

**COLORADO INTERGOVERNMENTAL
RISK SHARING AGENCY
Denver, Colorado**

**BASIC FINANCIAL STATEMENTS
December 31, 2017 and 2016**

E

RECEIVED

Office of the State Auditor

May 9, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	I
MANAGEMENT’S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Position.....	1
Statements of Revenue, Expenses and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	4
REQUIRED SUPPLEMENTARY INFORMATION	
Reconciliation of Reserves for Unpaid Losses and Loss Adjustment Expenses (Unaudited).....	25
Workers’ Compensation Pool Ten Year Loss Development Information (Unaudited).....	26
Property and Casualty Pool Ten Year Loss Development Information (Unaudited).....	27
SUPPLEMENTARY INFORMATION	
Combining Schedule – Net Position Information.....	28
Combining Schedule - Revenue, Expenses and Changes in Net Position Information.....	30
Combining Schedule - Cash Flow Information	32

INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Intergovernmental Risk Sharing Agency
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Intergovernmental Risk Sharing Agency, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Intergovernmental Risk Sharing Agency as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, reconciliation of reserves for unpaid losses and loss adjustment expenses, and the ten year loss development information on pages III-VIII and 25-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Colorado Intergovernmental Risk Sharing Agency's basic financial statements. The combining schedules on pages 28-33 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
April 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Colorado Intergovernmental Risk Sharing Agency (the Agency or CIRSA) herein sets forth a narrative overview and analysis of its financial activities for the fiscal years ended December 31, 2017 and 2016.

Overview of the Financial Statements

This overview is an introduction to the Agency's financial statements. The Agency's financial statements consist of three components: (1) basic financial statements, (2) notes to the basic financial statements, and (3) required supplementary information that includes ten-year loss development information and combining schedules.

The Statements of Net Position present information regarding the Agency's assets and liabilities, with the difference between the two being reported as Net Position.

The Statements of Revenue, Expenses, and Changes in Net Position present the financial results of operations for the Agency for the two most recent fiscal years. This statement presents information showing how the Net Position changed during the two most recent fiscal years. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Statements of Cash Flows detail the cash used and provided by the various activities of the Agency during the fiscal year. However, this statement does not consider unpaid responsibilities that have been established by contract or other underlying event during the fiscal year.

Analysis of Financial Position

The following is a comparison of the financial position of the Agency at December 31, 2017 to December 31, 2016 and December 31, 2016 to December 31, 2015.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets:			
Cash, investments, and accrued investment income	\$ 79,928,631	\$ 81,115,367	\$ (1,186,736)
Capital assets, net	4,387,910	4,779,229	(391,319)
Other current assets	3,451,742	1,360,069	2,091,673
Total assets	<u>87,768,283</u>	<u>87,254,665</u>	<u>513,618</u>
Liabilities:			
Reserves for unpaid losses and loss adjustment expenses	32,518,728	34,626,118	(2,107,390)
Other current liabilities	1,458,848	1,429,011	29,837
Total liabilities	<u>33,977,576</u>	<u>36,055,129</u>	<u>(2,077,553)</u>
Net position:			
Invested in capital assets	4,387,910	4,779,229	(391,319)
Restricted	524,672	527,461	(2,789)
Unrestricted	48,878,125	45,892,846	2,985,279
Total net position	<u>\$ 53,790,707</u>	<u>\$ 51,199,536</u>	<u>\$ 2,591,171</u>

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Assets:			
Cash, investments, and accrued investment income	\$ 81,115,367	\$ 80,334,087	\$ 781,280
Capital assets, net	4,779,229	5,002,555	(223,326)
Other current assets	<u>1,360,069</u>	<u>952,422</u>	<u>407,647</u>
Total assets	<u>87,254,665</u>	<u>86,289,064</u>	<u>965,601</u>
Liabilities:			
Reserves for unpaid losses and loss adjustment expenses	34,626,118	37,775,702	(3,149,584)
Other current liabilities	<u>1,429,011</u>	<u>1,769,005</u>	<u>(339,994)</u>
Total liabilities	<u>36,055,129</u>	<u>39,544,707</u>	<u>(3,489,578)</u>
Net position:			
Invested in capital assets	4,779,229	5,002,555	(223,326)
Restricted	527,461	527,071	390
Unrestricted	<u>45,892,846</u>	<u>41,214,731</u>	<u>4,678,115</u>
Total net position	<u>\$ 51,199,536</u>	<u>\$ 46,744,357</u>	<u>\$ 4,455,179</u>

Net position as of December 31, 2017, has increased by approximately \$2.6 million from the prior year. The increase has resulted from an approximately \$2.0 million decrease in liabilities and a \$0.5 million increase in assets. The liability decrease is mainly due to a \$2.1 million decrease in reserves for unpaid losses and loss adjustment expenses. This reserve is an estimate of unpaid claims resulting from events that have occurred on or before December 31, 2017 and 2016. That estimate is determined by an independent actuarial study that considers the Agency's historical experience and loss trends.

As of December 31, 2016, net position increased by approximately \$4.5 million from the prior year. The increase has resulted from an approximately \$3.5 million decrease in liabilities and a \$1.0 million increase in assets. The liability increase is mainly due to a \$3.1 million decrease in reserves for unpaid losses and loss adjustment expenses. This reserve is an estimate of unpaid claims resulting from events that have occurred on or before December 31, 2016 and 2015. That estimate is determined by an independent actuarial study that considers the Agency's historical experience and loss trends.

Results of Operations

The following is a comparison of the Agency's Results of Operations for 2017 to 2016 and 2016 to 2015.

	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>	<u>Change</u>
Revenues:			
Member contributions, net	\$ 25,948,155	\$ 25,507,505	\$ 440,650
Investment income, net	836,458	875,367	(38,909)
Total revenues	<u>26,784,613</u>	<u>26,382,872</u>	<u>401,741</u>
Expenses:			
Losses and loss adjustment expenses	14,429,614	12,799,989	1,629,625
General and administrative	9,219,669	8,553,629	666,040
Total expenses	<u>23,649,283</u>	<u>21,353,618</u>	<u>2,295,665</u>
Income (loss) before distributions	<u>\$ 3,135,330</u>	<u>\$ 5,029,254</u>	<u>\$ (1,893,924)</u>
	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>Change</u>
Revenues:			
Member contributions, net	\$ 25,507,505	\$ 24,522,524	\$ 984,981
Investment income, net	875,367	942,786	(67,419)
Total revenues	<u>26,382,872</u>	<u>25,465,310</u>	<u>917,562</u>
Expenses:			
Losses and loss adjustment expenses	12,799,989	18,739,789	(5,939,800)
General and administrative	8,553,629	8,169,134	384,495
Total expenses	<u>21,353,618</u>	<u>26,908,923</u>	<u>(5,555,305)</u>
(Loss) income before distributions	<u>\$ 5,029,254</u>	<u>\$ (1,443,613)</u>	<u>\$ 6,472,867</u>

Although pool rates declined, member contributions increased from 2016 to 2017 as there are six additional members of the property/casualty pool in 2017.

Net investment income decreased from 2016 to 2017 because realized gains on investment sales in 2016 exceeded realized gains on investment sales in 2017.

The increase in loss and loss adjustment expenses from 2016 to 2017 relates to the provision for covered events of prior years. That provision decreased in both 2016 and 2017, but reduction was greater in 2016.

Although pool rates declined, member contributions increased from 2015 to 2016 as three new members joined the property/casualty pool in 2016, and seven new members joined the workers' compensation pool.

Net investment income decreased from 2016 to 2015 because there were gross unrealized losses in 2016 as compared to unrealized gains in 2015. Gross unrealized losses result from a decrease in the fair value of bonds held as interest rates available in the market rise. Interest rates available in the market rose in 2016 while they declined during 2015.

The decrease in loss and loss adjustment expenses from 2016 to 2015 relates to a decrease in the provision for covered events of prior years. Favorable development on both property/casualty and workers' compensation claims during 2016 resulted in a decrease of \$7.4 million in that provision.

Changes in Net Position

The following details the items that generated the change in net position during 2017, 2016, and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning net position	\$ 51,199,536	\$ 46,744,357	\$ 48,922,717
(Loss) income before distributions	3,135,330	5,029,254	(1,443,613)
Distributions and credits to members	<u>(544,159)</u>	<u>(574,075)</u>	<u>(734,747)</u>
Ending net position	<u>\$ 53,790,707</u>	<u>\$ 51,199,536</u>	<u>\$ 46,744,357</u>

The 2017 and 2016 income are explained above. Distributions and credits include loss control audit credits, which are made to members with good safety programs. All the distributions and credits were made to member entities.

The Agency annually updates a target balance for net position. If net position exceeds the target, the Board may approve a distribution back to the members. Since this distribution program was implemented in 1988, \$26.5 million has been returned to members through 2007. The Agency did not distribute any amounts under this program during 2008. Since 2009, even though the Agency did not exceed its target, the Board declared annual equity distributions to members who renewed for coverage years 2010 through 2015.

Until 2017, the target included an amount to increase the confidence level of reserves for unpaid losses and loss adjustment expenses and an amount to generate income to fund certain member credit programs. The Agency's policy was to maintain a net position balance to increase the confidence level on reserves for unpaid losses and loss adjustment expenses from the expected value to a 95% confidence level, as determined annually by an independent actuarial study.

In 2017, PriceWaterhouseCoopers LLP conducted a comprehensive study, which identified and quantified specific financial risks facing the Agency including underwriting risk, reserving risk, asset and credit risk and operational risk. A target net position policy was established by the Board to set a minimum target net position equal to a 1-in-200 year occurrence and a maximum target net position as two times a 1-in-200 year occurrence. Briefly, a 1-in-200 year occurrence is defined as a financial event occurring in the next one year time horizon for which there is a 0.5% chance that the Agency's financial risks will fully deplete the Agency's net position. The policy states that if net position exceeds the maximum target, the amount above that maximum will be returned to members. The Agency's net position falls within the target net position range.

Capital Assets

At the end of 2017, the Agency had invested \$4.4 million in a range of capital assets, primarily a home office building and computer equipment. The additions to the capital assets were exceeded by deductions for depreciation.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 750,400	\$ 750,400	\$ -
Buildings and improvements	3,321,625	3,553,968	(232,343)
Machinery and equipment	993	1,660	(667)
Furniture and fixtures	23,803	35,941	(12,138)
Computer equipment	291,089	437,260	(146,171)
	<u>\$ 4,387,910</u>	<u>\$ 4,779,229</u>	<u>\$ (391,319)</u>

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land	\$ 750,400	\$ 750,400	\$ -
Buildings and improvements	3,553,968	3,739,074	(185,106)
Machinery and equipment	1,660	1,353	307
Furniture and fixtures	35,941	39,990	(4,049)
Telephone system	-	3,779	(3,779)
Computer equipment	437,260	467,959	(30,699)
	<u>\$ 4,779,229</u>	<u>\$ 5,002,555</u>	<u>\$ (223,326)</u>

Major capital additions relate to computer and equipment, significantly development of a new website.

