

■ IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

IMWCA

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009**

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IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

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INTRODUCTORY SECTION



December 7, 2009

Members and the Board of Trustees
Iowa Municipalities Workers' Compensation Association

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the Iowa Municipalities Workers' Compensation Association (IMWCA or the Association) is hereby respectfully submitted. This report was prepared internally by Iowa League of Cities (League) staff. Responsibility for the accuracy of the presented data and all disclosures rests with the management of IMWCA. We believe the enclosed data, as presented, is accurate in all material respects; that it is reported in a manner designed to present fairly the financial position and results of operations of IMWCA; and that all disclosures necessary to enable the reader to gain an understanding of IMWCA's financial activities have been included.

The Reporting Entity and its Services

The Iowa Municipalities Workers' Compensation Association (IMWCA) has insured workers' compensation exposures of municipalities in Iowa since July 1, 1981. Municipalities currently include cities, counties, 28E entities comprised of cities and counties, and other political subdivisions. IMWCA was created under Chapter 28E of the Code of Iowa. The purpose of Chapter 28E is to "permit state and local governments in Iowa to make efficient use of their powers by enabling them to provide joint services and facilities with other agencies and to cooperate in other ways of mutual advantage." The Association now has one main group in which business is written, referred to as the Standard Group (formerly Group C). There is one additional group, Group B, in which no new business is written, but consisted of those municipalities that joined the Association between July 1, 1988 and June 30, 1989 and agreed to issue bonds to cover catastrophic losses. The 181 members of Group B were obligated to remain in the Association until July 1, 1997 when the bond obligation terminated. Claims arising from the period July 1, 1988 through July 1, 1997 were funded by the reserves and equity of Group B. In fiscal year 2003, the IMWCA Board approved the liquidation of Group B. An actuarial analysis was completed to determine the potential remaining liabilities for Group B. Group B then paid the Standard Group to assume the administration and remaining liabilities of Group B. The Group B members may now retain coverage as part of the Standard Group. Group C had consisted of those municipalities that had joined the IMWCA since July 1, 1989. The initial group of municipal members was identified as Group A, and received coverage for claims



occurring between 7/1/81 and 6/30/88. This group was liquidated on 12/31/97. On July 1, 2004, IMWCA began the third party administration of claims for entities under contract. Third party administration of claims involves handling the administration of all claims for the contracted entities. The Association collects an administration fee while the contracted entity retains all claim risks and costs. The third party administration is referred to as Group D, of which there is one member entity. In fiscal year 2007, a large deductible program, referred to as Group E, was offered by IMWCA to one member entity. The large deductible program consists of a member entity paying a reduced premium based on a rate determined by actuarial analysis and retaining a larger portion of risk up to a specified deductible amount.

The purpose of the IMWCA as a self-insured risk Association is to provide a stable, affordable alternative to the standard insurance market. To meet this purpose, IMWCA uses stringent underwriting guidelines and prudent financial management, which protect the integrity of the Association and its members' interests. Thus, IMWCA is dedicated solely to serving the needs of its member municipalities.

A nine member Board of Trustees, all of whom are elected or appointed officials of member municipalities, represents the members of the IMWCA. Board members are elected by members of the Association for three-year terms. The responsibilities of the Board include establishing policies and procedures, authorizing contracts for the Association, and reviewing the Association's financial performance.

