

PURMS

Joint Self-Insurance Fund

2008 Annual Report

Public Utility Risk Management Services

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**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, 2008 and December 31, 2007. 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, 2008, 2007 and 2006 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 2008, 2007 and 2006 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

	2008	2007	2006
Current Assets	7,637,966	6,526,380	6,877,291
Total Assets	\$7,637,966	\$6,526,380	\$6,877,291
Current Liabilities	4,111,415	3,219,536	3,430,743
Net Assets	3,526,551	3,306,844	3,446,548
Total Liabilities and Net Assets	\$7,637,966	\$6,526,380	\$6,877,291

PURMS Changes in Net Assets

	2008	2007	2006
Operating Revenues	12,543,726	9,458,019	10,598,821
Nonoperating Revenues	47,657	93,118	83,762
Total Revenues	12,591,383	\$9,551,137	\$10,682,583
Operating Expenses	12,374,308	9,695,250	10,442,138
Total Expenses	12,374,308	\$9,695,250	\$10,442,138
Excess/(Deficiency) Before Extraordinary Items	217,075	\$(144,113)	\$240,445
Extraordinary Item	2,634	4,408	6,768
Changes in Net Assets	219,709	\$(139,705)	\$247,213
Beginning Net Assets (January 1)	\$3,306,842	\$3,446,549	\$3,199,335
Ending Net Assets (December 31)	\$3,526,551	\$3,306,844	\$3,446,548

During 2008, 2007 and 2006, the overall financial position of PURMS has remained relatively unchanged. In 2007 and 2006 there were no changes in PURMS operations. At the June 19, 2008 Board meeting, resolution #6-19-08-2 was passed increasing the health & welfare pool Member Deposit by \$680,590. Members were given the option to pay this increase over 12 months. The amount of the outstanding Member Deposit as of 12/31/2008 is \$279,850 and is reflected on the Statement of Net Assets as an account receivable. Also at the June 2008 Board meeting, resolution #6-19-08-1 was passed increasing the Designated Liability Pool Balance effective January 1, 2009. This increase will be funded over three years by two additional assessments per year in the years of 2009, 2010 and 2011 and will change the Designated Balance from \$2.0 million to \$3.0 million.

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 MCAG #0356**

COMPARATIVE STATEMENT OF NET ASSETS

ASSETS	YEAR ENDED DECEMBER 31,	
	2008	2007
Current Assets:		
Cash in Banks	\$ 835,510	\$ 829,559
Investments	1,700,000	1,750,000
Accounts Receivable - Assessments Billed	700,453	739,934
Accounts Receivable - Future Assessments	3,879,965	3,126,974
Accounts Receivable - Miscellaneous	140,008	56,466
Accounts Receivable - Member Deposit Assessments	279,850	-
Accounts Receivable - Excess/Stop Loss Ins.	100,498	8,371
Investment Interest Receivable	1,682	15,076
Total Current Assets	\$ 7,637,966	\$ 6,526,380
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Claims Reserve (Known)	\$ 1,196,060	\$ 1,074,901
Claims Reserve (IBNR)	2,683,905	2,052,074
Accounts Payable - Misc.	11,600	-
Fund Legal Fees Payable	113,397	8,362
Administrator's Fee Payable	45,660	43,442
Broker's Fee Payable	15,000	-
Stop Loss Premium Payable	39,284	35,265
PPO Networks Payable	6,509	5,492
Total Current Liabilities	4,111,415	3,219,536
Total Net Assets	3,526,551	3,306,844
Total Net Assets and Liabilities	\$ 7,637,966	\$ 6,526,380

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES
JOINT SELF-INSURANCE FUND MCAG #0356**

