IMWCA

Iowa Municipalities Workers' Compensation Association

2022 Annual Report

June 30, 2022 and 2021

Dear Members:

We are pleased to present the Iowa Municipalities Workers' Compensation Association's Annual Report for the Fiscal Year ending June 30, 2022.

The policy year saw a 15% increase in the number of claims received compared to the previous year. The year ended with 1522 actual claims coming from the 2330 first reports of injury received. Claim severity increased slightly for the year.
Member retention for FY 2022 once again remained high with over 99% of our members choosing to renew their coverage with IMWCA. We also welcomed five new members to the pool. The new members generated over $34,000 in annualized premium.

The National Council on Compensation Insurance has been steadily decreasing the rates over the last 7 years. The declining premium and increases in claims cost have led to increasing loss ratios. The combined overall operating ratio for fiscal year 2022 was 125.32 percent, compared to 96.89 percent last year. This ratio resulted in a decrease in fund balance of $3.3 million from the previous year.

IMWCA's experience is the aggregate of our member's experience. 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.

Kelly J. Hayworth

Kelly Hayworth
IMWCA Board President
Coralville City Administrator

Jeff Hovey

Jeff Hovey
Director of Risk Services

Iowa Municipalities Workers' Compensation Association

Financial Report and
Required Supplementary Information
June 30, 2022 and 2021

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RSM

Independent Auditor's Report

RSM US LLP

Board of Trustees
Iowa Municipalities Workers' Compensation Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Iowa Municipalities Workers' Compensation Association (the Association), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Iowa Municipalities Workers' Compensation Association as of June 30, 2022 and 2021, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the information in the Management's Discussion and Analysis on pages 4 through 9, Notes to Required Supplementary Information Ten-Year Claims Development Information on page 24, and Required Supplementary Information Ten-Year Claims Development Information on page 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 GAAS, 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 audit 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 24, 2022, 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 results 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.

RSM US LLP

Des Moines, Iowa
October 24, 2022

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, 2022 and 2021. 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, 2022

- The total assets of the Association exceeded its liabilities at the close of fiscal year 2022 by $69,195,681. Total net position decreased by $3,333,080 during fiscal year 2022.
- The Association's total assets increased by $1,331,682 from 2021 to 2022.
- Additions to capital assets during fiscal year 2022 were $46,024, with total depreciation expense of $54,961.
- The ending unrestricted cash and cash equivalents balance was $61,371,378 for the Association at June 30, 2022.
- The investments, both current and noncurrent, held by the Association at the end of fiscal year 2022 totaled $42,956,705, 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.
- Various agency bonds and certificate of deposits matured during 2022 with most reinvested due to increasing interest rates for certificates of deposit. Due to continued lower investment balances and low interest rates, there was a decrease in net investment income of $336,946 from 2021 to 2022. Interest earned on such investments reflects decreased returns of public fund certificates.

Year ended June 30, 2021

- The total assets of the Association exceeded its liabilities at the close of fiscal year 2021 by $72,528,761. Total net position increased by $2,019,162 during fiscal year 2021.
- The Association's total assets increased by $1,806,621 from 2020 to 2021.
- Additions to capital assets during fiscal year 2021 were $121,981, with total depreciation expense of $17,698.
- The ending unrestricted cash and cash equivalents balance was $59,821,201 for the Association at June 30, 2021.
- The investments, both current and noncurrent, held by the Association at the end of fiscal year 2021 totaled $43,922,535, 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.
- Various agency bonds and certificate of deposits matured during 2021 that were not fully reinvested due to extremely low interest rates for certificates of deposit, resulting in higher cash balances on hand. With lower average investment balances and low interest rates, there was a decrease in net investment income of $1,236,170 from 2020 to 2021. Interest earned on such investments reflects decreased returns of public fund certificates.

(Continued)

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.