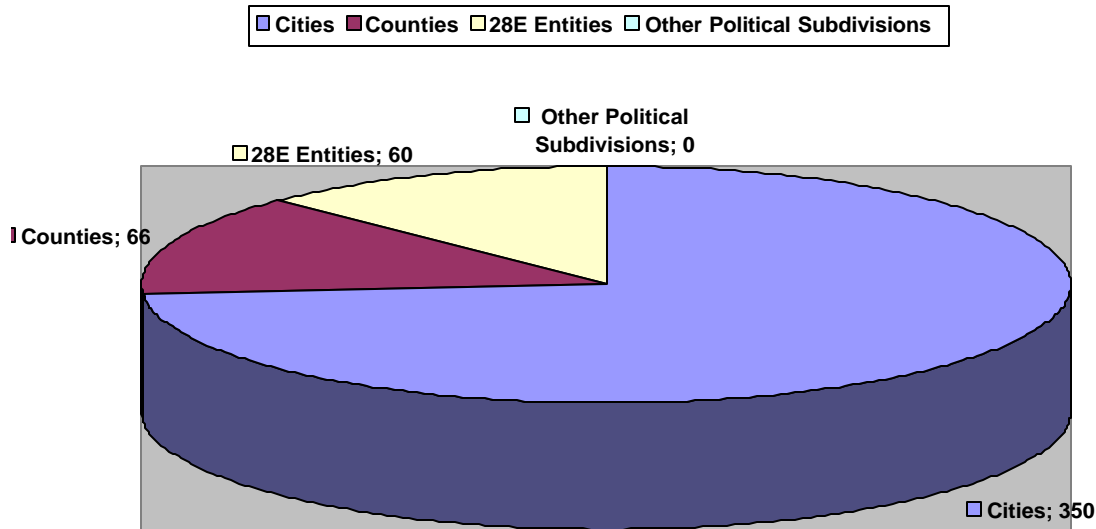
IMWCA is currently reinsured with Safety National Casualty Corporation. The previous reinsurer was NLC Mutual Insurance Company (NLC-MIC), a member owned captive reinsurance company.

Economic Condition and Outlook

Since the Association's inception, membership has grown to 476 members as of June 30, 2009. Member premiums in 2009 exceeded \$15.9 million.



Total Membership 476



In past years, membership growth had slowed due to increased competition from the traditional insurance marketplace. In response, the Association had followed an ongoing aggressive marketing strategy, which began five years ago. In fiscal years 2001, 2002, and 2003 membership grew 14%, 18% and 14% respectively. This growth was due primarily to the economic downturn and deteriorating loss experience that caused traditional insurance carriers to dramatically increase rates, whereas IMWCA only slightly increased rates. Membership growth slowed in fiscal years 2004 through 2009, increasing only 1% each year. The Association continues to stress its mission statement of providing a stable, affordable alternative to the standard insurance market.

Major Initiatives

General Administration

IMWCA has an administrative agreement with the Iowa League of Cities (League) to provide management and accounting, claims administration, underwriting, loss control, and marketing services. Management constantly analyzes the claim and financial data of the Association to watch for trends or vital information that may affect the performance of IMWCA. Since claims and claim adjustment expenses are the largest expenditure of the Association, League staff carefully analyzes the claim losses and provides loss control services to help members mitigate future losses.



Marketing Services

League staff works with local agents along with interested cities, 28E entities, and other political subdivisions to obtain payroll information, provide proposal comparisons, and rate the cost of the coverage. The Association also contracts with County Risk Management Services (CRMS) to market workers' compensation to interested counties through the network of local agents. In fiscal year 2008, IMWCA hired a marketing manager to re-educate members and potential members on the Association's purpose and the advantages of membership in IMWCA. The marketing manager is working to build strong relationships with members and agents and coordinate all marketing efforts. League staff rate and underwrite the workers' compensation coverage and once coverage is awarded, work with local agents to coordinate the transition of coverage. The accounting staff then bills and collects members' contributions.

The Association has continuously worked to offer enhancements to coverage as follows:

- Municipal utility coverage - allows a city-operated utility to obtain workers' compensation coverage separately (1992)
- Appointed and elected officials coverage - provides members the ability to add board members, council members, mayors, and boards of supervisors to their workers' compensation coverage (1993)
- Pyrotechnician coverage - allows a municipality to provide coverage for personnel certified to work with fireworks (1994)
- Discount-rating plan - offers discounts on workers' compensation premium based on number of years in the program, loss experience, and loss control compliance (1995)
- Chapter 411 firefighter and police officer medical-only coverage endorsement – allows a municipality that participates in the disability retirement program for full-time firefighters and police officers (mandated for municipalities with a population greater than 8,000 by Chapter 411 of the Code of Iowa in lieu of workers' compensation coverage) to provide medical-only coverage (1996)
- 28E entity coverage – allows 28E entities comprised of cities and/or counties governed under a separate body to join IMWCA (1998)
- Other political subdivision coverage – legislative language change allows other political subdivisions to join IMWCA (2000)
- Non-statutory volunteer endorsement – allows a municipality to provide medical-only coverage for non-statutory volunteers (2000)
- Large deductible program– offers larger municipalities the option to enroll in a large deductible workers' compensation program with a choice of deductible levels beginning at \$25,000 (2000)
- Third party administration of claims – offer contracted entities the administration of claims by the professional IMWCA claims staff for a fee while the contracted entity retains the risk and pays all claim costs (2005)

