

**UNIVERSITY OF COLORADO
INSURANCE POOL
Denver, Colorado**

**STATUTORY FINANCIAL STATEMENTS
June 30, 2008 and 2007**

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Members of the Legislative Audit Committee:

This report contains the results of the statutory financial audit of the University of Colorado Insurance Pool as of June 30, 2008. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of the departments, institutions and agencies of State government.

Clifton Gunderson LLP

Greenwood Village, Colorado
October 30, 2008

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**UNIVERSITY OF COLORADO INSURANCE POOL
REPORT SUMMARY
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2008**

Purpose and Scope

The Office of the State Auditor, State of Colorado engaged Clifton Gunderson LLP to conduct the financial audit of the University of Colorado Insurance Pool (the Pool) for the fiscal years ended June 30, 2008 and 2007. Clifton Gunderson LLP performed these audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purpose and scope of our audits was to express an opinion on the University of Colorado Insurance Pool's statutory financial statements as of and for the fiscal years ended June 30, 2008 and 2007 prepared in accordance with statutory accounting principles prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado.

Audit Opinions and Reports

We expressed an unqualified opinion on the Pool's statutory financial statements as they present fairly, the financial position, results of operations and cash flows of the Pool, in accordance with statutory accounting principles prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado.

Summary of Key Findings and Recommendations

There were no findings or recommendations reported for the year ended June 30, 2008.

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no findings or recommendations reported for the year ended June 30, 2007.

**UNIVERSITY OF COLORADO INSURANCE POOL
DESCRIPTION OF THE UNIVERSITY OF COLORADO
INSURANCE POOL
FISCAL YEAR ENDED JUNE 30, 2008**

Organization

The University of Colorado Insurance Pool (the Pool) was created on July 1, 1993 as a public entity self-insurance pool, through a liquidating dividend from the University of Colorado Insurance Corporation (the Corporation). The Corporation was organized to provide several types of insurance coverage for the University of Colorado and certain of its affiliates (the University). All assets and liabilities of the Corporation were acquired and assumed by the Pool. The Pool received a certificate of authority from the Division of Insurance of the State of Colorado (the Division).

The University of Colorado Insurance Pool is reported as a blended component unit of the University of Colorado. The University of Colorado is included as part of the State of Colorado's primary government.

The Pool was established to provide employers' liability, workers' compensation, property and liability insurance coverage to its members. Effective October 1, 1996, the Pool ceased the issuance of insurance policies. Since that time, the Pool has remained in operation, in a run-off mode, performing all of the functions it has historically performed with respect to insurance policies the Pool issued prior to October 1, 1996, in compliance with state law and the regulations of the Division.

Independent Auditor's Report

Members of the Legislative Audit Committee

We have audited the accompanying statutory statements of admitted assets, liabilities and members' surplus of the University of Colorado Insurance Pool (Pool), a blended component unit of the University of Colorado, as of June 30, 2008 and 2007, and the related statutory statements of income, changes in members' surplus, and cash flows for the years then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the statutory financial statements, the Pool prepared these financial statements using accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado, which practices differ from accounting principles generally accepted in the United States of America. The principal difference is that investments are reported at amortized cost in the statutory financial statements and are reported at fair value in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the investments were accounted for in accordance with generally accepted accounting principles, investments would be reflected at fair value of \$-0- and \$497,970, and the net increase (decrease) in members' surplus would be \$41,120 and \$(872,544), respectively, for the years ended June 30, 2008 and 2007, as described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the statutory financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the University of Colorado Insurance Pool as of June 30, 2008 and 2007 or the results of its operations or its cash flows for the years then ended.

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and members' surplus of the University of Colorado Insurance Pool as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008 on our consideration of the University of Colorado Insurance Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the statutory financial statements taken as a whole. Appendix A - 001 - Investments is required by the Division of Insurance of the State of Colorado and is presented for purposes of additional analysis and is not a required part of the basic statutory financial statements. This information has been subjected to the auditing procedures applied in the audit of the statutory financial statements, and, in our opinion, is presented fairly, in all material aspects, in relation to the statutory financial statements taken as a whole.