More detailed information about the Agency's capital assets is presented in Note 7 to the financial statements.

Economic Factors

The following important economic factors should be considered when evaluating the financial position and operating results of the Agency.

Loss and loss adjustment expenses and the corresponding reserve are based on estimates that are subject to inherent variability caused by the nature of the insurance process. The potentially long period between the occurrence of an insured event and the final settlement of a claim and the possible effects of changes in the legal, social, and economic environments contribute to this variability. In response to this uncertainty, the Agency continually reviews these estimates, obtains independent actuarial studies, and adjusts the estimates as necessary as experience develops or new information becomes known. Such adjustments are made in current operations. Also, the Agency maintains a balance in net position, which increases funding of unpaid claim responsibilities to a 95% confidence level, as determined by independent actuarial studies.

Investments in debt securities consist of United States government, municipal and corporate obligations, which are carried at fair value. The fair value of investments is subject to volatility due to market conditions, such as market interest rates. An increase in market interest rates will cause a reduction in the fair value of debt securities already held and impact the Agency's financial position by creating unrealized losses. Conversely, a decrease in market interest rates will cause an increase in the fair value of debt securities already held and impact the Agency's financial position by creating unrealized gains. The Agency adheres to an investment policy and applicable Colorado statutes to maintain a high-quality portfolio. These investments are monitored regularly and managed with the assistance of a professional advisory firm.

Contacting the Agency's Financial Management

This financial report is designed to provide our members, regulators and other interested parties with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Agency's Finance Department, 3665 Cherry Creek North Drive, Denver, CO 80209.

BASIC FINANCIAL STATEMENTS

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

Assets	2017	2016
Current assets:		
Investments in debt securities, at fair value (amortized cost of \$7,837,201 and \$11,925,995 at December 31, 2017 and 2016, respectively)	\$ 7,813,774	\$ 11,949,979
Cash and cash equivalents	3,852,285	4,528,974
Accrued investment income	282,812	248,983
Receivable from members	1,010,916	789,439
Excess insurance receivable, net	2,151,327	339,027
Prepaid expenses	285,125	226,394
Other assets	4,374	5,209
Total current assets	15,400,613	18,088,005
Noncurrent assets:		
Investments in debt securities, at fair value (amortized cost of \$68,042,445 and \$64,154,799 at December 31, 2017 and 2016, respectively)	67,281,859	63,689,530
Deposit with NLC Mutual Insurance Company	697,901	697,901
Capital assets, net	4,387,910	4,779,229
Total noncurrent assets	72,367,670	69,166,660
Total assets	\$ 87,768,283	\$ 87,254,665
Liabilities and Net Position		
Current liabilities:		
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	\$ 11,343,000	\$ 11,524,000
Accounts payable and accrued liabilities	569,973	504,905
Member credits payable	801,200	836,059
Special contribution plan deposits	25,000	25,000
Unearned member contributions	62,675	63,047
Total current liabilities	12,801,848	12,953,011
Noncurrent liabilities:		
Reserves for unpaid losses and loss adjustment expenses, net, of excess insurance recoverables	21,175,728	23,102,118
Total noncurrent liabilities	21,175,728	23,102,118
Total liabilities	33,977,576	36,055,129
Net position:		
Invested in capital assets	4,387,910	4,779,229
Restricted	524,672	527,461
Unrestricted	48,878,125	45,892,846
Total net position	53,790,707	51,199,536
Total liabilities and net position	\$ 87,768,283	\$ 87,254,665

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

**COLORADO INTERGOVERNMENTAL RISK AGENCY
STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION**

Years ended December 31, 2017 and 2016

	2017	2016
Operating revenues:		
Member contributions earned (net of excess insurance and reinsurance premiums and brokerage commissions of \$7,175,625 and \$6,756,472 in 2017 and 2016, respectively)	<u>\$ 25,948,155</u>	<u>\$ 25,507,505</u>
Total operating revenues	<u>25,948,155</u>	<u>25,507,505</u>
Operating expenses:		
Losses and loss adjustment expenses	14,429,614	12,799,989
General and administrative	<u>9,219,669</u>	<u>8,553,629</u>
Total operating expenses	<u>23,649,283</u>	<u>21,353,618</u>
Operating income (loss)	2,298,872	4,153,887
Nonoperating revenue:		
Net investment income	<u>836,458</u>	<u>875,367</u>
Income (loss) before distributions	3,135,330	5,029,254
Distributions and credits to members and withdrawn members	<u>(544,159)</u>	<u>(574,075)</u>
Increase (decrease) in net position	2,591,171	4,455,179
Net position, beginning of year	<u>51,199,536</u>	<u>46,744,357</u>
Net position, end of year	<u><u>\$ 53,790,707</u></u>	<u><u>\$ 51,199,536</u></u>

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

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY

STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Contributions collected from members, net of excess insurance premiums and brokerage commissions paid	\$ 25,864,357	\$ 25,413,147
Other amounts collected (paid)	942	(2,466)
Losses and loss adjustment expenses paid, net	(18,525,104)	(16,331,654)
General and administrative expenses paid	<u>(8,668,016)</u>	<u>(8,128,598)</u>
Net cash provided by (used in) operating activities	<u>(1,327,821)</u>	<u>950,429</u>
Cash flows from noncapital financing activities:		
Distributions and credits to members	<u>(579,018)</u>	<u>(739,475)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(116,421)	(330,027)
Disposal of capital assets	69	24,986
Net cash used in capital and related financing activities:	<u>(695,370)</u>	<u>(1,044,516)</u>
Cash flows from investing activities:		
Purchases of investments	(35,482,734)	(78,699,568)
Proceeds from call or sales of investments	29,247,364	63,548,923
Proceeds from maturities of investments	6,435,365	8,680,000
Investment income collected, net	<u>1,146,507</u>	<u>1,061,531</u>
Net cash provided by (used in) provided by investing activities	<u>1,346,502</u>	<u>(5,409,114)</u>
Net decrease in cash and cash equivalents	<u>(676,689)</u>	<u>(5,503,201)</u>
Cash and cash equivalents, beginning of year	<u>4,528,974</u>	<u>10,032,175</u>
Cash and cash equivalents, end of year	<u>\$ 3,852,285</u>	<u>\$ 4,528,974</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,298,872	\$ 4,153,887
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	507,671	528,367
Changes in operating assets and liabilities:		
Receivable from members	(221,477)	(301,064)
Excess insurance receivable	(1,812,300)	(86,401)
Prepaid expenses and other assets	(57,895)	(20,185)
Reserves for unpaid losses and loss adjustment expenses	(2,107,390)	(3,149,583)
Accounts payable and accrued liabilities	65,070	(114,235)
Unearned member contributions	<u>(372)</u>	<u>(60,357)</u>
Net cash provided by operating activities	<u>\$ (1,327,821)</u>	<u>\$ 950,429</u>

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

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Colorado Intergovernmental Risk Sharing Agency

Colorado Intergovernmental Risk Sharing Agency (CIRSA or the Agency) was formed January 1, 1991, by the combination of the Colorado Intergovernmental Risk Sharing Agency Property and Casualty Pool (Property and Casualty Pool or CIRSA/PC) and the Colorado Intergovernmental Risk Sharing Agency for Workers' Compensation Pool (Workers' Compensation Pool or CIRSA/WC). The Property and Casualty Pool was originally formed January 1, 1982 to provide property and liability coverages and related services for its member municipalities. The Workers' Compensation Pool was originally formed January 1, 1988 to provide workers' compensation coverages and related services for its member municipalities. The combination was made pursuant to authorization by the board of directors and by a vote of the membership, and accordingly, the financial statements are presented on the Agency as a single entity.

Membership in CIRSA is evidenced by execution of the Bylaws and Intergovernmental Agreement. At December 31, 2017, CIRSA membership consisted of 228 municipalities and 44 special districts. There were 269 members of the Property and Casualty Pool and 140 members of the Workers' Compensation Pool with 137 being members of both pools. At December 31, 2017, 196 member municipalities have populations of less than 10,000; 22 member municipalities have populations between 10,000 and 40,000; and 10 member municipalities have populations between 40,000 and 125,000. Based on earned premium, approximately 73% relates to property and casualty and 27% relates to workers' compensation coverage. CIRSA's general objectives are to provide member municipalities and special districts defined property and liability and/or workers' compensation coverages through joint self-insurance and excess insurance. Any member may withdraw from CIRSA by giving written notice to the board of directors of the prospective effective date of its withdrawal. Members may be admitted by a vote of the board of directors absent a membership request to deny admittance. CIRSA's rate-setting policies are established by the board of directors, in consultation with independent actuaries. The board of directors may credit members' future contributions if the board considers total net position exceeds business needs. Although it has never occurred, CIRSA member municipalities and special districts are subject to a supplemental assessment in the event of a deficiency. In addition to the coverage described above, the board of directors has authorized CIRSA to provide claims administration and loss control services to Colorado nonmember public entities. At December 31, 2017 and 2016, the Agency was not providing this service to any other nonmember public entity.

Reporting Entity and Fund Type

The Agency has no component units using the criteria as set forth in accounting principles generally accepted in the United States of America, set forth by the Governmental Accounting Standards Board. The Agency is a public entity risk pool and is accounted for as an enterprise fund (a business-type activity).

Basis of Presentation

The accompanying basic financial statements have been prepared using the flow of economic resources measurement focus and the accrual method of accounting, in accordance with accounting principles generally accepted in the United States of America. The Property and Casualty Pool and Workers' Compensation Pool are accounted for separately for the purpose of identifying economic funds and member interests but are presented as a single entity in the accompanying basic financial statements. All inter-pool accounts and transactions have been eliminated.

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America 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. Significant estimates include the reserves for unpaid losses and loss adjustment expenses. Actual results could differ from those estimates.

Net Position

Net position is classified as follows:

Invested in capital assets: This represents the total investment in capital assets net of accumulated depreciation. There is no outstanding debt related to these capital assets.

Restricted net position: Restricted net position includes amounts that are on deposit with the Division of Insurance of the State of Colorado to satisfy regulatory requirements.

