UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Basic Financial Statements and Independent Auditors' Report

June 30, 2008

ACM

Anton Collins Mitchell LLP

AN INDEPENDENT MEMBER OF BDO SEIDMAN ALLIANCE

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Basic Financial Statements and Independent Auditors' Report

June 30, 2008

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Anton Collins Mitchell LLP
Contract Auditors

September 29, 2008

Members of the Board of Regents of the University of Colorado and Legislative Audit Committee:

We have completed the financial audit of University of Colorado Self-Insurance and Risk Management Trust for the year ended June 30, 2008. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America.

We were engaged to conduct our audit pursuant to Section 2-3-103 C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions, and agencies of the state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Contents

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Report Summary
June 30, 2008

Authority and Purpose/Scope of the Audit

This audit was conducted under Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions, and agencies of the state government. The primary purpose of our engagement was to audit the basic financial statements of the University of Colorado Self-Insurance and Risk Management Trust (the "Trust") as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and to express an opinion on those financial statements and the notes thereto. The objective of an audit conducted in accordance with such standards is to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement.

The financial statements of the Trust were prepared in accordance with accounting principles generally accepted in the United States of America (hereinafter referred to as basic financial statements).

We examined, on a test basis, evidence supporting the amounts and disclosures in the Trust's financial statements as of June 30, 2008 and for the year then ended. The accounting practices used by the Trust to prepare the financial statements are in conformity with accounting principles generally accepted in the United States.

Summary of Current Year Findings and Recommendations

We have identified no findings for the year ended June 30, 2008.

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the Fiscal Year ended June 30, 2006, included four recommendations. The disposition of the audit recommendations is as follows:

All four recommendations have been implemented.

Description of University of Colorado Self-Insurance and Risk Management Trust

The University of Colorado Self-Insurance and Risk Management Trust (the "Trust") was authorized by Regent resolution dated June 23, 1977, as a self-insurance fund to provide the medical malpractice coverage for the Regents of the University of Colorado, including the faculty, staff, students, and health care practitioners in training at Anschutz Medical Campus, the Beth-el College of Nursing and Student Health Center on the Colorado Springs campus, and the Wardenburg Student Health Center on the Boulder campus (the "University"). The Trust exists as an auxiliary enterprise of the University of Colorado and not as a separate legal entity. Through June 30, 1985, the University provided medical malpractice coverage through a commercial insurance policy to the specified limits of the Colorado Governmental Immunity Act. On July 1, 1985, the University became totally self-insured to the specified limits of liability established in the Colorado Governmental Immunity Act.

The Trust provides professional liability insurance coverage to the aforementioned parties based on C.R.S. §24-10-101, et seq. This provides the aforementioned parties coverage up to $150,000 per individual claimant in one incident and $600,000 for multiple claimants in one incident for activities arising within the State of Colorado. The Trust also provides coverage of $1,000,000 per occurrence for claims arising outside the State of Colorado. The Trust's coverage limits are consistent with the State of Colorado's liability limitations for governmental entities and employees. The current liability limitations are effective for occurrences on and subsequent to January 1, 1993. For occurrences from July 1, 1985 through December 31, 1992, liability limitations were $150,000 per individual claimant in one incident and $400,000 for multiple claimants in one incident. During 2000, the Trust entered into excess insurance agreements on behalf of the aforementioned parties. The excess insurance agreements provide coverage for claims based on federal statutes, which may not be subject to the same liability limitations provided by the State of Colorado.

The Trust, by agreement of the entities, also provides insurance coverage for the University of Colorado Hospital Authority (the "Hospital") and its employees up to the Trust's specified coverage limits. The Trust and the Hospital have agreed that the Trust will administer all Hospital claims; however, the Trust is not responsible for the payment of Hospital claims beyond its specified coverage limits ($150,000/$600,000). For occurrences from July 1, 1985 through December 31, 1992, coverage limits were $150,000/$400,000 per occurrence.

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Disposition of Prior Audit Recommendations
June 30, 2008

The following audit recommendations are from the University of Colorado Self-Insurance and Risk Management Trust financial audit for the fiscal year ended June 30, 2006.