Clifton Gunderson LLP

Greenwood Village, Colorado
October 30, 2008

STATUTORY FINANCIAL STATEMENTS

UNIVERSITY OF COLORADO INSURANCE POOL
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES
AND MEMBERS' SURPLUS
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ADMITTED ASSETS		
Cash and cash equivalents	\$ 1,678,904	\$ 1,116,509
Investments at amortized cost (estimated at fair value \$-0- and \$497,970, respectively)	-	499,600
Due from excess carrier	-	43,677
Accrued investment income	<u>3,075</u>	<u>5,872</u>
TOTAL ADMITTED ASSETS	<u><u>\$ 1,681,979</u></u>	<u><u>\$ 1,665,658</u></u>
LIABILITIES AND MEMBERS' SURPLUS		
LIABILITIES		
Reserve for losses and loss adjustment expenses	\$ 141,832	\$ 167,194
Accounts payable and accrued liabilities	<u>28,708</u>	<u>26,515</u>
Total liabilities	<u>170,540</u>	<u>193,709</u>
MEMBERS' SURPLUS		
Surplus contribution certificates	4,000,000	4,000,000
Paid-in surplus	1,500,000	1,500,000
Unassigned deficit	<u>(3,988,561)</u>	<u>(4,028,051)</u>
Total members' surplus	<u>1,511,439</u>	<u>1,471,949</u>
TOTAL LIABILITIES AND MEMBERS' SURPLUS	<u><u>\$ 1,681,979</u></u>	<u><u>\$ 1,665,658</u></u>

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

UNIVERSITY OF COLORADO INSURANCE POOL
STATUTORY STATEMENTS OF INCOME
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
UNDERWRITING INCOME	\$ -	\$ -
UNDERWRITING EXPENSES		
Net losses and loss adjustment expense, net of recoveries of \$-0- and \$43,677, respectively	(4,845)	(46,341)
Other underwriting expenses	<u>69,200</u>	<u>68,631</u>
Total underwriting expenses	<u>64,355</u>	<u>22,290</u>
UNDERWRITING (LOSS)	(64,355)	(22,290)
NET INVESTMENT INCOME	64,831	108,620
OTHER INCOME	<u>39,014</u>	<u>37,109</u>
NET INCOME BEFORE RETURN OF SURPLUS	39,490	123,439
RETURN OF SURPLUS	<u>-</u>	<u>(1,000,000)</u>
NET INCOME (LOSS)	<u>\$ 39,490</u>	<u>\$ (876,561)</u>

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

UNIVERSITY OF COLORADO INSURANCE POOL
STATUTORY STATEMENTS OF MEMBERS' SURPLUS
Years Ended June 30, 2008 and 2007

	Surplus Contribution Certificates	Paid-in Surplus	Unassigned Deficit	Total
BALANCE - JUNE 30, 2006,	\$ 4,000,000	\$1,500,000	\$ (3,151,490)	\$ 2,348,510
Net (loss)	-	-	(876,561)	(876,561)
BALANCE - JUNE 30, 2007	4,000,000	1,500,000	(4,028,051)	1,471,949
Net income	-	-	39,490	39,490
BALANCE - JUNE 30, 2008	<u>\$ 4,000,000</u>	<u>\$1,500,000</u>	<u>\$ (3,988,561)</u>	<u>\$ 1,511,439</u>

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

UNIVERSITY OF COLORADO INSURANCE POOL
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Loss and loss adjustment expenses paid, net of reinsurance recoveries received	\$ 23,160	\$ (263,009)
Underwriting expenses paid	<u>(67,007)</u>	<u>(68,444)</u>
	(43,847)	(331,453)
Investment income received, net of investment expenses paid	67,228	112,293
Other income	<u>39,014</u>	<u>37,109</u>
Net cash flow provided (required) by operating activities	<u>62,395</u>	<u>(182,051)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investments sold or matured	<u>500,000</u>	<u>-</u>
Net cash flow provided by investing activities	<u>500,000</u>	<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Return of surplus	<u>-</u>	<u>(1,000,000)</u>
Net cash flow (required) by financing activities	<u>-</u>	<u>(1,000,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	562,395	(1,182,051)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,116,509</u>	<u>2,298,560</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,678,904</u>	<u>\$ 1,116,509</u>

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

**UNIVERSITY OF COLORADO INSURANCE POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
June 30, 2008 and 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of Colorado Insurance Pool (the Pool) was created on July 1, 1993 as a public entity self-insurance pool, through a liquidating dividend from the University of Colorado Insurance Corporation (the Corporation). The Pool received a certificate of authority from the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado (the Division). The Pool is reported as a blended component unit of the University of Colorado, which is included as part of the State of Colorado's primary government.