Unrestricted net position: Unrestricted net position represents resources from the continuing operations of the Agency that are not invested in capital assets or restricted as to use by an external third party.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use unrestricted resources first, then restricted, as needed.

Classification of Revenues and Expenses

The Agency has classified revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses: Revenues and expenses that result from providing property and liability coverages, workers' compensation coverage, claims administration, and loss control services and related services for member municipalities and nonmember public entities.

Nonoperating revenues and expenses: Revenues and expenses that are not included as operating revenues or expenses. Nonoperating revenues include investment income.

Investments

Investments in debt securities consist of United States government and corporate obligations and are carried at fair value, which is based upon quoted market prices.

The Agency accounts for its investments in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 requires governmental entities to report investments at fair value in the statement of net position. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The amortization of bond premium or discount is calculated using the effective interest method taking into consideration specified interest and principal provisions over the life of the bond. Bonds containing call provisions are amortized to the call or maturity value or date that produces the lowest asset value.

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The classification of investments as current or noncurrent is based on the maturity date of the security and the ability to be used to pay current obligations. Generally, investments maturing within a year are classified as current.

All investment income, including changes in the fair value of investments, is recognized as revenue (or expense) in the statement of revenue, expenses, and changes in net position. Gains and losses on investments sold are realized in operations and are computed based on the specific-identification method. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on deposit, money market funds, and other investments with maturities of three months or less at the date of acquisition. The Agency's cash on deposit amounts are held in Colotrast and Wells Fargo accounts.

Cash deposits in non-interest bearing accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation for 2017 and 2016, respectively. At December 31, 2017 and 2016, the Agency's cash deposits in non-interest bearing accounts had balances of \$1,526,743 and \$1,969,667, respectively. Also, these amounts, in addition to cash deposits in interest bearing accounts, are collateralized by securities held by another institution or held in trust, as required by the provisions of the Public Deposit Protection Act.

Capital Assets

Capital assets are stated at cost at the date of acquisition. CIRSA's capitalization policy includes all items with a value of \$2,500 or more, and an estimated useful life of greater than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset class</u>	<u>Useful life in years</u>
Buildings and improvements	30 years
Machinery and equipment	3 years
Furniture and fixtures	5 years
Telephone system	3 years
Computer equipment	3-5 years

Member Contributions

Member contributions are earned on a pro rata basis over the applicable contract periods. The period over which risk protection is provided is generally consistent with the contract period, and the contract periods are consistent with the Agency's fiscal year-end. The members' coverages are continuous until canceled. At December 31, 2017 and 2016, there are no contract acquisition costs that should be deferred. Member contributions receivable, if significantly aged, can be recovered by withholding applicable credits. As such, no allowance is recorded and no receivables are written off. The Agency considers anticipated investment income in determining if a premium deficiency exists.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess Insurance and Reinsurance

The cost of excess insurance and reinsurance coverage is charged to income ratably over the period of coverage and is reported as a reduction of member contributions earned. Losses, loss adjustment expenses, and the reserves for loss and loss adjustment expenses are reported net of reinsured amounts.

Reserve for Unpaid Losses and Loss Adjustment Expenses

The reserve for unpaid losses and loss adjustment expenses represents the estimated ultimate net cost of all claims reported, plus claims incurred and not reported and the related loss adjustment expenses, including the effects of inflation and other societal and economic factors. The Agency does not discount reserves for unpaid losses and loss adjustment expenses. The reserve for unpaid losses and loss adjustment expenses is estimated by an independent third-party actuary using individual case-basis valuations and statistical analysis. Those estimates are subject to inherent variability caused by the nature of the insurance process. The potentially long period between the occurrence of an insured event and the final settlement of a claim and the possible effects of changes in the legal, social, and economic environments contribute to this variability. Although considerable variability is inherent in the estimates of ultimate losses and loss adjustment expenses and the resulting reserves, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations. The reserve for unpaid losses and loss adjustment expenses is classified as current or noncurrent based on an independent actuarial estimate of the amount of losses and loss adjustment expenses to be paid in the next year.

Income Taxes

The Agency provides an essential governmental function to its members as described in Section 115 of the Internal Revenue Code, and accordingly, its revenue is exempt from federal and state income taxes. The Agency has received a determination letter regarding its tax status from the Internal Revenue Service. Therefore, the accompanying basic financial statements do not include a provision for income taxes.

Administration Fee

Most general and administrative expenses of CIRSA are recorded by CIRSA/PC, which charges an administration fee to CIRSA/WC for its share of these expenses. Administration fees, which were \$1,165,007 and \$655,669 during 2017 and 2016, respectively, are eliminated in the accompanying basic financial statements.

Member Credits Payable

Each year, CIRSA's board of directors declares and allocates various credits to members. As of December 31, 2017, and 2016, member credits payable consists of the following:

	<u>2017</u>	<u>2016</u>
Loss control credit accounts	\$ 772,365	\$ 803,243
Equity credits held for deductibles	28,835	32,816
	<u>\$ 801,200</u>	<u>\$ 836,059</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss Control Credit Accounts

The Loss Control Credit Accounts Program was designed to encourage members to establish and implement safety-related programs. During 2017 and 2016, the board of directors designated \$543,793 and \$573,836, respectively, to be allocated to members based on the results of an annual loss control audit performed by CIRSA. Members receive a "score" for loss control activities during the year and the total loss control credit is allocated to members based on this score. Members can apply their credit to future contributions, receive a cash payment, or receive loss control credits, which can be applied to the purchase of safety-related items. Undistributed amounts in loss control credit accounts were \$772,365 and \$803,243 at December 31, 2017 and 2016, respectively.

Equity Credits

In prior years, the CIRSA board awarded equity credits for members of the property and casualty pool when the net position of the pool was considered to have exceeded business needs. Members may retain these distributions in the pools so that the credits can be applied against future deductible payments and the credits earn interest. Interest of \$366 and \$238 was credited in 2017 and 2016, respectively. The equity credits held for deductibles payable at December 31, 2017 and 2016 were \$28,835 and \$32,816, respectively. The equity credits to be paid to members were \$0 at December 31, 2017 and 2016, respectively.

Vacation and Sick Pay

Agency employees earn sick leave at a rate of eight hours per month. Accumulated sick leave in excess of 520 hours is payable at one-half of the cash value at year-end.

For their first 20 years of service, employees are entitled to 10 to 20 days of vacation leave per year depending on their length of service. For each additional year of service over 20, an additional vacation day is added to their annual vacation leave. A maximum of 80 hours of earned vacation leave may be carried forward to subsequent years. Unused vacation leave is paid to the employee upon termination.

Vacation pay and excess sick pay is recorded as an expense when earned by Agency employees. At December 31, 2017 and 2016, accrued vacation and sick pay aggregated \$200,043 and \$202,464, respectively. Such amounts are included in accounts payable and accrued liabilities on the accompanying statements of net position.

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 - INVESTMENTS

The Agency's investments in debt securities at December 31 are summarized as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
2017:				
U.S. Treasury securities	\$ 34,080,589	\$ -	\$ (415,248)	\$ 33,665,341
U.S. Government agency obligations	18,800,237	23,691	(227,903)	18,596,025
Corporate obligations	18,810,349	7,198	(142,716)	18,674,831
Municipal bonds	1,442,310	-	(20,388)	1,421,922
Commercial paper	1,096,535	-	(534)	1,096,001
Negotiable Certificates of deposit	1,649,626	326	(8,439)	1,641,513
Total	<u>\$ 75,879,646</u>	<u>\$ 31,215</u>	<u>\$ (815,228)</u>	<u>\$ 75,095,633</u>
2016:				
U.S. Treasury securities	\$ 18,120,492	\$ 6,024	\$ (278,922)	\$ 17,847,594
U.S. Government agency obligations	33,266,155	160,745	(202,156)	33,224,744
Corporate obligations	16,845,196	4,936	(124,452)	16,725,680
Municipal bonds	1,453,658	-	(17,130)	1,436,528
Commercial paper	5,345,687	802	-	5,346,489
Negotiable Certificates of deposit	1,049,606	8,868	-	1,058,474
Total	<u>\$ 76,080,794</u>	<u>\$ 181,375</u>	<u>\$ (622,660)</u>	<u>\$ 75,639,509</u>

Fair values represent quoted market value prices for securities traded in the public marketplace. The Agency's investment holdings are primarily classified per GASB No. 72, as Level 2 inputs within the Fair Value hierarchy, except for U.S. Treasury securities investment holdings that are classified as Level 1 inputs within the Fair Value hierarchy.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a hierarchy for fair value measurements based upon the inputs to the valuation and the degree to which they are observable or not observable in the market. The three levels in the hierarchy are as follows:

- Level 1 – Inputs to the valuation are based upon quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.
- Level 2 – Inputs to the valuation include quoted prices in either markets that are not active, or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data.
- Level 3 – Inputs to the valuation are unobservable inputs for the asset or liability.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 - INVESTMENTS (CONTINUED)

Financial assets measured at fair value on a recurring basis are reflected in the Agency's balance sheet at December 31, 2017 as follows:

	12/31/2017	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 33,665,341	\$ 33,665,341	\$ -	\$ -
U.S. Government agency obligations	18,596,025	-	18,596,025	-
Corporate obligations	18,674,831	-	18,674,831	-
Municipal bonds	1,421,922	-	1,421,922	-
Commercial paper	1,096,001	-	1,096,001	-
Certificates of deposit	1,641,513	-	1,641,513	-
	<u>\$ 75,095,633</u>	<u>\$ 33,665,341</u>	<u>\$ 41,430,292</u>	<u>\$ -</u>
Financial assets that are not leveled:				
NLC Mutual Insurance Company	\$ 697,901			
Colostrust	2,902,592			

Financial assets measured at fair value on a recurring basis are reflected in the Agency's balance sheet at December 31, 2016 as follows:

	12/31/2016	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 17,847,594	\$ 17,847,594	\$ -	\$ -
U.S. Government agency obligations	33,224,744	-	33,224,744	-
Corporate obligations	16,725,680	-	16,725,680	-
Municipal bonds	1,436,528	-	1,436,528	-
Commercial paper	5,346,489	-	5,346,489	-
Negotiable Certificates of deposit	1,058,474	-	1,058,474	-
	<u>\$ 75,639,509</u>	<u>\$ 17,847,594</u>	<u>\$ 57,791,915</u>	<u>\$ -</u>
Financial assets that are not leveled:				
NLC Mutual Insurance Company	\$ 697,901			
Colostrust	3,057,772			

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 2 - INVESTMENTS (CONTINUED)