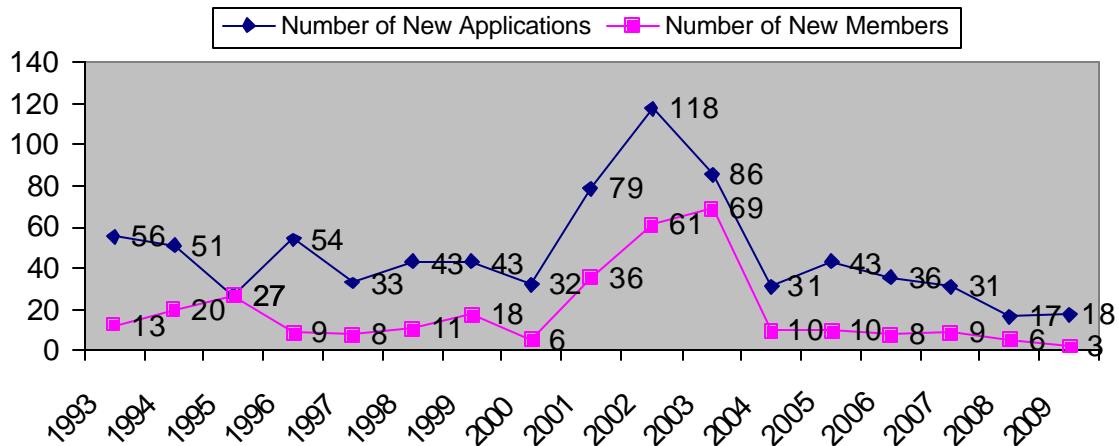


- Good member experience bonus – given to those members in good standing who have had an experience modification factor of less than 0.90 for the previous three years with IMWCA and who are not on the high-risk list (2006)
- Company Nurse – day of injury telephonic reporting pilot project (2007)
- Company Nurse – implemented day of injury telephonic reporting for entire membership (2009)

The Association continues to work to improve coverage for its member entities.

During 2009, IMWCA received applications for membership coverage from 18 public entities that were not members of the Association. Of those entities that received quotes, 3 elected to join IMWCA.

Marketing Success



* The number of new quotes released in years prior to 1993 is not available.

IMWCA is aggressively marketing to retain and expand membership through a variety of tools. In 1993, the Association began publishing a quarterly newsletter called *The Informer* which provides information about recent board initiatives, risk minimization techniques, and tips on various workers' compensation topics. League staff began publishing the newsletter on a bi-monthly basis in 1997. In fiscal year 2007, this newsletter began to be published electronically to expand readership and reduce costs.

An IMWCA marketing brochure was introduced in 1999, which discussed the history of IMWCA and the principles on which it was founded. The brochure listed the advantages of becoming a member of IMWCA over traditional insurance for Iowa public entities. This brochure was used by local agents to market the program and was developed with the input of the Agent Advisory Committee. In 2004, this marketing brochure was redesigned and updated. This redesigned brochure is currently being used by IMWCA and local agents to market the program.