The Corporation was organized with the intention of qualifying as a captive insurance company under the Colorado Captive Insurance Company Act, as amended. The Corporation provided several types of insurance coverage for the University of Colorado and certain of its affiliates (the University). All of the common stock issued and outstanding was owned by the University of Colorado Board of Regents. On July 1, 1993, the Corporation capitalized the Pool through surplus contributions by using the existing surplus of the Corporation upon its dissolution in the amount of \$1,500,000. Surplus contribution certificates of \$3,200,000 and \$800,000 were issued to the University of Colorado and University Hospital, respectively. The certificates are not a legal liability of the Pool and cannot be sold, transferred, pledged, or hypothecated. Insurance coverages provided by the Pool are essentially the same as those that were provided by the Corporation.

The Pool was established to provide employers' liability, workers' compensation, property and liability insurance coverage to its members. Effective October 1, 1996, the Pool ceased the issuance of insurance policies. Since that time, the Pool has remained in operation, in a run-off mode, performing all of the functions it has historically performed with respect to insurance policies the Pool issued prior to October 1, 1996, in compliance with state law and the regulations of the Division.

Basis of Presentation

The accompanying statutory financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Division, which vary in some respects from accounting principles generally accepted in the United States of America.

The more significant differences between prescribed accounting practices and accounting principles generally accepted in the United States of America are as follows:

- Certain assets are designated as "nonadmitted assets" and are excluded from the statement of admitted assets, liabilities and members' surplus by a charge to surplus.
- Investments are carried at amortized cost instead of fair value.
- Subrogation recoveries are not recorded until cash is received.

UNIVERSITY OF COLORADO INSURANCE POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The impact of the differences between accounting principles generally accepted in the United States of America (GAAP) and statutory accounting practices is as follows:

	<u>2008</u>	<u>2007</u>
Statutory net income (loss)	\$ 39,490	\$ (876,561)
Net increase in the fair value of investments	<u>1,630</u>	<u>3,987</u>
GAAP increase (decrease) in net assets	<u>\$ 41,120</u>	<u>\$ (872,574)</u>
Statutory members' surplus	\$ 1,511,439	\$ 1,471,949
Unrealized investment (losses)	<u>-</u>	<u>(1,630)</u>
GAAP net assets	<u>\$ 1,511,439</u>	<u>\$ 1,470,319</u>

Estimates

The preparation of statutory financial statements in conformity with accounting practices prescribed or permitted by the Division requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The reserve for losses and loss adjustment expenses represents estimates of the ultimate unpaid cost, net of reinsurance, of all losses incurred, including losses incurred but not reported. The liability is an estimate and, as such, the ultimate actual liability may vary from the recorded amount. The liabilities are reviewed periodically and adjustments to the reserve are included in operations. Actual results could differ from those estimates and such differences could be significant.

Investments

Investments are carried at amortized cost.

Cash and Cash Equivalents

For purposes of the statutory statement of cash flows, the Pool considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Reserve for Losses and Loss Adjustment Expense

Losses and related adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses (both allocated and unallocated) are determined based upon cash basis evaluations for claims reported and include a provision for incurred but not reported losses. The projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on the Pool's experience and insurance industry data. Losses are reported net of estimated amounts recoverable from excess insurance. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually based on subsequent developments and experience and are included in operations as incurred. The Pool obtained an exemption from the actuarial opinion and reporting requirements from the Division for the fiscal years ended June 30, 2008 and 2007.

**UNIVERSITY OF COLORADO INSURANCE POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
June 30, 2008 and 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Surplus

The Pool has established a plan to maintain a minimum target surplus level of \$750,000 during the claims run-off period.

The Pool's statutory minimum members' surplus requirement is \$500,000 (\$200,000 for workers' compensation, \$200,000 for casualty and \$100,000 for property). At June 30, 2008 and 2007, the Pool's statutory members' surplus was \$1,511,439 and \$1,471,949, respectively.

The Pool declared and paid \$1,000,000 as a return of surplus to the University and University Hospital during the year ended June 30, 2007.

Income Taxes

As an organization described in Internal Revenue Code (IRC) Section 501(c)(3), the Pool is exempt from federal income tax on income related to its exempt purpose under IRC Section 501(a). The Pool had no unrelated income, therefore, no provision for income taxes is included in the financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government, and entities such as the Pool, deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The Colorado Division of Banking and Financial Services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2008 and 2007, the Pool's cash deposits had a bank balance of \$694 and \$(361), respectively, which was fully insured by FDIC. The carrying balance of deposits as of June 30, 2008 and 2007 was \$694 and \$-0-, respectively.