(Continued)

Net Position

A summary of the Association's condensed statements of net position at June 30, 2022, 2021 and 2020, is presented below:

Condensed Statements of Net Position

	2022	2021	2020
Current assets, investments and other assets	$ 112,077,870	$ 110,737,251	$ 109,034,913
Capital assets, net	121,906	130,843	26,560
Total assets	$ 112,199,776	$ 110,868,094	$ 109,061,473
Unpaid claims	$ 39,346,538	$ 35,075,914	$ 34,775,553
Other liabilities	3,657,557	3,263,419	3,776,321
Total liabilities	$ 43,004,095	$ 38,339,333	$ 38,551,874
Net investment in capital assets	$ 121,906	$ 130,843	$ 26,560
Unrestricted net position	69,073,775	72,397,918	70,483,039
Total net position	$ 69,195,681	$ 72,528,761	$ 70,509,599

The total assets of the Association at the 2022 fiscal year-end were $112,199,776, an increase of $1,331,682 over the previous year. This is primarily attributable to an increase in other assets and unpaid claims whereby operating revenues supporting claims incurred but not yet paid have been invested in cash and investments. Total liabilities increased $4,684,762 primarily due to increases in claim liabilities and advance premium payments. The Association experienced increased claim severity and claim frequency. The impact of the changes in assets and liabilities resulted in a decrease to total net position of $3,333,080 in 2022.

The total assets of the Association at the 2021 fiscal year-end were $110,868,094, an increase of $1,806,621 over the previous year. This is primarily attributable to an increase in other assets and unpaid claims whereby operating revenues supporting claims incurred but not yet paid have been invested in cash and investments. Total liabilities decreased $212,541 primarily due to a decrease in accounts payable and accrued expenses partially offset by an increase in claim liabilities. The Association experienced increased claim severity, yet lower claim frequency. The impact of the changes in assets and liabilities resulted in an increase to total net position of $2,019,162 in 2021.

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Revenues, Expenses, and Changes in Net Position

A summary of the Association's condensed operations and changes in net position for the years ended June 30, 2022, 2021 and 2020, is presented below:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2022	2021	2020
Total operating revenues	$ 17,636,965	$ 16,656,565	$ 16,721,708
Net claims	16,896,300	11,045,437	13,303,770
Other operating expenses	5,262,153	5,110,156	4,940,079
Nonoperating revenues, net:			
Net investment income	1,173,966	1,510,912	2,374,579
Other income	14,442	7,278	15,249
Increase (decrease) in net position	(3,333,080)	2,019,162	867,687
Total net position, beginning of year	72,528,761	70,509,599	69,641,912
Total net position, end of year	$ 69,195,681	$ 72,528,761	$ 70,509,599

Revenues

During fiscal year 2022, the Association had an increase in total operating revenues of $980,400, approximately 5.9% higher than the prior year. This increase substantially resulted from the following items: (1) a 2.8% decrease in rates (or decrease in premium) in the state of Iowa by the National Council on Compensation Insurance (NCCI), (2) a 6.1% increase due to member growth and changes in experience modification factors, (3) a 3.0% increase due to changes in member payrolls. The premium was insufficient to cover claims, net of reinsurance recoveries, and other operating expenses for the year.

During fiscal year 2022, nonoperating revenues, net, decreased by $329,782 from the prior year as a result of lower investment income due to lower average investment balances and low interest rate environment. There were net unrealized losses in fiscal year 2022 of $9,100 compared to net unrealized losses of $16,061 in fiscal year 2021 on U.S. government agencies. The Association has worked 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. In fiscal year 2022, interest rates remained low following the trends started with the COVID-19 pandemic and only slight improvement.

(Continued)

During fiscal year 2021, the Association had a decrease in total operating revenues of $65,143, approximately 0.4% lower than the prior year. This decrease resulted from the following items: (1) a 5.3% decrease in rates (or decrease in premium) in the state of Iowa by the National Council on Compensation Insurance (NCCI), (2) a 4.2% increase due to member growth, (3) a 0.7% increase due to changes in member payrolls and changes in experience modification factors. The premium was sufficient to cover claims for the year, net of reinsurance recoveries.