For several years, IMWCA has sponsored and coordinated risk management workshops and training for public entities in Iowa. Any public entity employee in Iowa may attend for a fee. IMWCA members attend at a reduced cost. The various workshops are a marketing opportunity for introducing non-members to IMWCA membership benefits. The workshops that have been offered in the past include the following:

- Becoming An Effective Safety Coordinator Workshops
- Bottom-Line Workshops
- Excavation Safety Workshops
- Fit-Force Workshops
- Hazardous Communications Workshops
- Joint IMWCA/Iowa Communities Assurance Pool (ICAP) Loss Control Conference– Began in 1997
- Law Enforcement Fitness Training Workshops
- New Member Orientation Workshops – Began in 2001
- One Day Safety University
- OSHA Workshops
- Public Safety Fitness Workshops
- Right-To-Know Workshops
- Safety for Public Health Employees Workshops
- Self Audit Workshops
- Supervisors’ Safety Awareness Training Workshops
- Wood Chipper Safety Workshops
- Workplace Violence Prevention Workshops

Risk Management Workshops /Training

Fiscal Year	Workshops Held	Total Participants
1994	1	75
1995	4	150
1996	5	175
1997	4	135
1998	9	255
1999	16	277
2000	13	287
2001	40	583
2002	21	420
2003	9	380
2004	12	400
2005	13	414
2006	5	175
2007	6	219
2008	15	213
2009	3	135



IMWCA has continued to give presentations on workers' compensation issues to various interested organizations at their request. These presentations include:

- Challenges of Insurance in 2000 – for IMWCA/Iowa Communities Assurance Pool (ICAP) Loss Control Conference
- Dealing with Employees with Multiple claims – Member Entities
- Designated Physician and Return To Work Benefits – Member Entities
- Developing a Safety Culture – Member Entities
- Insurance Coverage for Local Government – for Iowa Municipal Finance Officers Association (IMFOA) and Iowa Association of Regional Councils (IARC)
- Law Enforcement Fitness Training – Member Entities
- Safe Driving – for Iowa Public Works Expo
- Safety and Loss Control – NLC-RISC, Northeast Iowa Wastewater Association, Public Health Nurses Association
- Self Auditing – Member Entities
- Supervisors' Safety Awareness – Member Entities
- Workers' Compensation - for City Clerk's annual meeting
- Why Do You Need the Non-Statutory Volunteer Endorsement? – Member Entities

In fiscal year 2006, IMWCA reconfigured and updated its website at www.imwca.org to make it more user-friendly and provide better information to the public.

Loss Control Services

Loss control is the process through which members' risks are identified, analyzed and minimized. This is perhaps the most significant key to reducing IMWCA's claims expenses. Loss control services are provided internally by the Loss Control Coordinator, Senior Loss Control Representative and Loss Control Representative on League staff. At the end of 1998 the full-time Loss Control Representative position was created to expand loss control services and educational opportunities for members. In 2007, the Loss Control Coordinator position was added to coordinate and oversee activities and allow more site visits to members for the loss control division. Fiscal year 2009 saw two loss control staff members complete the Associate in Risk Management (ARM) designation through the American Institute for CPCU/Insurance Institute of America.

A Loss Control Advisory Committee, made up of interested representatives from the membership, was established to assist staff and make recommendations to the board regarding loss control issues.

IMWCA's Board of Trustees adopted written loss control guidelines in 1994. These guidelines help in the following areas:



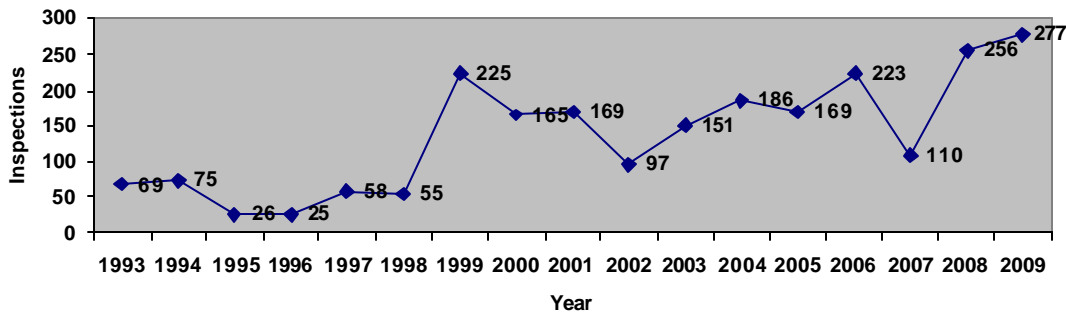
- To provide the IMWCA Board of Trustees and the Loss Control staff with an objective review of current Association loss control activities, and
- To provide recommendations to the Board and staff in meeting the loss control needs of Association members regarding workers' compensation.