Recommendation	Disposition
We recommend that the Trust communicate to the University of Colorado Denver Health Sciences Center ("UCDHSC") Finance Office when a claimant meets the reinsurance limit of $150,000 and the amount of any claims submitted for the reimbursement to its reinsurance carrier. The UCDHSC Finance Office should record an accounts receivable on the Trust's records to ensure the accounting records are accurately recorded.	Implemented. The Trust notifies the UCDHSC Finance Office when a claimant meets the reinsurance limit of $150,000, at which time an accounts receivable is recorded.
We recommend that the Trust change its accounting code structure to segregate the costs by insured year for both losses and loss adjustment expenses. The Trust should report the activity for the current year in a separate account from activity related to prior years to allow for more accurate estimates.	Implemented. The Trust changed its accounting code structure to segregate the cost by insured year for losses and loss adjustment expenses in separate accounts.
We recommend that the Trust upgrade the software used to print checks that provide edit checks that will prevent more than one check being printed with the same check number.	Implemented. The Trust uses software which has appropriate edit checks to prevent printing more than one check with the same check number.
We recommend that the Trust reconcile the data submitted to the actuary to the losses and loss adjustment expenses reported in the actuarial report to ensure that the actuarial report includes complete information. The Trust should retain documentation of this reconciliation to demonstrate that the amounts reported in the actuarial report for losses and loss adjustments expenses agrees to the Trust's internal records on a claims-made basis.	Implemented. The Trust reconciles the data submitted to its actuary to the losses and loss adjustment expenses. The Trust retains a copy of the documentation.

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Management's Discussion and Analysis
June 30, 2008

The University of Colorado Self-Insurance and Risk Management Trust (the "Trust") herein sets forth a narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2008. This analysis will focus on the activities for the 2008 and 2007 fiscal years in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. Management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

Financial Highlights

The Trust's financial position as a whole has remained stable. During the fiscal year ended June 30, 2008, net assets increased by approximately $1.3 million, which was principally caused by lower-than-anticipated losses and loss adjustment expenses. During the fiscal year ended June 30, 2008, the actuarially determined reserves for losses and loss adjustment expenses decreased resulting in reduced premium assessments and a reduction in required investments. The excess investments were liquidated to support current operations.

Overview of the Financial Statements

This report consists of three basic financial statements:

- The statement of net assets presents the assets, liabilities, and net assets of the Trust at a point in time (at the end of each fiscal year). Its purpose is to present a financial snapshot of the Trust.
- The statement of revenues, expenses, and changes in net assets presents the total revenue received and expenses incurred by the Trust for operating, nonoperating, and other related activities during a period of time (the year ended June 30, 2008). Its purpose is to assess the Trust's operating results.
- The statement of cash flows presents receipts and payments of the Trust during a period of time (the year ended June 30, 2008). Its purpose is to assess the Trust's ability to generate future net cash flows and meet its obligations as they come due.

Statements of Net Assets

The Trust's net assets, which is the difference between assets and liabilities, is one way to measure the Trust's financial condition. Over time, increases or decreases in the Trust's net assets are one indicator of whether its financial condition is improving.

Net assets for the Trust at June 30, 2008 and 2007, were $4.3 million and $5.0 million, respectively, as identified below (in thousands):

	2008	2007	Increase (Decrease)
Current assets	$ 868	1,234	(366)
Noncurrent assets	7,670	9,334	(1,664)
Total assets	8,538	10,568	(2,030)
Current liabilities	1,800	2,155	(355)
Noncurrent liabilities	2,453	3,401	(948)
Total liabilities	4,253	5,556	(1,303)
Net assets	$ 4,285	5,012	(727)

Net assets have decreased by $0.7 million from the prior year which was principally caused by lower-than-anticipated losses and loss adjustment expenses. During the fiscal year ended June 30, 2008, the actuarially determined reserves for losses and loss adjustment expenses decreased resulting in reduced premium assessments and a reduction in required investments. The excess investments are liquidated to support current operations.

Statements of Revenue, Expenses, and Changes in Net Assets

Another indicator of financial condition is the relationship between revenue and expenses. When revenue and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. A summary of revenue, expenses, and changes in net assets as of June 30, 2008 and 2007, is provided below (in thousands):

	2008	2007	Increase (Decrease)
Operating revenue	$ 1,181	1,200	(19)
Operating expenses	2,285	779	1,506
Operating income (loss)	(1,104)	421	(1,525)
Nonoperating income	377	901	(524)
Increase (decrease) in net assets	(727)	1,322	(2,049)
Net assets, beginning of year	5,012	3,690	1,322
Net assets, end of year	$ 4,285	5,012	(727)

Operating revenue, consisting of premiums and consulting income, remained stable. Premiums are assessed each fiscal year to participants to cover the operating expenses of managing the Trust as well as adjusting reserves to ensure sufficient funding levels for future claims that have been incurred but not reported. Premiums decreased 1% in fiscal year 2008 as compared to fiscal year 2007. The funding levels and reserves are determined by actuarial analysis and are based on a 90% confidence level. This decrease in premiums is due to loss experience being lower than expected, which allowed investments to be used to support the operations instead of participant premium assessments.