During fiscal year 2021, nonoperating revenues, net, decreased by $871,638 from the prior year as a result of lower investment income due to lower average investment balances and low interest rate environment. There were net unrealized losses in fiscal year 2021 of $16,061 compared to net unrealized gains of $24,002 in fiscal year 2020 on U.S. government agencies. The Association has worked 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. In fiscal year 2021, interest rates remained low following the trends started with the COVID-19 pandemic.

Expenses

During fiscal year 2022, the Association had higher net claims due to unfavorable development in claim and IBNR reserves compared to the prior year. Total net claims during fiscal year 2022 were $16,896,300 as compared to $11,045,437 during the previous fiscal year. This was an increase of $5,850,863 or 53.0%.

During fiscal year 2022, other operating expenses increased 3.0% or $151,997, over the previous fiscal year. This was due mainly to the development of a software portal for the Association.

During fiscal year 2021, the Association had smaller net claims due to more favorable development in claim and IBNR reserves compared to the prior year. Total net claims during fiscal year 2021 were $11,045,437 as compared to $13,303,770 during the previous fiscal year. This was a decrease of $2,258,333 or 17.0%.

During fiscal year 2021, other operating expenses increased 3.4% or $170,077, over the previous fiscal year. This was due mainly to the development of a new website for the Iowa Municipalities Workers Compensation Association.

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Capital Assets

As of June 30, 2022, 2021 and 2020, the Association owns mainly computer equipment and software for capital assets:

	2022	2021	2020
Equipment	$ 295,128	$ 276,779	$ 344,818
Software	430,616	402,941	354,505
Total	725,744	679,720	699,323
Less:			
Accumulated depreciation—equipment	(281,958)	(270,650)	(328,675)
Accumulated depreciation—software	(321,880)	(278,227)	(344,088)
Capital assets, net	$ 121,906	$ 130,843	$ 26,560

Capital asset purchases during fiscal years 2022 and 2021 were $46,024 and $121,981, respectively, which included new computers, monitors, software and software licenses. More detailed information and relevant disclosures on capital asset activity are found in Note 4 to the financial statements.

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.

Iowa Municipalities Workers' Compensation Association

Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 61,371,378**	$ 59,821,201
Restricted cash and cash equivalents	**150,000**	75,000
Investments	**8,752,656**	35,044,036
Receivables:		
Accrued interest	**124,156**	592,403
Reinsurance recoverable	**3,402,027**	3,134,274
Other	**158,985**	168,100
Prepaid expenses	**460,064**	393,055
Total current assets	**74,419,266**	99,228,069
Noncurrent assets:		
Investments	**34,204,049**	8,878,499
Capital assets, net	**121,906**	130,843
Other assets	**3,454,555**	2,630,683
Total noncurrent assets	**37,780,510**	11,640,025
Total assets	**$ 112,199,776**	$ 110,868,094
Liabilities and Net Position		
Current liabilities:		
Unpaid claims	**$ 39,346,538**	$ 35,075,914
Advanced premiums	**3,377,392**	3,079,970
Accounts payable and other accrued expenses	**130,165**	108,449
Deposit payable	**150,000**	75,000
Total current liabilities	**43,004,095**	38,339,333
Net position:		
Net investment in capital assets	**121,906**	130,843
Unrestricted	**69,073,775**	72,397,918
Total net position	**69,195,681**	72,528,761
Total liabilities and net position	**$ 112,199,776**	$ 110,868,094

See notes to financial statements.

