



**County Health Pool**

Financial Statements

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

## TABLE OF CONTENTS

|   | <b>PAGE</b> |
|---|-------------|
| <b>MANAGEMENT DISCUSSION AND ANALYSIS</b> .....                   | II          |
| <b>INDEPENDENT AUDITOR’S REPORT</b> .....                         | 1           |
| <b>FINANCIAL STATEMENTS</b>                                       |             |
| Statements of Net Position .....                                  | 3           |
| Statements of Revenues, Expenses and Changes in Net Position..... | 4           |
| Statements of Cash Flows .....                                    | 5           |
| Notes to Financial Statements .....                               | 6           |

## **COUNTY HEALTH POOL MANAGEMENT DISCUSSION AND ANALYSIS**

This discussion and analysis prepared in conformity with Governmental Accounting Standards Board (GASB) rules, is designed to provide an analysis of County Health Pool's (The Pool) financial condition and operating results. According to GASB rules, the intent of the management discussion and analysis is to inform the readers of the financial statements of the Pool's financial issues and activities.

The Management Discussion and Analysis (MD&A) should be read in conjunction with the Pool's basic financial statements and the Pool's basic financial statements should be read in conjunction with the MD&A.

The Pool's basic financial statements are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Pool was formed in January 1984 by an intergovernmental agreement among the member counties of Colorado. During 1999, The Pool changed its by-laws to allow The Pool to provide services to any political subdivision of the state of Colorado.

The purpose of The Pool is to provide health, dental and vision benefits and life, accidental death and dismemberment insurance to the employees of the member organizations. Based on the date the Pool was formed, it has no ERISA compliance requirements and it is not regulated by the Division of Insurance of the State of Colorado. At December 31, 2020 and 2019 there were 64 and 66 member organizations, respectively. Basic Financial Statements are presented on the accrual basis of accounting. The three basic statements presented within the financial statements are as follows:

Statements of Net Position -- These statements present information reflecting a snapshot of "Net Position", which represents the amount of total assets minus total liabilities. Although the statement of net position is not presented in a categorized basis, assets are nonetheless listed in liquid to non-liquid order. Liquid in this reference meaning cash or being turned into cash. The Pool's investment balances are considered liquid since the investment portfolio is marketable and easily turned into cash.

The liabilities consist of two categories of accounts. The first is the outstanding claims payable. This balance is the best estimate by management as to the number of claims which were incurred in the current year and will be paid in future periods. The accounts payable are the liabilities of The Pool, which vendors have presented invoices for payment and the cash will be disbursed in future years.

**COUNTY HEALTH POOL  
MANAGEMENT DISCUSSION AND ANALYSIS**

The change column illustrates for the reader that net position decreased, overall, in 2020 due to the decrease in utilization of the plan benefits.

**Statements of Net Position**

|   | <b>December 31,</b>        |                             |                            |                             |
|---|----------------------------|-----------------------------|----------------------------|-----------------------------|
|   | <b><u>2020</u></b>         | <b><u>2019</u></b>          | <b><u>Change</u></b>       | <b><u>2018</u></b>          |
| <b>Assets</b>                               |                            |                             |                            |                             |
| Cash and cash equivalents                   | \$ 7,693,989               | \$ 3,347,106                | \$ 4,346,883               | \$ 3,385,416                |
| Investments                                 | 13,437,845                 | 13,950,972                  | (513,127)                  | 14,042,087                  |
| Accrued interest receivable                 | 109,719                    | 99,475                      | 10,244                     | 70,255                      |
| Accounts receivable                         | 301,855                    | -                           | 301,855                    | -                           |
| Prepaid expenses                            | 11,416                     | 11,083                      | 333                        | 12,036                      |
| Deposits                                    | <u>16,490</u>              | <u>16,490</u>               | <u>-</u>                   | <u>16,490</u>               |
| <b>Total Assets</b>                         | <b><u>\$21,571,314</u></b> | <b><u>\$ 17,425,126</u></b> | <b><u>\$ 4,146,188</u></b> | <b><u>\$ 17,526,284</u></b> |
| <b>Liabilities</b>                          |                            |                             |                            |                             |
| Claims payable                              | \$ 5,250,000               | \$ 5,250,000                | \$ -                       | \$ 5,000,000                |
| Accounts payable                            | 107,723                    | 1,208,843                   | (1,101,120)                | 1,135,281                   |
| Contribution deposits                       | <u>632,994</u>             | <u>560,609</u>              | <u>72,385</u>              | <u>71,822</u>               |
| <b>Total Liabilities</b>                    | <b><u>5,990,717</u></b>    | <b><u>7,019,452</u></b>     | <b><u>(1,028,735)</u></b>  | <b><u>6,207,103</u></b>     |
| <b>Total Net Position</b><br>(Unrestricted) | <b><u>\$15,580,597</u></b> | <b><u>\$ 10,405,674</u></b> | <b><u>\$ 5,174,923</u></b> | <b><u>\$ 11,319,181</u></b> |

The Statements of Revenues, Expenses and Changes in Net Position -- These statements reflect the Pool's operating revenues and expenses. The essential source of revenues is from member organization contributions and the major sources of operating expenses are health, dental, and vision benefits. The change in net position is similar to net profit for any other insurance company. The amounts captioned as net position reflect the amount that corresponds to members' equity in previous years' statements of revenue and expenses and changes in members' equity.

