affect the availability of pool resources for future use for its intended purpose as stated in its interlocal agreement and RCW 48.62.

#### **NOTE 6 - EXTRAORDINARY ITEMS**

On January 30, 2005, Marsh & McLennan entered into a Settlement Agreement to resolve a Complaint filed by the New York State Attorney General and an Amended Citation issued by the New York State Superintendent of Insurance. Under the Settlement Agreement, Marsh agreed to establish an \$850 million fund to compensate eligible policyholder clients. This settlement is to be paid out over a four year period. Marsh is the broker for PURMS and therefore PURMS is a member of the eligible policyholder clients. In 2005 PURMS received a payment of \$7,021, in 2006 a payment of \$6,768 and in 2007 a payment of \$4,408 from the Marsh Settlement Fund. Although an additional payment is expected from this settlement, it is uncertain what the amount of that payment will be.

#### **NOTE 7 - CONTINGENT LIABILITIES AND LITIGATIONS**

The Fund's Members are involved in ongoing litigation and claims processing posing risks to the Fund, the total estimated value of which is represented on the Fund's Financial Statements as Claims Reserve (Known) and Claims Reserve (IBNR). It is the opinion of the Fund's Attorney and its Management that under the terms of the Fund's Joint Self-Insurance Agreement, the pending litigation and claims, unasserted claims and claims incurred but not reported, will not result in settlements or judgments that would require payments that would threaten the solvency of the Fund.

## **NOTE 8 – UNPAID CLAIMS LIABILITIES**

As discussed in Note 1g, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Fund during the past two years:

	<u>2007</u>	<u>2006</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	3,330,254	2,845,926
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	6,526,970	6,261,734
Increases in Provision for Insured Events of Prior Years	65,659	136,288
Adjustment to Incurred But Not Reported Claims (IBNR)	<u>(195,875)</u>	<u>490,397</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>9,727,008</u>	<u>9,734,345</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	6,283,924	6,086,127
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>316,109</u>	<u>317,964</u>
Total Payments	<u>6,600,033</u>	<u>6,404,091</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	<u>3,126,975</u>	<u>3,330,254</u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

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This required supplementary information is an integral part of the accompanying financial statements.

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**REQUIRED SUPPLEMENTARY INFORMATION**

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1. Ten-Year Claims Development Information

The tables on the following pages illustrate how the Fund's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
- (2) This line shows each fiscal year's other operating costs of the Fund including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Liability Program - Policy Year Ended December 31, 2007

(In Thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Net earned required contribution and investment revenues	885	745	747	589	826	797	874	701	1,035	662
2. Unallocated expenses	418	309	383	354	305	379	319	284	339	345
3. Estimated incurred claims and expense, end of policy year	111	133	108	348	389	280	246	87	236	367
4. Paid (cumulative) as of:										
End of Policy Year	102	107	70	243	65	78	128	57	105	150
One year later	146	178	218	319	168	108	220	99	176	
Two years later	153	180	226	415	348	446	236	230		
Three years later	180	180	465	427	347	558	246			
Four years later	444	190	465	440	574	559				
Five years later	535	191	469	440	578					
Six years later	534	191	495	440						
Seven years later	534	191	558							
Eight years later	534	191								
Nine years later	534									
5. Reestimated incurred claims and expense:										
End of Policy Year	111	133	108	348	389	280	246	87	236	367
One year later	166	207	279	368	448	286	298	137	285	
Two years later	177	210	303	466	503	537	309	306		
Three years later	243	210	502	439	497	603	319			
Four years later	575	220	465	449	838	594				
Five years later	595	205	495	449	622					
Six years later	534	205	506	449						
Seven years later	534	191	585							
Eight years later	534	191								
Nine years later	534									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	423	58	477	101	233	314	73	219	49	0

