UNIVERSITY OF COLORADO
INSURANCE POOL
Boulder, Colorado

STATUTORY FINANCIAL STATEMENTS
June 30, 2006 and 2005

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Certified Public Accountants & Consultants

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, 2006. 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
August 3, 2006

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REPORT SUMMARY
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2006

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, 2006 and 2005. 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 the fiscal years ended June 30, 2006 and 2005 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 was one finding and recommendation reported for the year ended June 30, 2006 relating to the overpayment of a claim. The Pool has agreed with the recommendation. A summary of the recommendation and the Pool's response can be found in the Recommendation Locator.

Required Communications

Auditor's Responsibility Under Generally Accepted Auditing Standards. Our audit of the statutory financial statements of the Pool for the year ended June 30, 2006, was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Reasonable assurance in an audit is obtained by examining evidence supporting the amounts and disclosures in the financial statements on a test basis. An audit does not include verification of all transactions and account balances, nor does it represent a certification of the absolute accuracy of the financial statements.

In testing whether the financial statements are free of material misstatement, we focus more of our attention on items with a higher potential of material misstatement, and less on items that have a remote chance of material misstatement. For this purpose, accounting literature has defined materiality as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement".

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Although we may make suggestions as to the form and content of the financial statements, or even prepare them in whole or in part, the financial statements remain the representations of management. In an audit, our responsibility with respect to the financial statements is limited to forming an opinion as to whether the financial statements are a fair presentation of the Pool's financial position, results of operations, and cash flows.

Significant Accounting Policies. There were no significant accounting policies or their application which were either initially selected or changed during the year.

Management Judgments and Accounting Estimates. The management of the Pool has made judgments with respect to the reserve for losses and loss adjustment expenses reported in the statutory financial statements. 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. We have reviewed the information supporting management's formulation of accounting estimates and have concluded that the estimates are reasonable in the context of the financial statements taken as a whole. Since the ultimate disposition of claims is subject to uncertainty, the actual losses may vary significantly from the estimate in the statutory financial statements.

Significant Audit Adjustments and Uncorrected Misstatements. There were no audit adjustments made during the completion of fieldwork.

There was one uncorrected misstatement for the year ended June 30, 2006 to record a receivable for the overpayment of claims in the amount of $3,673.

Disagreements with Management. There were no disagreements with management on accounting or financial reporting matters that would have caused us to modify our opinion on the statutory financial statements.

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

Major Issues Discussed With Management Prior to Retention. There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

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

UNIVERSITY OF COLORADO INSURANCE POOL
RECOMMENDATION LOCATOR
FISCAL YEAR ENDED JUNE 30, 2006

Rec. No.	Page No.	Recommendation Summary	Pool's Response	Implementation Date
1	6	The Pool should review changes to fixed benefit payments and review all disbursements made on a monthly basis.	Agree	October 2006

UNIVERSITY OF COLORADO INSURANCE POOL
DESCRIPTION OF THE UNIVERSITY OF COLORADO INSURANCE POOL
FISCAL YEAR ENDED JUNE 30, 2006

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 a blended component unit of the State of Colorado.

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.

UNIVERSITY OF COLORADO INSURANCE POOL
FINDING AND RECOMMENDATION
FISCAL YEAR ENDED JUNE 30, 2006

Payment of Claimant Benefits

During Fiscal Year 2006, the University of Colorado Insurance Pool (UCIP) administered 5 workers compensation claims. One claimant is permanently and totally disabled and receives a specified benefit payment twice a month.

While reviewing the claims paid to the claimant, we noted the claimant was being paid two extra payments of $367.28 each month beginning February 8, 2006. This resulted in a total overpayment of $3,673 during fiscal year 2006.

Since this was a payment for a total and permanent disability, the biweekly payments were set up in the claims system to be automatically paid, with periodic diaries set to notify claims adjusters to check on the claimant's status. Due to the retirement of a claims adjuster, a new adjuster reviewed the automatic payment and incorrectly entered the dates of payment, setting up a new bi-weekly schedule which ran on the opposite weeks of the first automatic payment schedule, thus causing checks to be distributed weekly rather than twice a month. Since this payment has been ongoing for several years, the change was not noted as part of the normal disbursement approval process. In addition, there is currently not a formal review process in place for changes made to the claimant's file, including changes made on continuous claim payments.

The University of Colorado Insurance Pool should institute review procedures for when changes are made to a claimant's file. UCIP should also implement procedures to include reviewing the monthly payment listing for each claimant that receives a specified benefit payment.

Recommendation No. 1:

UCIP should review all changes to fixed claimant's benefit payments within the claims system. In addition, all disbursements should be reviewed in detail on a monthly basis.