**COUNTY HEALTH POOL  
MANAGEMENT DISCUSSION AND ANALYSIS**

|                                   | <u>December 31,</u>  |                      |                      |
|-----------------------------------|----------------------|----------------------|----------------------|
|                                   | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
| Operating revenue:                |                      |                      |                      |
| Contributions                     | \$ 60,117,020        | \$ 59,460,094        | \$ 58,683,712        |
| Total Operating revenue           | <u>60,117,020</u>    | <u>59,460,094</u>    | <u>58,683,712</u>    |
| Operating expenses:               |                      |                      |                      |
| Net claims incurred               | 40,888,449           | 46,199,215           | 43,781,846           |
| Insurance premiums                | 11,147,772           | 11,065,701           | 10,010,939           |
| Administration                    | <u>3,603,642</u>     | <u>3,838,751</u>     | <u>3,887,098</u>     |
| Total operating expenses          | <u>55,639,863</u>    | <u>61,103,667</u>    | <u>57,679,883</u>    |
| Operating income (loss)           | 4,477,157            | (1,643,573)          | 1,003,829            |
| Net investment income             | <u>697,766</u>       | <u>730,066</u>       | <u>93,499</u>        |
| Increase (Decrease) in net assets | 5,174,923            | (913,507)            | 1,097,328            |
| Net position - Beginning of year  | <u>10,405,674</u>    | <u>11,319,181</u>    | <u>10,221,853</u>    |
| Net position - End of year        | <u>\$ 15,580,597</u> | <u>\$ 10,405,674</u> | <u>\$ 11,319,181</u> |

The changes in the Contributions income from 2020 to 2019 to 2018 reflects the change in the rates charged to members in The Pool to receive coverage and increased cost arising from the Health Reform Act. The Pool had 64, 66, and 68 member organizations at December 31, 2020, 2019 and 2018, respectively.

The changes in the overall costs of claims reflects the changing number of members in The Pool, as well as a component of the shifting to higher deductible plans on the part of, many member entities.

In addition, insurance cost, the expense related to covering excess exposures, also increased due to increasing costs in the health care industry and the Pool's past experience.

During 2020, Anthem Blue Cross and Blue Shield did not adjust the amount The Pool paid for Anthem's administration costs for the servicing of claims and handling the network of doctors and hospitals.

During 2019, Anthem Blue Cross and Blue Shield decreased the amount The Pool paid for Anthem's administration costs for the servicing of claims and handling the network of doctors and hospitals by 1%.

Anthem also provided plan documents review, membership cards, and administered writing claim checks in 2020 and 2019.

## **COUNTY HEALTH POOL MANAGEMENT DISCUSSION AND ANALYSIS**

When the Board of Directors set the rates to charge for the benefits and services for 2020, the rates were established at a level that was estimated to increase The Pool's net position by approximately \$1,238,225.

When the Board of Directors set the rates to charge for the benefits and services for 2019, the rates were established at a level that was estimated to decrease The Pool's net position by approximately \$140,000.

**The Statements of Cash Flows** -- These statements reflect The Pool's cash flows from operating and investing activities.

### **Economic Conditions**

In 2020, the COVID-19 pandemic drove a significant decrease in utilization of health care. According to Willis Towers Watson employer healthcare costs were likely to come in between 3.3% and 8.8% lower than originally expected, due to deferred care. During 2020, The Pool experienced lower health care costs than originally budgeted and this is consistent with the Willis Towers Watson analysis.

The "Health Care Act" passed by the U.S. Congress in 2010 continued to impact estimated costs for 2020. The utilization component of drug trends continues to be higher for generic drugs than for brand drugs.

Based on the above projections and historical results, corporations are continuing to make adjustments in health care plans to cope with the increasing cost trends. Some of these adjustments include increasing co-pays, higher deductibles, and switching providers searching for lower cost options. An alternative approach is utilization management. This focuses on the employee and helps them live a healthier lifestyle and be a wiser health care consumer. Education and wellness programs are the key component of this strategy.