Property Program - Policy Year Ended December 31, 2007

(In Thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Net earned required contribution and investment revenues	439	115	476	399	708	646	914	560	683	416
2. Unallocated expenses	318	180	218	229	353	244	387	416	643	360
3. Estimated incurred claims and expense, end of policy year	56	46	22	357	204	305	188	100	111	85
4. Paid (cumulative) as of:										
End of Policy Year	50	44	16	74	135	81	68	37	70	57
One year later	65	191	30	359	172	373	113	214	106	
Two years later	66	190	30	712	173	381	113	214		
Three years later	66	188	30	712	173	548	113			
Four years later	66	185	30	712	173	548				
Five years later	66	185	30	262	173					
Six years later	66	185	30	262						
Seven years later	66	185	30							
Eight years later	66	185								
Nine years later	66									
5. Reestimated incurred claims and expense:										
End of Policy Year	56	46	22	357	204	305	188	100	111	85
One year later	66	196	32	610	215	537	169	267	146	
Two years later	66	194	30	713	211	571	169	217		
Three years later	66	191	31	713	211	549	169			
Four years later	66	185	30	713	186	549				
Five years later	66	185	30	263	186					
Six years later	66	185	30	263						
Seven years later	66	185	30							
Eight years later	66	185								
Nine years later	66									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	10	139	8	-94	-18	244	-19	117	35	0

Liability Program - Policy Year Ended December 31, 2006

(In Thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Net earned required contribution and investment revenues	1,765	885	745	747	589	826	797	874	701	1,035
2. Unallocated expenses	521	418	309	383	354	305	379	319	284	339
3. Estimated incurred claims and expense, end of policy year	139	111	133	108	348	389	280	246	87	236
4. Paid (cumulative) as of:										
End of Policy Year	90	102	107	70	243	65	78	128	57	105
One year later	144	146	178	218	319	168	108	220	99	
Two years later	160	153	180	226	415	348	446	236		
Three years later	210	180	180	465	427	347	558			
Four years later	229	444	190	465	440	574				
Five years later	235	535	191	469	440					
Six years later	295	534	191	495						
Seven years later	296	534	191							
Eight years later	296	534								
Nine years later	296									
5. Reestimated incurred claims and expense:										
End of Policy Year	139	111	133	108	348	389	280	246	87	236
One year later	191	166	207	279	368	448	286	298	137	
Two years later	211	177	210	303	466	503	537	309		
Three years later	250	243	210	502	439	497	603			
Four years later	284	575	220	465	449	838				
Five years later	284	595	205	495	449					
Six years later	339	534	205	506						
Seven years later	301	534	191							
Eight years later	301	534								
Nine years later	301									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	162	423	58	398	101	449	323	63	50	0

Property Program - Policy Year Ended December 31, 2006

(In Thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Net earned required contribution and investment revenues	511	439	115	476	399	708	646	914	560	683
2. Unallocated expenses	117	318	180	218	229	353	244	387	416	643
3. Estimated incurred claims and expense, end of policy year	39	56	46	22	357	204	305	188	100	111
4. Paid (cumulative) as of:										
End of Policy Year	33	50	44	16	74	135	81	68	37	70
One year later	63	65	191	30	359	172	373	113	214	
Two years later	63	66	190	30	712	173	381	113		
Three years later	63	66	188	30	712	173	548			
Four years later	63	66	185	30	712	173				
Five years later	63	66	185	30	262					
Six years later	63	66	185	30						
Seven years later	63	66	185							
Eight years later	63	66								
Nine years later	63									
5. Reestimated incurred claims and expense:										
End of Policy Year	39	56	46	22	357	204	305	188	100	111
One year later	63	66	196	32	610	215	537	169	267	
Two years later	63	66	194	30	713	211	571	169		
Three years later	63	66	191	31	713	211	549			
Four years later	63	66	185	30	713	186				
Five years later	63	66	185	30	263					
Six years later	63	66	185	30						
Seven years later	63	66	185							
Eight years later	63	66								
Nine years later	63									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	24	10	139	8	-94	-18	244	-19	167	0

## Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two years for the Fund's three pools: liability, property and health & welfare. The Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim expenses. The following represents changes in those aggregate liabilities:

	2007			2006		
	Liability	Property	Health & Welfare	Liability	Property	Health & Welfare
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	2,604,563	272,004	453,687	1,984,163	421,610	440,153
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Year	367,533	85,355	6,074,082	236,417	111,554	5,913,763
Increases in Provision for Insured Events of Prior Years	80,275	(14,616)	-	466,042	(329,754)	-
Adjustment to Incurred But Not Reported Claims (IBNR)	(223,444)	(784)	28,353	447,665	33,037	9,695
Total Incurred Claims and Claim Adjustment Expenses	<u>2,828,927</u>	<u>341,959</u>	<u>6,556,122</u>	<u>3,134,287</u>	<u>236,447</u>	<u>6,363,611</u>
Payments:						
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	150,982	57,328	6,075,614	105,559	70,644	5,909,924
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>280,744</u>	<u>35,365</u>	<u>-</u>	<u>424,165</u>	<u>(106,201)</u>	<u>-</u>
Total Payments	<u>431,726</u>	<u>92,693</u>	<u>6,075,614</u>	<u>529,724</u>	<u>(35,557)</u>	<u>5,909,924</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	<u>2,397,201</u>	<u>249,266</u>	<u>480,508</u>	<u>2,604,563</u>	<u>272,004</u>	<u>453,687</u>

**OTHER SUPPLEMENTAL INFORMATION**

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**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**MEMBER DISTRICTS**

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ASOTIN COUNTY PUD NO. 1  
P.O. Box 605  
Clarkston, WA 99403

BENTON COUNTY PUD  
P.O. Box 6270  
Kennewick, WA 99336

CLALLAM COUNTY PUD  
P.O. Box 1090  
Port Angeles, WA 98362

GRAYS HARBOR COUNTY PUD  
P.O. Box 480  
Aberdeen, WA 98520

JEFFERSON COUNTY PUD  
P.O. Box 929  
Port Hadlock, WA 98339

KITSAP COUNTY PUD  
P.O. Box 1989  
Poulsbo, WA 98370

KLICKITAT COUNTY PUD  
1313 South Columbus  
Goldendale, WA 98620

LEWIS COUNTY PUD  
P.O. Box 330  
Chehalis, WA 98532

MASON COUNTY PUD NO. 3  
P.O. Box 2148  
Shelton, WA 98584

NOANET  
21507 42<sup>nd</sup> Ave S. #J-4  
SeaTac, WA 98198

OKANOGAN COUNTY PUD  
P.O. Box 912  
Okanogan, WA 98840

PACIFIC COUNTY PUD NO. 2  
P.O. Box 472  
Raymond, WA 98577

PEND OREILLE COUNTY PUD  
P.O. Box 190  
Newport, WA 99156

SKAGIT COUNTY PUD  
P.O. Box 1436  
Mount Vernon, WA 98273

SKAMANIA COUNTY PUD  
P.O. Box 500  
Carson, WA 98610

STEVENS COUNTY PUD  
P.O. Box 592  
Loon Lake, WA 99148

THURSTON COUNTY PUD  
921 Lakeridge Way, Suite 201  
Olympia, WA 98502

WAHKIAKUM COUNTY PUD  
P.O. Box 248  
Cathlamet, WA 98612

WHATCOM COUNTY PUD  
1705 Trigg Road  
Ferndale, WA 98248

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**DIRECTORY OF OFFICIALS AS OF 1/1/2008**

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<b>BOARD OF COMMISSIONERS:</b>	<b>Office</b>	<b>Term Expiration</b>
Hugh Haffner, Clallam County PUD	President	12/31/2008
Al Littlefield, Skagit County PUD	Vice President	12/31/2008
Don Nuxoll, Asotin County PUD	Secretary	12/31/2008

