

**COLORADO SPECIAL DISTRICTS PROPERTY AND
LIABILITY POOL**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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Office of the State Auditor

April 26, 2018

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Special Districts Property and Liability Pool
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Special Districts Property and Liability Pool (the Pool), which comprise the statutory statements of admitted assets, liabilities, and surplus as of December 31, 2017 and 2016, and the related statutory statements of income and changes in surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado. Management is also responsible for 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 error or fraud.

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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Pool on the basis of the financial reporting provisions of the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Pool as of December 31, 2017 and 2016, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Pool as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, on the basis of the financial reporting provisions of the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado as described in Note 1.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The accompanying supplementary schedules of Reconciliation of Loss Liabilities by Type of Contract, Loss Development Information, and Appendix A-001 – Investments are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
March 16, 2018

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS
DECEMBER 31, 2017 AND 2016**

ASSETS	2017	2016
ADMITTED ASSETS		
Cash and Cash Equivalents	\$ 5,704,889	\$ 22,713,334
Investments	48,593,589	28,965,640
Accrued Interest Receivable	168,510	76,814
Receivable for Matured Security	504,872	-
Premiums Receivable	27,901	26,857
Reinsurance Receivables	1,599,374	862,151
Other Assets	3,753	1,000
Total Admitted Assets	\$ 56,602,888	\$ 52,645,796
LIABILITIES AND SURPLUS		
LIABILITIES		
Loss and Loss Adjustment Expense Reserve	\$ 18,818,000	\$ 16,773,000
Unallocated Loss Adjustment Expense Reserve	752,600	670,900
Unearned Premiums	11,044,790	11,276,914
Other Liabilities	200,131	36,428
Total Liabilities	30,815,521	28,757,242
SURPLUS		
Unassigned Surplus	25,787,367	23,888,554
Total Surplus	25,787,367	23,888,554
Total Liabilities and Surplus	\$ 56,602,888	\$ 52,645,796

See accompanying Notes to Statutory Financial Statements.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
STATUTORY STATEMENTS OF INCOME AND CHANGES IN SURPLUS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
REVENUE		
Premiums Earned	\$ 19,902,152	\$ 18,743,856
Ceding Commissions	116,712	106,082
Other Income	63,334	83,041
Total Revenue	<u>20,082,198</u>	<u>18,932,979</u>
UNDERWRITING EXPENSES		
Losses and Loss Adjustment Expenses	11,802,160	8,492,428
Unallocated Loss Adjustment Expenses	690,908	432,736
Total	<u>12,493,068</u>	<u>8,925,164</u>
Other Underwriting Expenses	6,228,310	5,175,066
Total Underwriting Expenses	<u>18,721,378</u>	<u>14,100,230</u>
Underwriting Income	1,360,820	4,832,749
INVESTMENT INCOME	<u>631,496</u>	<u>405,790</u>
NET INCOME	1,992,316	5,238,539
CHANGE IN NONADMITTED ASSETS	(93,503)	(664,948)
UNASSIGNED SURPLUS - BEGINNING OF YEAR	<u>23,888,554</u>	<u>19,314,963</u>
UNASSIGNED SURPLUS - END OF YEAR	<u><u>\$ 25,787,367</u></u>	<u><u>\$ 23,888,554</u></u>

See accompanying Notes to Statutory Financial Statements.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
STATUTORY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums Collected from Participants	\$ 24,449,525	\$ 27,334,501
Ceded Premiums Paid to Reinsurers	(4,717,207)	(4,563,670)
Loss and Loss Adjustment Expenses Paid	(11,983,687)	(9,399,849)
Loss and Loss Adjustment Expenses Recovered from Reinsurers (Paid)	877,343	598,360
Ceded Premium Commission Received	116,712	106,082
Underwriting Expenses Paid	(6,158,114)	(5,901,180)
Interest Received	563,793	360,297
Net Cash Provided by Operating Activities	3,148,365	8,534,541
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments Purchased	(33,665,519)	(19,490,015)
Investments Sold or Matured	13,508,709	19,579,343
Net Cash Provided (Used) by Investing Activities	(20,156,810)	89,328
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,008,445)	8,623,869
Cash and Cash Equivalents - Beginning of Year	22,713,334	14,089,465
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,704,889	\$ 22,713,334