In fiscal year 2005, the Board ratified the high risk member criteria and sanction process recommended by staff and the Loss Control Advisory Committee. This sanction process based upon specific criteria involves established steps for loss control staff to follow in dealing with members who have extensive unfavorable loss history or have not followed loss control recommendations. The end result of this process can be a surcharge to premium or expulsion from the Association.

The loss control staff assists members with claims control and minimization through on-site inspections, surveys, loss control workshops and personal loss control assistance. Priority for on-site inspections is determined by considering high risk members, members' area and population, claims records, and number of loss control recommendations made from previous inspections.

An on-site inspection involves the Representatives' examining the members' facilities, operations, and procedures and making written reports about their findings to the member, management, and the Loss Control Advisory Committee.

On-Site Inspections/Safety Committee Contacts Performed, 1993-2009



The Association maintains and updates a resource library of risk management presentations on video, DVD and audio formats, which is free of charge to members of IMWCA. Presentation topics available include:

- Arc Flash Awareness
- Backhoe Safety
- Back Safety: The Ergonomic Connection
- Bloodborne Pathogens for Law Enforcement: Protect Yourself
- Bloodborne Pathogens Worker Awareness



- Chlorine: Treat It With Respect
- Defensive Driving
- Soil Testing
- Confined Space Entry
- Electrical Safety
- Fire Prevention Safety
- Five Keys to Safe Driving for Large Vehicles
- Forklift Safety
- Groundskeeping/Park Maintenance
- Groundskeeping/Safety-Power Tools
- Hazardous Communication
- Hazardous Communication – Road to Safety
- How to Prevent Slips and Falls
- Incident Investigation
- Lab Safety
- Lockout/Tagout
- NFPA Electrical Safety Arc Flash Safety for Employees
- Occupational Disease Prevention for Firefighters
- Office Ergonomics
- Personal Protective Equipment
- Riding Mower Safety
- Safety Belts
- Safety Orientation – A Winning Attitude
- Traffic Control Through Work Zones
- Trenching and Excavation Safety
- Truck Tire Mounting/Demounting
- Workplace Violence: Calm Before the Storm (Awareness/Prevention)

In 1999, IMWCA offered the opportunity for members to apply for safety grants to purchase safety equipment or training, such as personal protective equipment or safety belts. Every interested member submitted an application, which was reviewed by the Senior Loss Control Representative and Committee. Eight members were selected to receive safety grants. These safety grants continue to be offered based upon application by the members and approval by the loss control staff and Committee.

The Grant Opportunities and Loss Control Services (GOALS) Program began in 2001 offering new members monetary grants to help them implement needed safety and loss control programs recommended by IMWCA Loss Control staff. These funds have since been used for such loss control items as training costs, firefighter physical costs, ergonomics studies and producing ADA job descriptions. GOALS funds continue to be offered to members based upon appropriate application and need.

In fiscal year 2009, the Best Practices program was implemented to recognize and reward members for improvements in safety and loss control by focusing on leading indicators, operating



discipline and layers of protection that prevent incidents. In order to qualify, a member must meet or exceed the Best Practices standards outlined in three key areas, underwriting, claims management and loss control. The member must submit documentation supporting the measurements and undergo a rigorous on-site evaluation. Upon achieving Best Practices status, the member is formally recognized at an official meeting and presented with a plaque suitable for display. A monetary award earmarked for further development of safety and loss control programs is also given based on the amount of premium paid. Four members received Best Practice status in fiscal year 2009.

The IMWCA Loss Control Division publishes *Safely Speaking*, a bi-monthly newsletter and poster for members' supervisory staff. This publication focuses on safety issues in the workplace. This newsletter also began to be published electronically in fiscal year 2007 to increase readership and reduce costs.

Underwriting

The underwriting process of the Association consists of risk analysis, pricing, coverage issuance, and a variety of other closely related services. League staff controls the underwriting process including the initial rating and underwriting of coverages. The underwriting staff each year works with members to complete payroll audits by phone for smaller members and on-site for larger members to bring an aspect of personal contact to IMWCA members.