Iowa Municipalities Workers' Compensation Association

Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Premiums written and earned	**$ 19,446,686**	$ 18,433,078
Less reinsurance premiums	**(1,809,721)**	(1,776,513)
Total operating revenues	**17,636,965**	16,656,565
Operating expenses:		
Claims paid	**12,893,429**	11,246,194
Increase in gross unpaid claims	**4,270,624**	300,361
Reinsurance recoveries received	**-**	(460,767)
Increase in ceded unpaid claims	**(267,753)**	(40,351)
Net claims	**16,896,300**	11,045,437
Direct expenses	**2,124,870**	2,101,337
Depreciation	**54,961**	17,698
General and administrative	**3,082,322**	2,991,121
Other operating expenses	**5,262,153**	5,110,156
Total operating expenses	**22,158,453**	16,155,593
Operating income (loss)	**(4,521,488)**	500,972
Nonoperating revenues, net:		
Net investment income	**1,173,966**	1,510,912
Other income	**14,442**	7,278
Total nonoperating revenues, net	**1,188,408**	1,518,190
Increase (decrease) in net position	**(3,333,080)**	2,019,162
Total net position:		
Beginning of year	**72,528,761**	70,509,599
End of year	**$ 69,195,681**	$ 72,528,761

See notes to financial statements.

Iowa Municipalities Workers' Compensation Association

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from members for premiums	$ 19,708,772	$ 18,336,777
Cash received from reinsurers	-	460,767
Cash payments to reinsurers	(1,799,589)	(1,786,517)
Cash payments to suppliers for goods and services	(5,143,167)	(5,433,034)
Cash payments to claimants	(12,893,429)	(11,246,194)
Other cash receipts	14,442	7,278
Net cash provided by (used in) operating activities	(112,971)	339,077
Cash flows from capital and related financing activities:		
Purchases of capital assets	(46,024)	(121,981)
Net cash used in capital and related financing activities	(46,024)	(121,981)
Cash flows from investing activities:		
Proceeds from calls and maturities of investments	35,062,372	33,170,092
Purchases of investments	(34,105,642)	(8,752,656)
Interest received on investments	827,442	1,482,847
Net cash provided by investing activities	1,784,172	25,900,283
Increase in cash and cash equivalents	1,625,177	26,117,379
Cash and cash equivalents:		
Beginning of year	59,896,201	33,778,822
End of year	$ 61,521,378	$ 59,896,201
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income (loss)	$ (4,521,488)	$ 500,972
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	54,961	17,698
Change in:		
Receivables	(244,197)	61,901
Prepaid expenses	(67,009)	(28,953)
Unpaid claims	4,270,624	300,361
Advanced premiums	297,422	(177,027)
Accounts payable and other accrued expenses, and deposits payable	96,716	(335,875)
Net cash provided by (used in) operating activities	$ (112,971)	$ 339,077

Noncash investing and financing activities:

During the years ended June 30, 2022 and 2021, the Association recognized a net unrealized loss on investments of $(9,100) and $(16,061), respectively.

During the years ended June 30, 2022 and 2021, the Association recognized its unrealized share of the net earnings on its investment in a mutual capital reinsurance company in the amounts of $823,872 and $707,599, respectively.

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

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 its pro rata share of claims, when they exceed the Association's resources available to pay such claims.

Basis of presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 361 cities, 80 counties and 92 Chapter 28E entities for 2022 (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.

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.

Restricted cash and cash equivalents/deposit payable: The Association received a cash deposit from the cities of Fort Dodge, Marion, Ottumwa, Dubuque, Iowa City, and Oskaloosa for third-party claims administration services for their Chapter 411 claims. Pursuant to an agreement between the Association and the cities of Fort Dodge, Marion, Ottumwa, Dubuque, Iowa City, and Oskaloosa, the cash will be returned when the term of the agreement expires. Due to the cash deposits being refundable, the cash is restricted and included in deposit payable on the statements of net position. These agreements are renewed annually, and these funds are not available for unrestricted use by the Association.

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. The Association also invests in nonnegotiable certificates of deposit, which 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 statements 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets, consisting primarily of computer equipment and software, are stated at cost less accumulated depreciation. The capitalization threshold for capital assets is $500 or greater. 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.