The most significant operating expense of the Trust is the losses and loss adjustment expenses. For the years ended June 30, 2008 and 2007, this amount was $1.0 million and $(0.4) million. Projections for the reserve for losses and loss adjustment expenses were updated during the fiscal year based on an actuarial report dated May 12, 2008. As a result of the updated projections, the reserve for losses and loss adjustment expenses decreased, based on actual claims history. The net credit to losses and loss adjustment expenses for 2007 resulted from the actuarial decrease based on an actuarial report dated April 13, 2007, in required reserves exceeding actual losses during the year.

Nonoperating income decreased due to market influences on investment earnings.

Statements of Cash Flows

Net cash used in operating activities was $2.2 million and $0.8 million for the years ended June 30, 2008 and 2007, respectively. This is due to the fact that lower-than-expected loss experience indicated that investments in excess of required reserves for losses and loss expenses could be reduced, thus premiums did not fully cover operating expenses.

Legal and settlement payments net of excess insurance recoveries increased by approximately $1.2 million for the year ended June 30, 2008, compared to the prior year. Such variability is normal in the insurance industry because of the unpredictable nature of claims and the irregularity of their occurrence which is factored into the actuarially determined reserve for losses and loss adjustment liability.

Economic Factors

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

Losses 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 of time 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 Trust 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.

This financial report is designed to provide a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the University of Colorado Denver Health Sciences Center Finance Office, 1380 Lawrence Street, Denver, Colorado 80204.

ACM
Anton Collins Mitchell LLP

Independent Auditors' Report

Members of the Board of Regents of the University of Colorado and the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business-type activities of the University of Colorado Self-Insurance and Risk Management Trust (the "Trust") as of June 30, 2008, which comprise the Trust's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the terms of our engagement, we have not applied audit procedures necessary to satisfy ourselves about the classifications and amounts comprising the statement of net assets at June 30, 2007.

The financial statements present only the University of Colorado Self-Insurance and Risk Management Trust and do not purport to, and do not, present fairly the financial position of the University of Colorado as of June 30, 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of such adjustments, if any, as might have been necessary to satisfy ourselves about amounts comprising the statement of net assets as of June 30, 2007, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of University of Colorado Self-Insurance and Risk Management Trust as of June 30, 2008, and the respective changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 29, 2008, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Reconciliation of Reserves for Losses and Loss Adjustment Expenses by Type of Coverage, and Claims Development Information on pages 4 through 6 and 19 through 21 are not a required part of the basic financial statements of the University of Colorado Self-Insurance and Risk Management Trust, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Anton Collins Mitchell LLP

September 29, 2008

Accountants & Consultants

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An Independent Member of BDO Seidman Alliance

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Statement of Net Assets

June 30,	**2008**
Assets	
Current assets	
Cash and cash equivalents	**$ 842,979**
Reinsurance receivable	**21,683**
Other current assets	**2,966**
Total current assets	**867,628**
Noncurrent assets	
Mutual funds, at fair value:	
Fixed income	**6,142,429**
Equity securities	**1,527,842**
Total noncurrent assets	**7,670,271**
Total assets	**$ 8,537,899**
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	**$ 78,354**
Reserve for losses and loss adjustment expenses	**1,721,587**
Total current liabilities	**1,799,941**
Noncurrent liabilities	
Reserve for losses and loss adjustment expenses	**2,453,384**
Total liabilities	**4,253,325**
Commitments	
Unrestricted net assets	**4,284,574**
Total liabilities and net assets	**$ 8,537,899**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30,	**2008**
Operating Revenue	
Premiums, net of excess insurance premiums of $183,146	**$ 1,091,044**
Other operating revenue	**89,847**
Total operating revenue	**1,180,891**
Operating Expenses	
Salaries and benefits	**919,123**
Other general and administrative expenses	**324,543**
Losses and loss adjustment expenses	**1,041,487**
Total operating expenses	**2,285,153**
Operating loss	**(1,104,262)**
Nonoperating Revenue	
Net investment income	**376,508**
Decrease in net assets	**(727,754)**
Net assets, beginning of year	**5,012,328**
Net assets, end of year	**$ 4,284,574**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Statement of Cash Flows

Year ended June 30,	**2008**
Cash flows from operating activities	
Cash received:	
Participant payments, net of excess insurance premiums paid	**$ 1,128,043**
Cash payments:	
Payments to employees	**(912,772)**
Payments to suppliers	**(327,833)**
Legal and settlement payments, net of excess insurance recoveries	**(2,123,865)**
Cash used in operating activities	**(2,236,427)**
Cash flows from investing activities	
Purchases of investments	**(495,754)**
Proceeds from sales and maturities of investments	**2,145,000**
Dividends and interest on investments	**517,321**
Investment management fees paid	**(35,572)**
Cash provided by investing activities	**2,130,995**
Decrease in cash and cash equivalents	**(105,432)**
Cash and cash equivalents, beginning of year	**948,411**
Cash and cash equivalents, end of year	**$ 842,979**
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	**$ (1,104,262)**
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in reinsurance receivable	**(11,028)**
Change in premium receivable	**969**
Change in other assets	**180,733**
Change in accounts payable and accrued expenses	**(231,447)**
Change in reserve for losses and loss adjustment expenses	**(1,071,392)**
Net cash used in operating activities	**$ (2,236,427)**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Notes to Financial Statements

(1) Organization, Basis of Presentation, and Summary of Significant Accounting Policies

(a) Organization

The University of Colorado Self-Insurance and Risk Management Trust (the “Trust”) was authorized by Regent resolution dated June 23, 1977, as a self-insurance fund to provide the medical malpractice coverage for the Regents of the University of Colorado, including the faculty, staff, students, and health care practitioners in training at the Anschutz Medical Campus, the Beth-el College of Nursing and Student Health Center on the Colorado Springs campus, and the Wardenburg Student Health Center on the Boulder campus (the “University”). The Trust exists as an auxiliary enterprise of the University of Colorado and not as a separate legal entity. Through June 30, 1985, the University provided medical malpractice coverage through a commercial insurance policy to the specified limits of the Colorado Governmental Immunity Act. On July 1, 1985, the University became totally self-insured to the specified limits of liability established in the Colorado Governmental Immunity Act.

The Trust provides professional liability insurance coverage to the aforementioned parties based on C.R.S. §24-10-101, et seq. This provides the aforementioned parties coverage up to $150,000 per individual claimant in one incident and $600,000 for multiple claimants in one incident for activities arising within the State of Colorado. The Trust also provides coverage of $1,000,000 per occurrence for claims arising outside the State of Colorado. The Trust’s coverage limits are consistent with the State of Colorado’s liability limitations for governmental entities and employees. The current liability limitations are effective for occurrences on and subsequent to January 1, 1993. For occurrences from July 1, 1985 through December 31, 1992, liability limitations were $150,000 per individual claimant in one incident and $400,000 for multiple claimants in one incident. During 2000, the Trust entered into excess insurance agreements on behalf of the aforementioned parties. The excess insurance agreements provide coverage for claims based on federal statutes, which may not be subject to the same liability limitations provided by the State of Colorado.

The Trust, by agreement of the entities, also provides insurance coverage for the University of Colorado Hospital Authority (the “Hospital”) and its employees up to the Trust’s specified coverage limits. The Trust and the Hospital have agreed that the Trust will administer all Hospital claims; however, the Trust is not responsible for the payment of Hospital claims beyond its specified coverage limits ($150,000/$600,000). For occurrences from July 1, 1985 through December 31, 1992, coverage limits were $150,000/$400,000 per occurrence.

(b) Reporting Entity and Fund Type

The Trust is a self-insurance fund and is accounted for as an enterprise fund (a business-type activity). The Trust has no component units. The Trust applies all applicable Governmental Accounting Standards Board (“GASB”) pronouncements. In addition, the Trust has elected to apply only those Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

(c) 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.

(d) 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 reserve for unpaid losses and loss adjustment expenses. Management's estimates of insurance losses and loss adjustment expenses are based on past loss experience and consideration of current claim trends as well as prevailing social, economic and legal conditions. Actual results could differ from these estimates and such differences could be material.

(e) Net Assets

Net assets represent resources from the continuing operations of the Trust that are not invested in capital assets or restricted as to use by an external third party.

(f) Classification of Revenues and Expenses

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

Operating revenues and expenses: Revenues and expenses that result from providing medical malpractice coverage, claims administration, and loss control services and related services for member entities.

Nonoperating revenue and expenses: Revenues and expenses that are not included as operating revenues. Nonoperating revenues include net investment return.

(g) Cash and Cash Equivalents

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 Trust maintains cash on deposit with the University of Colorado in a pooled cash account. Investment income is allocated to the members of the pool on a pro rata basis.

(h) Investments

Investments are accounted for at fair value, which is determined based on quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

(i) Premiums

The Trust requires that the University reimburse all administrative costs incurred by the Trust on a pro rata basis using its individual risk factors as determined by independent consulting actuaries. The revenue from participant premiums is recognized on a pro rata basis by the Trust in the year in which it is earned.

The Trust relies on accumulated investment earnings to fund losses incurred. If the total losses incurred exceed investment income in a given year, the participants in the Trust may be assessed additional premiums on a pro rata basis. The Trust did not make any additional assessments in 2008.

(j) Reserve for Losses and Loss Adjustment Expenses

The reserve for losses and loss adjustment expenses represents the estimated ultimate net cost of all reported and unreported losses incurred through June 30, 2008. The reserve for unpaid losses and loss adjustment expenses is estimated using individual case-basis valuations and statistical analyses. These estimates are subject to the effects of trends in loss severity and frequency. The estimates are periodically reviewed by independent consulting actuaries and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations. Although considerable variability is inherent in such estimates, management believes that the reserves for losses and loss adjustment expenses are adequate.

(k) 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 premiums earned. Losses, loss adjustment expenses and the reserves for loss and loss adjustment expenses are reported net of reinsured amounts.

(l) Income Taxes

As an organization described in Internal Revenue Code Section 501(c)(3), the Trust is exempt from federal income taxation on income related to its exempt purposes under IRC Section 501(a). Income from activities not directly related to the Trust's tax-exempt purpose is subject to taxation as unrelated business income. The trust had no unrelated income; therefore no provision for income taxes is included in the financial statements.

(2) Investments and Deposits

(a) Cash Deposits

The Trust's cash and cash equivalents consist of cash deposits with financial institutions and deposits with the University of Colorado Treasurer.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Trust's deposits may not be returned to it. To manage custodial credit risk, deposits with financial institutions are made in accordance with the Trust's policy, including the Colorado Public Deposit Protection Act ("PDPA") of 1975. PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having a market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under PDPA are considered to be collateralized with securities held by the pledging institution in the Trust's name. Deposits held in money market funds are not PDPA eligible deposits and thus are exposed to custodial credit risk.

As of June 30, 2008, none of the Trust's bank balances of $616,393 were exposed to custodial credit risk. The carrying amount of the Trust's deposits was $508,272 at June 30, 2008. None of the Trust's cash equivalents of $334,707, in a money market mutual fund (BlackRock Temp Fund rated AAAm), were exposed to custodial credit risk at June 30, 2008. This fund is exempt from Governmental Accounting Standards Board ("GASB") 40, *Deposit and Investment Risk Disclosure—an amendment* *of GASB Statement No. 3,* interest rate risk disclosure because it complies with rule 2a-7 of the Investment Company Act of 1940, as amended. Cash and cash equivalents are presented net of outstanding checks of $108,121 at June 30, 2008.

(b) Investments

The investments of the Trust generally include money market funds, and bond and equity mutual funds.

Custodial credit risk for investments is the risk that, in the event of failure of a counterparty to a transaction, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure arises if the securities are uninsured, are not registered in the Trust's name, and are held by the counterparty, its trust department, or agent, but not in the Trust's name. Open-ended mutual funds are not subject to custodial risk because ownership of the investment is not evidenced by a security. The Trust does not have a policy covering custodial credit risk. None of the Trust's investments are subject to custodial risk.

Interest rate risk is the risk that the changes in the market rate of interest will adversely affect the value of an investment. Interest rate risk only applies to debt investments. The Trust manages interest rate risk in its investment portfolio by managing the duration, the maximum time to maturity, or both. There is a debt investment in a mutual fund. The mutual fund did have interest rate risk that needs to be disclosed. This investment grade bond mutual fund is benchmarked against the Lehman Brothers Aggregate Bond Index. It had duration of 4.4 years. Its market value on June 30, 2008, was $6,142,429.

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Credit is measured by the assignment of a rating by a nationally recognized statistical rating organization. GASB 40's credit quality risk disclosures only apply to debt investments. Debt investments in the portfolio are in one mutual fund. The Frontegra Columbus Core Fund (formerly the Frontegra Investment Grade Bond Fund), held a value of $6,142,429 at June 30, 2008, and was not rated.

Equity investments consist of Vanguard International Growth Fund and Vanguard Total Stock Market Index Fund that had market values of $387,139 and $1,140,703 respectively at June 30, 2008.

Major categories of investment income for the year ended June 30, 2008, are summarized as follows:

	2008
Fixed income	$ 331,338
Equity securities	74,662
Cash equivalents	21,104
Net decrease in the fair value of investments	(15,024)
Total investment income	412,080
Investment expenses	(35,572)
Net investment income	$ 376,508

The calculation of realized gains and losses is independent of the calculation of the net change in fair value of investments. 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.

(3) Reserve for Losses and Loss Adjustment Expenses

Changes in the reserve for losses and loss expense adjustments were composed of the following:

	2008
Reserve for losses and loss adjustment expenses at beginning of year	$ 5,246,363
Incurred losses and loss adjustment expenses:	
Provision for insured events of current year	1,985,123
Decrease in provision for insured events of prior years	(943,636)
Total incurred losses and loss adjustment expenses	1,041,487
Payments:	
Losses and loss adjustment expenses attributable to insured events of current year	(273,978)
Losses and loss adjustment expenses attributable to insured events of prior years	(1,838,901)
Total payments	(2,112,879)
Reserve for losses and loss adjustment expenses at end of year	$ 4,174,971

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 a number of 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 developments and are modified if necessary.

Discounting of Reserves for Losses and Loss Adjustment Expenses

The Trust discounts its revenues for losses and loss adjustment expenses. The funding level required at a 90% confidence level has been discounted on a non-tabular basis at 5.50%. A non-tabular discount is calculated with reference to an estimated payout pattern and an interest rate, and without reference to actuarial tables. The Trust's selection of the discount rate is based on a weighted-average of third-party capital market projections by asset class. The interest rate used to discount liabilities on a non-tabular basis has changed from the previous audited financial statements as of June 30, 2006. The prior interest rate was 5.56%.

At June 30, 2008, the net reserve for losses and loss adjustment expenses is computed as follows:

	2008
Gross	$ 4,863,421
Discount (computed at 5.50%)	(688,450)
	$ 4,174,971

(4) Excess Insurance

The Trust has entered into excess insurance contracts to limit its liability resulting from losses that exceed the governmental immunity act limits. Effective July 1, 1998, the Trust purchased excess insurance that covered any exposure greater than the $150,000/$600,000 retention limit, with the expenses outside the limit. Effective July 1, 2002, the excess insurance purchased by the Trust covered any exposure greater than the $150,000/$600,000 retention limit, with expenses within the limit. The Trust also had coverage for out-of-state exposures for $1 million per individual per occurrence.

The excess insurance premiums of $183,146, reduced premiums earned. Losses and loss adjustment expenses were reduced by the reinsurance receivable of $21,683.

Excess insurance contracts do not relieve the Trust from its obligations, and a failure of the excess insurer to honor its obligations could result in losses to the Trust. The Trust evaluates and monitors the financial condition of its excess insurers to minimize its exposure to loss from excess insurer insolvency. Management of the Trust believes its insurers are financially sound and will continue to meet their contractual obligations.

(5) Contingencies

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

In accordance with the Trust Advisory Board Bylaws for the University of Colorado Self-Insurance and Risk Management Trust article V, section 2.D., "the University of Colorado Health Sciences Center (now known as the University of Colorado Denver Anschutz Medical Campus) shall be responsible for the proper administration and control of the Risk and Claims Management Fund." Accordingly, no reserve for unallocated loss adjustment expenses has been recorded by the Trust.

(6) Accrued Compensated Absences

Accrued compensated absences, and related payroll expenses, are determined based on estimated balances due to employees upon termination. The limitations on such payments are defined by the rules associated with personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Vacation accruals are paid in full upon separation whereas only a portion of sick leave is paid upon specific types of separation, such as retirement. The Trust does not record the liability or expense for accrued compensated absences, as the portion related to Trust employees is recorded by the University. The Trust recognizes expenses for accrued vacation and sick leave when paid.

(7) Related Party Transactions

The Trust paid the University approximately $144,042 for administrative services during fiscal year 2008.

(8) Subsequent Event

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system, often referred to as the "Sub-Prime Lending Crises," has resulted in substantial volatility in the world financial markets and the banking system. Several large banking and financial institutions have been: acquired by the federal government; granted government loan guarantees; taken over by federal regulators;

sold in overnight auctions; or, have initiated bankruptcy proceedings. These and other events have had a significant negative impact on foreign and domestic financial markets. As a result, the Trust's investment portfolio has experienced increased volatility in fair value since June 30, 2008. However, because the values of the Trust's individual investments have and will fluctuate in response to changing market conditions, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.

Supplementary Information

Schedule 1

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Supplementary Information - Reconciliation of Reserves for Losses and Loss Adjustment Expenses by Type of Coverage

The schedule below represents the changes in reserves for losses and loss adjustment expense for the years ended June 30, 2008 and 2007, for the Trust's one line of coverage: medical malpractice.

Years ended June 30,	**2008**
Reserve for losses and loss adjustment expenses at beginning of year	$ 5,246,363
Incurred losses and loss adjustment expenses:	
Provision for insured events of current year	1,985,123
Decrease in provision for insured events of prior years	(943,636)
Total incurred losses and loss adjustment expenses	1,041,487
Payments:	
Losses and loss adjustment expenses attributable to insured events of current year	(273,978)
Losses and loss adjustment expenses attributable to insured events of prior years	(1,838,901)
Total payments	(2,112,879)
Reserve for losses and loss adjustment expenses at end of year	$ 4,174,971

See accompanying independent auditors' report.

Schedule 2

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Supplementary Information - Claims Development Information

The following table illustrates how the Trust's earned revenue and investment income compare to related costs of loss and other expenses assumed by the Trust as of the end of each of the last ten years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned participant premiums and investment revenue.
2. This line shows each fiscal year's other operating costs of the Trust, including overhead and claims expense not allocable to individual claims.
3. This line shows the Trust's incurred claims and allocated claim adjustment expense (both paid and unpaid liabilities) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called Policy Year).
4. This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.
5. This section of ten rows shows how each policy-year's incurred claims increased or decreased as of the end of successive years. This annual actuarial reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
6. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Supplementary Information - Claims Development Information

Ten-year Claims Development Information as reported in the Actuarial Report dated May 12, 2008 (in thousands):

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1.	Net earned premium and investment revenue	$ 1,901	1,049	1,830	2,689	2,930	3,252	1,992	1,769	2,100	1,557
2.	Unallocated expenses	957	730	852	954	865	825	904	1,032	1,138	1,244
3.	Estimated incurred claims and expense, end of policy year	2,350	2,680	2,500	2,450	2,760	2,247	2,192	2,299	2,169	1,847
4.	Paid (cumulative) as of:										
	End of policy year	70	232	6	8	135	15	2	34	18	159
	One year later	488	445	65	440	370	392	352	225	230	
	Two years later	368	681	203	611	923	399	561	929		
	Three years later	596	1,106	362	1,237	1,385	803	734			
	Four years later	1,118	1,008	511	1,477	1,515	1,074				
	Five years later	1,621	1,014	590	1,373	1,634					
	Six years later	1,543	1,014	1,036	1,523						
	Seven years later	1,587	1,012	1,020							
	Eight years later	1,518	975								
	Nine years later	1,403									
5.	Reestimated incurred claims and expense:										
	End of policy year	2,350	2,680	2,500	2,450	2,760	2,247	2,192	2,299	2,169	1,847
	One year later	2,275	2,400	2,000	2,500	2,405	1,579	1,528	1,907	1,055	
	Two years later	1,700	2,000	1,530	2,343	2,409	1,545	1,010	1,974		
	Three years later	1,450	1,875	929	2,000	2,196	1,086	961			
	Four years later	1,710	1,401	700	1,930	1,836	1,228				
	Five years later	2,067	1,262	730	1,578	1,801					
	Six years later	1,981	1,196	1,040	1,651						
	Seven years later	1,939	1,122	1,020							
	Eight years later	1,535	1,009								
	Nine years later	1,403									
6.	Increase (decrease) in estimated incurred claims and expense from end of policy year	(947)	(1,671)	(1,480)	(799)	(959)	(1,019)	(1,231)	(325)	(1,114)	-

Unaudited – See accompanying independent auditors' report.

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

Members of the Board of Regents of the University of Colorado and the Legislative Audit Committee:

We have audited the basic financial statements of the University of Colorado Self-Insurance and Risk Management Trust ("the Trust") as of and for the year ended June 30, 2008, and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Accountants & Consultants

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Anton Collins Mitchell LLP

This report is intended solely for the information and use of management, members of the Board of Regents of the University of Colorado, the State of Colorado's Legislative Audit Committee, and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a matter of public record and its distribution is not limited.

Anton Collins Mitchell LLP

Certified Public Accountants
September 29, 2008

Required Communications to Members of the Board of Regents of the University of Colorado and the Legislative Audit Committee

Professional standards require us to advise you of the following matters relating to our recently completed audit. The matters discussed herein are those that we have noted as of September 29, 2008, and we have not updated our procedures regarding these matters since that date to the current date.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our contract dated March 28, 2008, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable – not absolute – assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. An audit in accordance with generally accepted auditing standards does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected. Such standards also require that we obtain a sufficient understanding of the Trust's internal control to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Required Communications – Internal Control Over Financial Reporting

In conjunction with our audit of the financial statements of the Trust, we considered the Trust's internal control over financial reporting ("ICFR") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's ICFR. Accordingly, we do not express an opinion on the effectiveness of the Trust's ICFR. However, we are required to communicate, in writing, to those charged with corporate governance all material weaknesses and significant deficiencies that have been identified during our audit. The definitions of material weakness, significant deficiency, and control deficiency follow.

Material Weakness	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. *Note: The term remote likelihood as used in the definitions of the terms significant deficiency and material weakness has the same meaning as the term remote as used in Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 5, Accounting for Contingencies.*
Significant Deficiency	A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. *See note under Material Weakness above.*
Control Deficiency	A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively. Control deficiencies may involve one or more of the five interrelated components of internal control.

We noted no material weaknesses in our audit for the year ended June 30, 2008.

Required Communications
University of Colorado Self-Insurance and Risk Management Trust

Auditor's judgment about the quality of the Organization's accounting policies, estimates, and financial statement disclosures

In accordance with applicable auditing standards, a discussion was held with those charged with governance regarding the quality of financial reporting, which included the Trust's significant accounting practices, estimates, and financial statement disclosures.

Critical and significant accounting policies

We have reviewed the accounting policies that management has identified to be the most critical, and concur with management's assessment. These include the estimates for reserves for losses and loss adjustment expenses.

Adoption of a change in accounting principles

There were no situations involving the adoption of, or a change in, accounting principles where the application of alternative generally accepted accounting principles, including alternative methods of applying an accounting principle, would have a material effect on the Trust's financial statements.

Material, corrected misstatements brought to the attention of management by the auditor

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The definition includes adjustments that were not recorded by the Trust because they are not material to the current financial statements but might be potentially material to future financial statements.

During our audit, no audit adjustments were noted.

Unrecorded misstatements, other than those the auditor believes to be trivial

No unrecorded misstatements were noted during our audit.

Other information in documents containing the Organization's audited financial statements

Our responsibility for other information in documents containing the Trust's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information.

Disagreements with Management

There were no disagreements with management on financial accounting and/or reporting matters and auditing procedures that, if not satisfactorily resolved, would cause a modification of our auditors' reports.

Consultation with Other Accountants

We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.

Major issues discussed with management prior to our retention

Prior to our being retained as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.

ACM

Anton Collins Mitchell LLP

Significant difficulties encountered during the audit

There were no significant difficulties encountered during the audit. All records and information requested by Anton Collins Mitchell LLP were freely available for inspection. Management and other personnel provided full cooperation.

Material alternative accounting treatments discussed with management

There was no discussion with management concerning alternative accounting treatments.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2008.

Other issues arising from the audit the auditor considers significant and relevant to those charged with governance

There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.

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Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

This letter is solely for the internal use of the members of the Board of Regents of the University of Colorado, management of the University of Colorado Self-Insurance and Risk Management Trust, members of the Legislative Audit Committee, and the Office of the State Auditor, and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

Anton Collins Mitchell LLP

September 29, 2008

UNIVERSITY OF COLORADO SELF-INSURANCE AND RISK MANAGEMENT TRUST

Audited Basic Financial Statements

June 30, 2008

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