IMWCA formed an Agent Advisory Committee in 1999 to bring local agents together to collect ideas and initiatives to be used in the marketing process. This Committee will work with staff in order to enhance coverages and foster the relationship with local agents. In 2000, the Agent Advisory Committee worked to enhance the non-statutory volunteer endorsement, Crisis Communication plans, and the communication/explanation of benefits on how a claim is handled. The Agent Advisory Committee continues to be active as needed in making recommendations and bringing new ideas regarding agents and marketing to the Association.

In fiscal year 2004, IMWCA implemented the underwriting software NavRisk along with historical premium data conversion. This system is a comprehensive underwriting system with extensive communication capabilities which both underwriting and loss control staff will utilize. This software provides more extensive and better reporting tools, user-friendly interfaces, the ability to separate coverages and the ability to charge premium more appropriately based on losses. In fiscal year 2005, NavRisk software was used to promulgate experience modification factors for the members.

Claims Management

Until 1996, IMWCA's claims were handled and adjusted by Alexis, Inc. In 1996, IMWCA brought claims adjustment and management in house to be administered by League staff. Combining marketing, member services, loss control, and claims service in-house provides opportunities for improved member services.



Since the inception of the Association, IMWCA has serviced over 37,000 claims, of which approximately 98% have been closed. On a monthly basis, claims staff prepares a claims detail report for each member, which the member and management use to review risk management and loss control activities.

In 2001, IMWCA underwent a claims software conversion in order to obtain the ability to provide increased and improved services to its member entities. This software is providing better reporting tools, cost containment services such as medical bill review, document imaging, electronic data interchange capabilities, and various other tools.

During fiscal year 2002, IMWCA increased the claims staff to four in order to better serve the members and to keep up with member growth. The claims staff was again increased to five in fiscal year 2004.

In fiscal year 2007, the Association implemented a pilot program for telephonic injury reporting with Company Nurse. When an injury occurs, the employee of the IMWCA member calls Company Nurse, a call center staffed by registered nurses and medical professionals. The registered nurse provides first aid advice and directs the medical treatment to designated appropriate medical care sites. Company Nurse then fills out the First Report of Injury from the information given by the employee and electronically sends the report to IMWCA which is imported into the claims software for easy access. This process saves the IMWCA member time because they do not have to fill out the First Report of Injury and provides the information to IMWCA in a timely manner. The telephonic injury reporting program was implemented for the entire membership in fiscal year 2009 after a successful pilot program.

Investments

Approximately 80% of the Association's assets are normally invested in U.S. Government Securities and flexible certificates of deposits at federally insured depository institutions. IMWCA is restricted to invest according to the Code of Iowa Section 12B.10 Public Fund Investment Standards.

The IMWCA investment policy adopted and updated periodically by the Board of Trustees states the types of investments the Association may purchase within the confines of Section 12B.10 of the Code of Iowa. The primary goals of this investment policy are the safety of principal, maintaining liquidity to match expected liabilities, and obtaining a reasonable return on the investments. The Association's investment portfolio is in compliance with the investment policy at June 30, 2009. Fiscal years 2002 through 2004 were especially difficult for investments due to lower interest rates of Governmental Securities. Fiscal years 2005 through 2008 resulted in increased investment income due to increasing interest rates and better management of cash flow and investments. Due to the economy in fiscal year 2009, investment income decreased approximately 14%. This was the result of greater difficulty investing money in appropriate investments and higher interest rate securities being called and replaced with lower interest rate investments.



2009 and Beyond

The Association has continued to have financial success throughout its 28 years of operation. In fiscal year 2009, IMWCA showed a gain due mainly to increased premium. The Association maintains a fund balance as a contingency for catastrophic losses.

One area where significant progress must continue is in individual members' loss prevention activities. The Association will work in conjunction with members to control losses by helping members to enhance and carry out their own risk management programs.

Financial Management and Control

The 2009 Comprehensive Annual Financial Report reflects twenty-one years of the Associations' operations.