The Pool continues to put health care consumerism to the test with wellness and health education programs aimed at improving outcomes, thereby lowering health care costs. The Pool is trying to educate employees to be as engaged as possible, give them the tools and make them knowledgeable about their condition and about their prevention and treatment alternatives, so they make the best decision on health care access and utilization, improve their outcomes and help keep cost in check. Communication with employees has increased to be on a continuous basis, not just during policy renewal time. Input is solicited from members regarding plan design changes, benefit design changes, and contribution adjustments. The Pool's current philosophy is to conduct educational meetings with employees, along with continuous publications introducing all the tools and resources available to assist the employees to become better health care purchasers. As a result of The Pool teaming up with Anthem and the ongoing education of the members' employees, The Pool continues to be in a strong financial condition while keeping rate increases below the current average in Colorado.

## **COUNTY HEALTH POOL MANAGEMENT DISCUSSION AND ANALYSIS**

### **Requests for Information**

This report is designed to provide a general overview of The Pool's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Pool's administrator, County Technical Services, Inc. at 800 Grant Street, Suite 400, Denver, Colorado 80203, (or email address: [ctsi@ctsi.org](mailto:ctsi@ctsi.org)).



940 Main Street  
Louisville, CO 80027  
tel 303.665.8060 fax 303.665.0813  
[www.kfinancial.com](http://www.kfinancial.com)

## **Independent Auditor's Report**

The Board of Directors  
County Health Pool

### ***Opinion***

We have audited the financial statements of County Health Pool, which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of County Health Pool as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of County Health Pool and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about County Health Pool's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.





- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County Health Pool’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about County Health Pool’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Other Information***

Management is responsible for the other information included in the report. The other information comprises Management’s Discussion and Analysis but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*K Financial*  
Louisville, Colorado  
March 12, 2021

**COUNTY HEALTH POOL**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

|                             | <u>2020</u>                 | <u>2019</u>                 |
|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>               |                             |                             |
| Cash and cash equivalents   | \$ 7,693,989                | \$ 3,347,106                |
| Investments                 | 13,437,845                  | 13,950,972                  |
| Accrued interest receivable | 109,719                     | 99,475                      |
| Accounts receivable         | 301,855                     | -                           |
| Prepaid expenses            | 11,416                      | 11,083                      |
| Deposits                    | <u>16,490</u>               | <u>16,490</u>               |
| <b>TOTAL ASSETS</b>         | <u><u>\$ 21,571,314</u></u> | <u><u>\$ 17,425,126</u></u> |

**LIABILITIES AND NET POSITION**

|   |                             |                             |
|---|-----------------------------|-----------------------------|
| <b>LIABILITIES</b>                        |                             |                             |
| Claims payable                            | \$ 5,250,000                | \$ 5,250,000                |
| Accounts payable                          | 107,723                     | 1,208,843                   |
| Contribution deposits                     | <u>632,994</u>              | <u>560,609</u>              |
| <b>TOTAL LIABILITIES</b>                  | <u><u>5,990,717</u></u>     | <u><u>7,019,452</u></u>     |
| <b>NET POSITION</b>                       |                             |                             |
| Unrestricted                              | <u>15,580,597</u>           | <u>10,405,674</u>           |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u><u>\$ 21,571,314</u></u> | <u><u>\$ 17,425,126</u></u> |

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

**COUNTY HEALTH POOL**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| <b>OPERATING REVENUE</b>  |                      |                      |
| Contributions   | \$ 60,117,020        | \$ 59,460,094        |
| <b>OPERATING EXPENSES</b>   |                      |                      |
| Claims, net of excess insurance recoveries of<br>(\$8,976,052 and \$10,078,507 in 2020 and 2019,<br>respectively) | 40,888,449           | 46,199,215           |
| Insurance premiums  | 11,147,772           | 11,065,701           |
| Administration  | <u>3,603,642</u>     | <u>3,838,751</u>     |
| <b>TOTAL OPERATING EXPENSES</b>   | <u>55,639,863</u>    | <u>61,103,667</u>    |
| <b>OPERATING INCOME / (LOSS)</b>  | 4,477,157            | (1,643,573)          |
| <b>NON-OPERATING REVENUE</b>  |                      |                      |
| Net investment income   | <u>697,766</u>       | <u>730,066</u>       |
| <b>INCREASE (DECREASE) IN NET POSITION</b>  | 5,174,923            | (913,507)            |
| <b>NET POSITION - BEGINNING OF YEAR</b>   | <u>10,405,674</u>    | <u>11,319,181</u>    |
| <b>NET POSITION - END OF YEAR</b>   | <u>\$ 15,580,597</u> | <u>\$ 10,405,674</u> |