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 estimated 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, 2022 and 2021, reflect management's best estimate of the ultimate net losses and loss adjustment expenses. Since the provisions are necessarily based on estimates, the ultimate liability may be more or less than such provisions and could be material.

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.

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.

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.

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. GAAP requires 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, 2022 and 2021, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP 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.

Pending accounting standards: The Governmental Accounting Standards Board (GASB) has issued several standards that are not yet effective for the Association. Management has reviewed the pending accounting standards and has determined that they either do not apply to the Association or do not impact the Association's financial statements.

Subsequent events: The Association has evaluated the effects of events that have occurred subsequent to June 30, 2022 and through October 24, 2022, which is the date its financial statements were available to be issued.

Note 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.

Note 2. Investments (Continued)

As of June 30, 2022 and 2021, the Association's portfolio of investments measured at fair value included the following:

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	$ 90,560	$ 7,847	$ -	$ 98,407

	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	$ 108,896	$ 16,947	$ -	$ 125,843

As of June 30, 2022 and 2021, the Association's investments also included certificates of deposit carried at a cost of $42,858,298 and $43,796,692, respectively.

As of June 30, 2022, 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
U.S. government agencies	$ 98,407	$ -	$ -	$ -	$ 98,407

As of June 30, 2021, 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
U.S. government agencies	$ 125,843	$ -	$ -	$ -	$ 125,843

The Association had $18,334 and $1,689,173 in proceeds related to the paydowns and calls of U.S. government agencies for the years ended June 30, 2022 and 2021, respectively.

Note 2. Investments (Continued)

Net investment income consisted of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Interest income	$ 359,371	$ 824,124
Earnings in investment in NLC Mutual Insurance Company	823,872	707,599
Change in gross unrealized gains	(9,100)	(16,061)
Realized gains	643	1,789
Realized losses	(820)	(6,539)
	$ 1,173,966	$ 1,510,912

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, 2022 and 2021, the Association had no investments in commercial paper. As of June 30, 2022 and 2021, 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 or implicitly guaranteed by the U.S. government are not considered to have significant credit risk.

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, 2022 and 2021, management believes that there is minimal custodial credit risk in the Association's investment portfolio.

The Association's bank balances (cash deposits) at June 30, 2022, totaling $61,371,378, and certificates of deposit, totaling $42,858,298, 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 Association's bank balances (cash deposits) at June 30, 2021, totaling $59,896,201, and certificates of deposit, totaling $43,796,692, 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.

Note 2. Investments (Continued)

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, 2022 and 2021, the carrying value of the Association's investments with the following issuers represented 99.9% or more of the total investments held:

	2022	2021
U.S. government agency securities:		
Government National Mortgage Association (GNMA)	$ 53,906	$ 73,137
Federal National Mortgage Association (FNMA)	44,501	52,706
Certificates of deposit:		
US Bank	10,000,000	6,283,690
MidWestOne Bank	10,000,000	-
Bank Iowa	8,578,107	7,730,724
Raccoon Valley Bank	8,508,519	4,000,000
Freedom Financial Bank	2,500,000	-
Northwest Bank	2,174,549	9,132,251
Community Bank of Oelwein	1,097,123	3,064,043
Luana Savings Bank	-	3,067,159
United Bank of Iowa	-	5,242,963
Lincoln Savings Bank	-	3,217,642
First American Bank	-	2,058,220

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.

Note 3. Reinsurance and Subsequent Event

The Association has maintained reinsurance agreements for the years ended June 30, 2022 and 2021. 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, 2022 and 2021, 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. Subsequent to year-end, the Association renewed its reinsurance agreements and increased its retention limit from $850,000 to $1,000,000 effective July 1, 2022.

Note 3. Reinsurance and Subsequent Event (Continued)

At June 30, 2022 and 2021, the Association had estimated recoverables from reinsurers on paid and unpaid claims amounting to $3,402,027 and $3,134,274, 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 2022 and 2021, the Association 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 2022 and 2021, investment gain from NLC was $823,872 and $707,599, respectively, and has been included as a component of net investment income (see Note 2).