The financial statements have been prepared in conformity with generally accepted governmental accounting principles and therefore include amounts based upon reliable estimates and judgments. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Association has elected not to apply the provisions of pronouncements of the Financial Accounting Standards Board issued after November 30, 1989.

In March 1997, GASB issued GASB's Statement of Governmental Accounting Standards No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Associations*, which requires certain investments be reported at fair value instead of at cost. The Association has adopted the statement retroactively as of July 1, 1996. A summary of significant accounting policies is discussed in more detail in the notes to the financial statements found in the financial section.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, in fiscal year 2004, the Association implemented this statement. Thus, a management discussion and analysis is now required and included in the financial section of this report.

In fiscal year 2005, the Association adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which resulted in modified disclosures involving the credit risk and interest rate risk of the Association's investments.

Internal Accounting Structure

The internal League staff is responsible for administering the Association's operations and is therefore responsible for establishing and maintaining internal controls. These internal controls



are designed to (1) protect assets from loss, theft or misuse, and (2) ensure that accounting data compiled is adequate to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles.

Internal accounting controls are designed to provide reasonable assurance, but are not expected to provide absolute assurance, that these objectives are met. The concept of “reasonable assurance” recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. Creating internal controls which provide absolute assurance is, in many cases, either impossible to do economically or impossible to do at all. All internal controls are designed with the above standards in mind. Management believes the Association’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Cash Management

The purpose of IMWCA’s cash management program is to ensure the safety, liquidity and maximum return on the funds entrusted to the Association. With this in mind, the IMWCA Board of Trustees adopted a written investment policy in November 1997. The Board continually reviews the policy and makes necessary changes. IMWCA considers safety of principal to be the foremost goal of all investment activities.

Other Information

Independent Audit

KPMG LLP, independent auditors, have audited IMWCA’s 2009 and 2008 balance sheets, statements of revenues, expenses and changes in net assets, and statements of cash flows as included on pages 26 - 38. Their audit includes the auditing procedures that they deem necessary to express an opinion as to the fairness of the June 30, 2009 and 2008 financial statements in accordance with U.S. generally accepted accounting principles. Their unqualified opinion, dated October 8, 2009, is included in the financial section of this report at pages 18 and 19.

In addition, Milliman, Inc. (Milliman), an actuarial consulting firm in Brookfield, Wisconsin, provides an independent analysis of IMWCA’s financial stability. Milliman analyzed IMWCA’s financial stability, loss reserves, administration, and overall performance for the 2009 fiscal year and recommended appropriate adjustments to unpaid claims estimates included on the financial statements.



Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to IMWCA for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the tenth consecutive year that IMWCA has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, IMWCA published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

This report could not have been produced without the assistance of the IMWCA Board of Trustees and the Iowa League of Cities administrative staff. We also wish to thank the members of IMWCA for their continued commitment to pooling and efforts to control claims. Without their participation, IMWCA could not have achieved the financial strength that it has.

Submitted by:

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

James E. Dowling, President of the Board of Trustees
Iowa Municipalities Workers' Compensation Association

Alan W. Kemp, Administrator
Iowa Municipalities Workers' Compensation Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Iowa Municipalities
Workers Compensation Association

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. T".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