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

**COUNTY HEALTH POOL**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2020 AND 2019**

|  | <u>2020</u>             | <u>2019</u>             |
|--|-------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                         |                         |
| Contributions received from members  | \$ 60,183,698           | \$ 59,949,883           |
| Payments paid to insurers  | (12,316,645)            | (10,687,493)            |
| Claims paid  | (50,120,164)            | (56,072,196)            |
| Claims paid recovered from excess insurer  | 8,976,052               | 10,078,507              |
| Administrative expenses paid   | <u>(3,576,707)</u>      | <u>(4,098,972)</u>      |
| <br>Net cash provided by (used in) operating activities  | <br><u>3,146,234</u>    | <br><u>(830,271)</u>    |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                         |                         |
| Proceeds from sale or maturity of investments  | 6,421,080               | 7,310,920               |
| Purchase of investments  | (5,646,115)             | (6,892,532)             |
| Investment income received   | <u>425,684</u>          | <u>373,573</u>          |
| <br>Net cash provided by investing activities  | <br><u>1,200,649</u>    | <br><u>791,961</u>      |
| <br><b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                  | <br><u>4,346,883</u>    | <br><u>(38,310)</u>     |
| <br><b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>   | <br><u>3,347,106</u>    | <br><u>3,385,416</u>    |
| <br><b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | <br><u>\$ 7,693,989</u> | <br><u>\$ 3,347,106</u> |
| <br><b>RECONCILIATION OF OPERATING INCOME TO NET</b>   |                         |                         |
| <b>CASH PROVIDED BY OPERATING ACTIVITIES</b>   |                         |                         |
| Operating Income / (Loss)  | \$ 4,477,157            | \$ (1,643,573)          |
| Adjustments to reconcile operating income / (loss) to net cash provided by operating activities: |                         |                         |
| Effects of changes in operating assets and liabilities:  |                         |                         |
| Contribution deposits  | 72,385                  | 488,787                 |
| Claims payable   | -                       | 250,000                 |
| Accounts receivable  | (301,855)               | -                       |
| Prepaid insurance  | (333)                   | 953                     |
| Accounts payable   | <u>(1,101,120)</u>      | <u>73,562</u>           |
| <br>Net cash provided by operating activities  | <br><u>\$ 3,146,234</u> | <br><u>\$ (830,271)</u> |
| <br><b>NONCASH INVESTING ACTIVITY</b>  |                         |                         |
| Change in market value of investments  | <u>\$ (261,838)</u>     | <u>\$ (327,274)</u>     |

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

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 1: ORGANIZATION**

The Pool was formed in January 1984 by an intergovernmental agreement among the member counties of Colorado. During 1999, the Pool changed its by-laws to allow the Pool to provide services to any political subdivision of the state of Colorado and the Pool changed its name from Colorado Counties Cooperative for Employee Benefits to County Health Pool.

The purpose of the Pool is to provide health, dental and vision benefits and life, accidental death and dismemberment insurance to the employees of the member entities. At December 31, 2020 and 2019 there were 64 and 66 member entities, respectively, including County Technical Services, Inc. (see Note 5). The Pool collects contributions from members and makes payments for benefits, excess insurance coverage and administrative fees.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental risk pools, set forth by the Governmental Accounting Standards Board. The accrual basis of accounting is utilized where revenue is recognized when earned and expenses are recognized when the liability is incurred.

The Pool distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services in connection with the Pool's purpose of providing health, life, vision, dental and accidental death and dismemberment insurance coverage for its members. Operating revenues consist of contributions from its members. Operating expenses include the cost of claims paid, excess insurance premiums, administrative expenses, and management fees. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Pool has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

**Use of Estimates**

The preparation of financial statements in conformity 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

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

**Investments**

Investments are carried at fair value, which is based upon quoted market prices. Realized gains and losses are determined using the specific identification method. The Pool accounts for its investments in accordance with GASB statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools (GASB 31). GASB 31 requires governmental entities to report investments at fair value on the balance sheet. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Reserve for Claims Payable**

Claims are charged to operations as incurred and are reported net of excess insurance reimbursements and subrogation recoveries. The liability for claims payable is determined based upon case-basis evaluations and projections and includes a provision for incurred but not reported claims. The projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of the Pool's experience, trends in costs of services and changes in number of covered employees. Adjustments to the probable ultimate liability for claims are made continually based on subsequent developments and experience and are included in operations as incurred (see Note 6).

**Contributions**

The intergovernmental agreement provides for contributions from members based on rates determined annually by the Board of Directors.

**Income Tax**

The Pool is qualified and exempt from income tax under the provisions of Section 115 of the Internal Revenue Code. Therefore, the accompanying financial statements do not include a provision for income taxes.

**NOTE 3: CASH AND INVESTMENTS**

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 PDPA requires that collateral must exceed 102% of the uninsured deposits.

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

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

At December 31, 2020, the Pool's cash deposits had a bank balance of \$4,900,304 of which \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC), the remaining balance is collateralized according to the PDPA. The carrying balance of cash deposits as of December 31, 2020 was \$3,021,937.

At December 31, 2019, the Pool's cash deposits had a bank balance of \$2,921,483 of which \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC), the remaining balance is collateralized according to the PDPA. The carrying balance of cash deposits as of December 31, 2019 was \$2,042,893.