A summary of the amortized cost and fair value of the Agency's investments in debt securities at December 31, 2017 and 2016, by contractual maturity, is as follows:

	<u>2017</u>	
	Amortized Cost	Fair Value
Maturity:		
Due in one year or less	\$ 7,837,201	\$ 7,813,774
Due after one through five years	62,495,964	61,855,667
Due after five through ten years	<u>5,546,481</u>	<u>5,426,192</u>
	<u>\$ 75,879,646</u>	<u>\$ 75,095,633</u>
	<u>2016</u>	
	Amortized Cost	Fair Value
Maturity:		
Due in one year or less	\$ 11,925,995	\$ 11,949,979
Due after one through five years	55,466,596	55,263,973
Due after five through ten years	<u>8,688,203</u>	<u>8,425,557</u>
	<u>\$ 76,080,794</u>	<u>\$ 75,639,509</u>

As of December 31, 2017, the Agency had the following investments:

<u>Investment type</u>	<u>Fair value</u>	<u>Remaining maturity (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury securities	\$ 33,665,341	\$ 2,875,720	\$ 26,716,117	\$ 4,073,504
U.S. Government agency obligations	18,596,025	2,543,454	15,052,993	999,578
Corporate obligations	18,674,831	249,382	18,072,339	353,110
Municipal bonds	1,421,922	-	1,421,922	-
Commercial paper	1,096,001	1,096,001	-	-
Certificates of deposit	<u>1,641,513</u>	<u>1,049,217</u>	<u>592,296</u>	<u>-</u>
	75,095,633	7,813,774	61,855,667	5,426,192
Local government investment pool	<u>2,902,592</u>	<u>2,902,592</u>	<u>-</u>	<u>-</u>
	<u>\$ 77,998,225</u>	<u>\$ 10,716,366</u>	<u>\$ 61,855,667</u>	<u>\$ 5,426,192</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 - INVESTMENTS (CONTINUED)

As of December 31, 2016, the Agency had the following investments:

Investment type	Fair value	Remaining maturity (in years)		
		Less than 1	1-5	6-10
U.S. Treasury securities	\$ 17,847,594	\$ 1,828,176	\$ 9,509,067	\$ 6,510,351
U.S. Government agency obligations	33,224,744	1,895,651	30,324,951	1,004,142
Corporate obligations	16,725,680	2,879,663	12,934,953	911,064
Municipal bonds	1,436,528	-	1,436,528	-
Commercial paper	5,346,489	5,346,489	-	-
Certificates of deposit	1,058,474	-	1,058,474	-
	<u>75,639,509</u>	<u>11,949,979</u>	<u>55,263,973</u>	<u>8,425,557</u>
Local government investment pool	3,057,772	3,057,772	-	-
	<u>\$ 78,697,281</u>	<u>\$ 15,007,751</u>	<u>\$ 55,263,973</u>	<u>\$ 8,425,557</u>

As of December 31, 2017, and 2016, the Agency had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust records its investments at fair value and the Agency records its investment in the Trust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency matches the duration of its bond portfolio to the corresponding liabilities. The applicable duration is determined by an annual actuarial study. Callable bonds are considered in the duration calculation at their call date, if deemed to be priced to be called. Additionally, the Agency's investment policy limits the maturity of bonds to fifteen years from the date of purchase.

Credit Risk

At December 31, 2017 and 2016, the Agency's holdings of U.S. agency obligations were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. COLOTRUST has been rated AAAM by Standard & Poor's at December 31, 2017 and 2016.

State law limits investments in corporate bonds to those that carry at least two credit ratings from any of the nationally recognized credit rating agencies that are not rated below "AA- or Aa3" upon purchase. State law limits investments in municipal bonds to those that carry at least two credit ratings from any of the nationally recognized credit rating agencies that are not rated below "AA" upon purchase. Further, state law limits investments in commercial paper to those that carry at least two credit ratings from any of the nationally recognized credit rating agencies that are not rated below "A1, P1 or F1" upon purchase. Each of the Agency's corporate bonds, municipal bonds and commercial paper meets or exceeds these criteria upon purchase. Most of the Agency's corporate bonds, municipal bonds and commercial paper remain at or above these criteria as of December 31, 2017 and 2016. However, corporate bonds of Bank of Nova Scotia, Bank of Montreal, IBM Corp, and General Electric Corp have subsequently fallen below these criteria. The Agency continues to monitor these investments closely.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 2 - INVESTMENTS (CONTINUED)

Corporate obligations	Amount	Rating as of December 31, 2017
Chevron Corp	\$ 2,529,737	AA-
Apple Inc	1,741,342	AA+
Toyota Motor Credit	1,682,638	AA-
Bank of Nova Scotia	1,413,844	A+
Bank of Montreal	1,411,160	A+
Walmart Stores Inc	1,368,267	AA
Microsoft Corp	1,330,532	AAA
WestPac Banking Corp	1,298,334	AA-
Colgate-Palmolive Company	1,123,873	AA-
Coca-Cola Company	753,631	AA-
Procter & Gamble Company	598,225	AA-
Johnson & Johnson Corp	589,910	AAA
Royal Bank of Canada	586,190	AA-
Bershire Hathaway Finance	522,959	AA
Toronto Dominion Bank NY	518,887	AA-
General Electric Corp	507,905	A
IBM Corp	448,690	A+
Exxon Mobile	248,707	AA+
Total	<u>\$ 18,674,831</u>	

Commercial Paper	Amount	Rating as of December 31, 2017
Bank of Toyko Mitsubishi UFJ	\$ 572,383	A-1
Credit Agricole Cib NY	523,618	A-1
Total	<u>\$ 1,096,001</u>	

U.S. Government Agency Obligations	Amount	Rating as of December 31, 2017
Federal National Mortgage Association	\$ 8,928,401	AA+
Federal Home Loan Bank	4,498,880	AA+
Federal Home Loan Mortgage Corp.	1,916,489	AA+
Federal Farm Credit Bank	3,252,255	AA+
Total	<u>\$ 18,596,025</u>	

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 2 - INVESTMENTS (CONTINUED)

U.S. Treasury Securities	Amount	Rating as of December 31, 2017
U.S. Treasury	\$ 33,665,341	AA+
Municipal Bonds	Amount	Rating as of December 31, 2017
Florida State Board of Administration Finance Corp	\$ 1,421,922	AA
Negotiable Certificates of Deposit	Amount	Rating as of December 31, 2017
Canadian Imperial Bank NY	\$ 523,892	A-1
Skandinav Enskilda Banken NY	592,296	A+
Nordea Bank Finland NY	525,325	A-1+
	<u>\$ 1,641,513</u>	
Corporate obligations	Amount	Rating as of December 31, 2016
Toyota Motor Credit	\$ 2,306,452	AA-
Chevron Corp	1,845,774	AA-
Apple Inc	1,738,175	AA+
WestPac Banking Corp	1,532,543	AA-
Bank of Nova Scotia	1,411,941	A+
Bank of Montreal	1,406,335	A+
Commonwealth Bank of Australia	1,355,440	AA-
Microsoft Corp	1,087,335	AAA
IBM Corp	1,060,858	AA-
Coca-Cola Company	754,950	AA-
Bershire Hathaway Finance	679,477	AA
Johnson & Johnson Corp	586,643	AAA
Toronto Dominion Bank NY	517,456	AA-
Procter & Gamble Company	442,301	AA-
Total	<u>\$ 16,725,680</u>	

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 2 - INVESTMENTS (CONTINUED)

Commercial Paper	Amount	Rating as of December 31, 2016
BNP Paribas NY	\$ 2,023,841	A-1
Cooperatieve Rabobank UA	1,749,842	AA-
ING Funding LLC	524,439	A-1
Credit Agricole Cib NY	524,274	A-1
JP Morgan Securities LLC	524,093	A-1
Total	<u>\$ 5,346,489</u>	

Municipal Bonds	Amount	Rating as of December 31, 2016
Florida State Board of Administration Finance Corp	<u>\$ 1,436,528</u>	AA

Negotiable Certificates of Deposit	Amount	Rating as of December 31, 2016
Canadian Imperial Bank NY	\$ 529,237	A+
Nordea Bank Finland NY	529,237	AA-
	<u>\$ 1,058,474</u>	

U.S. Government Agency Obligations	Amount	Rating as of December 31, 2016
Fannie Mae	\$ 10,552,157	AA+
Federal Home Loan Banks	8,895,202	AA+
Freddie Mac	7,655,488	AA+
Federal Farm Credit Banks	6,121,897	AA+
	<u>\$ 33,224,744</u>	

U.S. Treasury Securities	Amount	Rating as of December 31, 2016
U.S. Treasury	<u>\$ 17,847,594</u>	AA+

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 - INVESTMENTS (CONTINUED)

Concentration of Credit Risk

State law limits investments in corporate bonds of any single issuer to five percent of the Agency's portfolio. No single issuer of corporate bonds represents more than five percent of the Agency's portfolio. However, more than 5 percent of the Agency's investments were invested as follows as of December 31:

	2017		2016	
Federal National Mortgage Association	\$ 8,928,401	11.89%	\$ 10,552,156	13.95%
Federal Home Loan Bank	4,498,880	5.99%	8,895,203	11.76%
Federal Home Loan Mortgage Corp.	-	-	7,655,488	10.12%
Federal Farm Credit Bank	-	-	6,121,897	8.09%

Proceeds from the sales, calls and maturities of debt securities during 2017 and 2016 were approximately \$35,683,000 and \$72,229,000, respectively. Gross gains of \$114,402 and \$327,069, respectively, were realized on those sales and calls. Gross losses of \$81,116 and \$17,117, respectively, were realized on sales and calls.

At December 31, 2017 and 2016, bonds with a carrying value of \$524,672 and \$527,461, respectively, were pledged to the Division of Insurance of the State of Colorado to satisfy regulatory requirements.

The carrying amounts of other financial instruments at December 31, 2017 and 2016, which includes cash and cash equivalents, short-term investments, premiums receivable, interest and dividends due, and accrued accounts payable and accrued other expenses, and payables to affiliates, approximate their fair values because of the short maturity of these instruments. However, commercial paper included in cash equivalents and short-term investments is carried at amortized cost.

The Agency's investment income is summarized as follows:

	Year ended December 31,	
	2017	2016
Debt securities	\$ 1,136,358	\$ 1,083,690
Cash and cash equivalents	44,282	24,927
Rental revenue	68,460	67,279
Net realized gains (losses) on sale of investments	33,286	309,952
Net increase (decrease) in the fair value of investments	(342,727)	(486,408)
Gross investment income	939,659	999,440
Investment expenses	(103,201)	(124,073)
Net investment income	\$ 836,458	\$ 875,367

Expenses associated with rental revenue from office space leased to tenants in the Agency's building are included in the total building expenses related to the Agency's home office operations of \$440,188 and \$280,674 during 2017 and 2016, respectively, and are included in general and administrative expenses.