**ADMINISTRATIVE COMMITTEE:**

Jim Moss, Auditor Klickitat County PUD	Auditor of the Fund Term: 4 years	12/31/2010
Fred Burke, Auditor Okanogan County PUD	Term: 4 years	12/31/2009
Dan Bickford, Treasurer Benton County PUD	Term: 4 years	12/31/2011
Rena Powell, Auditor Pacific County PUD	Term: 4 years	12/31/2008
Rich Bauer, Treasurer Lewis County PUD	Term: 1 year	12/31/2008
Jana Robbins, Auditor Clallam County PUD	Term: 1 year	12/31/2008

**OPERATIONS COMMITTEE:**

Erin Wilson, Wahkiakum County PUD	Chairperson	12/31/2008
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**OTHERS:**

Richard Rodruck, Pacific Underwriters	Administrator
Jan Essenburg, Esq.	Attorney
Dan Ashburn, Marsh Inc.	Broker

**MAILING ADDRESS:**

PURMS Joint Self Insurance Fund  
c/o Pacific Underwriters Corp.  
P.O. Box 68787  
Seattle, WA 98168

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY, AND HEALTH & WELFARE POOLS**

**STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2007**

ASSETS	<u>Liability Pool</u>	<u>Property Pool</u>	<u>H&amp;W Pool</u>	<u>Total</u>
Current Assets:				
Cash in Banks	\$ 473,322	\$ 139,520	\$ 216,717	\$ 829,559
Investments	1,350,000	400,000	-	1,750,000
Accounts Receivable - Assessments Billed	-	-	739,934	739,934
Accounts Receivable - Future Assessments	2,397,200	249,266	480,508	3,126,974
Accounts Receivable - Miscellaneous	-	56,466	-	56,466
Accounts Receivable - Excess/Stop Loss Ins.	-	-	8,371	8,371
Investment Interest Receivable	12,756	2,320	-	15,076
<b>Total Current Assets</b>	<b><u>\$ 4,233,278</u></b>	<b><u>\$ 847,572</u></b>	<b><u>\$ 1,445,530</u></b>	<b><u>\$ 6,526,380</u></b>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Claims Reserve (Known)	\$ 887,539	\$ 141,991	\$ 45,371	\$ 1,074,901
Claims Reserve (IBNR)	1,509,662	107,275	435,137	2,052,074
Fund Legal Fees Payable	809	7,166	387	8,362
Administrator's Fee Payable	16,125	8,166	19,151	43,442
Stop Loss Premium Payable	-	-	35,265	35,265
PPO Networks Payable	-	-	5,492	5,492
<b>Total Current Liabilities</b>	<b><u>\$ 2,414,135</u></b>	<b><u>\$ 264,598</u></b>	<b><u>\$ 540,803</u></b>	<b><u>\$ 3,219,536</u></b>
<b>Total Net Assets</b>	<b><u>1,819,143</u></b>	<b><u>582,974</u></b>	<b><u>904,727</u></b>	<b><u>3,306,844</u></b>
<b>Total Net Assets and Liabilities</b>	<b><u>\$ 4,233,278</u></b>	<b><u>\$ 847,572</u></b>	<b><u>\$ 1,445,530</u></b>	<b><u>\$ 6,526,380</u></b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES**  
**JOINT SELF-INSURANCE FUND**  
**COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2007**