See accompanying Notes to Statutory Financial Statements.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Colorado Special Districts Property and Liability Pool (the Pool) is sponsored by the Special District Association of Colorado and provides insurance coverage to participating Special Districts throughout the State of Colorado. The Pool provides property, terrorism, general liability, automobile physical damage and liability, public officials liability, employee dishonesty and crime and equipment breakdown coverages to its members. The Pool began to provide workers compensation insurance coverage beginning January 1, 2001. At December 31, 2017, there were 1,432 special districts who were members of the Pool for property and liability coverage and 870 special districts who were members of the Pool for workers' compensation coverage.

Basis of Presentation

The accompanying financial statements have been prepared on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado. Such practices vary in certain respects from generally accepted accounting principles. The more significant variances include accounting for salvage and subrogation recoveries on a cash basis rather than an accrual basis, investments are carried at amortized cost instead of fair value, and certain assets designated as "non-admitted assets" (principally contributions receivable over 90 days old and prepaid expenses) being charged against surplus for statutory accounting purposes.

Cash Equivalents

For purposes of the statement of cash flows, the Pool considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are carried at amortized cost.

Loss and Loss Adjustment Expense Reserves

The reserves for losses and loss adjustment expenses (both allocated and unallocated) include estimates of the ultimate net cost of all losses which are incurred but unpaid, as well as a provision for incurred but not reported losses, as of December 31, 2017 and 2016.

The reserves for losses and loss adjustment expenses are determined using individual case evaluations and independent actuarial projections. These estimates are continually reviewed and, as adjustments become necessary, such adjustments are reflected in current operations.

Since reserves are based on estimates, the ultimate settlement of claims may vary from the amounts included in the financial statements. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the reserves for loss and loss adjustment expenses are reasonable.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Premium Revenue

Premiums are net of reinsurance paid and ceded and are recognized as earned on a daily pro rata basis in proportion to the period of coverage provided.

Income Taxes

The Pool provides an essential governmental function to its members as described in Section 115 of the Internal Revenue Code and is considered to be exempt from Federal income taxes pursuant to the Code.

Member Contributions

Any excess unassigned surplus which the Pool determines is not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members.

NOTE 2 CASH AND INVESTMENTS

Cash Deposits

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

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017 and 2016, the Pool's cash deposits had a bank balance and a carrying balance as follows:

	2017		2016	
	Carrying Balance	Bank Balance	Carrying Balance	Bank Balance
Insured Deposits	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Deposits Collateralized in Single Institution Pools	3,191,164	4,206,896	1,617,270	2,519,769
Total	<u>\$ 3,441,164</u>	<u>\$ 4,456,896</u>	<u>\$ 1,867,270</u>	<u>\$ 2,769,769</u>

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments

The Pool's investment policy specifies investment instruments meeting defined criteria in which the Pool may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain corporate debt
- Government sponsored enterprises debt
- Certain money market mutual funds
- Local government investment pools
- State and local government bond securities
- Certain repurchase agreements

The Pool's investments at December 31 are summarized as follows:

	2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	\$ 14,025,760	\$ -	\$ (108,140)	\$ 13,917,620
U.S. Government Agency Obligations	30,626,665	-	(134,606)	30,492,059
Corporate Notes	3,910,526	-	(11,720)	3,898,806
Mortgage Backed Securities	30,638	1,093	-	31,731
Total	\$ 48,593,589	\$ 1,093	\$ (254,466)	\$ 48,340,216

	2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Securities	\$ 8,506,446	\$ 949	\$ (36,555)	\$ 8,470,840
U.S. Government Agency Obligations	12,502,250	652	(7,943)	12,494,959
Corporate Notes	7,895,590	1,885	(5,105)	7,892,370
Mortgage Backed Securities	61,354	2,800	-	64,154
Total	\$ 28,965,640	\$ 6,286	\$ (49,603)	\$ 28,922,323

Fair values represent quoted market value prices traded in the public marketplace.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