**UNIVERSITY OF COLORADO INSURANCE POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
June 30, 2008 and 2007**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments

The Pool follows the University of Colorado's investment policy which allows for the following investments:

- Obligations of the United States and certain U.S. Government agency securities
- U.S. Corporate or bank debt of certain entities
- Written repurchase agreements collateralized by certain authorized securities
- Certain commercial paper
- Asset-backed securities
- Mortgage-backed securities
- Guaranteed investment contracts (GICs)
- Certain money market funds

The Pool owned the following investments as of June 30, 2008 and 2007:

	<u>2008</u>		<u>2007</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Agency security	\$ -	\$ -	\$ 499,600	\$ 497,970
Blackrock Temp Fund - Money market mutual fund	1,161,216	1,161,216	1,111,509	1,111,509
Wells Fargo Advantage Prime - Money market mutual fund	516,994	516,994	5,000	5,000
	<u>\$ 1,678,210</u>	<u>\$ 1,678,210</u>	<u>\$ 1,616,109</u>	<u>\$ 1,614,479</u>

Total cash and investments as of June 30, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Cash deposits	\$ 694	\$ -
Investments	1,678,210	1,616,109
	<u>\$ 1,678,904</u>	<u>\$ 1,616,109</u>

Cash deposits and investments are reflected on the June 30, 2008 and 2007 statement of admitted assets, liabilities and members' surplus as follows:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 1,678,904	\$ 1,116,509
Investments	-	499,600
	<u>\$ 1,678,904</u>	<u>\$ 1,616,109</u>

An investment with an amortized cost value of \$516,994 and a fair value of \$516,994 were on joint deposit with the Division of Insurance of the State of Colorado at June 30, 2008.

**UNIVERSITY OF COLORADO INSURANCE POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
June 30, 2008 and 2007**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments with an amortized cost value of \$504,600 and a fair value of \$502,970 were on joint deposit with the Division of Insurance of the State of Colorado at June 30, 2007.

NOTE 3 - RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSE

The schedule below presents the changes in the Pool's reserve for losses and loss adjustment expense for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Reserve for losses and loss adjustment expense at beginning of the fiscal year	\$ 167,194	\$ 432,867
Incurred losses and loss adjustment expenses:		
Changes in provisions for insured events of prior fiscal years	(4,845)	(46,341)
Payments, net of recoveries:		
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	<u>(20,517)</u>	<u>(219,332)</u>
Reserve for losses and loss adjustment expense at end of the fiscal year	<u>\$ 141,832</u>	<u>\$ 167,194</u>

The provisions for losses and loss adjustment expenses pertaining to prior years decreased in 2008 and 2007 due to lower than anticipated loss experience for insured events of prior fiscal years.

The estimates of the reserve for losses and loss adjustment expenses are based on the Pool's experience; however, due to the fact that the Pool is in claims run-off, the estimates are not subject to significant variability. The actual cost of settling all reported claims and the actual amount of future losses and loss adjustment expenses may vary from the estimates utilized in the preparation of the statutory financial statements.

The following is a summary of losses and loss adjustment expenses incurred by type of coverage for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Workers' compensation	\$ (4,018)	\$ (69,956)
General liability	149	33,833
ULAE (unallocated loss adjustment expenses)	<u>(976)</u>	<u>(10,218)</u>
	<u>\$ (4,845)</u>	<u>\$ (46,341)</u>

The Pool has purchased two annuities from a life insurance company in settlement with claimants. The amount of reserves no longer carried by the Pool due to the purchase of the annuities with the claimants as payees was approximately \$203,000.

UNIVERSITY OF COLORADO INSURANCE POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 4 - EXCESS INSURANCE CONTRACTS

The Pool has entered into insurance contracts to limit large losses for all lines of coverage. Workers' compensation coverage was provided at statutory limits and employers' liability was provided up to a limit of \$10 million for each accident or employee disease. The Pool's retention for each accident or each employee disease is as follows:

<u>Period</u>	<u>Pool's Retention</u>
July 1, 1986 - June 30, 1990	\$300,000
July 1, 1990 - September 30, 1995	\$500,000
October 1, 1995 - September 30, 1996	\$300,000

The Pool reinsures the excess over these amounts.