Pool Response:

Agree. A change in procedure has been implemented to require supervisor notification whenever a change is made to a claimant's auto pay for indemnity benefits. In addition, adjusters will have the responsibility of reviewing disbursements on a 30 day diary and adding a note to the file when this review has been conducted. Implemented October 2006.

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, 2006 and 2005, 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 $493,125 and $896,140, and the net increase in members' surplus would be $278,180 and $88,571, respectively, for the years ended June 30, 2006 and 2005, 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, 2006 and 2005 or the results of its operations or its cash flows for the years then ended.

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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, 2006 and 2005, 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 August 3, 2006 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 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
August 3, 2006

STATUTORY FINANCIAL STATEMENTS

UNIVERSITY OF COLORADO INSURANCE POOL
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND MEMBERS' SURPLUS
June 30, 2006 and 2005

	2006	2005
ADMITTED ASSETS		
Cash and cash equivalents	$ 2,298,560	$ 1,927,860
Investments at amortized cost (estimated at fair value $493,125 and $896,140, respectively)	498,742	899,342
Accrued investment income	10,403	5,327
TOTAL ADMITTED ASSETS	$ 2,807,705	$ 2,832,529
LIABILITIES AND MEMBERS' SURPLUS		
LIABILITIES		
Reserve for losses and loss adjustment expenses	$ 432,867	$ 751,600
Accounts payable and accrued liabilities	26,328	13,014
Total liabilities	459,195	764,614
MEMBERS' SURPLUS		
Surplus contribution certificates	4,000,000	4,000,000
Paid-in surplus	1,500,000	1,500,000
Unassigned deficit	(3,151,490)	(3,432,085)
Total members' surplus	2,348,510	2,067,915
TOTAL LIABILITIES AND MEMBERS' SURPLUS	$ 2,807,705	$ 2,832,529

These statutory financial statements should be read only in connection with the accompanying notes to statutory financial statements.

UNIVERSITY OF COLORADO INSURANCE POOL
STATUTORY STATEMENTS OF INCOME
Years Ended June 30, 2006 and 2005

	2006	2005
UNDERWRITING INCOME	$ -	$ -
UNDERWRITING EXPENSES		
Net losses and loss adjustment expense, net of recoveries of $42,535 and $29,010, respectively	(215,928)	(64,697)
Other underwriting expenses	79,692	98,750
Total underwriting expenses	(136,236)	34,053
UNDERWRITING INCOME (LOSS)	136,236	(34,053)
NET INVESTMENT INCOME	109,017	58,271
OTHER INCOME	35,342	64,715
NET INCOME	$ 280,595	$ 88,933

These statutory financial statements should be read only in connection with the accompanying notes to statutory financial statements.

UNIVERSITY OF COLORADO INSURANCE POOL
STATUTORY STATEMENTS OF MEMBERS' SURPLUS
Years Ended June 30, 2006 and 2005

	Surplus Contribution Certificates	Paid-in Surplus	Unassigned Deficit	Total
BALANCE - JUNE 30, 2004, as restated	$ 4,000,000	$ 1,500,000	$ (3,521,018)	$ 1,978,982
Net income	-	-	88,933	88,933
BALANCE - JUNE 30, 2005	4,000,000	1,500,000	(3,432,085)	2,067,915
Net income	-	-	280,595	280,595
BALANCE - JUNE 30, 2006	$ 4,000,000	$ 1,500,000	$ (3,151,490)	$ 2,348,510

These statutory financial statements should be read only in connection with the accompanying notes to statutory financial statements.

UNIVERSITY OF COLORADO INSURANCE POOL
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended June 30, 2006 and 2005

	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Loss and loss adjustment expenses paid, net of reinsurance recoveries received	$ (102,805)	$ (434,844)
Underwriting expenses paid	(66,378)	(120,966)
	(169,183)	(555,810)
Investment income received, net of investment expenses paid	102,822	63,348
Other income	35,342	64,715
Net cash flow (required) by operating activities	(31,019)	(427,747)
CASH FLOW FROM INVESTING ACTIVITIES		
Investments sold or matured	900,000	1,800,000
Investments acquired	(498,281)	(1,200,505)
Net cash flow provided by investing activities	401,719	599,495
NET INCREASE IN CASH AND CASH EQUIVALENTS	370,700	171,748
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,927,860	1,756,112
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,298,560	$ 1,927,860

These statutory financial statements should be read only in connection with the accompanying notes to statutory financial statements.

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 a component unit of the State of Colorado.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Investments are carried at amortized cost instead of fair value.

- Subrogation recoveries are not recorded until cash is received.

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

	2006	2005
Statutory net income	$ 280,595	$ 88,933
Net decrease in the fair value of investments	(2,415)	(362)
GAAP increase in net assets	$ 278,180	$ 88,571
Statutory members' surplus	$ 2,348,510	$ 2,067,915
Unrealized investment (losses)	(5,617)	(3,202)
GAAP net assets	$ 2,342,893	$ 2,064,713

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2006 and 2005.