A summary of the amortized cost and fair value of the Pool's investments at December 31, by contractual maturity, is as follows:

	2017	
	Amortized Cost	Fair Value
Due in One Year or Less	\$ 20,405,453	\$ 20,351,779
Due After One Through Five Years	28,188,136	27,988,437
Total	\$ 48,593,589	\$ 48,340,216
	2016	
	Amortized Cost	Fair Value
Due in One Year or Less	\$ 9,495,194	\$ 9,497,726
Due After One Through Five Years	19,470,446	19,424,597
Total	\$ 28,965,640	\$ 28,922,323

Proceeds from the sales and maturities of debt securities during 2017 and 2016 were \$13,508,709 and \$19,579,343, respectively. Gross gains of \$28 and \$44, respectively, were realized on those sales. Losses of \$-0- and \$-0- were realized on sales of debt securities during 2017 and 2016.

At December 31, 2017 and 2016, the Pool had the following unrealized losses, which were not impaired:

Description of Securities	2017					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agency Obligations	\$ 20,523,899	\$ (101,943)	\$ 9,968,160	\$ (32,663)	\$ 30,492,059	\$ (134,606)
U.S. Treasury Securities	9,967,420	(53,239)	3,950,200	(54,901)	13,917,620	(108,140)
Corporate Notes	1,503,315	(7,229)	2,395,491	(4,491)	3,898,806	(11,720)
Total	\$ 31,994,634	\$ (162,411)	\$ 16,313,851	\$ (92,055)	\$ 48,308,485	\$ (254,466)
	2016					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government Agency Obligations	\$ 3,997,200	\$ (4,905)	\$ 5,998,600	\$ (3,038)	\$ 9,995,800	\$ (7,943)
U.S. Treasury Securities	3,970,780	(36,078)	499,140	(477)	4,469,920	(36,555)
Corporate Notes	999,160	(2,875)	2,397,458	(2,230)	3,396,618	(5,105)
Total	\$ 8,967,140	\$ (43,858)	\$ 8,895,198	\$ (5,745)	\$ 17,862,338	\$ (49,603)

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2017 and 2016, the Pool had invested \$550,870 and \$8,036,466, respectively, in the Colorado Local Government Liquid Asset Trust (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 operates similarly to a money market fund and each share is equal in value to \$1.00.

At December 31, 2017 and 2016, \$500,000 of the investment in the Trust is held in a joint account with the Division of Insurance of the State of Colorado.

As of December 31, 2017 and 2016, the Pool had invested \$1,712,855 and \$12,809,598 respectively, in the Colorado Surplus Asset Fund Trust (CSAFE), 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 CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00.

Cash deposits and investments are reflected on the December 31, 2017 and 2016 statements of admitted assets, liabilities, and surplus as follows:

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 5,704,889	\$ 22,713,334
Investments	48,593,589	28,965,640
Total	<u>\$ 54,298,478</u>	<u>\$ 51,678,974</u>
Cash Deposits	\$ 3,441,164	\$ 1,867,270
Investments	50,857,314	49,811,704
Total	<u>\$ 54,298,478</u>	<u>\$ 51,678,974</u>

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 REINSURANCE

The Pool has entered into reinsurance contracts that minimize its exposure to both large individual losses as well as a significant frequency of smaller losses.

A summary of the coverages in effect as of December 31, 2017 is as follows:

	<u>Limit of Pool Retention per Occurrence</u>	<u>Limit of Total Coverage per Occurrence</u>
Property (Including Inland Marine)	\$ 300,000	\$ 100,000,000
Terrorism - Property Damage and Business Interruption	10,000	100,000,000
Terrorism - Liability	10,000	10,000,000
Liability	1,000,000	2,000,000
Automobile - Liability	1,000,000	2,000,000
Automobile - Physical Damage (Comprehensive Only)	300,000	100,000,000
Public Officials Liability - Employment Related	1,000,000	2,000,000
Public Officials Liability - Nonemployment Related	1,000,000	2,000,000
Equipment Breakdown	75,000	100,000,000
Identity Recovery	-	25,000
Pollution Liability	100,000	1,000,000
Employee Dishonesty and Crime	-	As Scheduled
Workers' Compensation	750,000	Statutory
Workers' Compensation	750,000	2,000,000
		Related to Employer's Liability

Property and Automobile - Physical Damage

The Pool is self-insured for losses and loss adjustment expenses up to the greater of \$300,000 or the sum of the individual member's deductible for each occurrence. Property losses have a \$2,552,906 annual stop loss aggregate limit. Once the stop loss aggregate limit is met, exclusive of auto physical damage losses, the Pool's self-insured retention declines to \$25,000 per occurrence.