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	YEAR ENDED DECEMBER 31,	
	2008	2007
OPERATING REVENUES:		
Premium Assessments	\$ 1,762,345	\$ 1,827,425
General Assessments	9,347,800	7,833,873
Member Deposit Assessments	680,590	-
General Assessments - Future	752,991	(203,279)
Total Operating Revenues	\$ 12,543,726	\$ 9,458,019
OPERATING EXPENSES:		
Claims Paid on Current Losses	\$ 7,623,987	\$ 6,227,846
Claims Paid on Prior Losses	594,759	184,188
Established Claims Reserve	1,152,115	94,074
Adjustment to Prior Years Claims Reserve	(399,124)	(297,353)
Claims Adjustment on Current Losses	1,750	56,078
Claims Adjustment on Prior Losses	87,671	131,922
Insurance Purchased	2,220,244	2,238,615
PPO Network Fee	71,683	64,057
Administrator's Fee	567,106	540,846
Brokers Fee	128,500	125,700
Fund Legal Fees	264,600	262,107
General Expense	4,557	3,099
Professional Fees	56,460	64,071
Total Operating Expenses	\$ 12,374,308	\$ 9,695,250
Operating Income (Loss)	\$ 169,418	\$ (237,231)
NONOPERATING REVENUES (EXPENSES):		
Interest on Investments	47,657	93,118
Total Nonoperating Revenues (Expenses)	\$ 47,657	\$ 93,118
Income (Loss) Before Extraordinary Items	\$ 217,075	\$ (144,113)
Extraordinary Items - Revenue/(Expense)	2,634	4,408
CHANGE IN NET ASSETS	\$ 219,709	\$ (139,705)
TOTAL NET ASSETS, January 01	\$ 3,306,842	\$ 3,446,549
TOTAL NET ASSETS, December 31	\$ 3,526,551	\$ 3,306,844

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

PUBLIC UTILITY RISK MANAGEMENT SERVICES
JOINT SELF-INSURANCE FUND MCAG #0356
COMPARATIVE STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Members	\$ 11,374,697	\$ 9,818,956
Cash Payments To Vendors	(11,482,429)	(9,906,457)
Marsh Settlement Fund	2,634	4,408
Net Cash Provided (Used) for Operating Activities	<u>(105,098)</u>	<u>(83,093)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(8,900,000)	(7,390,000)
Sale of Investments	8,950,000	7,240,000
Interest Received	61,050	87,433
Net Cash Provided (Used) for Investing Activities	<u>111,050</u>	<u>(62,567)</u>
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	5,952	(145,660)
CASH & CASH EQUIVALENTS, January 1	<u>829,559</u>	<u>975,219</u>
CASH & CASH EQUIVALENTS, December 31	<u>\$ 835,511</u>	<u>\$ 829,559</u>

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

OPERATING INCOME:	\$ 169,418	\$ (237,231)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase)/Decrease in A/R Assessments - Billed	39,481	(41,848)
(Increase)/Decrease in A/R Future Assessments	(752,991)	203,280
(Increase)/Decrease in A/R Member Deposit Assessments	(279,850)	-
(Increase)/Decrease in A/R Miscellaneous	(83,542)	9,907
(Increase)/Decrease in A/R Excess/Stop Loss Ins	(92,127)	189,599
Increase/(Decrease) in Claims Payable - Known	121,159	(7,404)
Increase/(Decrease) in Claims Payable - IBNR	631,832	(195,876)
Increase/(Decrease) in Accounts Payable - Misc.	11,600	-
Increase/(Decrease) in Fund Legal Fees Payable	105,034	(14,678)
Increase/(Decrease) in Administrative Fee Payable	2,218	4,437
Increase/(Decrease) in Broker Fee Payable	15,000	-
Increase/(Decrease) in Stop Loss Premium Payable	4,019	2,073
Increase/(Decrease) in PPO Network Fees Payable	1,017	240
Extraordinary Items - Income/(Expense)	2,634	4,408
Net Cash Provided (Used) for Operating Activities	<u>\$ (105,098)</u>	<u>\$ (83,093)</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, 2008 AND DECEMBER 31, 2007**