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, 2006 and 2005, the Pool's statutory members' surplus was $2,348,510 and $2,067,915, respectively.

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, 2006 and 2005, the Pool's cash deposits had a bank balance of $424 and $73, respectively, which was fully insured by FDIC. The carrying balance of deposits as of June 30, 2006 and 2005 was $424 and $73, respectively.

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

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The Pool owned the following investments as of June 30, 2006 and 2005:

	2006		2005	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
U.S. Agency security	$ 498,742	$ 493,125	$ 899,342	$ 896,140
Blackrock Temp Fund - Money market mutual fund	2,281,844	2,281,844	1,927,787	1,927,787
Wells Fargo Advantage Prime - Money market mutual fund	16,292	16,292	-	-
	$ 2,796,878	$ 2,791,261	$ 2,827,129	$ 2,823,927

Total cash and investments as of June 30, 2006 and 2005 are summarized as follows:

	2006	**2005**
Cash deposits	$ 424	$ 73
Investments	2,796,878	2,827,129
	$ 2,797,302	$ 2,827,202

Cash deposits and investments are reflected on the June 30, 2006 and 2005 statement of admitted assets, liabilities and members' surplus as follows:

	2006	**2005**
Cash and cash equivalents	$ 2,298,560	$ 1,927,860
Investments	498,742	899,342
	$ 2,797,302	$ 2,827,202

An investment with an amortized cost value of $498,742 and a fair value of $493,125 was on joint deposit with the Division of Insurance of the State of Colorado at June 30, 2006.

An investment with an amortized cost value of $500,245 and a fair value of $497,500 was on joint deposit with the Division of Insurance of the State of Colorado at June 30, 2005.

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, 2006 and 2005:

	2006	2005
Reserve for losses and loss adjustment expense at beginning of the fiscal year	$ 751,600	$ 1,251,141
Incurred losses and loss adjustment expenses:		
Changes in provisions for insured events of prior fiscal years	(215,928)	(64,697)
Payments, net of recoveries:		
Losses and loss adjustment expenses attributable to insured Events of prior fiscal years	(102,805)	(434,844)
Reserve for losses and loss adjustment expense at end of the fiscal year	$ 432,867	$ 751,600

The provisions for losses and loss adjustment expenses pertaining to prior years decreased in 2006 and 2005 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, 2006 and 2005:

	2006	2005
Workers' compensation	$ (197,378)	$ -
General liability	(6,291)	(45,484)
ULAE (unallocated loss adjustment expenses)	(12,259)	(19,213)
	$ (215,928)	$ (64,697)

NOTE 4 - EXCESS INSURANCE CONTRACTS

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

Period	Pool's Retention
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. There were no outstanding recoverable amounts under the contracts at June 30, 2006 or 2005.

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 $57,540 and $71,672, respectively, for the years ended June 30, 2006 and 2005.

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.

NOTE 7 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment to the unassigned deficit as of June 30, 2004 was recorded to establish an estimate of losses and loss adjustment expenses on a general liability claim that had not been recorded in prior years as follows:

Beginning unassigned deficit, as previously reported - June 30, 2004	$ (3,406,618)
Adjustment of losses and loss adjustment expenses	(114,400)
Beginning unassigned deficit, as restated - June 30, 2004	$ (3,521,018)

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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 as of and for the year ended June 30, 2006 and have issued our report thereon dated August 3, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University of Colorado Insurance Pool's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in Finding and Recommendation No. 1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Gunderson LLP

Greenwood Village, Colorado
August 3, 2006

SUPPLEMENTAL INFORMATION

UNIVERSITY OF COLORADO INSURANCE POOL
Appendix A-001 - Investments
June 30, 2006

SECTION 2. **Investment Risks Interrogatories**

1.	Total Admitted Assets			$ 2,807,705
2.	Ten Largest Exposures			
	Issuer	**Description of Exposure**	**Amount**	**Percentage of Total Admitted Assets**
2.01	Federal Home Loan Bank	Note	$ 498,742	17.76%
3.01		Bonds - NAIC - I	$ 498,742	17.76%

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, 2006

SECTION 3. **Summary Investment Schedule**

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	**Percentage**	**Amount**	**Percentage**
1. Bonds				
1.2 U.S. Treasury Securities				
1.22 Issued by U.S. Government sponsored agencies	$ 498,742	17.83%	$ 498,742	17.76%
8. Cash in cash equivalents and short-term investments	2,298,560	82.17%	2,298,560	81.87%
Total invested assets	$ 2,797,302	100.00%	$ 2,797,302	99.63%

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303-869-2800

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