Earthquake and flood losses, which exceed either the greater of \$300,000, or the sum of the individual member's deductible of 2% of total value of property damaged (subject to a minimum of \$5,000 and a maximum of \$50,000 per occurrence), per occurrence, are covered 100% under excess policies, with a limit per occurrence and annual aggregate of \$750,000,000, except a \$60,000,000 per occurrence and all member aggregate limit is applied to flood claims which occur within the Special Flood Zones A and V as defined by the Federal Emergency Management Agency. All claims are subject to a deductible based on the coverage selected by the member.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 REINSURANCE (CONTINUED)

Terrorism

The Pool is self-insured for property and business interruption losses and loss adjustment expenses up to \$10,000 for each occurrence subject to a limit of \$100,000,000 in the aggregate. The Pool is self-insured for liability losses and loss adjustment expenses up to \$10,000 per member, per claim, subject to a limit of \$10,000,000 per member, per claim.

Liability - General, Automobile and Public Officials (Excluding Employment Related)

The Pool is self-insured for the first \$1,000,000 of each occurrence. 100% of claims in excess of \$1,000,000 (not to exceed \$1,000,000) are covered under an excess of loss agreement per occurrence, per member. Higher limits up to and including an additional \$8,000,000 per occurrence are available depending upon the limit selected by the member.

Public Officials Liability - Employment Related

Employment related claims are covered the same as all other liability claims, with variable deductible arrangements on an individual district basis.

Equipment Breakdowns

The Pool has entered into arrangements that provide facultative reinsurance coverage for equipment breakdown claims. The Pool retains the first \$75,000 per claim.

Identity Recovery

The Pool has entered into arrangements, which provide 100% facultative reinsurance coverage for identity recovery losses subject to an annual aggregate of \$25,000 per identity recovered.

Pollution Liability

The Pool is self-insured for the first \$100,000 of each occurrence subject to a limit of \$1,000,000 per member per occurrence and a \$5,000,000 all member annual aggregate coverage limit.

Employee Dishonesty and Crime

The Pool has entered into arrangements, which provide 100% facultative reinsurance coverage for employee dishonesty and crime claims.

Workers Compensation

The reinsurance coverage limit is as defined in Colorado workers compensation laws and \$2,000,000 per occurrence related to employer's liability claims in excess of the Pool's retention of \$750,000 per occurrence for all classes of employees.

Other Reinsurance Issues

The reinsurance treaties may generally be terminated by either the Pool or the reinsurer on any January 1, with at least 90 days prior written notice. Upon termination, reinsurance coverage will remain in effect for all policies in force at the termination date until the cancellation, nonrenewal or natural expiration date not to exceed 12 months.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 REINSURANCE (CONTINUED)

Other Reinsurance Issues (Continued)

Should the reinsurers be unable to meet their obligations under the reinsurance contracts, the Pool may remain responsible for liabilities ceded to reinsurers.

The Pool receives a 20% commission on the identity recovery and equipment breakdown premiums ceded to the reinsurers and 12% on pollution premiums ceded.

In the accompanying statutory financial statements, premiums earned, losses and loss adjustment expenses, and loss and loss adjustment expense reserves are presented net of reinsurance amounts ceded and premiums paid. Information with respect to reinsurance balances is as follows:

	2017	2016
Reinsurance Premiums Paid	\$ 648,885	596,115
Reinsurance Ceded:		
Premiums Earned	4,068,322	3,967,555
Loss and Loss Adjustment Expenses	2,360,834	(185,653)
Loss and Loss Adjustment Expense Reserves	1,099,661	600,059

NOTE 4 ADMINISTRATION

The Pool has an agreement with McGriff, Seibels & Williams of Oregon, Inc. to operate, administer and manage the Pool. Under this agreement, the management fee is 14.39% of the expiring year's gross written premium, which amounted to \$3,348,826 and \$2,912,723 for 2017 and 2016, respectively.