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 (PURMS), 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 (85%) of the current members 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 2008 and the total was increased and assessed in the amount of \$680,590. The members of the H&W pool were given the option to pay for this increase over 12 months. The amount of the outstanding Member Deposit assessment is reflected on the Statement of Net Assets as an account receivable. 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. There were no changes in membership in 2008 or 2007. As of December 31, 2008 the member 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. In 2007 this amount was based on 2.5 times a member's average monthly health & welfare claims. In 2008 this amount was changed to 3.0 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. In 2007 and 2008 the member districts were 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. At the June 19, 2008 Board meeting, it was decided to increase the Designated Liability Pool Balance from \$2,000,000 to \$3,000,000 effective January 1, 2009. This would be funded over three years by means of two additional assessments in 2009, 2010 and 2011 leaving a balance of \$3,000,000 in the liability pool. 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.

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, 2008 and December 31, 2007 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, 2008, PURMS had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
Certificate of Deposits	16 – 51 days	\$1,700,000.

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.

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, 2008 and 2007 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, 2008, 100% of the investments were in five certificates of deposit. On December 31, 2007, 100% of the investments were in seven 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 (2008 & 2007 are the same unless noted otherwise):

Liability Pool	Per Occurrence/Aggregate
General Liability (1 st Layer)	\$35,000,000/\$35,000,000 over \$1,000,000 SIR
General Liability (2 nd 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
Property Pool	
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
Health & Welfare Pool	
Stop Loss on Medical, Dental, Prescription	Individual Stop Loss \$170,000 (2007) Aggregate Stop Loss (12/31/07) \$8,794,040
Stop Loss on Medical, Dental, Prescription	Individual Stop Loss \$180,000 (2008) Aggregate Stop Loss (12/31/08) \$8,765,515
All Pools	
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, in 2007 a payment of \$4,408 and in 2008 a payment of \$2,634 from the Marsh Settlement Fund. The payment in 2008 was the final payment from this Settlement Agreement.

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>2008</u>	<u>2007</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	3,126,975	3,330,254
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	8,100,649	6,526,970
Increases in Provision for Insured Events of Prior Years	328,676	65,659
Adjustment to Incurred But Not Reported Claims (IBNR)	<u>631,831</u>	<u>(195,875)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u><u>12,188,131</u></u>	<u><u>9,727,008</u></u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	7,625,737	6,283,924
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>682,429</u>	<u>316,109</u>
Total Payments	<u><u>8,308,166</u></u>	<u><u>6,600,033</u></u>
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	<u><u>3,879,965</u></u>	<u><u>3,126,975</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

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

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, 2008

(In Thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Net earned required contribution and investment revenues	745	747	589	826	797	874	701	1,035	662	749
2. Unallocated expenses	309	383	354	305	379	319	284	339	345	335
3. Estimated incurred claims and expense, end of policy year	133	108	348	389	280	246	87	236	367	316
4. Paid (cumulative) as of:										
End of Policy Year	107	70	243	65	78	128	57	105	150	148
One year later	178	218	319	168	108	220	99	176	423	
Two years later	180	226	415	348	446	236	230	291		
Three years later	180	465	427	347	558	246	274			
Four years later	190	465	440	574	559	349				
Five years later	191	469	440	578	559					
Six years later	191	495	440	578						
Seven years later	191	558	440							
Eight years later	191	568								
Nine years later	191									
5. Reestimated incurred claims and expense:										
End of Policy Year	133	108	348	389	280	246	87	236	367	316
One year later	207	279	368	448	286	298	137	285	542	
Two years later	210	303	466	503	537	309	306	510		
Three years later	210	502	439	497	603	319	494			
Four years later	220	465	449	838	594	387				
Five years later	205	495	449	622	559					
Six years later	205	506	449	583						
Seven years later	191	585	440							
Eight years later	191	585								
Nine years later	191									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	58	477	92	194	279	141	407	274	175	0

Property Program - Policy Year Ended December 31, 2008

(In Thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Net earned required contribution and investment revenues	115	476	399	708	646	914	560	683	416	450
2. Unallocated expenses	180	218	229	353	244	387	416	643	360	421
3. Estimated incurred claims and expense, end of policy year	46	22	357	204	305	188	100	111	85	359
4. Paid (cumulative) as of:										
End of Policy Year	44	16	74	135	81	68	37	70	57	65
One year later	191	30	359	172	373	113	214	106	163	
Two years later	190	30	712	173	381	113	214	138		
Three years later	188	30	712	173	548	113	214			
Four years later	185	30	712	173	548	113				
Five years later	185	30	262	173	548					
Six years later	185	30	262	173						
Seven years later	185	30	262							
Eight years later	185	30								
Nine years later	185									
5. Reestimated incurred claims and expense:										
End of Policy Year	46	22	357	204	305	188	100	111	85	359
One year later	196	32	610	215	537	169	267	146	181	
Two years later	194	30	713	211	571	169	217	146		
Three years later	191	31	713	211	549	169	216			
Four years later	185	30	713	186	549	113				
Five years later	185	30	263	186	548					
Six years later	185	30	263	173						
Seven years later	185	30	262							
Eight years later	185	30								
Nine years later	185									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	139	8	-95	-31	243	-75	116	35	96	0

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

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:

	2008			2007		
	<u>Liability</u>	<u>Property</u>	<u>Health & Welfare</u>	<u>Liability</u>	<u>Property</u>	<u>Health & Welfare</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	2,397,201	249,266	480,508	2,604,563	272,004	453,687
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Year	316,773	359,615	7,424,261	367,533	85,355	6,074,082
Increases in Provision for Insured Events of Prior Years	303,509	25,167	-	80,275	(14,616)	-
Adjustment to Incurred But Not Reported Claims (IBNR)	494,771	82,261	54,799	(223,444)	(784)	28,353
Total Incurred Claims and Claim Adjustment Expenses	<u>3,512,254</u>	<u>716,309</u>	<u>7,959,568</u>	<u>2,828,927</u>	<u>341,959</u>	<u>6,556,122</u>
Payments:						
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	148,710	65,768	7,411,259	150,982	57,328	6,075,614
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	543,615	138,814	-	280,744	35,365	-
Total Payments	<u>692,325</u>	<u>204,582</u>	<u>7,411,259</u>	<u>431,726</u>	<u>92,693</u>	<u>6,075,614</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	<u>2,819,929</u>	<u>511,727</u>	<u>548,309</u>	<u>2,397,201</u>	<u>249,266</u>	<u>480,508</u>

OTHER SUPPLEMENTAL INFORMATION

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

MEMBER DISTRICTS

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 42nd 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 1/1/2009

	Office	Term Expiration
BOARD OF COMMISSIONERS:		
Hugh Haffner, Clallam County PUD	President	12/31/2009
Al Littlefield, Skagit County PUD	Vice President	12/31/2009
Don Nuxoll, Asotin County PUD	Secretary	12/31/2009

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	12/31/2012
Rich Bauer, Treasurer Lewis County PUD	Term: 1 year	12/31/2009
Jana Robbins, Auditor Clallam County PUD	Term: 1 year	12/31/2009

OPERATIONS COMMITTEE:

Bob Sischo, Treasurer Asotin County PUD	Chairperson	12/31/2009
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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, 2008

ASSETS	Liability Pool	Property Pool	H&W Pool	Total
Current Assets:				
Cash in Banks	\$ 214,365	\$ 50,822	\$ 570,323	\$ 835,510
Investments	1,350,000	350,000	-	1,700,000
Accounts Receivable - Assessments Billed	-	-	700,453	700,453
Accounts Receivable - Future Assessments	2,819,929	511,727	548,309	3,879,965
Accounts Receivable - Miscellaneous	-	140,008	-	140,008
Accts Receivable - Member Deposit Assessments	-	-	279,850	279,850
Accounts Receivable - Excess/Stop Loss Ins.	-	-	100,498	100,498
Investment Interest Receivable	1,682	-	-	1,682
Total Current Assets	\$ 4,385,976	\$ 1,052,557	\$ 2,199,433	\$ 7,637,966
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Claims Reserve (Known)	\$ 815,496	\$ 322,191	\$ 58,373	\$ 1,196,060
Claims Reserve (IBNR)	2,004,433	189,536	489,936	2,683,905
Accounts Payable - Misc.	-	11,600	-	11,600
Fund Legal Fees Payable	681	112,598	118	113,397
Administrator's Fee Payable	17,090	8,941	19,629	45,660
Broker's Fee Payable	-	-	15,000	15,000
Stop Loss Premium Payable	-	-	39,284	39,284
PPO Networks Payable	-	-	6,509	6,509
Total Current Liabilities	\$ 2,837,700	\$ 644,866	\$ 628,849	\$ 4,111,415
Total Net Assets	1,548,276	407,691	1,570,584	3,526,551
Total Net Assets and Liabilities	\$ 4,385,976	\$ 1,052,557	\$ 2,199,433	\$ 7,637,966

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, 2008**

OPERATING REVENUES:	Liability Pool	Property Pool	H&W Pool	Total
Premium Assessments	\$ 1,061,340	701,005	-	\$ 1,762,345
General Assessments	710,759	440,903	8,196,138	9,347,800
Member Deposit Assessments	-	-	680,590	680,590
General Assessments - Future	422,729	262,461	67,801	752,991
Total Operating Revenues	\$ 2,194,828	1,404,369	8,944,529	\$ 12,543,726
OPERATING EXPENSES:				
Claims Paid on Current Losses	\$ 146,960	65,768	7,411,259	\$ 7,623,987
Claims Paid on Prior Losses	455,955	138,804	-	594,759
Established Claims Reserve	662,835	376,108	113,172	1,152,115
Adjustment to Prior Years Claims Reserve	(240,106)	(113,647)	(45,371)	(399,124)
Claims Adjustment on Current Losses	1,750	-	-	1,750
Claims Adjustment on Prior Losses	87,661	10	-	87,671
Insurance Purchased	1,056,703	701,005	462,536	2,220,244
PPO Network Fee	-	-	71,683	71,683
Administrator's Fee	223,265	108,073	235,768	567,106
Brokers Fee	72,750	40,750	15,000	128,500
Fund Legal Fees	23,430	237,507	3,663	264,600
General Expense	3,087	1,282	188	4,557
Professional Fees	12,167	33,519	10,774	56,460
Total Operating Expense	\$ 2,506,457	1,589,179	8,278,672	\$ 12,374,308
Operating Income (Loss)	\$ (311,629)	(184,810)	665,857	\$ 169,418
NONOPERATING REVENUES (EXPENSES):				
Interest on Investments	38,585	9,072	-	47,657
Total Nonoperating Revenue (Expenses)	38,585	9,072	-	47,657
Income (Loss) Before Extraordinary Items	\$ (273,044)	(175,738)	665,857	\$ 217,075
Extraordinary Items - Revenue/(Expense)	2,177	456	1	2,634
CHANGE IN NET ASSETS	\$ (270,867)	(175,282)	665,858	\$ 219,709
TOTAL NET ASSETS, January 01	\$ 1,819,143	582,973	904,726	\$ 3,306,842
TOTAL NET ASSETS, December 31	\$ 1,548,276	407,691	1,570,584	\$ 3,526,551

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, 2008

	Liability Pool	Property Pool	H&W Pool	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from members	\$ 1,772,099	1,058,366	8,544,232	\$ 11,374,697
Cash payments to vendors	(2,082,891)	(1,208,911)	(8,190,627)	(11,482,429)
Marsh Settlement Fund	2,177	456	1	2,634
Net Cash Provided (Used) for Operating Activities	<u>(308,615)</u>	<u>(150,089)</u>	<u>353,606</u>	<u>(105,098)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investments	(6,300,000)	(2,600,000)	-	(8,900,000)
Sale of Investments	6,300,000	2,650,000	-	8,950,000
Interest Received	49,659	11,391	-	61,050
Net Cash Provided (Used) for Investing Activities	<u>49,659</u>	<u>61,391</u>	<u>-</u>	<u>111,050</u>
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(258,956)	(88,698)	353,606	5,952
CASH & CASH EQUIVALENTS, January 1	<u>473,322</u>	<u>139,520</u>	<u>216,717</u>	<u>829,559</u>
CASH & CASH EQUIVALENTS, December 31	<u>\$ 214,366</u>	<u>50,822</u>	<u>570,323</u>	<u>\$ 835,511</u>

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

OPERATING INCOME (LOSS):	\$ (311,629)	(184,810)	665,857	\$ 169,418
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase)/Decrease in A/R Assessments - Billed	-	-	39,481	39,481
(Increase)/Decrease in A/R Future Assessments	(422,729)	(262,461)	(67,801)	(752,991)
(Increase)/Decrease in A/R Member Deposit Assessments	-	-	(279,850)	(279,850)
(Increase)/Decrease in A/R Miscellaneous	-	(83,542)	-	(83,542)
(Increase)/Decrease in A/R Excess/Stop Loss Ins Co.	-	-	(92,127)	(92,127)
Increase/(Decrease) in Claims Payable - Known	(72,043)	180,200	13,002	121,159
Increase/(Decrease) in Claims Payable - IBNR	494,772	82,261	54,799	631,832
Increase/(Decrease) in Accounts Payable - Misc	-	11,600	-	11,600
Increase/(Decrease) in Fund Legal Fees Payable	(128)	105,431	(269)	105,034
Increase/(Decrease) in Administrative Fee Payable	965	776	477	2,218
Increase/(Decrease) in Broker Fee Payable	-	-	15,000	15,000
Increase/(Decrease) in Stop Loss Premium Payable	-	-	4,019	4,019
Increase/(Decrease) in PPO Network Fees Payable	-	-	1,017	1,017
Extraordinary Items - Income/(Expense)	2,177	456	1	2,634
Net Cash Provided (Used) for Operating Activities	<u>\$ (308,615)</u>	<u>(150,089)</u>	<u>353,606</u>	<u>\$ (105,098)</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, 2007

ASSETS	Liability Pool	Property Pool	H&W Pool	Total
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
Total Current Assets	\$ 4,233,278	\$ 847,572	\$ 1,445,530	\$ 6,526,380
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
Total Current Liabilities	\$ 2,414,135	\$ 264,598	\$ 540,803	\$ 3,219,536
Total Net Assets	1,819,143	582,974	904,727	3,306,844
Total Net Assets and Liabilities	\$ 4,233,278	\$ 847,572	\$ 1,445,530	\$ 6,526,380

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)
Total Operating Revenues	\$ 1,480,374	1,102,059	6,875,586	\$ 9,458,019
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
Total Operating Expense	\$ 1,664,571	1,159,069	6,871,610	\$ 9,695,250
Operating Income (Loss)	\$ (184,197)	(57,010)	3,976	\$ (237,231)
NONOPERATING REVENUES (EXPENSES):				
Interest on Investments	72,734	20,384	-	93,118
Total Nonoperating Revenue (Expenses)	72,734	20,384	-	93,118
Income (Loss) Before Extraordinary Items	\$ (111,463)	(36,626)	3,976	\$ (144,113)
Extraordinary Items - Revenue/(Expense)	3,644	763	1	4,408
CHANGE IN NET ASSETS	\$ (107,819)	(35,863)	3,977	\$ (139,705)
TOTAL NET ASSETS, January 01	\$ 1,926,962	618,837	900,750	\$ 3,446,549
TOTAL NET ASSETS, December 31	\$ 1,819,143	582,974	904,727	\$ 3,306,844

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&W Pool</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
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>
CASH FLOWS FROM INVESTING ACTIVITIES:				
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