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 - INVESTMENTS (CONTINUED)

NLC Mutual Insurance Company provided workers' compensation reinsurance to the Agency from 2002 through 2006 and property reinsurance from 2003 through 2006. NLC Mutual Insurance Company is also a risk pool, as is the Agency. To obtain the reinsurance, the Agency was required to make capital contributions to become a member of the NLC Mutual Insurance Company pool, in addition to regular premiums paid. The related capital contributions associated with NLC Mutual Insurance Company are presented as a deposit at cost as of December 31, 2017, and 2016 for \$697,901.

NOTE 3 - EXCESS INSURANCE AND REINSURANCE

The Agency has entered into various excess insurance and reinsurance contracts to limit large losses and minimize exposure on large risks. Coverage for policies is provided under the following terms:

Worker's compensation:

Year(s) ended	Reinsurance coverage
1996 – 2005	100% of statutory limits in excess of \$400,000 for workers' compensation coverage.
2006 – 2012	100% of statutory limits in excess of \$500,000 for workers' compensation coverage.
2013	100% of statutory limits in excess of \$500,000 for workers' compensation coverage for all claims made by employees other than firefighters or police officers, \$750,000 for all claims made by firefighters or police officers except \$1,000,000 for all claims made by firefighters under Colorado HB 07-1008.
2014 -2015	100% of statutory limits in excess of \$500,000 for workers' compensation coverage for all claims made by employees other than firefighters or police officers, \$750,000 for all claims made by firefighters or police officers except \$1,250,000 for all claims made by firefighters under Colorado HB 07-1008.
2016 - 2017	100% of statutory limits in excess of \$500,000 for workers' compensation coverage for all claims made by employees other than firefighters or police officers, \$750,000 for all claims made by firefighters or police officers

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 - EXCESS INSURANCE AND REINSURANCE (CONTINUED)

Property and casualty:

<u>Year(s) ended</u>	<u>Excess insurance</u>
2003 – 2005	<p>Excess liability – 100% of \$4,000,000 in excess of \$1,000,000 per claim/occurrence (except auto liability, which is 100% of \$500,000 in excess of \$1,000,000 and Public Officials' Errors and Omissions, which is also 100% of \$4,000,000 in excess of \$10,000,000 annual aggregate per member).</p> <p>Excess property – 100% of \$500,000,000 in excess of \$1,000,000 per claim/occurrence.</p> <p>Property reinsurance – 100% of \$500,000 in excess of \$500,000 per claim/occurrence.</p>
2006	<p>Excess liability – 100% of \$4,000,000 in excess of \$1,000,000 per claim/occurrence (except auto liability, which is 100% of \$500,000 in excess of \$1,000,000 and Public Officials' Errors and Omissions, which is also 100% of \$4,000,000 in excess of \$1,000,000 but has a \$10,000,000 annual aggregate per member).</p> <p>Liability reinsurance – 100% of \$500,000 in excess of \$500,000 per claim/occurrence.</p> <p>Excess property – 100% of \$500,000,000 in excess of \$1,000,000 per claim/occurrence.</p> <p>Property reinsurance – 100% of \$500,000 in excess of \$500,000 per claim/occurrence.</p>
2007 – 2013	<p>Liability reinsurance – 100% of \$4,400,000 in excess of \$600,000 per claim/occurrence (except auto liability, which is 100% of \$900,000 in excess of \$600,000 and Public Officials' Errors and Omissions, which is also 100% of \$4,400,000 in excess of \$600,000 but has a \$10,000,000 annual aggregate per member).</p> <p>Excess property – 100% of \$500,000,000 in excess of \$500,000 per claim/occurrence.</p>
2014 - 2015	<p>Liability reinsurance – 100% of \$4,000,000 in excess of \$1,000,000 per claim/occurrence for all liability losses. Public Officials' Errors and Omissions has a \$10,000,000 annual aggregate per member.</p> <p>Excess property – 100% of \$500,000,000 in excess of \$500,000 per claim/occurrence.</p>
2016 - 2017	<p>Liability reinsurance – 100% of \$4,000,000 in excess of \$1,000,000 per claim/occurrence for all auto liability losses. 100% of \$9,000,000 in excess of \$1,000,000 for all General Liability, Police Professional Liability and Public Officials' Errors and Omissions. Public Officials' Errors and Omissions has a \$10,000,000 annual aggregate per member.</p> <p>Excess property – 100% of \$500,000,000 in excess of \$500,000 per claim/occurrence.</p>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3 - EXCESS INSURANCE AND REINSURANCE (CONTINUED)

The Agency does not have a legal obligation to pay losses or loss adjustment expenses in excess of the annually established loss fund and amounts recoverable under excess specific and aggregate insurance contracts. Losses and loss adjustment expenses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. However, the excess agreements do not relieve the Agency of its obligations, and a failure of the excess insurer to honor its obligations could result in losses to the Agency. The Agency evaluates and monitors the financial condition of its excess insurers and reinsurers to minimize its exposure to loss from excess insurer insolvency. Management of the Agency believes its excess insurers and reinsurers are financially sound and will continue to meet their contractual obligations.

Excess insurance and reinsurance has reduced member contributions earned and losses and loss adjustment expenses by the following amounts:

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Member contributions earned		
Premiums paid	\$ 6,920,763	\$ 6,501,271
Brokerage commissions	254,862	255,201
Loss and loss adjustment expenses paid	11,442,236	2,691,709
Loss and loss adjustment expenses unpaid	16,264,323	21,011,100

The Agency has the following excess insurance and reinsurance recoverable at December 31:

	<u>2017</u>	<u>2016</u>
National Union Fire Insurance Company of Pittsburgh, PA	\$ 92,057	\$ 92,057
NLC Mutual Insurance Company	5,258,021	5,341,098
New York Marine and General Insurance Company	929,385	1,024,696
Great American Insurance Company	115,798	4,010,000
Selective Insurance Company of America	167	2,635,400
Axis Insurance Company	9,072,993	-
RSUI Indemnity Company	2,947,229	8,246,876
	<u>\$ 18,415,650</u>	<u>\$ 21,350,127</u>

The below amounts are recorded as follows at December 31:

	<u>2017</u>	<u>2016</u>
Excess reinsurance receivable, net	\$ 2,151,327	\$ 339,027
Reserves for unpaid losses and loss adjustment expenses	<u>16,264,323</u>	<u>21,011,100</u>
	<u>\$ 18,415,650</u>	<u>\$ 21,350,127</u>

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 3 - EXCESS INSURANCE AND REINSURANCE (CONTINUED)

The Agency's excess insurers and reinsurers had the following AM Best ratings at December 31, 2017:

<u>Reinsurer</u>	<u>AM Best rating</u>
National Union Fire Insurance Company of Pittsburgh, PA	A
NLC Mutual Insurance Company	N/A
New York Marine and General Insurance Company	A-
Great American Insurance Company	A+
Selective Insurance Company of America	A
RSUI Indemnity Company	A+
Axis Insurance Company	A+

The Agency's Executive Director serves on the board of directors of NLC Mutual Insurance Company.

NOTE 4 - RESERVES FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Beginning January 1, 1986, the Agency's coverage to member municipalities for all lines except for property, auto physical damage, and workers' compensation is on a claims-made basis. Accordingly, claims incurred in one year but not reported until a subsequent year are accounted for in the year reported. Claims incurred prior to January 1, 1986 are accounted for in the year of the loss occurrence. The following table provides a reconciliation of the beginning and ending reserve balances, net of excess insurance recoverable:

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables, beginning of year	\$ 34,626,118	\$ 37,775,702
Add incurred loss and loss adjustment expenses, net of excess insurance:		
Provision for covered events of the current year	20,431,759	20,161,637
Decrease in provision for covered events of prior years	<u>(6,002,145)</u>	<u>(7,361,648)</u>
Total incurred losses and loss adjustment expenses, net of excess insurance	<u>14,429,614</u>	<u>12,799,989</u>
Deduct payments:		
For claims attributable to covered events of the current year	6,866,901	6,514,961
For claims attributable to covered events of prior years	<u>9,670,103</u>	<u>9,434,612</u>
Total payments	<u>16,537,004</u>	<u>15,949,573</u>
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables, end of year	<u>\$ 32,518,728</u>	<u>\$ 34,626,118</u>

As a result of changes in estimates of insured events in prior years, the provision for loss and loss adjustment expenses decreased by \$6,002,145 and by \$7,361,648 in 2017 and 2016, respectively. The change in estimates resulted because of favorable development for losses incurred in years prior to 2017 and 2016.

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 - RESERVES FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (CONTINUED)

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and loss adjustment expenses. While anticipated, price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by several factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and are modified if necessary.

NOTE 5 - ACCUMULATED MEMBERS' NET POSITION

Pursuant to the Agency's bylaws, the board of directors may, at their discretion, credit or distribute accumulated members' equity to member municipalities or transfer such accumulated excesses to a reserve fund that may be used to pay claims and expenses related thereto. Amounts credited or distributed to members are recorded as a charge to net position when they are declared.

The board of directors has adopted a policy that sets forth a formula that establishes a target range for net position. Net position in excess of the maximum of the target range is returned to members. The target computation considers underwriting risk, reserving risk, asset and credit risk and operational risk and is updated annually for approval by the board.

In 2017 and 2016, the board authorized the Agency to credit \$544,159 and \$574,076, respectively, to member municipalities and withdrawn members. At December 31, 2017 and 2016, \$801,200 and \$836,059 of credits remained undistributed, respectively. The undistributed amounts are included in member credits payable in the accompanying statements of net position. The credits, and the related undistributed amounts, are applied to future deductibles, contributions, or loss control accounts in accordance with the requests of the member municipalities.

Pursuant to regulations of the Division of Insurance of the State of Colorado (the Division), the Agency is required to maintain minimum surplus in conformity with statutory accounting practices prescribed or permitted by the Division of \$500,000. At December 31, 2017 and 2016, the Agency's statutory surplus was \$54,107,593 and \$51,085,506, respectively. The Agency's statutory net income for the years ended December 31, 2017 and 2016 was \$3,478,057 and \$5,515,661, respectively.