The Pool has an agreement with TRISTAR Risk Management for 2017 and 2016 to administer claims processing. The claims processing fees paid during 2017 and 2016 were \$609,208 and \$428,336, respectively.

The Pool has entered into an agreement with the Special District Association of Colorado to provide certain administrative services for the Pool. The fee for these services is computed at 1.5% of the gross annual premiums billed by the Pool for 2017 and 2016. The agreement may be terminated at any time by mutual agreement of both parties. Fees incurred for the years ended December 31, 2017 and 2016 amounted to \$368,246 and \$349,078, respectively.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 UNPAID CLAIMS LIABILITIES

As discussed in Note 1, the Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related loss adjustment expenses.

The following represents changes in those aggregate liabilities for the Pool during 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unpaid Losses and Loss Adjustment Expenses at Beginning of Year	\$ 17,443,900	\$ 17,331,500
Incurred Losses and Loss Adjustment Expenses:		
Provision for Insured Events of the Current Year	13,431,084	10,499,730
Increase (Decrease) in Provision for Insured Events of Prior Years	<u>(938,016)</u>	<u>(1,574,566)</u>
Total Incurred Losses and Loss Adjustment Expenses	12,493,068	8,925,164
Payments:		
Losses and Loss Adjustment Expenses Attributable to Insured Events of Prior Years	4,742,431	3,523,326
Losses and Loss Adjustment Expenses Attributable to Insured Events of Prior Years	<u>5,623,937</u>	<u>5,289,438</u>
Total Payments	<u>10,366,368</u>	<u>8,812,764</u>
 Total Unpaid Loss and Loss Adjustment Expenses at End of Year	 <u>\$ 19,570,600</u>	 <u>\$ 17,443,900</u>
 Loss and Loss Adjustment Expense Reserves	 \$ 18,818,000	 \$ 16,773,000
Unallocated Loss Adjustment Expense Reserves	<u>752,600</u>	<u>670,900</u>
 Total	 <u>\$ 19,570,600</u>	 <u>\$ 17,443,900</u>

NOTE 6 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 16, 2018, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2017, but prior to March 16, 2018, that provided additional evidence about conditions that existed at December 31, 2017 have been recognized in the financial statements for the year ended December 31, 2017. Events or transactions that provided evidence about conditions that did not exist at December 31, 2017, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2017.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
RECONCILIATION OF LOSS LIABILITIES BY TYPE OF CONTRACT
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Property and Equipment		General Liability		Public Officials Liability	
	2017	2016	2017	2016	2017	2016
Unpaid losses and loss adjustment expenses at beginning of year	\$ 974,500	\$ 1,052,500	\$ 973,400	\$ 999,400	\$ 2,629,100	\$ 2,933,800
Incurred losses and loss adjustment expenses:						
Provision for insured events of the current year	2,241,537	2,077,284	1,226,216	791,204	1,198,024	1,315,312
Increase (decrease) in provision for insured events of prior years	(438,767)	(318,925)	687,085	(333,442)	(1,193,030)	(866,525)
Total incurred losses and loss adjustment expenses	1,802,770	1,758,359	1,913,301	457,762	4,994	448,787
Payments (subrogation received):						
Losses and loss adjustment expenses attributable to insured events of the current year	1,264,234	1,202,518	484,900	200,135	87,149	185,790
Losses and loss adjustment expenses attributable to insured events of prior years	331,636	633,841	492,401	283,627	177,845	567,697
Total payments	1,595,870	1,836,359	977,301	483,762	264,994	753,487
Total unpaid loss and loss adjustment expenses at end of year	<u>\$ 1,181,400</u>	<u>\$ 974,500</u>	<u>\$ 1,909,400</u>	<u>\$ 973,400</u>	<u>\$ 2,369,100</u>	<u>\$ 2,629,100</u>
Loss and loss adjustment expense reserves	\$ 1,136,000	\$ 937,000	\$ 1,836,000	\$ 936,000	\$ 2,278,000	\$ 2,528,000
Unallocated loss adjustment expense reserves	45,400	37,500	73,400	37,400	91,100	101,100
Total	<u>\$ 1,181,400</u>	<u>\$ 974,500</u>	<u>\$ 1,909,400</u>	<u>\$ 973,400</u>	<u>\$ 2,369,100</u>	<u>\$ 2,629,100</u>