Property coverage was provided up to a limit of \$500 million per occurrence. For the period from July 1, 1992 through September 30, 1996, the Pool retains the first \$100,000 per occurrence less a policy holder deductible and reinsures the excess.

Liability insurance, including general liability, auto liability, errors and omissions, and school leaders' coverage was also provided by the Pool. The coverage under this policy was limited to \$10 million per occurrence or wrongful act. The Pool retains the first \$250,000 per occurrence or wrongful act less a policyholder deductible and reinsures the excess.

Insurance contracts do not relieve the Pool from its obligations to its members, and a failure of the insurance company to honor its obligations could result in losses to the Pool. The Pool evaluates and monitors the financial condition of its insurance companies to minimize its exposure to loss from insolvency. Outstanding recoverable amounts under the contracts were \$0- and \$43,677, respectively, for the years ended June 30, 2008 and 2007.

NOTE 5 - POOL MANAGEMENT AND CLAIMS ADMINISTRATION

The Pool has entered into agreements with the University of Colorado for general management, claims administration, recordkeeping, administration of reinsurance, and other contracts and related matters. Fees for such services were \$43,706 and \$48,743, respectively, for the years ended June 30, 2008 and 2007.

NOTE 6 - CONTINGENCIES

The Pool is involved in routine legal proceedings incidental to the conduct of its business. Management believes that none of these legal proceedings will have a material adverse effect on the financial condition, operations or liquidity of the Pool.

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

SUPPLEMENTAL INFORMATION

UNIVERSITY OF COLORADO INSURANCE POOL
Appendix A-001 - Investments
June 30, 2008

SECTION 2.

Investment Risks Interrogatories

1. Total Admitted Assets	<u>\$ 1,681,979</u>
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NOTE:

All other line items contained in Appendix A-001 are not applicable to the University of Colorado Insurance Pool.

UNIVERSITY OF COLORADO INSURANCE POOL
Appendix A-001 - Investments
June 30, 2008

SECTION 3.

Summary Investment Schedule

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	Percentage	Amount	Percentage
8. Cash, cash equivalents and short-term investments	<u>\$ 1,678,904</u>	<u>100.00%</u>	<u>\$ 1,678,904</u>	<u>99.82%</u>
Total invested assets	<u>\$ 1,678,904</u>	<u>100.00%</u>	<u>\$ 1,678,904</u>	<u>99.82%</u>

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Legislative Audit Committee

We have audited the statutory financial statements of the University of Colorado Insurance Pool (the Pool) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University of Colorado Insurance Pool's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of Colorado Insurance Pool's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Legislative Audit Committee, Board of Directors, management of the Pool and the Division of Insurance of the State of Colorado and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Greenwood Village, Colorado
October 30, 2008

Required Communications to the Legislative Audit Committee

October 30, 2008

Members of the Legislative Audit Committee

This letter is to provide you with information about significant matters related to our audit of the financial statements of the University of Colorado Insurance Pool for the year ended June 30, 2008.

The following are our observations arising from the audit that are relevant to your responsibilities in overseeing the financial reporting process.

Auditor's Responsibilities Under Generally Accepted Auditing Standards. Our audit was performed for the purpose of forming and expressing an opinion about whether the financial statements, that we have assisted in the preparation of with management and your oversight, are presented fairly, in all material respects, in conformity with accounting principles prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado. Our audit does not relieve you or management of your responsibilities.

Significant Issues Discussed With Management Prior to Retention. We discuss various matters with management prior to retention as the University of Colorado Insurance Pool's auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Consultations with Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principals or generally accepted auditing standards.

Qualitative Aspects of Accounting Practices.

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University of Colorado Insurance Pool are described in Note 1 to the financial statements. There were no significant accounting policies or their application which were either initially selected or changed during the year.

We noted no transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The reserve for losses and loss adjustment expenses is an estimate of the ultimate losses on reported claims and an estimate of claims incurred but not reported based on the Pool's

experience and insurance industry data. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually based on subsequent developments and experience.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management related to the performance of our audit.

Representations from Management. We have requested representations from management.

Disagreements With Management. There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the University of Colorado Insurance Pool's financial statements or our report on those financial statements.

Please contact Mark Elmshauser if you have any questions regarding the matters included in this letter.

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
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303-869-2800

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Report Control Number 1962