OPERATING REVENUES:	Liability Pool	Property Pool	H&W Pool	Total
Premium Assessments	\$ 1,098,264	729,161	-	\$ 1,827,425
General Assessments	589,473	395,636	6,848,764	7,833,873
General Assessments - Future	(207,363)	(22,738)	26,822	(203,279)
<b>Total Operating Revenues</b>	<b>\$ 1,480,374</b>	<b>1,102,059</b>	<b>6,875,586</b>	<b>\$ 9,458,019</b>
OPERATING EXPENSES:				
Claims Paid on Current Losses	\$ 94,904	57,328	6,075,614	\$ 6,227,846
Claims Paid on Prior Losses	148,823	35,365	-	184,188
Established Claims Reserve	(6,894)	27,243	73,725	94,074
Adjustment to Prior Years Claims Reserve	(200,469)	(49,981)	(46,903)	(297,353)
Claims Adjustment on Current Losses	56,078	-	-	56,078
Claims Adjustment on Prior Losses	131,922	-	-	131,922
Insurance Purchased	1,094,750	729,161	414,704	2,238,615
PPO Network Fee	-	-	64,057	64,057
Administrator's Fee	205,951	112,513	222,382	540,846
Brokers Fee	71,000	39,000	15,700	125,700
Fund Legal Fees	54,298	170,505	37,304	262,107
General Expense	2,322	594	183	3,099
Professional Fees	11,886	37,341	14,844	64,071
<b>Total Operating Expense</b>	<b>\$ 1,664,571</b>	<b>1,159,069</b>	<b>6,871,610</b>	<b>\$ 9,695,250</b>
<b>Operating Income (Loss)</b>	<b>\$ (184,197)</b>	<b>(57,010)</b>	<b>3,976</b>	<b>\$ (237,231)</b>
NONOPERATING REVENUES (EXPENSES):				
Interest on Investments	72,734	20,384	-	93,118
<b>Total Nonoperating Revenue (Expenses)</b>	<b>72,734</b>	<b>20,384</b>	<b>-</b>	<b>93,118</b>
<b>Income (Loss) Before Extraordinary Items</b>	<b>\$ (111,463)</b>	<b>(36,626)</b>	<b>3,976</b>	<b>\$ (144,113)</b>
Extraordinary Items - Revenue/(Expense)	3,644	763	1	4,408
<b>CHANGE IN NET ASSETS</b>	<b>\$ (107,819)</b>	<b>(35,863)</b>	<b>3,977</b>	<b>\$ (139,705)</b>
<b>TOTAL NET ASSETS, January 01</b>	<b>\$ 1,926,962</b>	<b>618,837</b>	<b>900,750</b>	<b>\$ 3,446,549</b>
<b>TOTAL NET ASSETS, December 31</b>	<b>\$ 1,819,143</b>	<b>582,974</b>	<b>904,727</b>	<b>\$ 3,306,844</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2007**

	<u>Liability Pool</u>	<u>Property Pool</u>	<u>H&amp;W Pool</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from members	\$ 1,847,575	1,134,704	6,836,677	\$ 9,818,956
Cash payments to vendors	(1,871,306)	(1,191,123)	(6,844,028)	(9,906,457)
Marsh Settlement Fund	3,644	763	1	4,408
Net Cash Provided (Used) for Operating Activities	<u>(20,087)</u>	<u>(55,656)</u>	<u>(7,350)</u>	<u>(83,093)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investments	(4,990,000)	(2,400,000)	-	(7,390,000)
Sale of Investments	4,840,000	2,400,000	-	7,240,000
Interest Received	69,216	18,217	-	87,433
Net Cash Provided (Used) for Investing Activities	<u>(80,784)</u>	<u>18,217</u>	<u>-</u>	<u>(62,567)</u>
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(100,871)	(37,439)	(7,350)	(145,660)
CASH & CASH EQUIVALENTS, January 1	574,193	176,959	224,067	975,219
CASH & CASH EQUIVALENTS, December 31	<u>\$ 473,322</u>	<u>139,520</u>	<u>216,717</u>	<u>\$ 829,559</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