Automobile - Physical Damage		Automobile - Liability		Workers Compensation		Total	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 37,400	\$ 62,400	\$ 610,500	\$ 266,200	\$ 12,219,000	\$ 12,017,200	\$ 17,443,900	\$ 17,331,500
612,541	456,912	273,428	277,708	7,879,338	5,581,310	13,431,084	10,499,730
(55,653)	(52,454)	24,645	384,685	37,704	(387,905)	(938,016)	(1,574,566)
556,888	404,458	298,073	662,393	7,917,042	5,193,405	12,493,068	8,925,164
487,106	419,274	151,968	90,627	2,267,074	1,424,982	4,742,431	3,523,326
(18,618)	10,184	426,905	227,466	4,213,768	3,566,623	5,623,937	5,289,438
468,488	429,458	578,873	318,093	6,480,842	4,991,605	10,366,368	8,812,764
<u>\$ 125,800</u>	<u>\$ 37,400</u>	<u>\$ 329,700</u>	<u>\$ 610,500</u>	<u>\$ 13,655,200</u>	<u>\$ 12,219,000</u>	<u>\$ 19,570,600</u>	<u>\$ 17,443,900</u>
\$ 121,000	\$ 36,000	\$ 317,000	\$ 587,000	\$ 13,130,000	\$ 11,749,000	\$ 18,818,000	\$ 16,773,000
4,800	1,400	12,700	23,500	525,200	470,000	752,600	670,900
<u>\$ 125,800</u>	<u>\$ 37,400</u>	<u>\$ 329,700</u>	<u>\$ 610,500</u>	<u>\$ 13,655,200</u>	<u>\$ 12,219,000</u>	<u>\$ 19,570,600</u>	<u>\$ 17,443,900</u>

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
LOSS DEVELOPMENT INFORMATION**

	Year Ended December 31,			
	2008	2009	2010	2011
1) Net Earned Required Contribution, Investment Revenue and Commissions	10,760,892	11,012,952	11,033,399	11,219,035
2) Unallocated Expenses	3,198,899	3,386,324	3,554,167	3,690,502
3) Estimated Incurred Losses and Expenses, End of Accident Year	6,075,200	6,812,855	7,867,187	7,827,297
4) Paid (Cumulative) as of				
End of Accident Year	2,223,200	2,895,855	3,180,187	2,912,297
One Year Later	3,622,686	4,520,287	5,085,616	4,511,164
Two Years Later	4,259,565	5,702,431	5,779,387	5,644,731
Three Years Later	4,725,285	6,276,235	6,163,473	6,329,801
Four Years Later	4,861,929	6,474,044	6,713,957	7,035,987
Five Years Later	5,033,559	6,546,735	6,678,471	7,381,585
Six Years Later	5,217,764	6,793,950	6,701,114	7,571,278
Seven Years Later	5,306,795	6,869,631	6,704,547	
Eight Years Later	5,561,983	6,939,959		
Nine Years Later	5,581,078			
5) Re-estimated Incurred Losses and Expense				
End of accident year	6,075,200	6,812,855	7,867,187	7,827,297
One Year Later	5,342,686	6,790,287	7,325,616	7,150,164
Two Years Later	5,278,565	6,971,431	6,987,387	7,338,731
Three Years Later	5,764,285	6,984,235	6,674,473	7,533,801
Four Years Later	5,603,929	6,697,044	6,938,957	7,779,987
Five Years Later	5,595,559	6,728,735	6,859,471	7,915,585
Six Years Later	5,709,764	7,330,950	6,841,114	7,959,278
Seven Years Later	5,715,795	7,218,631	6,801,547	
Eight Years Later	5,716,983	6,994,959		
Nine Years Later	5,713,078			
6) Increase (Decrease) in Estimated Incurred Losses and Expenses from End of Year (5 Less 3)	(362,122)	182,104	(1,065,640)	131,981
7) Net Loss and Loss Adjustment Expense Reserves (5 Less 4)	132,000	55,000	97,000	388,000