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the Pool, may invest. The Pool has adopted an investment policy which is more restrictive and limits investments to:

- Obligations of the United States and certain U.S. government agency securities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Any other eligible investment allowed by State statute if specifically approved by the Board

The Pool owned the following investments as of December 31, 2020:

| <b>Type of Security</b>            | <b>REMAINING MATURITY (in Months)</b> |                            |                            |                            |
|------------------------------------|---------------------------------------|----------------------------|----------------------------|----------------------------|
|                                    | <b>Market Value</b>                   | <b>12 or Less</b>          | <b>13 to 24 Months</b>     | <b>25 to 60 Months</b>     |
| Negotiable certificates of deposit | 5,202,233                             | 2,578,678                  | 1,716,308                  | 907,247                    |
| Corporate notes                    | 8,235,612                             | 100,092                    | 251,875                    | 7,883,645                  |
| Local government investment pool   | 4,654,094                             | 4,654,094                  | -                          | -                          |
| <b>Total</b>                       | <b><u>\$18,091,939</u></b>            | <b><u>\$ 7,332,864</u></b> | <b><u>\$ 1,968,183</u></b> | <b><u>\$ 8,790,892</u></b> |

**COUNTY HEALTH POOL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

The Pool owned the following investments as of December 31, 2019:

| <b>Type of Security</b>            | <b>REMAINING MATURITY (in Months)</b> |                       |                            |                            |
|------------------------------------|---------------------------------------|-----------------------|----------------------------|----------------------------|
|                                    | <b>Market Value</b>                   | <b>12<br/>or Less</b> | <b>13 to 24<br/>Months</b> | <b>25 to 60<br/>Months</b> |
| Negotiable certificates of deposit | 8,047,462                             | 856,446               | 3,061,995                  | 4,129,021                  |
| Corporate notes                    | 5,903,510                             | 604,794               | 760,716                    | 4,538,000                  |
| Local government investment pool   | <u>1,047,822</u>                      | <u>1,047,822</u>      | -                          | -                          |
| <b>Total</b>                       | <u>\$ 14,998,794</u>                  | <u>\$ 2,509,062</u>   | <u>\$ 3,822,711</u>        | <u>\$ 8,667,021</u>        |

**Interest Rate Risk**

In accordance with the investment policy, the Pool limits investment maturities to five years. As of December 31, 2020, and 2019, the duration of the investments is in accordance with the guidelines of the investment policy.

**Credit Risk**

The Pool requires investments in local government investment pools and corporate notes to carry defined credit ratings. The local government investment pool, ColoTrust, has been rated AAAM by Standard & Poor's at December 31, 2020.



**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

As of December 31, 2020, the corporate investments that The Pool participated in were rated as follows:

| <u>Investment</u>                         | <u>Standard &amp; Poor's<br/>Rating at<br/>December 31, 2020</u> |
|---|--|
| MIDWEST CONNECTOR CAP CO LLC              | A-   |
| BANK OF HALIFAX NOTE                      | A+   |
| MACY'S RETAIL                             | B  |
| EQT CORP                                  | BB   |
| SASOL FING USA LLC                        | BB   |
| HOSPITALITY PPTYS TR FXD RT SR NT         | BB-  |
| FORD MTR CR CO LLC                        | BB+  |
| METROPOLITAN EDISON CO                    | BB+  |
| GENERAL MTRS FINL CO INC                  | BBB  |
| GRUMA                                     | BBB  |
| MARATHON PETE CORP                        | BBB  |
| AIRCASTLE LTD                             | BBB-   |
| AVIATION CAP GROUP LLC                    | BBB-   |
| BGC PARTNERS IN                           | BBB-   |
| BOARDWALK PIPELINES LP                    | BBB-   |
| BOEING CO                                 | BBB-   |
| COACH INC                                 | BBB-   |
| DISCOVER FINL SVCS                        | BBB-   |
| ENABLE MIDSTREAM PARTNERS LP              | BBB-   |
| EXPEDIA GROUP INC                         | BBB-   |
| HYATT HOTELS CORP                         | BBB-   |
| NATIONAL FUEL GAS CO                      | BBB-   |
| NORDSTROM INC                             | BBB-   |
| OMEGA HEALTHCARE INVS INC                 | BBB-   |
| OWL ROCK CAP CORP                         | BBB-   |
| PARK AEROSPACE HLDINGS                    | BBB-   |
| PROSPECT CAP CORP                         | BBB-   |
| TPG SPECIALTY LENDING INC                 | BBB-   |
| AERCAP IRELAND CAP DESIGNATED ACTIVITY CO | Not Rated  |
| EAGLE BANCORP INC                         | Not Rated  |
| FS KKR CAP CORP                           | Not Rated  |
| OAKTREE SPECIALTY LENDING CORP            | Not Rated  |

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

As of December 31, 2019, the corporate investments that The Pool participated in were rated as follows:

| <u>Investment</u>             | <u>Standard &amp; Poor's<br/>Rating at<br/>December 31, 2019</u> |
|-------------------------------|--|
| BANK OF HALIFAX               | A+   |
| UNITED STATES BANKCORP        | A+   |
| UNITEDHEALTH GROUP            | A+   |
| NATIONAL RURAL UTILITIES COOP | A  |
| SYSTEM ENERGY RES INC         | A  |
| WESTAR ENERGY INC             | A  |
| AON PLC                       | A-   |
| BROOKFIELD FIN LLC            | A-   |
| CIGNA CORP                    | A-   |
| EXPRESS SCRIPTS HLDG CO       | A-   |
| MIDWEST CONNECTOR CAP CO LLC  | A-   |
| CISCO SYSTEMS INC.            | AA-  |
| EQT CORP                      | BB+  |
| MACY'S RETAIL                 | BB+  |
| BUCKEYE PARTNERS              | BB   |
| TEVA PHARMA FIN               | BB   |
| CENTERPOINT ENERGY CORP       | BBB+   |
| GOLDMAN SACHS GROUP           | BBB+   |
| ALTRIA GROUP INC              | BBB  |
| METROPOLITAN EDISON CO        | BBB  |
| FORD MTR CR CO LLC            | BBB-   |
| HOSPITALITY PPTYS             | BBB-   |
| OWL ROCK CAP CORP             | BBB-   |
| PARK AEROSPACE HLDINGS        | BBB-   |
| PROSPECT CAP CORP             | BBB-   |
| SASOL FING USA LLC            | BBB-   |
| Baidu INC                     | Not Rated  |
| EAGLE BANCORP INC             | Not Rated  |

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

The Pool requires that, excluding direct U.S. government obligations such as Treasury Notes, Treasury Bills, and FDIC insured certificates of deposit, no single investment will represent more than 5% of the total fair value of the investment portfolio and commercial paper cannot represent more than 10% of the fair value. Limits by issuer are not defined.

As of December 31, 2020, concentrations in single issuers of the Pool's entire investment portfolio were as follows:

| <u>Investment Type</u>                       | <u>Market Value</u> | <u>% of Total Portfolio</u> |
|--|---------------------|-----------------------------|
| HOSPITALITY PPTYS TR FXD RT SR NT            | \$ 479,563          | 6%                          |
| HYATT HOTELS CORP SR NT                      | 282,530             | 3%                          |
| NORDSTROM INC SR SECD NT                     | 280,013             | 3%                          |
| EXPEDIA GROUP INC SR NT                      | 275,553             | 3%                          |
| GRUMA S A DE C V NT                          | 275,015             | 3%                          |
| MARATHON PETE CORP FXD RT SR NT              | 272,823             | 3%                          |
| COACH INC FXD RT SR NT                       | 268,208             | 3%                          |
| GENERAL MTRS FINL CO INC                     | 264,980             | 3%                          |
| AIRCASTLE LTD SR NT                          | 264,915             | 3%                          |
| EAGLE BANCORP INC MD SUB NT                  | 261,730             | 3%                          |
| BGC PARTNERS INC SR NT                       | 261,655             | 3%                          |
| METROPOLITAN EDISON CO FIXED RT              | 260,798             | 3%                          |
| AVIATION CAP GROUP LLC SR NT                 | 260,161             | 3%                          |
| TPG SPECIALTY LENDING INC FXD RT SR NT       | 260,098             | 3%                          |
| AERCAP IRELAND CAP DESIGNATED ACTIVITY CO SR | 259,998             | 3%                          |
| OAKTREE SPECIALTY LENDING CORP NT            | 258,873             | 3%                          |
| BOEING CO SR NT                              | 256,480             | 3%                          |
| MIDWEST CONNECTOR CAP CO LLC GTD FXD         | 256,250             | 3%                          |
| ENABLE MIDSTREAM PARTNERS LP GTD FXD RT SR N | 255,640             | 3%                          |
| NATIONAL FUEL GAS CO FXD RT NT               | 252,459             | 3%                          |
| EQT CORP FXD RT SR NT                        | 251,875             | 3%                          |
| BOARDWALK PIPELINES LP GTD FXD RT NTS        | 251,118             | 3%                          |
| FS KKR CAP CORP NT                           | 249,823             | 3%                          |
| FORD MTR CR CO LLC FXD RT SR NTS             | 248,090             | 3%                          |
| PROSPECT CAP CORP FXD RT SR NOTE             | 246,760             | 3%                          |
| PARK AEROSPACE HLDINGS LT GTD SR NT          | 246,264             | 3%                          |
| OWL ROCK CAP CORP FXD RT SR NT               | 243,511             | 3%                          |
| SASOL FING USA LLC GTD FXD RT BOND           | 238,838             | 3%                          |
| MACY'S RETAIL                                | 237,500             | 3%                          |
| DISCOVER FINL SVCS                           | 234,380             | 3%                          |
| OMEGA HEALTHCARE INVS INC GTD SR NT          | 179,626             | 2%                          |
| BANK OF HALIFAX NOTE                         | 100,092             | 1%                          |
| TOTAL  | <u>\$ 8,235,612</u> |                             |

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

As of December 31, 2019, concentrations in single issuers of The Pool's entire investment portfolio were as follows:

| <u>Investment Type</u>        | <u>Market Value</u> | <u>% of Total Portfolio</u> |
|-------------------------------|---------------------|-----------------------------|
| HOSPITALITY PPTYS             | \$ 758,908          | 5%                          |
| EAGLE BANCORP INC             | 266,788             | 2%                          |
| MIDWEST CONNECTOR CAP CO LLC  | 262,460             | 2%                          |
| METROPOLITAN EDISON CO        | 258,365             | 2%                          |
| CENTERPOINT ENERGY CORP       | 254,838             | 2%                          |
| EXPRESS SCRIPTS HLDG CO       | 254,403             | 2%                          |
| MACY'S RETAIL                 | 252,575             | 2%                          |
| BUCKEYE PARTNERS              | 251,370             | 2%                          |
| FORD MTR CR CO LLC            | 248,984             | 2%                          |
| PARK AEROSPACE HLDINGS        | 246,045             | 2%                          |
| PROSPECT CAP CORP             | 245,748             | 2%                          |
| EQT CORP                      | 245,703             | 2%                          |
| SASOL FING USA LLC            | 243,644             | 2%                          |
| OWL ROCK CAP CORP             | 238,763             | 2%                          |
| BAIDU INC                     | 213,188             | 2%                          |
| SYSTEM ENERGY RES INC         | 204,303             | 1%                          |
| AON PLC                       | 202,140             | 1%                          |
| BROOKFIELD FIN LLC            | 176,976             | 1%                          |
| ALTRIA GROUP INC              | 169,779             | 1%                          |
| BANK OF HALIFAX               | 102,601             | 1%                          |
| CIGNA CORP                    | 101,656             | 1%                          |
| WESTAR ENERGY INC             | 101,577             | 1%                          |
| UNITEDHEALTH GROUP            | 101,016             | 1%                          |
| CISCO SYSTEMS INC.            | 100,585             | 1%                          |
| UNITED STATES BANKCORP        | 100,552             | 1%                          |
| NATIONAL RURAL UTILITIES COOP | 100,356             | 1%                          |
| GOLDMAN SACHS GROUP           | 100,130             | 1%                          |
| TEVA PHARMA FIN               | 100,059             | 1%                          |
|                               | <u>\$ 5,903,510</u> |                             |

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

The Pool's trust agent, Pershing LLC, uses Level 1 inputs for valuation purposes based on fair values in actively traded markets for identical assets. Financial assets that are measured at fair value on a recurring basis are reflected in the Pool's statements of net position at December 31, 2020 and 2019, as follows:

|                           | <u>2020</u>          | <u>2019</u>          |
|---------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 7,693,989         | \$ 3,347,106         |
| Investments               | <u>13,437,845</u>    | <u>13,950,972</u>    |
|                           | <u>\$ 21,131,834</u> | <u>\$ 17,298,078</u> |

The composition of investment returns for the years ended December 31, 2020 and 2019 are as follows:

|                                | <u>2020</u>       | <u>2019</u>       |
|--------------------------------|-------------------|-------------------|
| Interest                       | \$ 449,504        | \$ 209,345        |
| Unrealized Gain on Investments | <u>248,262</u>    | <u>520,721</u>    |
| Net Investment Income          | <u>\$ 697,766</u> | <u>\$ 730,066</u> |

**NOTE 4: EXCESS INSURANCE CONTRACTS**

The Pool entered into an excess insurance contract to limit large losses. The excess loss coverage limits the Pool's exposure to \$100,000 of claims paid per person in 2020 and 2019. Excess insurance premiums for the years ended December 31, 2020 and 2019 were \$11,147,772 and \$11,065,701, respectively.

Although management believes they have acquired excess insurance from solvent carriers, a contingent liability exists with respect to excess insurance coverages which would become a liability of the Pool if the excess insurers were unable to meet their obligations under the contracts.

**NOTE 5: ADMINISTRATIVE AND CLAIMS SERVICING AGREEMENTS**

The Pool entered into an agreement with County Technical Services, Inc. (CTSI), a nonprofit corporation, to provide administrative services for the Pool. Fees for such services were \$572,487 and \$680,940 for 2020 and 2019, respectively.

Additionally, the Pool entered into an agreement with a third-party claims administrator, Anthem Blue Cross and Blue Shield (Anthem). Fees for such services were \$2,476,660 and \$2,591,937 for 2020 and 2019, respectively. CTSI and Anthem are considered to be related parties for purposes of these financial statements.

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 6: CLAIMS PAYABLE**

As discussed in Note 2, the Pool establishes a liability for both reported and un-reported claims. The following represents changes in that liability for the Pool during the years ended December 31, 2020 and 2019.

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Claims payable, beginning of year                                   | \$ 5,250,000        | \$ 5,000,000        |
| Provision for claims expense  |                     |                     |
| Provision for covered events of the current year                    | 40,632,982          | 45,983,097          |
| Increase (decrease) in provision for covered events of prior years  | <u>255,467</u>      | <u>216,118</u>      |
|   | <u>40,888,449</u>   | <u>46,199,215</u>   |
| <br>  |                     |                     |
| Payments, net of excess insurance recoveries                        |                     |                     |
| Claims expenses attributable to covered events of the current year. | 35,632,982          | 40,733,097          |
| Claims expenses attributable to covered events of prior years       | <u>5,255,467</u>    | <u>5,216,118</u>    |
| Total payments  | <u>40,888,449</u>   | <u>45,949,215</u>   |
| <br>  |                     |                     |
| Claims payable, end of year   | <u>\$ 5,250,000</u> | <u>\$ 5,250,000</u> |

As a result of changes in estimates of insured events in prior years, the provision for claims expense increased by \$255,467 and \$216,118 for the years ended December 31, 2020 and 2019, respectively. The increases in 2020 and 2019 are due to higher-than-expected losses and related expenses.

**NOTE 7: CONCENTRATIONS**

The business plan of the Pool calls for contributions to be allocated and spread out among members to avoid concentrations. There were no contributions from individual members during the years ended December 31, 2020 and 2019 that exceeded 10% of total contributions.

**NOTE 8: INSURANCE AND FINANCIAL RISKS**

Insurance Risks

Insurance risk is the risk that an event will take place giving rise to a claim or claims and includes the uncertainty of the amount and timing of any resulting claim or claims. Factors influencing insurance risk include but are not limited to the amount of risk undertaken, risk diversification and geographical and industry exposures. The

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 8: INSURANCE AND FINANCIAL RISKS (CONTINUED)**

Pool directly insures certain risks of members and as such there is a concentration of insurance risk within the industry sector and territory in which the Pool operates.

Pandemic Risk

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus ("COVID-19") outbreak, which has led to a global health emergency and caused business interruption and social disruption around the world. The Pool does not expect COVID-19 to have a significant impact on the Pool's insurance premiums or claims; however, the extent to which this impacts the business activity and results of operations of the Pool will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the continued actions required to contain and treat its impact, among others.

**NOTE 9: FAIR VALUE MEASUREMENTS**

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

Level 1 - Inputs to the valuation are based upon quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.

Level 2 - Inputs to the valuation include quoted prices in either markets that are not active, or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs to the valuation are unobservable inputs for the asset or liability.

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

The following is a description of the valuation methodologies used by the Pool.

- Bonds: Valued at the amortized cost of shares held by the Pool at year end.
- Local government investment pool: Valued at cash equivalent.

**COUNTY HEALTH POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2020 AND 2019

**NOTE 9: FAIR VALUE MEASUREMENTS (CONTINUED)**

Financial assets measured at fair value on a recurring basis are reflected in the Pool's statement of net position at December 31, 2020 as follows:

|                                    | <b>Assets:</b> |         |         |               |
|------------------------------------|----------------|---------|---------|---------------|
|                                    | Level 1        | Level 2 | Level 3 | Total         |
| Negotiable certificates of deposit | \$ 5,202,233   | \$ -    | \$ -    | \$ 5,202,233  |
| Corporate obligations              | 8,235,612      | -       | -       | 8,235,612     |
| Local government investment pool   | 4,654,094      | -       | -       | 4,654,094     |
| Total                              | \$ 18,091,939  | \$ -    | \$ -    | \$ 18,091,939 |

Financial assets measured at fair value on a recurring basis are reflected in the Pool's statement of net position at December 31, 2019 as follows:

|                                    | <b>Assets:</b> |         |         |               |
|------------------------------------|----------------|---------|---------|---------------|
|                                    | Level 1        | Level 2 | Level 3 | Total         |
| Negotiable certificates of deposit | \$ 8,047,462   | \$ -    | \$ -    | \$ 8,047,462  |
| Corporate obligations              | 5,903,510      | -       | -       | 5,903,510     |
| Local government investment pool   | 1,047,822      | -       | -       | 1,047,822     |
| Total                              | \$ 14,998,794  | \$ -    | \$ -    | \$ 14,998,794 |

**NOTE 10: SUBSEQUENT EVENTS**

As part of the administrative services provided to the Pool, CTSI has evaluated events subsequent to December 31, 2020 through March 12, 2021, which is the issuance date of this report. There were no material events noted in the subsequent period that would have impacted the results reported herein or in the Pool's results going forward.