OPERATING INCOME (LOSS):	\$ (184,197)	(57,010)	3,976	\$ (237,231)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase)/Decrease in A/R Assessments - Billed	159,838	-	(201,686)	(41,848)
(Increase)/Decrease in A/R Future Assessments	207,363	22,738	(26,821)	203,280
(Increase)/Decrease in A/R Miscellaneous	-	9,907	-	9,907
(Increase)/Decrease in A/R Excess/Stop Loss Ins Co.	-	-	189,599	189,599
Increase/(Decrease) in Claims Payable - Known	16,081	(21,953)	(1,532)	(7,404)
Increase/(Decrease) in Claims Payable - IBNR	(223,444)	(785)	28,353	(195,876)
Increase/(Decrease) in Fund Legal Fees Payable	(1,099)	(9,606)	(3,973)	(14,678)
Increase/(Decrease) in Administrative Fee Payable	1,727	290	2,420	4,437
Increase/(Decrease) in Stop Loss Premium Payable	-	-	2,073	2,073
Increase/(Decrease) in PPO Network Fees Payable	-	-	240	240
Extraordinary Items - Income/(Expense)	3,644	763	1	4,408
Net Cash Provided (Used) for Operating Activities	<u>\$ (20,087)</u>	<u>(55,656)</u>	<u>(7,350)</u>	<u>\$ (83,093)</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY, AND HEALTH & WELFARE POOLS**

**STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2006**

ASSETS	Liability Pool	Property Pool	H&W Pool	Total
Current Assets:				
Cash in Banks	\$ 574,192	\$ 176,959	\$ 224,066	\$ 975,217
Investments	1,200,000	400,000	-	1,600,000
Accounts Receivable - Assessments Billed	159,838	-	538,248	698,086
Accounts Receivable - Future Assessments	2,604,563	272,004	453,687	3,330,254
Accounts Receivable - Miscellaneous	-	66,373	-	66,373
Accounts Receivable - Excess/Stop Loss Ins.	-	-	197,970	197,970
Investment Interest Receivable	9,238	153	-	9,391
<b>Total Current Assets</b>	<b>\$ 4,547,831</b>	<b>\$ 915,489</b>	<b>\$ 1,413,971</b>	<b>\$ 6,877,291</b>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Claims Reserve (Known)	\$ 871,457	\$ 163,944	\$ 46,903	\$ 1,082,304
Claims Reserve (IBNR)	1,733,106	108,060	406,784	2,247,950
Fund Legal Fees Payable	1,908	16,772	4,360	23,040
Administrator's Fee Payable	14,398	7,876	16,731	39,005
Stop Loss Premium Payable	-	-	33,192	33,192
PPO Networks Payable	-	-	5,252	5,252
<b>Total Current Liabilities</b>	<b>\$ 2,620,869</b>	<b>\$ 296,652</b>	<b>\$ 513,222</b>	<b>\$ 3,430,743</b>
<b>Total Net Assets</b>	<b>1,926,962</b>	<b>618,837</b>	<b>900,749</b>	<b>3,446,548</b>
<b>Total Net Assets and Liabilities</b>	<b>\$ 4,547,831</b>	<b>\$ 915,489</b>	<b>\$ 1,413,971</b>	<b>\$ 6,877,291</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES**  
**JOINT SELF-INSURANCE FUND**  
**COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2006**