Note 4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, at cost:				
Equipment	$ 276,779	$ 18,349	$ -	$ 295,128
Software	402,941	27,675	-	430,616
Total capital assets, at cost	679,720	46,024	-	725,744
Less accumulated depreciation:				
Equipment	(270,650)	(11,308)	-	(281,958)
Software	(278,227)	(43,653)	-	(321,880)
Total accumulated depreciation	(548,877)	(54,961)	-	(603,838)
Capital assets, net	$ 130,843	$ (8,937)	$ -	$ 121,906

Note 4. Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, at cost:				
Equipment	$ 344,818	$ 3,518	$ (71,557)	$ 276,779
Software	354,505	118,463	(70,027)	402,941
Total capital assets, at cost	699,323	121,981	(141,584)	679,720
Less accumulated depreciation:				
Equipment	(328,675)	(13,532)	71,557	(270,650)
Software	(344,088)	(4,166)	70,027	(278,227)
Total accumulated depreciation	(672,763)	(17,698)	141,584	(548,877)
Capital assets, net	$ 26,560	$ 104,283	$ -	$ 130,843

Note 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, 2022 and 2021, management fees of $1,924,500 and $1,969,500, respectively, were incurred and reported as a component of general and administrative expenses. As of June 30, 2022 and 2021, fees of $8,745 and $11,985, respectively, were due to related parties and were included in accounts payable and other accrued expenses on the statements of net position.

The Association has an additional management agreement with the League that provides for an institutional value fee. 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, 2022 and 2021, fees of $167,846 and $140,920, respectively, were incurred and reported as a component of general and administrative expenses.

Note 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, 2022, 2021 and 2020:

	2022	2021	2020
Unpaid claims at beginning of year, net of reinsurance recoverable of $3,134,274 and $3,093,923 as of June 30, 2021 and 2020	$ 31,941,640	$ 31,681,630	$ 28,947,780
Incurred claims, net of reinsurance:			
Provision for insured events of the current year	16,020,157	12,535,425	12,414,025
Increase (decrease) in provision for insured events of prior years	876,143	(1,489,988)	889,745
Total incurred claims	16,896,300	11,045,437	13,303,770
Reinsurance recoveries received	-	460,767	98,255
Payments:			
Claims attributable to insured events of the current year	(3,867,946)	(4,122,475)	(3,223,604)
Claims attributable to insured events of prior years	(9,025,483)	(7,123,719)	(7,444,571)
Total payments	(12,893,429)	(11,246,194)	(10,668,175)
Unpaid claims at end of year, net of reinsurance recoverable of $3,402,027 and $3,134,274 as of June 30, 2022 and 2021	$ 35,944,511	$ 31,941,640	$ 31,681,630

During the year ended June 30, 2022, the increase in provision for insured events from prior years was mainly attributable to increased claim severity for the 2020-2021 policy year.

During the year ended June 30, 2021, the decrease in provision for insured events from prior years was mainly attributable to favorable development on most policy years.

Note 7. Annuities

During the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the outstanding value of the annuity settlements of $2,494,548 and $3,109,217, respectively, have not been reported as assets or as liabilities on the statements of net position.

Note 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 the Association's 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. The Association categorizes financial assets and liabilities recorded at fair value in the statements of net position as follows:

Level 1: Quoted prices are available in active markets for identical financial instruments as of the reporting date. The Association does not adjust the quoted price for these financial instruments, even in situations where the Association holds 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 the Association used discounted expected future cash flows with the Association's 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.

Note 8. Fair Value Measurements (Continued)

The following tables present the estimated fair value of the Association's financial instruments subject to fair value measurement disclosures at June 30, 2022 and 2021:

	2022			
	Total Fair Value	Level 1	Level 2	Level 3
U.S. government agencies	$ 98,407	$ -	$ 98,407	$ -

	2021			
	Total Fair Value	Level 1	Level 2	Level 3
U.S. government agencies	$ 125,843	$ -	$ 125,843	$ -

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, 2022 and 2021.

The fair value estimates presented herein are based on pertinent information available to management as of June 30, 2022 and 2021. 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

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

June 30, 2022

The 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.

IOWA MUNICIPALITIES WORKERS' COMPENSATION ASSOCIATION

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

June 30, 2022

(In thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1 Premiums and net investment income:										
Earned	$ 19,914	$ 19,302	$ 19,898	$ 19,662	$ 20,474	$ 19,610	$ 20,917	$ 20,574	$ 19,944	$ 20,621
Ceded	1,391	1,305	1,382	1,292	1,467	1,367	1,404	1,478	1,777	1,810
Net earned	$ 18,523	$ 17,997	$ 18,516	$ 18,370	$ 19,007	$ 18,243	$ 19,513	$ 19,096	$ 18,167	$ 18,811
2 Unallocated expenses	$ 4,257	$ 4,473	$ 4,353	$ 4,260	$ 4,516	$ 4,637	$ 4,985	$ 4,940	$ 5,110	$ 5,262
3 Estimated net incurred claims and expense, end of policy year (no cessions)	$ 10,349	$ 10,020	$ 13,695	$ 10,616	$ 14,272	$ 11,927	$ 10,442	$ 12,734	$ 11,547	$ 17,164
4 Net paid (cumulative) as of:										
End of policy year	$ 2,430	$ 3,283	$ 2,881	$ 2,613	$ 2,664	$ 2,718	$ 3,325	$ 3,224	$ 4,122	$ 3,868
One year later	4,308	5,930	6,142	4,994	5,166	5,745	6,347	7,040	8,379	—
Two years later	5,195	7,102	8,124	6,290	7,098	7,263	7,783	9,128	—	—
Three years later	5,929	8,007	9,038	7,235	8,744	7,923	8,775	—	—	—
Four years later	6,274	8,740	9,216	7,687	9,489	8,425	—	—	—	—
Five years later	6,700	9,159	9,467	7,794	9,889	—	—	—	—	—
Six years later	7,142	9,209	9,572	8,020	—	—	—	—	—	—
Seven years later	7,316	9,224	9,686	—	—	—	—	—	—	—
Eight years later	7,359	9,256	—	—	—	—	—	—	—	—
Nine years later	7,384	—	—	—	—	—	—	—	—	—
5 Reestimated net incurred claims and expense:										
End of policy year	$ 10,349	$ 10,020	$ 13,695	$ 10,616	$ 14,272	$ 11,927	$ 10,442	$ 12,414	$ 12,535	$ 16,020
One year later	9,383	9,593	14,280	10,852	13,677	11,557	12,815	14,247	14,595	—
Two years later	7,950	10,191	14,199	10,405	13,819	11,061	11,900	13,978	—	—
Three years later	8,045	10,368	13,277	9,775	13,617	10,883	12,014	—	—	—
Four years later	8,138	10,195	12,463	9,880	13,670	10,893	—	—	—	—
Five years later	8,065	10,323	11,969	9,361	13,535	—	—	—	—	—
Six years later	8,096	10,194	11,514	9,288	—	—	—	—	—	—
Seven years later	8,098	10,075	11,135	—	—	—	—	—	—	—
Eight years later	7,971	9,963	—	—	—	—	—	—	—	—
Nine years later	7,881	—	—	—	—	—	—	—	—	—
6 Increase (decrease) in estimated net incurred claims and expense from end of policy year	$ (90)	$ (112)	$ (379)	$ (73)	$ (135)	$ 10	$ 114	$ (269)	$ 2,060	$ -

See accompanying independent auditor's report and notes to required supplementary information ten-year claims development information (unaudited).

Independent Auditor's 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*

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, 2022, 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 24, 2022.

Report on 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) as a basis for designing 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 a 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

RSM US LLP

Des Moines, Iowa
October 24, 2022