Year Ended December 31,					
2012	2013	2014	2015	2016	2017
12,074,960	13,966,832	15,309,288	16,561,452	19,338,769	20,713,694
3,983,249	4,498,482	5,054,545	5,395,759	5,607,802	6,919,218
7,801,770	9,928,143	11,015,741	9,890,526	9,714,919	12,451,527
3,076,770	3,642,143	4,004,741	2,628,526	3,007,919	4,096,527
5,344,424	5,754,429	6,173,169	4,888,603	5,354,688	
6,823,022	6,522,515	7,190,216	5,965,367		
7,278,558	7,181,058	7,896,757			
7,855,839	7,924,973				
8,231,627					
7,801,770	9,969,143	11,015,741	9,890,526	9,714,919	12,451,527
8,037,424	8,859,429	10,157,169	8,775,603	9,758,688	
8,581,022	8,693,515	9,918,216	7,848,367		
8,456,558	8,518,058	9,419,757			
8,613,839	8,855,973				
9,138,627					
1,336,857	(1,072,170)	(1,595,984)	(2,042,159)	43,769	-
907,000	931,000	1,523,000	1,883,000	4,404,000	8,355,000

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
APPENDIX A-001 – INVESTMENTS
DECEMBER 31, 2017**

SECTION 2.

Investment Risks Interrogatories

1.	Total Admitted Assets		<u>\$ 56,602,888</u>
2.	Ten Largest Exposures		Percentage of Total Admitted Assets
	<u>Issuer</u>	<u>Description of Exposure</u>	<u>Amount</u>
2.01	Apple Inc	a. Corporate Note	\$ 1,510,544 2.67%
2.02	Chevron Corp	b. Corporate Note	1,399,944 2.47%
2.03	Microsoft Corp	c. Corporate Note	1,000,039 1.77%
2.04	FHB	d. Mortgage-Backed Security	6,166 0.01%
2.05	FHB	e. Mortgage-Backed Security	5,276 0.01%
2.06	FHG	f. Mortgage-Backed Security	5,186 0.01%
2.07	FN	g. Mortgage-Backed Security	4,814 0.01%
2.08	FN	h. Mortgage-Backed Security	3,932 0.01%
2.09	FHB	i. Mortgage-Backed Security	2,734 0.00%
2.10	FN	j. Mortgage-Backed Security	2,530 0.00%
3.01		Bonds - NAIC - I	48,593,589 85.85%

NOTE:

All other line items contained in Appendix A-001, Section 2 are not applicable to the Colorado Special Districts Property and Liability Pool.

**COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL
APPENDIX A-001 – INVESTMENTS (CONTINUED)
DECEMBER 31, 2017**

SECTION 3.

Summary Investment Schedule

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	\$	%	\$	%
1. Bonds				
1.1 U.S. Treasury Securities	\$ 14,025,760	25.83%	\$ 14,025,760	25.83%
1.2 U.S. government agency and corporate obligations				
1.22 Issued by U.S. Government Sponsored Agencies	30,626,665	56.40%	30,626,665	56.40%
1.5 Mortgage-backed securities				
1.51 Pass-through securities				
1.512 Issued or guaranteed by FNMA and FHLMC	30,638	0.06%	30,638	0.06%
2. Other debt and other fixed income securities (excluding short term)				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	3,910,526	7.20%	3,910,526	7.20%
10. Cash, cash equivalents and short-term investments	<u>5,704,889</u>	<u>10.51%</u>	<u>5,704,889</u>	<u>10.51%</u>
12. Total invested assets	<u><u>\$ 54,298,478</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 54,298,478</u></u>	<u><u>100.00%</u></u>