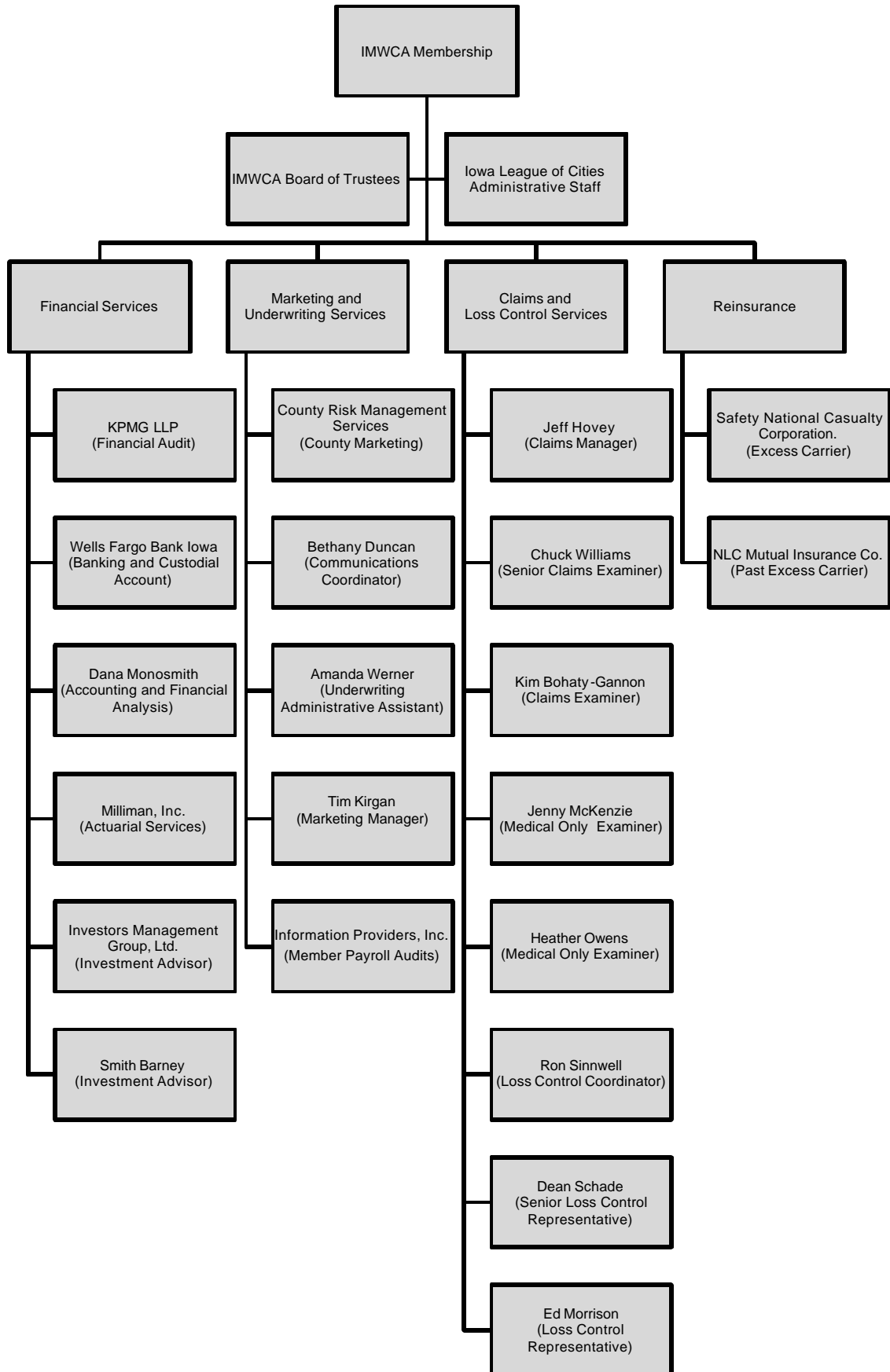
Executive Director

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION
(IMWCA)

Board of Trustees

Member	Name	Title
Sac County	James Dowling	President
City of Washington	Bob Shepherd	Vice-President
City of Clive	Pamela Blessman	Trustee
City of Carroll	Gerald Clausen	Trustee
Story County	Wayne Clinton	Trustee
Montgomery County	Joni Ernst	Trustee
Buchanan County	Cindy Gosse	Trustee
City of Coralville	Kelly Hayworth	Trustee
City of Williamsburg	Theresa Phillips	Trustee

Iowa Municipalities Workers' Compensation Association (IMWCA) Organizational Chart



FINANCIAL SECTION



KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Independent Auditors' Report

The Board of Trustees
Iowa Municipalities Workers' Compensation Association:

We have audited the accompanying balance sheets of Iowa Municipalities Workers' Compensation Association (the Association) as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Chapter 11 of the *Code of Iowa*. Those standards and Chapter 11 of the *Code of Iowa* require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Association'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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Municipalities Workers' Compensation Association as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 – 8, is not a required part of the basic financial statements but is supplementary information required by the U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The supplemental information statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on them.



In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2009, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

Des Moines, Iowa
October 8, 2009