OPERATING REVENUES:	Liability Pool	Property Pool	H&W Pool	Total
Premium Assessments	\$ 1,099,875	\$ 767,740	\$ -	\$ 1,867,615
General Assessments	968,836	665,773	6,612,269	8,246,878
General Assessments - Future	620,400	(149,606)	13,534	484,328
Total Operating Revenues	\$ 2,689,111	\$ 1,283,907	\$ 6,625,803	\$ 10,598,821
<b>OPERATING EXPENSES:</b>				
Claims Paid on Current Losses	\$ 104,677	\$ 70,644	\$ 5,909,924	\$ 6,085,245
Claims Paid on Prior Losses	325,775	(106,201)	-	219,574
Established Claims Reserve	578,524	73,946	56,598	709,068
Adjustment to Prior Years Claims Reserve	41,877	(223,553)	(43,064)	(224,740)
Claims Adjustment on Current Losses	882	-	-	882
Claims Adjustment on Prior Losses	98,390	-	-	98,390
Insurance Purchased	1,096,734	767,740	394,595	2,259,069
PPO Network Fee	-	-	61,640	61,640
Administrator's Fee	207,339	106,760	204,018	518,117
Brokers Fee	60,000	42,000	18,000	120,000
Fund Legal Fees	50,332	319,675	16,444	386,451
General Expense	13,453	5,884	1,626	20,963
Professional Fees	8,005	169,081	10,393	187,479
Total Operating Expense	\$ 2,585,988	\$ 1,225,976	\$ 6,630,174	\$ 10,442,138
Operating Income (Loss)	\$ 103,123	\$ 57,931	\$ (4,371)	\$ 156,683
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest on Investments	66,404	17,358	-	83,762
Total Nonoperating Revenues (Expenses)	66,404	17,358	-	83,762
Income (Loss) Before Extraordinary Items	\$ 169,527	\$ 75,289	\$ (4,371)	\$ 240,445
Extraordinary Items - Revenue/(Expense)	5,595	1,171	2	6,768
CHANGE IN NET ASSETS	\$ 175,122	\$ 76,460	\$ (4,369)	\$ 247,213
TOTAL NET ASSETS, January 01	\$ 1,751,840	\$ 542,377	\$ 905,118	\$ 3,199,335
TOTAL NET ASSETS, December 31	\$ 1,926,962	\$ 618,837	\$ 900,749	\$ 3,446,548

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2006**

	<u>Liability Pool</u>	<u>Property Pool</u>	<u>H&amp;W Pool</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received From Members	\$ 1,908,874	\$ 1,461,696	\$ 6,411,509	\$ 9,782,079
Cash Payments To Vendors	(1,965,513)	(1,359,217)	(6,607,057)	(9,931,787)
Marsh Settlement Fund	5,595	1,171	2	6,768
Net Cash Provided (Used) for Operating Activities	<u>(51,044)</u>	<u>103,650</u>	<u>(195,546)</u>	<u>(142,940)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investments	(4,500,000)	(2,900,000)	-	(7,400,000)
Sale of Investments	4,900,000	2,850,000	-	7,750,000
Interest Received	63,421	18,555	-	81,976
Net Cash Provided (Used) for Investing Activities	<u>463,421</u>	<u>(31,445)</u>	<u>-</u>	<u>431,976</u>
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	412,377	72,205	(195,546)	289,036
CASH & CASH EQUIVALENTS, January 1	161,815	104,754	419,612	686,181
CASH & CASH EQUIVALENTS, December 31	<u>\$ 574,192</u>	<u>\$ 176,959</u>	<u>\$ 224,066</u>	<u>\$ 975,217</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

OPERATING INCOME (LOSS):	\$ 103,123	\$ 57,931	\$ (4,371)	\$ 156,683
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase)/Decrease in A/R Assessments - Billed	(159,838)	-	(2,489)	(162,327)
(Increase)/Decrease in A/R Future Assessments	(620,400)	149,606	(13,534)	(484,328)
(Increase)/Decrease in A/R Miscellaneous	-	28,183	-	28,183
(Increase)/Decrease in A/R Excess/Stop Loss Ins Co.	-	-	(198,271)	(198,271)
Increase/(Decrease) in Claims Payable - Known	172,735	(182,643)	3,839	(6,069)
Increase/(Decrease) in Claims Payable - IBNR	447,665	33,037	9,694	490,396
Increase/(Decrease) in Fund Legal Fees Payable	1,908	16,772	4,360	23,040
Increase/(Decrease) in Administrative Fee Payable	(1,832)	(407)	(1,052)	(3,291)
Increase/(Decrease) in Stop Loss Premium Payable	-	-	5,919	5,919
Increase/(Decrease) in PPO Network Fees Payable	-	-	357	357
Extraordinary Items - Income/(Expense)	5,595	1,171	2	6,768
Net Cash Provided (Used) for Operating Activities	<u>\$ (51,044)</u>	<u>\$ 103,650</u>	<u>\$ (195,546)</u>	<u>\$ (142,940)</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS