Financial Statements and Required Supplementary Information

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

IMWCA

2018 ANNUAL REPORT

June 30, 2018 and 2017 | With Independent Auditors' Report Thereon

Table of Contents

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

IMWCA

IMWCA's goal is to help members keep employees safe through education and risk management. We are a risk-sharing pool committed to partnering with cities, counties and local government entities to provide a high-quality workers' compensation program.

Letter from the President & Director

Dear Members:

In 1981 the Iowa Municipalities Workers' Compensation Association (IMWCA) was formed as a member-owned, member-governed, risk-sharing pool. Since inception it has grown to serve more than 530 members. The pools success is the members' success, and Fiscal Year 2018 was a year of continued success for IMWCA members. We are pleased to present the Iowa Municipalities Workers' Compensation Association's Annual Report for the FY ending June 30, 2018.

Frequency of claims decreased .5 percent from the previous year. The year ended with 1,312 actual claims coming from the 2,010 first reports of injury received. Claim severity decreased for the year, with an average claim cost of $4,606 per claim.

Member retention for FY 2018 once again remained high with over 99% of our member's choosing to renew their coverage with IMWCA. We also welcomed nine new members to the pool, generating $451,000 in additional contribution to the pool. In FY 2018, the National Council on Compensation Insurance (NCCI) filed for two rate decreases, while the IMWCA discounts remained steady. This resulted in an overall 6 percent decrease in premiums.

The combined overall operating ratio was 78.99 percent, compared to 95.24 percent last year. The combined ratio of 78.99 percent resulted in an increase in fund balance of just under $4.8 million from the previous year.

Your IMWCA Board of Trustees and Iowa League of Cities Administrative Staff continue to explore ways to help all members more effectively manage workers' compensation risks, contain claim costs and send employee's home safe at the end of each day.

Sincerely,

Jim Dowling
IMWCA Board President
Sac County Auditor

Jeff Hovey
Director of Risk Services

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

IMWCA

Independent Auditors' Report

June 30, 2018 and 2017

The Board of Trustees
Iowa Municipalities Workers' Compensation Association:

Report on the Financial Statements

We have audited the accompanying financial statements of Iowa Municipalities Workers' Compensation Association (the Association), which comprise the statements of net position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion on the Financial Statements

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, 2018 and 2017, and the changes in net position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information Ten Year Claims Development Information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statement, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2018 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

/s/ KPMG LLP

Minneapolis, Minnesota
October 16, 2018

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

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Management's Discussion and Analysis

June 30, 2018 and 2017

Iowa Municipalities Workers' Compensation Association, referred to as the "Association," offers readers of our basic financial statements this narrative overview and analysis of the financial activities of the Association for the fiscal years ended June 30, 2018 and 2017. The Association encourages readers to consider the information presented here in conjunction with the basic financial statements, including the notes thereto.

Financial Highlights

Year ended June 30, 2018

• The total assets of the Association exceeded its liabilities at the close of fiscal year 2018 by $63,356,612. Total net position increased by $4,843,169 during fiscal year 2018.

• The Association's total assets increased by $6,153,670 from 2017 to 2018.

• Additions to capital assets during fiscal year 2018 were $2,139, with total depreciation expense of $38,879.

• The ending unrestricted cash and cash equivalents balance was $21,336,089 for the Association at June 30, 2018.

• The investments, both current and noncurrent, held by the Association at the end of fiscal year 2018 totaled $73,778,219, which were invested in accordance with the Code of Iowa Section 12B.10 Public Fund Investment Standards and the investment policy established by the Association's Board of Trustees.

• With higher investment balances, an increase in the fair value of investments as compared to the fair value in the prior year resulted in an increase in net investment income of $366,171 from 2017 to 2018. Interest earned on such investments reflects increased returns of public fund certificates.

Year ended June 30, 2017

• The total assets of the Association exceeded its liabilities at the close of fiscal year 2017 by $58,513,443. Total net position increased by $1,793,713 during fiscal year 2017.

• The Association's total assets increased by $6,044,335 from 2016 to 2017.

• Additions to capital assets during fiscal year 2017 were $23,441, with total depreciation expense of $41,285.

• The ending unrestricted cash and cash equivalents balance was $21,807,251 for the Association at June 30, 2017.

• The investments, both current and noncurrent, held by the Association at the end of fiscal year 2017 totaled $68,738,048, which were invested in accordance with the Code of Iowa Section 12B.10 Public Fund Investment Standards and the investment policy established by the Association's Board of Trustees.

• Despite higher investment balances, a decline in the fair value of investments as compared to an increase in the fair value in the prior year resulted in a decrease in net investment income of $247,462 from 2016 to 2017. Interest earned on such investments offset a portion of this decline reflecting increased returns of public fund certificates.

• In fiscal year 2017, three large incidents occurred, of which two were death incidents, causing claim reserves to be higher than previous years.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. The basic financial statements are comprised of the statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. This report also includes notes to the financial statements that explain in more detail some of the information in the financial statements.

Required Basic Financial Statements

The Association's basic financial statements are designed to provide readers with a broad overview of its finances, in a manner similar to those used by private sector business. These statements offer historical information about its activities.

The statements of net position include all of the Association's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and obligations to policyholders and creditors (liabilities). This statement also provides the basis for evaluating the capital structure of the Association and assessing the liquidity and financial flexibility of the Association. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present the revenues and expenses of the Association. This statement measures the Association's operations over the years presented and can be used to determine whether the Association is covering its costs through member premiums and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. They also provide information as to the source of the cash, the type of activities for which the cash was used, and the change in cash balances during the reporting periods, including a reconciliation of operating income to net cash provided by operating activities.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Association

As noted earlier, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating. It is essentially a way to measure the financial health or position of the Association. The statements of net position and statements of revenues, expenses, and changes in net position report the net position of the Association and the changes therein. However, other nonfinancial factors such as changes in economic conditions and new or changed governmental legislation should also be considered.

Net Position

A summary of the Association's condensed statements of net position at June 30, 2018, 2017, and 2016 is presented below:

Condensed Statements of Net Position

		2018	2017	2016
Current assets, investments and other assets	$	101,587,329	95,396,919	89,334,740
Capital assets, net		22,501	59,241	77,085
Total assets	$	101,609,830	95,456,160	89,411,825
Unpaid claims	$	34,789,825	33,933,222	28,811,004
Other liabilities		3,463,393	3,009,495	3,881,091
Total liabilities	$	38,253,218	36,942,717	32,692,095
Net investment in capital assets	$	22,501	59,241	77,085
Unrestricted net position		63,334,111	58,454,202	56,642,645
Total net position	$	63,356,612	58,513,443	56,719,730

The total assets of the Association at the 2018 fiscal year end were $101,609,830, an increase of $6,153,670 over the previous year. This is attributable to the continued ability of the Association to generate operating revenues in excess of operating expenses. Total liabilities increased $1,310,501 primarily due to an increase in claim liabilities. The Association experienced both decreased claim severity and slightly decreased claim frequency. The impact of the changes in assets and liabilities resulted in an increase to total net position of $4,843,169 in 2018.

The total assets of the Association at the 2017 fiscal year end were $95,456,160, an increase of $6,044,335 over the previous year. This is attributable to the continued ability of the Association to generate operating revenues in excess of operating expenses. Total liabilities increased $4,250,622 primarily due to an increase in claim liabilities. The Association experienced both increased claim severity and slightly increased claim frequency. The impact of the changes in assets and liabilities resulted in an increase to total net position of $1,793,713 in 2017.

Revenues, Expenses, and Changes in Net Position

A summary of the Association's condensed operations and changes in net position for years ended June 30, 2018, 2017, and 2016 is presented below:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

		2018	2017	2016
Total operating revenues	$	16,919,139	18,045,357	17,160,828
Net claims		8,766,657	12,712,396	11,695,375
Other operating expenses		4,637,155	4,516,362	4,259,961
Nonoperating revenues, net:				
Net Investment Income		1,323,579	961,671	1,209,133
Other Income		4,263	15,443	4,390
Increase in net position		4,843,169	1,793,713	2,419,015
Total net position, beginning of year		58,513,443	56,719,730	54,300,714
Total net position, end of year	$	63,356,612	58,513,443	56,719,729

Revenues

During fiscal year 2018, the Association had a decrease in total operating revenues of $1,126,218, approximately 6.2% lower than the prior year. This decrease resulted from the following items: (1) an 11.8% decrease in rates (or decrease in premium) in the state of Iowa by the National council on compensation insurance (NCCI), (2) an increase of 2.8% in the good experience bonus program (or decrease of premium) compared to the prior year, (3) a 2.2% increase due to member growth, (4) a 7.2% increase due to changes in member payrolls and changes in experience modification factors, offset by (5) a 1.0% increase in discounts (or reduction of premium) compared to the prior year. The premium was sufficient to cover claims for the year, net of reinsurance recoveries.

During fiscal year 2018, nonoperating revenues, net increased by $350,728 from the prior year as a result of higher investment income and lower unrealized losses from the Association’s investments in U.S. government agency securities. There were net unrealized losses in fiscal year 2018 of $96,283 compared to net unrealized losses of $120,761 in fiscal year 2017 on U.S. government agencies. The Association has worked extensively on receiving the highest possible investment return while following the guidelines of the investment policy and the Code of Iowa Section 12B.10 Public Fund Investment Standards. It remains difficult to find high returns for public funds in the current environment.

During fiscal year 2017, the Association had an increase in total operating revenues of $884,529, approximately 5% higher than the prior year. This increase resulted from the following items: (1) a 2.3% increase in rates in the state of Iowa by the NCCI, (2) a decrease of 2.5% in the good experience bonus program (or increase of premium) compared to the prior year, (3) a 1.0% increase due to member growth, (4) a 4.9% increase due to changes in member payrolls and changes in experience modification factors, offset by (5) a 5.7% increase in discounts (or reduction of premium) compared to the prior year. The premium was sufficient to cover claims for the year, net of reinsurance recoveries.

During fiscal year 2017, nonoperating revenues, net decreased by $236,410 from the prior year as a result of unrealized losses from the Association’s investments in U.S. government agency securities. There were net unrealized losses in fiscal year 2017 of $120,671 compared to net unrealized gains of $290,415 in fiscal year 2016 on U.S. government agencies. The Association has worked extensively on receiving the highest possible investment return while following the guidelines of the investment policy and the Code of Iowa Section 12B.10 Public Fund Investment Standards. It remains difficult to find high returns for public funds in the current environment.

Expenses

During fiscal year 2018, the Association had lower net claims due mainly to decreased claim reserves. Total net claims during fiscal year 2018 were $8,766,657 as compared to

$12,712,396 during the previous fiscal year. This was a decrease of $3,945,737 or 31.0%.

During fiscal year 2018, other operating expenses increased 2.7% or $120,792, over the previous fiscal year. This was due mainly to higher medical bill review fees based on medical bills submitted and increased administrative fees for the human resources position for a whole fiscal year and higher rent expenses.

During fiscal year 2017, the Association had higher net claims due mainly to increased claim reserves. Total net claims during fiscal year 2017 were $12,712,396 as compared to $11,695,375 during the previous fiscal year. This was an increase of $1,017,021 or 8.7%.

During fiscal year 2017, other operating expenses increased 6.0%, or $256,401, over the previous fiscal year. This was due mainly to higher expenses based on increased premium, such as agent commissions and payroll audits.

Capital Assets

As of June 30, 2018, 2017, and 2016, the Association owns mainly computer equipment and software for capital assets:

		2018	2017	2016
Equipment	$	314,458	312,319	307,660
Software		342,005	342,005	342,005
Total		656,463	654,324	649,665
Less:				
Accumulated depreciation-equipment		(291,957)	(253,168)	(230,938)
Accumulated depreciation-software		(342,005)	(341,915)	(341,642)
Capital assets, net	$	22,501	59,241	77,085

Capital asset purchases during fiscal years 2018 and 2017 were $2,139 and $23,441, respectively, which included new computers, monitors, software, and software licenses.

Requests for Information

This financial report is designed to provide a general overview of the Association's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Accounting Department, Iowa Municipalities Workers' Compensation Association, 500 SW 7th Street, Suite 101, Des Moines, IA 50309.

Statements of Net Position

Assets		2018	2017
Current assets:			
Cash and cash equivalents	$	21,336,089	21,807,251
Restricted cash and cash equivalents		50,000	50,000
Investments		36,843,879	29,565,507
Receivables:			
Accrued interest		987,605	801,662
Reinsurance recoverable		3,684,925	2,560,822
Other		27,161	21,992
Total receivables		4,699,691	3,384,476
Prepaid expenses		321,609	272,194
Total current assets		63,251,268	55,079,428
Noncurrent assets:			
Investments		36,934,340	39,172,541
Capital assets, net		22,501	59,241
Other assets		1,401,721	1,144,950
Total noncurrent assets		38,358,562	40,376,732
Total assets	$	101,609,830	95,456,160
Liabilities and Net Position			
Current liabilities:			
Unpaid claims	$	34,789,825	33,933,222
Advanced premiums		3,321,867	2,872,632
Accounts payable and other accrued expenses		91,526	86,863
Deposit payable		50,000	50,000
Total current liabilities		38,253,218	36,942,717
Net position:			
Net investment in capital assets		22,501	59,241
Unrestricted		63,334,111	58,454,202
Total net position		63,356,612	58,513,443
Total liabilities and net position	$	101,609,830	95,456,160

See accompanying notes to financial statements.

Statements of Revenues, Expenses, and Changes in Net Position

		2018	2017
Operating revenues:			
Premiums written and earned	$	18,286,392	19,512,075
Less reinsurance premiums		(1,367,253)	(1,466,718)
Total operating revenues		16,919,139	18,045,357
Operating expenses:			
Claims paid		9,063,767	8,761,111
Increase in gross unpaid claims		856,604	5,122,218
Reinsurance recoveries received		(29,610)	(70,846)
Increase in ceded unpaid claims		(1,124,104)	(1,100,087)
Net claims		8,766,657	12,712,396
Direct expenses		1,908,672	1,880,211
Depreciation		38,879	41,285
General and administrative		2,689,604	2,594,866
Other operating expenses		4,637,155	4,516,362
Total operating expenses		13,403,812	17,228,758
Operating income		3,515,327	816,599
Nonoperating revenues:			
Net investment income		1,323,579	961,671
Other income		4,263	15,443
Total nonoperating revenues, net		1,327,842	977,114
Increase in net position		4,843,169	1,793,713
Total net position, beginning of year		58,513,443	56,719,730
Total net position, end of year	$	63,356,612	58,513,443

See accompanying notes to financial statements.

Statements of Cash Flows

		2018	2017
Cash flows from operating activities:			
Cash received from members for premiums	$	18,735,627	18,602,181
Cash received from reinsurers		29,610	70,846
Cash payments to reinsurers		(1,396,046)	(1,426,574)
Cash payments to suppliers for goods and services		(4,619,403)	(4,402,623)
Cash payments to claimants		(9,063,767)	(8,761,111)
Other cash receipts		4,263	15,443
Net cash provided by operating activities		3,690,284	4,098,162
Cash flows from capital and related financing activities:			
Purchases of capital assets		(2,139)	(23,441)
Net cash used in capital and related financing activities		(2,139)	(23,441)
Cash flows from investing activities:			
Proceeds from maturities of investments		2,865,025	10,124,188
Purchases of investments		(8,001,000)	(7,000,000)
Interest received on investments		976,668	647,170
Net cash provided by (used in) investing activities		(4,159,307)	3,771,358
Increase (decrease) in cash and cash equivalents		(471,162)	7,846,079
Cash and cash equivalents, beginning of year		21,857,251	14,011,172
Cash and cash equivalents, end of year	$	21,386,089	21,857,251
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	3,515,326	816,599
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		38,879	41,285
Change in:			
Receivables		(1,125,006)	(1,058,150)
Prepaid expenses		(49,415)	47,806
Unpaid claims		856,603	5,122,218
Advanced premiums		449,235	(909,894)
Accounts payable and other accrued expenses and deposits payable		4,662	38,298
Net cash provided by operating activities	$	3,690,284	4,098,162

Noncash investing and financing activities:

During the years ended June 30, 2018 and 2017, the Association recognized a net unrealized gain (loss) on investments of $(96,283) and $(120,671), respectively.

During the years ended June 30, 2018 and 2017, the Association recognized its share of the net earnings on its investment in a mutual capital reinsurance company in the amounts of $256,771 and $273,146, respectively.

During the years ended June 30, 2018 and 2017, the Association had certificates of deposit (CD's) with principal balances of $27,565,507 and $23,016,131, respectively, and interest of $664,994 and $337,764, respectively, mature. The Association had the total value of these CD's rolled into new CD's with the same financial institution instead of receiving cash at maturity.

See accompanying notes to financial statements.

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

IMWCA

Notes to Financial Statements

June 30, 2018 and 2017

(1) Summary of Significant Accounting Policies

(a) Nature of Organization

Iowa Municipalities Workers' Compensation Association (the Association) was formed in July 1981 under Chapter 28E, Code of Iowa, to allow Iowa cities to join together to comply with provisions of Chapter 87, Code of Iowa, by pooling the risks of their workers' compensation liabilities. In 1987, the 28E Agreement forming the Association was amended to allow Iowa counties to become members. The Association is governed by a nine member Board of Trustees of city and county officials elected by the members. The Association's general objectives are to formulate, develop, and administer, on behalf of the member political subdivisions, a program of joint self insurance to stabilize costs related to members' workers' compensation liabilities. Program components include claims management, member education, and loss control services.

Membership in the Association is limited to Iowa cities, counties, Chapter 28E entities, and other political subdivisions subject to approval in writing by the Board of Trustees or their designee; a member may withdraw from the Association at any time by complying with the rules of the Association. Annual premiums are determined by using applicable standard rates for the exposure to risk and applicable experience modification factors of the NCCI. Each member may be subject to additional premiums to pay it's pro rata share of claims, when they exceed the Association's resources available to pay such claims.

(b) Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles.

The Association consists of funds designated as the Standard Group (formerly, Group C), the Large Deductible Group (Group E), and the Chapter 411 Group (Group G). Group A remained in existence only for the settlement of the remaining claims and monies held in the fund, which was liquidated December 31, 1996. Group B remained in existence only for the settlement of the remaining claims and monies held in the fund, which was liquidated June 11, 2003. Standard and Large Deductible Group membership consisted of 373 cities, 75 counties, and 90 Chapter 28E entities for 2017 (unaudited).

Operating revenues and expenses include activities that have characteristics of exchange transactions. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as investment income.

(c) Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(d) Restricted Cash and Cash Equivalents/Deposit Payable

The Association received a cash deposit from the cities of Ottumwa and Urbandale for third party claims administration services for their Chapter 411 claims. Pursuant to an agreement between the Association and the cities of Ottumwa and Urbandale, the cash will be returned when the term of the agreement expires. These agreements are renewed annually, and these funds are not available for unrestricted use by the Association.

(e) Investments

Securities issued by U.S. government agencies are reported at fair value, which is based on comparable market prices in active markets as available. Certificates of deposit are carried at cost and held to maturity. Investments with a maturity date within one year of the statement of net position date are reported as current in the statement of net position. Interest income is recognized on an accrual basis. Realized gains and losses on the investments are recognized on a specific identification basis and are reported with unrealized gains and losses as net investment income within nonoperating revenues.

(f) Capital Assets

Capital assets, consisting primarily of computer equipment and software, are stated at cost less accumulated depreciation. Depreciation for capital assets is computed using the straight line method. Equipment and software are depreciated over a three year estimated useful life, while furniture (equipment) is depreciated over a five year estimated useful life.

(g) Unpaid Claims

The Association provides liabilities for unpaid claims based upon the undiscounted aggregate case basis estimates for losses reported and estimates of unreported losses based upon past experience, modified for current trends. Losses are reported net of amounts recoverable from subrogation.

Also, included in the liability for unpaid claims are undiscounted estimates of incurred but not reported (IBNR) losses based on historical experience as calculated by an independent actuary. The Association provides liabilities for loss adjustment expenses by estimating future expenses to be incurred in settlement of the claims provided for in the reserve for losses.

Management believes that the provisions for losses and loss adjustment expenses at June 30, 2018 reflect management's best estimate of the ultimate net losses and loss adjustment expenses as reviewed by an independent actuary. Since the provisions are necessarily based on estimates, the ultimate liability may be more or less than such provisions and could be material.

(h) Reinsurance

Premiums, losses, and loss adjustment expenses subject to reinsurance are presented separately in the statements of revenues, expenses, and changes in net position. Amounts recoverable from reinsurance are presented on a gross basis on the statements of net position.

(i) Advanced Premiums

Advanced premiums represent amounts received in advance from members for the upcoming year's policies. The Association's policy coverage period coincides with its fiscal year, and as such, these amounts reflected on the statements of net position at the end of each fiscal year are recognized as income in full in the subsequent year.

(j) Premium and Income Recognition

Premiums are recognized ratably over terms of the respective policies. Unearned premiums are computed on a daily pro rata basis over the terms of the policies and are stated after deduction for reinsurance placed with other insurers. The policy coverage period for participating members runs consistent with the fiscal year, hence all premiums are fully earned over the course of the year, and no amounts remain unearned at the statement of net position date.

(k) Income Taxes

The Association is a governmental risk pool and under various Internal Revenue Service rulings, similar organizations have been determined to be exempt from income taxes. It is, therefore, management's and their counsel's belief that the Association is also exempt from income taxes. As such, the financial statements do not include a provision for federal or state income taxes.

U.S. generally accepted accounting principles require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association, and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require a recognition of a liability or disclosure in the financial statements.

(l) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

(m) Subsequent Events

The Association has evaluated the effects of events that have occurred subsequent to June 30, 2018 and through October 16, 2018, which is the date its financial statements were available to be issued. During this period, there have been no material subsequent events that would require recognition in the Association's financial statements or disclosure in the notes to the financial statements.

(2) Investments

The Association, as prescribed by the Code of Iowa, is governed by the "prudent person rule." This rule requires that an investment be made with care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an entity of a like character with like aims. Within the "prudent person" framework, the Board of Trustees has adopted investment guidelines for the Association's investment program.

The Association is authorized by statute to invest public funds in obligations of the U.S. government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered and open end management investment companies; and certain joint investment trusts.

The investment policy prohibits investments in reverse repurchase agreements, futures and option contracts, and common or preferred stock.

Certificates of deposit have been classified as investments in the financial statements as their original maturity was greater than three months. All of the Association's certificates of deposit are covered by the Iowa Sinking Fund.

As of June 30, 2018 and 2017, the Association's portfolio of investments included the following:

	2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Certificates of deposit	$ 71,055,378	—	—	71,055,378
U.S. government agencies	2,791,417	24,525	(93,101)	2,722,841
	$ 73,846,795	24,525	(93,101)	73,778,219

	2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Certificates of deposit	$ 64,409,384	—	—	64,409,384
U.S. government agencies	4,300,957	53,718	(26,011)	4,328,664
	$ 68,710,341	53,718	(26,011)	68,738,048

As of June 30, 2018, the Association had the following maturities on its investments based on contractual terms:

		Investment maturities (in years)			
Investment type	Fair value	Less than 1	1–5	5–10	More than 10
Certificates of deposit	$ 71,055,378	36,843,878	34,211,500	—	—
U.S. government agencies	2,722,841	—	4,583	—	2,718,258
	$ 73,778,219	36,843,878	34,216,083	—	2,718,258

As of June 30, 2017, the Association had the following maturities on its investments based on contractual terms:

Investment type	Fair value	Investment maturities (in years) Less than 1	1–5	5–10	More than 10
Certificates of deposit	$ 64,409,384	29,565,507	34,843,877	—	—
U.S. government agencies	4,328,664	—	8,124	—	4,320,540
	$ 68,738,048	29,565,507	34,852,001	—	4,320,540

The Association had $1.51 million and $2.45 million in proceeds related to the paydowns and calls of U.S. government agencies for the years ended June 30, 2018 and 2017, respectively.

Net investment income consisted of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Interest income	$ 1,422,007	1,082,523
Change in gross unrealized gains	(29,193)	(94,660)
Change in gross unrealized losses	(67,090)	(26,011)
Realized gains	1,060	1,413
Realized losses	(3,205)	(1,594)
	$ 1,323,579	961,671

(a) Credit Risk

State law, as well as the Association's investment policy, limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of June 30, 2018 and 2017, the Association had no investments in commercial paper. As of June 30, 2018 and 2017, obligations of U.S. government agencies were rated AAA by Standard & Poor's and by Moody's Investors Services. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have significant credit risk.

(b) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the Association's name, and are held by either the counterparty or the counterparty's trust department or agent but not in the Association's name. As of June 30, 2018 and 2017, management believes that there is minimal custodial credit risk in the Association's investment portfolio.

The carrying amount of the Association's bank balances (cash deposits) at June 30, 2018, totaling $21,386,089, and certificates of deposit, totaling $71,055,378, are covered entirely by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The carrying amount of the Association's bank balances (cash deposits) at June 30, 2017, totaling $21,857,251, and certificates of deposit, totaling $64,409,384, are covered entirely by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

(c) Concentration of Credit Risk Disclosure

The Association is guided by Chapter 12B of the Code of Iowa and policy as approved by the Board of Trustees in the selection of investment securities. As of June 30, 2018 and 2017, the fair value of the Association's investments with the following issuers represented 5% or more of the total investments held:

		2018	2017
U.S. government agency securities:			
Ginnie Mae (GNR)	$	1,493,753	2,717,298
Government National Mortgage Association (GNMA)		1,132,617	1,483,340
Certificates of deposit:			
Veridian Credit Union		10,157,784	10,056,554
Northwest Bank		8,201,346	6,101,010
Premier Bank		7,598,282	—
United Bank of Iowa		7,087,397	—
Collins Community Credit Union		6,534,832	10,534,832
Luana Savings Bank		6,132,634	6,027,538
Grundy National Bank		5,044,331	5,020,456
Bank Iowa		3,084,605	—
Lincoln Savings Bank		3,073,202	—
First National Bank of Fontanelle		3,035,171	7,048,733
Triumph Bank		—	1,000,000

(d) Interest Rate Risk Disclosure

While the Association attempts to mitigate risk to credit exposures by monitoring our investment portfolio and investing in high quality securities and limiting concentrations with financial institutions, interest rate risk exists. Increases and decreases in market interest rates can affect the fair value of our investments. In general, the yield realized on new investments generally increases or decreases in direct relationship with interest rate changes while the fair value of our fixed income portfolio generally increases when interest rates decline and decreases when interest rates rise. The Association attempts to mitigate this risk by maintaining a portfolio duration that matches our expected cash flows when considered in combination with our overall underwriting philosophy.

(3) Reinsurance

The Association has maintained reinsurance agreements for the years ended June 30, 2018 and 2017. Effective July 1, 2012, the Association entered into reinsurance agreements with two carriers, Safety National Casualty Corporation (Safety National) and NLC Mutual Insurance Company (NLC), with each carrier taking a layer of reinsurance. As of June 30, 2018 and 2017, the specific limit of indemnity was unlimited per occurrence in excess of $850,000, subject to a $2,000,000 per occurrence sublimit for employers' liability for the members. NLC covers the first $650,000 in excess of $850,000 with Safety National taking the remaining risk per occurrence. As of July 1, 2006, the Association entered into a reinsurance agreement with Safety National Casualty Corporation with a specific limit of indemnity unlimited per occurrence in excess of $750,000, subject to a $2,000,000 per occurrence sublimit for employers' liability. Prior to July 1, 2006, the Association retained a reinsurance agreement with NLC. As of June 30, 2006, the specific limit of indemnity was unlimited per occurrence in excess of $500,000, subject to a $4,500,000 per occurrence sublimit for employers' liability for the Standard Group.

At June 30, 2018 and 2017, the Association had a recoverable from reinsurer on paid and unpaid claims amounting to $3,684,925 and $2,560,822, respectively.

The accompanying financial statements reflect the Association's changes in net position net of related reinsurance. To the extent that any reinsuring companies are unable to meet their obligations under the reinsurance agreements, the Association would remain liable to the insured. The Association attempts to mitigate reinsurance risk by checking the creditworthiness and rating of the reinsurers, if available. Also, during the years ended 2018 and 2017, IMWCA used a layered approach to reinsurance using two reinsurers to each take separate layers of the specific limits.

Under prior year reinsurance agreements with NLC, there was a requirement that a certain level of capital contributions be maintained based upon the amount of premiums written by the Association. NLC credits the Association's capital contribution with an allocation of NLC's statutory earnings (loss) included in investment income. These contributions are reflected in other assets in the accompanying statements of net position. The Association has elected to maintain the capital contribution with NLC whether or not there is a reinsurance agreement. For 2018 and 2017, investment gain from NLC was $256,771 and $273,146, respectively and has been included as a component of interest income (see note 2).

(4) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

		Beginning balance	Additions	Deletions	Ending balance
Capital assets, at cost:					
Equipment	$	312,319	2,139	—	314,458
Software		342,005	—	—	342,005
Total capital assets, at cost		654,324	2,139	—	656,463
Less accumulated depreciation:					
Equipment		(253,168)	(38,789)	—	(291,957)
Software		(341,915)	(90)	—	(342,005)
Total accumulated depreciation		(595,083)	(38,879)	—	(633,962)
Capital assets, net	$	59,241	(36,740)	—	22,501

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

	Beginning balance	Additions	Deletions	Ending balance
Capital assets, at cost:				
Equipment	$ 307,660	23,441	18,782	312,319
Software	342,005	—	—	342,005
Total capital assets, at cost	649,665	23,441	18,782	654,324
Less accumulated depreciation:				
Equipment	(230,938)	(41,012)	(18,782)	(253,168)
Software	(341,642)	(273)	—	(341,915)
Total accumulated depreciation	(572,580)	(41,285)	(18,782)	(595,083)
Capital assets, net	$ 77,085	(17,844)	—	59,241

(5) Management Agreement with Affiliate

The Association has a management agreement with the Iowa League of Cities (the League), an affiliate. Under the agreement, the League is responsible for managing and administering the services performed by the Association. The agreement is subject to termination by either party upon six months' written notice. During the years ended June 30, 2018 and 2017, management fees of $1,704,000 and $1,618,500, respectively, were incurred and reported as a component of general and administrative expenses.

The Association has an additional management agreement with the League that provides for a fee for institutional value. The fee will continue for future years. Under the agreement, the League provides the Association with its membership lists and information, makes advertising space available in its publications, promotes the Association to League members, and provides opportunities for the Association to promote the program. The agreement is subject to termination by either party upon six months' written notice. During the years ended June 30, 2018 and 2017, fees of $145,865 and $161,539, respectively, were incurred and reported as a component of general and administrative expenses.

(6) Unpaid Claims Liabilities

As discussed in note 1, the Association establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim expenses. The following table represents changes in those aggregate liabilities for the Association during the years ended June 30, 2018, 2017, and 2016:

	2018	2017	2016
Unpaid claims at beginning of year, net of reinsurance recoverable of $2,560,822 and $1,460,735 as of June 30, 2017 and 2016, respectively	$ 31,372,400	27,350,269	25,217,759
Incurred claims, net of reinsurance:			
Provision for insured events of the current year	11,927,129	14,272,275	10,615,676
(Decrease)/Increase in provision for insured events of prior years	(3,160,472)	(1,559,879)	1,079,699
Total incurred claims	8,766,657	12,712,396	11,695,375
Reinsurance recoveries received	29,610	70,846	135,610
Payments:			
Claims attributable to insured events of the current year	(2,718,193)	(2,663,524)	(2,613,279)
Claims attributable to insured events of prior years	(6,345,574)	(6,097,587)	(7,085,196)
Total payments	(9,063,767)	(8,761,111)	(9,698,475)
Unpaid claims at end of year, net of reinsurance recoverable of $3,684,925 and $2,560,822 as of June 30, 2018 and 2017, respectively	$ 31,104,900	31,372,400	27,350,269

During the year ended June 30, 2018, the decrease in provision for insured events from prior year was primarily due to a decrease in the IBNR reserves as well as a decrease in the case reserves due to favorable development in fiscal year 2018.

During the year ended June 30, 2017, the decrease in provision for insured events from prior year was primarily due to a decrease in the IBNR reserves as well as a decrease in the case reserves due to favorable development in fiscal year 2017.

(7) Annuities

During the year ended June 30, 2018 and 2017, there were no annuities purchased in a claimant's name to fund future payments to such claimant. In prior years, the Association purchased several annuities in claimants' names to fund future payments to these claimants. Under the arrangements, the Association pays the premium to the unaffiliated insurer and the obligation for future payments is transferred under the annuity contract. As a result, the Association believes that there is no material contingent liability related to these annuities. Accordingly, as of June 30, 2018 and 2017, the outstanding value of the annuity settlements of $3,032,960 and $3,811,102, respectively, have not been reported as assets or as liabilities on the statements of net position.

(8) Fair Value Measurements

The Association categorizes financial instruments into three levels of fair value hierarchy based on the priority of inputs used in determining fair value. The hierarchy defines the highest priority inputs (Level 1) as quoted prices in active markets for identical assets or liabilities. The lowest priority inputs (Level 3) are our own assumptions about what a market participant would use in determining fair value such as estimated future cash flows. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. IMWCA categorizes financial assets and liabilities recorded at fair value in the statement of net position as follows:

Level 1 - Quoted prices are available in active markets for identical financial instruments as of the reporting date. IMWCA does not adjust the quoted price for these financial instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level 2 - Quoted prices in active markets for similar financial instruments, quoted prices for identical or similar financial instruments in markets that are not active; and models and other valuation methodologies using inputs other than quoted prices that are observable.

Level 3 - Models and other valuation methodologies using significant inputs that are unobservable for financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in Level 3 are securities for which no market activity or data exists and for which we used discounted expected future cash flows with our own assumptions about what a market participant would use in determining fair value.

The Association has analyzed the valuation techniques and related inputs, evaluated its assets and liabilities reported at fair value, and determined an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs.

The following tables present the carrying value and estimated fair value of the Association's financial instruments at June 30, 2018 and 2017:

		2018			
		Total fair value	Level 1	Level 2	Level 3
Certificates of deposit	$	71,055,378	71,055,378	—	—
U.S. government agencies		2,722,841	—	2,722,841	—
	$	73,778,219	71,055,378	2,722,841	—

		2017			
		Total fair value	Level 1	Level 2	Level 3
Certificates of deposit	$	64,409,384	64,409,384	—	—
U.S. government agencies		4,328,664	—	4,328,664	—
	$	68,738,048	64,409,384	4,328,664	—

The fair values of certificates of deposit approximate their carrying values. The fair values of U.S. government agencies are based on prices from a third party pricing service based on market observable information such as market quotes for similar assets, as well as normal market pricing considerations such as duration, interest rates, and prepayment assumptions. There were no transfers between fair value levels during the years ended June 30, 2018 and 2017.

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2018 and 2017. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

IMWCA

Notes to Required Supplementary Information Ten Year Claims Development Information

June 30, 2017

The following table illustrates how the Association's earned revenues (net of reinsurance) and investment income compare to related costs of loss and other expenses assumed by the Association as of the end of each of the past 10 years (in thousands). The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned premiums and reported net investment income, amounts of premiums ceded, and net earned premiums (net of reinsurance) and net investment income.
2. This line shows each fiscal year's other operating costs of the Association including overhead and claims expense not allocable to individual claims.
3. This line shows the Association's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of 10 rows shows the cumulative amounts paid (net of reinsurance recoveries received) as of the end of successive years for each policy year.
5. This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
6. This line compares the latest reestimated net incurred claims and expense amount to the prior period's reestimated net incurred claims and expense and shows whether this latest estimate of claims cost is greater (less than) previously thought.

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

Required Supplementary Information Ten-Year Claims Development Information (Unaudited)

June 30, 2018

(In thousands)

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1 Premiums and net investment income:											
Earned	$	17,858	17,762	18,764	19,892	19,914	19,302	19,898	19,662	20,474	19,610
Ceded		900	965	1,084	1,204	1,391	1,305	1,382	1,292	1,467	1,367
Net earned	$	16,958	16,797	17,680	18,688	18,523	17,997	18,516	18,370	19,007	18,243
2 Unallocated expenses	$	3,624	3,515	3,654	3,825	4,257	4,473	4,353	4,260	4,516	4,637
3 Estimated net incurred claims and expense, end of policy year (no cessions)	$	10,798	8,903	10,665	9,635	10,349	10,020	13,695	10,616	14,272	11,927
4 Net paid (cumulative) as of:											
End of policy year	$	3,979	2,893	3,079	3,342	2,430	3,283	2,881	2,613	2,664	2,718
One year later		9,190	6,063	5,480	5,421	4,308	5,930	6,142	4,994	5,166	—
Two years later		10,692	7,602	6,408	6,524	5,195	7,102	8,124	6,290	—	—
Three years later		12,134	8,221	6,594	7,481	5,929	8,007	9,038	—	—	—
Four years later		12,874	8,664	6,851	7,825	6,274	8,740	—	—	—	—
Five years later		13,209	9,124	7,128	8,035	6,700	—	—	—	—	—
Six years later		13,368	9,833	7,190	8,086	—	—	—	—	—	—
Seven years later		13,437	9,864	7,428	—	—	—	—	—	—	—
Eight years later		13,518	9,881	—	—	—	—	—	—	—	—
Nine years later		13,582	—	—	—	—	—	—	—	—	—
5 Reestimated net incurred claims and expense:											
End of policy year	$	10,798	8,903	10,665	9,635	10,349	10,020	13,695	10,616	14,272	11,927
One year later		14,820	9,911	9,448	10,403	9,383	9,593	14,280	10,852	13,677	—
Two years later		15,008	10,301	8,954	9,990	7,950	10,191	14,199	10,405	—	—
Three years later		15,237	10,094	8,755	9,320	8,045	10,368	13,277	—	—	—
Four years later		15,189	9,982	8,684	9,222	8,138	10,195	—	—	—	—
Five years later		14,985	10,245	8,627	9,180	8,065	—	—	—	—	—
Six years later		14,885	10,660	8,954	8,906	—	—	—	—	—	—
Seven years later		14,772	10,702	8,340	—	—	—	—	—	—	—
Eight years later		14,479	10,609	—	—	—	—	—	—	—	—
Nine years later		14,402	—	—	—	—	—	—	—	—	—
6 Increase (decrease) in estimated net incurred claims and expense from end of policy year	$	(77)	(93)	(614)	(274)	(73)	(173)	(922)	(447)	(595)	—

See accompanying independent auditors' report and notes to Required Supplementary information Ten-Year Claims Development Information (Unaudited).

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

IMWCA

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

June 30, 2018 and 2017

The Board of Trustees
Iowa Municipalities Workers' Compensation Association:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Iowa Municipalities Workers' Compensation Association (the Association), which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

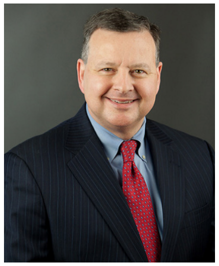
/s/ KPMG LLP

Minneapolis, Minnesota
October 16, 2018

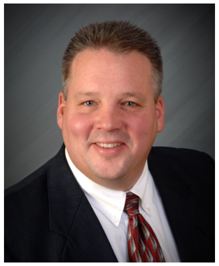
IMWCA Board of Trustees

Administered by the Iowa League of Cities

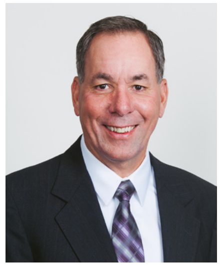
Administrative Staff



Administrator
Alan Kemp
Executive Director,
Iowa League of Cities



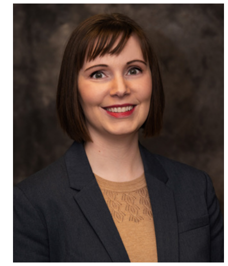
Jeff Hovey
Director of Risk
Services



Tim Kirgan
Marketing Manager

Lisa Mart
Human Resource
Specialist

Aric Cudnohosky
Database
Administrator



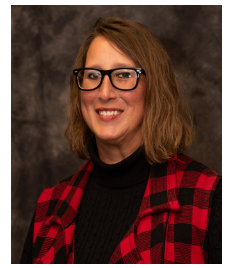
Bethany Crile
Communications
Coordinator

Matt Jackson
Claims Manager

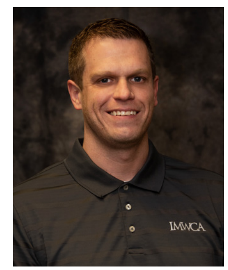
Chuck Williams
Senior Claims
Examiner

Sara Hagan
Medical Only
Claims Examiner

Kim Gannon
Claims Examiner

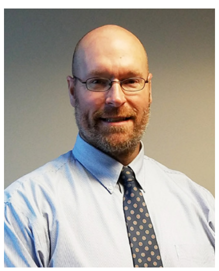


Jenny McKenzie
Medical Only
Claims Examiner

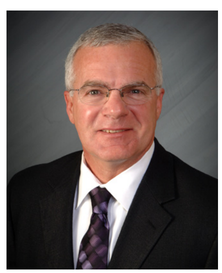


Andrew Justice
Underwriting
Analyst

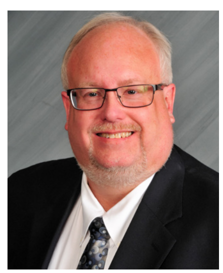
Dean Schade
Loss Control
Manager



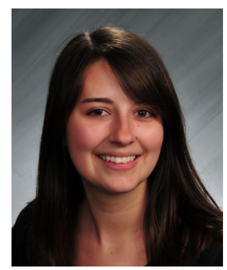
Brad Chrisman
Loss Control
Representative



Ed Morrison
Loss Control
Representative



Scott Smith
Loss Control
Representative



Tiffani Williamson
Accounting
Assistant

Dana Monosmith
Controller

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

IMWCA

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Iowa Municipalities Workers' Compensation Association

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