NOTE 6 - LEASES

The Agency leases automobiles and office space in Montrose, Colorado under operating leases. Future minimum rental commitments under these operating leases are as follows:

Year ending December 31:

2018	\$	91,555
2019		37,385
2020		10,043

Rent expense included in general and administrative expenses for the years ended December 31, 2017 and 2016 was \$121,437 and \$156,511, respectively.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 6 - LEASES (CONTINUED)

The Agency owns an office building and leases a portion of the building to tenants under operating leases. Future rental receipts under these operating lease agreements are as follows:

Year ending December 31:

2018 \$ 13,474

NOTE 7 - CAPITAL ASSETS

Capital asset activity was as follows:

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
Land				
Historical cost	\$ 750,400	\$ -	\$ -	\$ 750,400
Accumulated depreciation	-	-	-	-
Total	<u>750,400</u>	<u>-</u>	<u>-</u>	<u>750,400</u>
Building and improvements:				
Historical cost	7,711,177	7,654	-	7,718,831
Accumulated depreciation	(4,157,209)	(239,997)	-	(4,397,206)
Total	<u>3,553,968</u>	<u>(232,343)</u>	<u>-</u>	<u>3,321,625</u>
Machinery and equipment:				
Historical cost	290,229	-	-	290,229
Accumulated depreciation	(288,569)	(667)	-	(289,236)
Total	<u>1,660</u>	<u>(667)</u>	<u>-</u>	<u>993</u>
Furniture and fixtures:				
Historical cost	764,929	-	-	764,929
Accumulated depreciation	(728,988)	(12,138)	-	(741,126)
Total	<u>35,941</u>	<u>(12,138)</u>	<u>-</u>	<u>23,803</u>
Telephone system:				
Historical cost	84,721	-	-	84,721
Accumulated depreciation	(84,721)	-	-	(84,721)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Computer equipment:				
Historical cost	2,435,625	108,767	(80,276)	2,464,116
Accumulated depreciation	(1,998,365)	(254,869)	80,207	(2,173,027)
Total	<u>437,260</u>	<u>(146,102)</u>	<u>(69)</u>	<u>291,089</u>
Total property and equipment, net	<u>\$ 4,779,229</u>	<u>\$ (391,250)</u>	<u>\$ (69)</u>	<u>\$ 4,387,910</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 7 - CAPITAL ASSETS (CONTINUED)

	<u>Balance at January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2016</u>
Land				
Historical cost	\$ 750,400	\$ -	\$ -	\$ 750,400
Accumulated depreciation	-	-	-	-
Total	<u>750,400</u>	<u>-</u>	<u>-</u>	<u>750,400</u>
Building and improvements:				
Historical cost	7,656,833	54,344	-	7,711,177
Accumulated depreciation	(3,917,759)	(239,450)	-	(4,157,209)
Total	<u>3,739,074</u>	<u>(185,106)</u>	<u>-</u>	<u>3,553,968</u>
Machinery and equipment:				
Historical cost	288,831	1,398	-	290,229
Accumulated depreciation	(287,478)	(1,091)	-	(288,569)
Total	<u>1,353</u>	<u>307</u>	<u>-</u>	<u>1,660</u>
Furniture and fixtures:				
Historical cost	757,214	7,715	-	764,929
Accumulated depreciation	(717,224)	(11,764)	-	(728,988)
Total	<u>39,990</u>	<u>(4,049)</u>	<u>-</u>	<u>35,941</u>
Telephone system:				
Historical cost	84,721	-	-	84,721
Accumulated depreciation	(80,942)	(3,779)	-	(84,721)
Total	<u>3,779</u>	<u>(3,779)</u>	<u>-</u>	<u>-</u>
Computer equipment:				
Historical cost	2,243,757	266,570	(74,702)	2,435,625
Accumulated depreciation	(1,775,798)	(272,283)	49,716	(1,998,365)
Total	<u>467,959</u>	<u>(5,713)</u>	<u>(24,986)</u>	<u>437,260</u>
Total property and equipment, net	<u>\$ 5,002,555</u>	<u>\$ (198,340)</u>	<u>\$ (24,986)</u>	<u>\$ 4,779,229</u>

NOTE 8 - CONTINGENCIES

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Agency participates in the property and liability and workers' compensation pools offered by the Agency and carries commercial insurance for boiler and machinery. The Agency also has a fiduciary bond for benefit plans, a blanket fidelity policy for employee dishonesty and a policy for cyber coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

In the normal course of operations, the Agency is involved in litigation related principally to claims made under insurance contracts. Those actions are considered by the Agency in estimating the reserves for losses and loss adjustment expenses. In the opinion of management, the resolution of these matters will not have a material effect on the Agency's financial position, results of operations, or liquidity.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 9 - DEFINED CONTRIBUTION MONEY PURCHASE PENSION PLAN

The employees of the Agency participate in the Colorado Intergovernmental Risk Sharing Agency Retirement Plan, which is a defined contribution plan established by the Agency and is maintained and administered by Vanguard Fiduciary Trust Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become plan members upon employment. Under this plan, 10% of the plan members' compensation is withheld and remitted to the Plan Administrator along with a matching payment of 10% from the Agency. The Agency's contributions, plus earnings, are 100% vested. There is no liability for benefits under the plan beyond the Agency's matching payments. Plan provisions and contribution requirements are established and may be amended by the Agency's Board of Directors.

Contributions made by plan members and the Agency for the years ended December 31, 2017 and 2016, which represents the 10% required contribution, are as follows:

	<u>2017</u>	<u>2016</u>
Plan members	<u>\$ 426,797</u>	<u>\$ 404,282</u>
Agency	<u>\$ 426,797</u>	<u>\$ 404,282</u>

NOTE 10 – SUBSEQUENT EVENTS

CIRSA has evaluated events subsequent to December 31, 2017 through April 5, 2018, which is the issuance date of this report. There were no material events noted in the subsequent period that would have impacted the results reported herein or in the Agency's results going forward.

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

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
REQUIRED SUPPLEMENTARY INFORMATION - RECONCILIATION OF RESERVES FOR
UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (UNAUDITED)

Years ended December 31, 2017 and 2016

	2017			2016		
	WC Pool	PC Pool	Combined	WC Pool	PC Pool	Combined
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	<u>\$ 13,037,002</u>	<u>\$ 21,589,116</u>	<u>\$ 34,626,118</u>	<u>\$ 14,494,879</u>	<u>\$ 23,280,823</u>	<u>\$ 37,775,702</u>
Add incurred losses and loss adjustment expenses, net of excess insurance recoverables:						
Provision for covered events of the current year	5,806,925	14,624,834	20,431,759	5,430,120	14,731,517	20,161,637
(Decrease) increase in provision for covered events of prior years	<u>(2,958,919)</u>	<u>(3,043,226)</u>	<u>(6,002,145)</u>	<u>(3,178,154)</u>	<u>(4,183,494)</u>	<u>(7,361,648)</u>
Total incurred losses and loss adjustment expenses, net of excess insurance	<u>2,848,006</u>	<u>11,581,608</u>	<u>14,429,614</u>	<u>2,251,966</u>	<u>10,548,023</u>	<u>12,799,989</u>
Deduct payments, net of excess insurance recoverables:						
For claims attributable to covered events of the current year	1,288,386	5,578,515	6,866,901	1,036,454	5,478,507	6,514,961
For claims attributable to covered events of prior years	<u>2,267,974</u>	<u>7,402,129</u>	<u>9,670,103</u>	<u>2,673,389</u>	<u>6,761,223</u>	<u>9,434,612</u>
Total payments	<u>3,556,360</u>	<u>12,980,644</u>	<u>16,537,004</u>	<u>3,709,843</u>	<u>12,239,730</u>	<u>15,949,573</u>
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	<u>\$ 12,328,648</u>	<u>\$ 20,190,080</u>	<u>\$ 32,518,728</u>	<u>\$ 13,037,002</u>	<u>\$ 21,589,116</u>	<u>\$ 34,626,118</u>

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
REQUIRED SUPPLEMENTARY INFORMATION - WORKERS' COMPENSATION POOL
TEN-YEAR LOSS DEVELOPMENT INFORMATION (UNAUDITED)**

December 31, 2017
(In Thousands of Dollars)

The following table illustrates how the Workers' Compensation Pool's (Pool) earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by the Pool as of the end of each of the previous ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each year's gross earned member contributions and reported investment revenues, amounts of excess insurance premiums, and reported member contributions (net of excess insurance) and reported investment revenue.
- (2) This line shows each year's other operating costs of the Pool including overhead and claims expense not allocable to individual claims.
- (3) This line shows the Pool's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurers, and net incurred adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called coverage year).
- (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years, for each coverage year.
- (5) This line shows the latest reestimated amount of losses assumed by excess insurers for each coverage year.
- (6) This section of ten rows shows how each coverage year's net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.)
- (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual coverage years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature coverage years. The columns of the table show data for successive coverage years.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1. Member contributions and investment income:										
Earned	\$ 9,711	\$ 8,077	\$ 7,948	\$ 8,241	\$ 7,384	\$ 7,115	\$ 8,206	\$ 8,575	\$ 8,308	\$ 8,620
Excess/reinsurance premiums	1,156	1,123	1,201	1,231	1,117	1,168	1,227	1,415	1,193	1,302
Net earned	8,555	6,954	6,747	7,010	6,267	5,947	6,979	7,160	7,115	7,318
2. Unallocated expenses	2,346	2,223	1,635	752	731	743	734	739	752	1,272
3. Estimated incurred losses and expenses, end of coverage year:										
Incurred	6,158	6,313	5,952	6,049	6,590	5,436	5,503	5,623	5,430	5,807
Assumed by excess insurers	960	453	-	289	1,342	-	-	-	-	-
Net incurred	5,198	5,860	5,952	5,760	5,248	5,436	5,503	5,623	5,430	5,807
4. Net paid (cumulative) as of:										
End of accident year	1,178	1,473	1,221	1,004	712	802	1,021	1,079	1,036	1,288
One year later	2,575	3,386	2,695	2,837	1,811	1,870	2,655	2,148	2,269	-
Two years later	3,251	4,297	3,382	3,587	2,649	2,192	3,542	2,548	-	-
Three years later	3,811	4,660	3,748	4,211	2,990	2,275	3,973	-	-	-
Four years later	4,039	4,852	3,941	4,385	3,087	2,293	-	-	-	-
Five years later	4,115	4,968	3,968	4,633	3,086	-	-	-	-	-
Six years later	4,257	5,061	4,032	4,651	-	-	-	-	-	-
Seven years later	4,308	5,066	4,033	-	-	-	-	-	-	-
Eight years later	4,326	5,129	-	-	-	-	-	-	-	-
Nine years later	4,350	-	-	-	-	-	-	-	-	-
5. Reestimated losses and expenses assumed by excess insurers	984	676	-	-	58	-	-	-	-	-
6. Reestimated net incurred losses and expenses:										
End of accident year	5,198	5,860	5,952	5,760	5,248	5,436	5,503	5,623	5,430	5,807
One year later	5,414	6,947	6,218	6,314	4,547	4,354	5,882	4,462	5,113	-
Two years later	5,313	6,572	5,487	6,335	4,378	3,422	5,631	3,844	-	-
Three years later	5,280	6,470	5,038	6,158	3,734	2,814	5,034	-	-	-
Four years later	5,250	5,928	4,640	5,836	3,517	2,514	-	-	-	-
Five years later	4,962	5,680	4,414	5,485	3,273	-	-	-	-	-
Six years later	4,921	5,496	4,312	5,031	-	-	-	-	-	-
Seven years later	4,865	5,443	4,238	-	-	-	-	-	-	-
Eight years later	4,710	5,384	-	-	-	-	-	-	-	-
Nine years later	4,590	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred losses and expenses from end of coverage year	(608)	(476)	(1,714)	(729)	(1,975)	(2,922)	(469)	(1,779)	(317)	-

Unaudited – See accompanying independent auditors' report.

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
REQUIRED SUPPLEMENTARY INFORMATION - PROPERTY AND CASUALTY POOL TEN-YEAR LOSS DEVELOPMENT INFORMATION
(UNAUDITED)

December 31, 2017
(In Thousands of Dollars)

The following table illustrates how the Property and Casualty Pool's (Pool) earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by the Pool as of the end of each of the previous ten years.

The rows of the table are defined as follows:

- (1) This line shows the total of each year's gross earned member contributions and reported investment revenues, amounts of excess insurance premiums, and reported member contributions (net of excess insurance) and reported investment revenue.
- (2) This line shows each year's other operating costs of the Pool including overhead and claims expense not allocable to individual claims.
- (3) This line shows the Pool's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurers, and net incurred losses and loss adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called coverage year).
- (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years, for each coverage year.
- (5) This line shows the latest reestimated amount of losses assumed by excess insurers for each coverage year.
- (6) This section of ten rows shows how each coverage year's net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.)
- (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual coverage years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature coverage years. The columns of the table show data for successive coverage years.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1. Member contributions and investment income:										
Earned	\$ 19,357	\$ 19,014	\$ 18,924	\$ 20,890	\$ 21,203	\$ 21,688	\$ 24,226	\$ 24,446	\$ 24,831	\$ 25,341
Excess/reinsurance premiums	<u>3,584</u>	<u>4,284</u>	<u>4,544</u>	<u>4,967</u>	<u>5,256</u>	<u>5,396</u>	<u>5,742</u>	<u>6,140</u>	<u>5,563</u>	<u>5,874</u>
Net earned	15,773	14,730	14,380	15,923	15,947	16,292	18,484	18,306	19,268	19,467
2. Unallocated expenses	4,391	4,882	5,424	6,457	6,762	7,081	7,188	7,430	7,801	7,947
3. Estimated incurred losses and expenses, end of coverage year:										
Incurred	13,599	10,640	12,378	11,905	11,881	41,403	12,901	18,922	15,801	24,518
Assumed by excess/reinsurers	<u>2,444</u>	<u>-</u>	<u>599</u>	<u>-</u>	<u>346</u>	<u>29,734</u>	<u>1,142</u>	<u>3,930</u>	<u>1,069</u>	<u>9,893</u>
Net incurred	11,155	10,640	11,779	11,905	11,535	11,669	11,759	14,992	14,732	14,625
4. Net paid (cumulative) as of:										
End of accident year	2,813	2,364	2,770	3,117	2,725	3,042	3,165	3,928	5,479	5,579
One year later	4,208	4,063	5,311	5,725	5,063	5,687	5,841	7,357	7,644	-
Two years later	4,867	5,614	6,585	6,844	6,362	7,078	7,709	10,625	-	-
Three years later	5,527	6,685	6,913	7,370	7,349	7,965	9,419	-	-	-
Four years later	6,482	7,243	7,378	7,753	7,686	8,109	-	-	-	-
Five years later	6,596	7,641	7,386	7,924	7,686	-	-	-	-	-
Six years later	6,675	7,641	7,387	7,964	-	-	-	-	-	-
Seven years later	6,684	7,787	7,387	-	-	-	-	-	-	-
Eight years later	6,671	7,799	-	-	-	-	-	-	-	-
Nine years later	6,663	-	-	-	-	-	-	-	-	-
5. Reestimated losses and expenses assumed by excess/reinsurers	5,097	571	466	122	1,183	19,808	1,521	7,632	1,745	9,893
6. Reestimated net incurred losses and expenses:										
End of accident year	11,155	10,640	11,779	11,905	11,535	11,669	11,759	14,992	14,732	14,625
One year later	9,018	10,170	12,113	10,859	9,603	9,748	12,875	14,209	13,065	-
Two years later	7,333	9,503	8,830	9,279	8,760	9,229	10,904	14,107	-	-
Three years later	7,242	8,359	7,779	8,456	8,769	8,887	10,461	-	-	-
Four years later	7,644	7,785	7,650	8,048	7,781	8,314	-	-	-	-
Five years later	7,214	7,737	7,398	8,074	7,688	-	-	-	-	-
Six years later	6,842	7,722	7,387	7,995	-	-	-	-	-	-
Seven years later	6,800	7,881	7,387	-	-	-	-	-	-	-
Eight years later	6,671	7,799	-	-	-	-	-	-	-	-
Nine years later	6,663	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred losses and expenses from end of coverage year	(4,492)	(2,841)	(4,392)	(3,910)	(3,847)	(3,355)	(1,298)	(885)	(1,667)	-

Unaudited – See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING SCHEDULE - STATEMENT OF NET POSITION INFORMATION

December 31, 2017

Assets	CIRSA/ PC	CIRSA/ WC	Combining Adjustments	Combined
Current assets:				
Investments in debt securities, at fair value	\$ 5,098,997	\$ 2,714,777	\$ -	\$ 7,813,774
Cash and cash equivalents	827,113	3,025,172	-	3,852,285
Accrued investment income	150,796	132,016	-	282,812
Receivable from members	880,467	130,449	-	1,010,916
Excess insurance receivable, net	1,491,452	659,875	-	2,151,327
Interpool accounts receivable	-	63,213	(63,213)	-
Prepaid expenses	283,571	1,554	-	285,125
Other assets	4,374	-	-	4,374
Total current assets	<u>8,736,770</u>	<u>6,727,056</u>	<u>(63,213)</u>	<u>15,400,613</u>
Noncurrent assets:				
Investments in debt securities, at fair value	39,946,446	27,335,413	-	67,281,859
Deposit with NLC Mutual Insurance Company	303,549	394,352	-	697,901
Capital assets, net	<u>3,488,915</u>	<u>898,995</u>	<u>-</u>	<u>4,387,910</u>
Total noncurrent assets	<u>43,738,910</u>	<u>28,628,760</u>	<u>-</u>	<u>72,367,670</u>
Total assets	<u>\$ 52,475,680</u>	<u>\$ 35,355,816</u>	<u>\$ (63,213)</u>	<u>\$ 87,768,283</u>
Liabilities and Net Position				
Current liabilities:				
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	\$ 8,046,000	\$ 3,297,000	\$ -	\$ 11,343,000
Accounts payable and accrued liabilities	527,211	42,762	-	569,973
Interpool payable	63,213	-	(63,213)	-
Member credits payable	535,019	266,181	-	801,200
Special contribution plan deposits	-	25,000	-	25,000
Unearned member contributions	62,675	-	-	62,675
Total current liabilities	<u>9,234,118</u>	<u>3,630,943</u>	<u>(63,213)</u>	<u>12,801,848</u>
Noncurrent liabilities:				
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	12,144,080	9,031,648	-	21,175,728
Total noncurrent liabilities	<u>12,144,080</u>	<u>9,031,648</u>	<u>-</u>	<u>21,175,728</u>
Total liabilities	<u>21,378,198</u>	<u>12,662,591</u>	<u>(63,213)</u>	<u>33,977,576</u>
Net position:				
Invested in capital assets	3,488,915	898,995	-	4,387,910
Restricted	524,672	-	-	524,672
Unrestricted	<u>27,083,895</u>	<u>21,794,230</u>	<u>-</u>	<u>48,878,125</u>
Total net position	<u>31,097,482</u>	<u>22,693,225</u>	<u>-</u>	<u>53,790,707</u>
Total liabilities and net position	<u>\$ 52,475,680</u>	<u>\$ 35,355,816</u>	<u>\$ (63,213)</u>	<u>\$ 87,768,283</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING SCHEDULE - STATEMENT OF NET POSITION INFORMATION

December 31, 2016

Assets	CIRSA/ PC	CIRSA/ WC	Combining Adjustments	Combined
Current assets:				
Investments in debt securities, at fair value	\$ 7,909,269	\$ 4,040,710	\$ -	\$ 11,949,979
Cash and cash equivalents	1,392,979	3,135,995	-	4,528,974
Accrued investment income	122,868	126,115	-	248,983
Receivable from members	688,458	100,981	-	789,439
Excess insurance receivable, net	52,617	286,410	-	339,027
Interpool accounts receivable	305	77,035	(77,340)	-
Prepaid expenses	226,394	-	-	226,394
Other assets	5,209	-	-	5,209
Total current assets	<u>10,398,099</u>	<u>7,767,246</u>	<u>(77,340)</u>	<u>18,088,005</u>
Noncurrent assets:				
Investments in debt securities, at fair value	39,749,024	23,940,506	-	63,689,530
Deposit with NLC Mutual Insurance Company	303,549	394,352	-	697,901
Capital assets, net	<u>3,813,567</u>	<u>965,662</u>	-	<u>4,779,229</u>
Total noncurrent assets	<u>43,866,140</u>	<u>25,300,520</u>	-	<u>69,166,660</u>
Total assets	<u>\$ 54,264,239</u>	<u>\$ 33,067,766</u>	<u>\$ (77,340)</u>	<u>\$ 87,254,665</u>
Liabilities and Net Position				
Current liabilities:				
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	\$ 8,213,000	\$ 3,311,000	\$ -	\$ 11,524,000
Accounts payable and accrued liabilities	458,483	46,422	-	504,905
Interpool payable	77,035	305	(77,340)	-
Member credits payable	576,228	259,831	-	836,059
Special contribution plan deposits	-	25,000	-	25,000
Unearned member contributions	<u>63,047</u>	<u>-</u>	<u>-</u>	<u>63,047</u>
Total current liabilities	<u>9,387,793</u>	<u>3,642,558</u>	<u>(77,340)</u>	<u>12,953,011</u>
Noncurrent liabilities:				
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	<u>13,376,116</u>	<u>9,726,002</u>	-	<u>23,102,118</u>
Total noncurrent liabilities	<u>13,376,116</u>	<u>9,726,002</u>	-	<u>23,102,118</u>
Total liabilities	<u>22,763,909</u>	<u>13,368,560</u>	<u>(77,340)</u>	<u>36,055,129</u>
Net position:				
Invested in capital assets	3,813,567	965,662	-	4,779,229
Restricted	527,461	-	-	527,461
Unrestricted	<u>27,159,302</u>	<u>18,733,544</u>	-	<u>45,892,846</u>
Total net position	<u>31,500,330</u>	<u>19,699,206</u>	-	<u>51,199,536</u>
Total liabilities and net position	<u>\$ 54,264,239</u>	<u>\$ 33,067,766</u>	<u>\$ (77,340)</u>	<u>\$ 87,254,665</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING SCHEDULE - REVENUE, EXPENSES AND
CHANGES IN NET POSITION INFORMATION
Year Ended December 31, 2017

	<u>CIRSA/ PC</u>	<u>CIRSA/ WC</u>	<u>Combining Adjustments</u>	<u>Combined</u>
Operating revenues:				
Member contributions	\$ 24,871,668	\$ 8,252,112	\$ -	\$ 33,123,780
Excess/reinsurance premiums	(5,619,094)	(1,301,669)	-	(6,920,763)
Brokerage commissions	<u>(254,862)</u>	<u>-</u>	<u>-</u>	<u>(254,862)</u>
Member contributions earned	18,997,712	6,950,443	-	25,948,155
Administration fee	<u>1,165,007</u>	<u>-</u>	<u>(1,165,007)</u>	<u>-</u>
Total operating revenues	<u>20,162,719</u>	<u>6,950,443</u>	<u>(1,165,007)</u>	<u>25,948,155</u>
Operating expenses:				
Losses and loss adjustment expenses	<u>11,581,608</u>	<u>2,848,006</u>	<u>-</u>	<u>14,429,614</u>
Personnel	5,732,552	-	-	5,732,552
General operating	2,422,606	66,623	-	2,489,229
Professional consultation	635,328	-	-	635,328
Travel	321,691	-	-	321,691
Taxes	-	40,869	-	40,869
Administration fee	<u>-</u>	<u>1,165,007</u>	<u>(1,165,007)</u>	<u>-</u>
General and administrative	<u>9,112,177</u>	<u>1,272,499</u>	<u>(1,165,007)</u>	<u>9,219,669</u>
Total operating expenses	<u>20,693,785</u>	<u>4,120,505</u>	<u>(1,165,007)</u>	<u>23,649,283</u>
Operating income	(531,066)	2,829,938	-	2,298,872
Nonoperating revenue:				
Net investment income	<u>468,868</u>	<u>367,590</u>	<u>-</u>	<u>836,458</u>
Income before transfers	(62,198)	3,197,528	-	3,135,330
Transfers out - Distributions and credits to members and withdrawn members				
	<u>(340,650)</u>	<u>(203,509)</u>	<u>-</u>	<u>(544,159)</u>
Change in net position	(402,848)	2,994,019	-	2,591,171
Net position, beginning of year	<u>31,500,330</u>	<u>19,699,206</u>	<u>-</u>	<u>51,199,536</u>
Net position, end of year	<u>\$ 31,097,482</u>	<u>\$ 22,693,225</u>	<u>\$ -</u>	<u>\$ 53,790,707</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING SCHEDULE - REVENUE, EXPENSES AND
CHANGES IN NET POSITION INFORMATION
Year Ended December 31, 2016

	<u>CIRSA/ PC</u>	<u>CIRSA/ WC</u>	<u>Combining Adjustments</u>	<u>Combined</u>
Operating revenues:				
Member contributions	\$ 24,236,778	\$ 8,027,199	\$ -	\$ 32,263,977
Excess/reinsurance premiums	(5,308,060)	(1,193,211)	-	(6,501,271)
Brokerage commissions	(255,201)	-	-	(255,201)
Member contributions earned	18,673,517	6,833,988	-	25,507,505
Administration fee	655,669	-	(655,669)	-
Total operating revenues	<u>19,329,186</u>	<u>6,833,988</u>	<u>(655,669)</u>	<u>25,507,505</u>
Operating expenses:				
Losses and loss adjustment expenses	10,548,023	2,251,966	-	12,799,989
Personnel	5,470,965	-	-	5,470,965
General operating	2,216,414	66,831	-	2,283,245
Professional consultation	445,966	-	-	445,966
Travel	323,671	-	-	323,671
Taxes	-	29,782	-	29,782
Administration fee	-	655,669	(655,669)	-
General and administrative	<u>8,457,016</u>	<u>752,282</u>	<u>(655,669)</u>	<u>8,553,629</u>
Total operating expenses	<u>19,005,039</u>	<u>3,004,248</u>	<u>(655,669)</u>	<u>21,353,618</u>
Operating income	324,147	3,829,740	-	4,153,887
Nonoperating revenue:				
Net investment income	594,495	280,872	-	875,367
Income before transfers	918,642	4,110,612	-	5,029,254
Transfers out - Distributions and credits to members and withdrawn members				
	(368,294)	(205,781)	-	(574,075)
Change in net position	550,348	3,904,831	-	4,455,179
Net position, beginning of year	30,949,982	15,794,375	-	46,744,357
Net position, end of year	<u>\$ 31,500,330</u>	<u>\$ 19,699,206</u>	<u>\$ -</u>	<u>\$ 51,199,536</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING SCHEDULE - CASH FLOW INFORMATION

Year Ended December 31, 2017

	<u>CIRSA/ PC</u>	<u>CIRSA/ WC</u>	<u>Combining Adjustments</u>	<u>Combined</u>
Cash flows from operating activities:				
Contributions collected from members, net of excess insurance premiums and brokerage commissions paid	\$18,919,215	\$ 6,945,142	\$ -	\$25,864,357
Other amounts collected (paid)	1,165,949	-	(1,165,007)	942
Losses and loss adjustment expenses paid, net	(14,571,112)	(3,953,992)	-	(18,525,104)
General and administrative expenses paid	<u>(8,635,494)</u>	<u>(1,197,529)</u>	<u>1,165,007</u>	<u>(8,668,016)</u>
Net cash provided by (used in) operating activities	<u>(3,121,442)</u>	<u>1,793,621</u>	<u>-</u>	<u>(1,327,821)</u>
Cash flows from investing activities:				
Purchases of investments	(27,627,907)	(7,854,827)	-	(35,482,734)
Proceeds from sale of investments	24,880,979	4,366,385	-	29,247,364
Proceeds from maturities of investments	5,169,365	1,266,000	-	6,435,365
Investment income collected	<u>631,350</u>	<u>515,157</u>	<u>-</u>	<u>1,146,507</u>
Net cash used in investing activities	<u>3,053,787</u>	<u>(1,707,285)</u>	<u>-</u>	<u>1,346,502</u>
Cash flows from noncapital financing activities:				
Distributions and credits to members	<u>(381,859)</u>	<u>(197,159)</u>	<u>-</u>	<u>(579,018)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(116,421)	-	-	(116,421)
Disposal of capital assets	<u>69</u>	<u>-</u>	<u>-</u>	<u>69</u>
Net cash (used) in capital and related financing activities	<u>(498,211)</u>	<u>(197,159)</u>	<u>-</u>	<u>(695,370)</u>
Net decrease in cash and cash equivalents	<u>(565,866)</u>	<u>(110,823)</u>	<u>-</u>	<u>(676,689)</u>
Cash and cash equivalents, beginning of year	<u>1,392,979</u>	<u>3,135,995</u>	<u>-</u>	<u>4,528,974</u>
Cash and cash equivalents, end of year	<u>\$ 827,113</u>	<u>\$ 3,025,172</u>	<u>\$ -</u>	<u>\$ 3,852,285</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING SCHEDULE - CASH FLOW INFORMATION

Year Ended December 31, 2016

	<u>CIRSA/ PC</u>	<u>CIRSA/ WC</u>	<u>Combining Adjustments</u>	<u>Combined</u>
Cash flows from operating activities:				
Contributions collected from members, net of excess insurance premiums and brokerage commissions paid	\$18,579,159	\$ 6,833,988	\$ -	\$25,413,147
Other amounts collected (paid)	653,203	-	(655,669)	(2,466)
Losses and loss adjustment expenses paid, net	(12,580,630)	(3,751,024)	-	(16,331,654)
General and administrative expenses paid	<u>(8,065,009)</u>	<u>(719,258)</u>	<u>655,669</u>	<u>(8,128,598)</u>
Net cash provided by (used in) operating activities	<u>(1,413,277)</u>	<u>2,363,706</u>	<u>-</u>	<u>950,429</u>
Cash flows from investing activities:				
Purchases of investments	(54,340,688)	(24,358,880)	-	(78,699,568)
Proceeds from sale of investments	44,815,896	18,733,027	-	63,548,923
Proceeds from maturities of investments	5,930,000	2,750,000	-	8,680,000
Investment income collected	<u>657,477</u>	<u>404,054</u>	<u>-</u>	<u>1,061,531</u>
Net cash used in investing activities	<u>(2,937,315)</u>	<u>(2,471,799)</u>	<u>-</u>	<u>(5,409,114)</u>
Cash flows from noncapital financing activities:				
Distributions and credits to members	<u>(529,499)</u>	<u>(209,976)</u>	<u>-</u>	<u>(739,475)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(330,027)	-	-	(330,027)
Disposal of capital assets	<u>24,986</u>	<u>-</u>	<u>-</u>	<u>24,986</u>
Net cash (used) in capital and related financing activities	<u>(834,540)</u>	<u>(209,976)</u>	<u>-</u>	<u>(1,044,516)</u>
Net decrease in cash and cash equivalents	<u>(5,185,132)</u>	<u>(318,069)</u>	<u>-</u>	<u>(5,503,201)</u>
Cash and cash equivalents, beginning of year	<u>6,578,111</u>	<u>3,454,064</u>	<u>-</u>	<u>10,032,175</u>
Cash and cash equivalents, end of year	<u>\$ 1,392,979</u>	<u>\$ 3,135,995</u>	<u>\$ -</u>	<u>\$ 4,528,974</u>