Metro Interagency Insurance Program

Financial and Compliance Report
06.30.2007

McGladrey & Pullen
Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Metro Interagency Insurance Program
Cedar Rapids, Iowa

We have audited the accompanying basic financial statements of Metro Interagency Insurance Program as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These basic financial statements are the responsibility of Metro Interagency Insurance Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metro Interagency Insurance Program as of June 30, 2007 and 2006, and the changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2007, on our consideration of the Metro Interagency Insurance Program's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The report's purpose is to describe the scope of testing of internal control over financial reporting and compliance and the results of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, on Pages 3 – 7, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Cedar Rapids, Iowa
November 26, 2007

Introduction

Metro Interagency Insurance Program (Program) was incorporated in 1990 under a joint powers agreement in accordance with Chapter 28E of the Code of Iowa. The Program is to provide services necessary and appropriate for the establishment, operation and maintenance of an insurance program for employee health and medical claims for the employees of its members. There are currently six members of the Program, which are school districts in the Cedar Rapids and Marion metropolitan area, Grant Wood Area Education Agency and Kirkwood Community College.

The following discussion and analysis of the Program's financial statements presents an overview of the financial position and activities for the years ended June 30, 2007 and 2006. This discussion has been prepared by management and should be read in conjunction with financial statements and related notes.

Using the Financial Statements

The Program's annual report contains three financial statements: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. The report was prepared using the accrual basis of accounting. These statements provide information on the Program as a whole and present the Program's financial position and results of operations. In the opinion of management, the financial statements represent accurately the financial situation of the Program as of and for the years ended June 30, 2007 and 2006. The various components of the financial statements document financial growth of the Program and its ability to meet its financial obligations as they come due.

Financial Highlights

As indicated by the enclosed "Statement of Net Assets," the Program has made significant gains toward the elimination of its "deficit" position. The $3,029,565 current year change, as indicated on the "Change in Net Assets," shows that the steps taken during the past four fiscal years have worked well to improve the financial position of the Program to a current year ending net asset position of $8,603,067.

The Program had a cumulative deficit of $82,226 at the end of fiscal year 2004. This changed to a cumulative surplus of $3,760,229 by the end of fiscal year 2005 and a surplus of $5,573,502 by the end of fiscal year 2006. This substantial gain was achieved by increasing premium charged to an appropriate level to handle claims cost. As of June 30, 2007, the program has achieved a cumulative surplus of $8,603,067 as indicated on the Statement of Net Assets report.

The Statements of Net Assets

The Statement of Net Assets presents the financial position of the Program at the end of the fiscal year and reports the Program's net assets and changes in them during the current fiscal year, respectively. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the Program, while the change in net assets over time determines whether the financial health of the Program is improving. The Statement of Net Assets shows the overall financial position of the Program and the Statements of Revenues, Expenses and Changes in Net Assets shows the current financial performance.

The following table summarizes the Program's assets, liabilities and net assets as of June 30, 2007, 2006 and 2005:

	2007	2006	2005
Current assets	$ 11,152,887	$ 8,107,788	$ 6,357,382
Noncurrent assets, capital assets	1,058	1,611	2,165
Total assets	11,153,945	8,109,399	6,359,547
Liabilities, current	2,550,878	2,535,897	2,599,318
Net assets:			
Investment in capital assets	1,058	1,611	2,165
Restricted	8,602,009	5,571,891	3,758,064
Total net assets	$ 8,603,067	$ 5,573,502	$ 3,760,229
Change in net assets	$ 3,029,565	$ 1,813,273	$ 3,842,455

The Program's cash and receivable balances as of June 30, 2007, 2006 and 2005, have exceeded total current liabilities by increasing amounts.

The following table summarizes the Program's revenues, expenses and changes in net assets for the years ended June 30, 2007, 2006 and 2005:

	2007	2006	2005
Change in Net Assets:			
Total operating revenues	$ 27,242,217	$ 25,771,435	$ 25,310,965
Total operating expenses	24,642,881	24,142,765	21,523,077
Net operating income	2,599,336	1,628,670	3,787,888
Net nonoperating revenues (expenses)	430,229	184,603	54,567
Change in net assets	3,029,565	1,813,273	3,842,455
Net assets (deficit), beginning	5,573,502	3,760,229	(82,226)
Net assets (deficit), ending	$ 8,603,067	$ 5,573,502	$ 3,760,229
Total revenues	$ 27,672,446	$ 25,963,245	$ 25,376,182
Total expenses	$ 24,642,881	$ 24,149,972	$ 21,533,727

Operating Revenues

As a corporate body under Iowa Code 504A pursuant to Iowa Code Chapter 28E, "self funded" entity, operating revenues for the Program primarily consist of premiums paid for the insurance products provided. As indicated, revenues increased from 2006 to 2007 due to a 4.3% rate increase for all plans. Revenues were up significantly in the previous year due to a 16.2% increase in rates. Both rate increases included a margin of 9% over expected claims to reduce the deficit position of the entity.

Premium rates were increased at the February 2007 Board Meeting by 1.8% for the 2007-08 fiscal year. Due to the positive financial position of the program, elimination of the debt position, and deficit payback, the increased rates did not reflect the additional 9% margin which was included in the two previous years.

Operating Expenses

The Program's operating expenses primarily consist of "Net Paid Claims" (89.7%) for medical services provided those participants in the plan. Additional "Fixed Costs" (10.3%) include: Reinsurance, Administration, Access Fees and the Program's Operations fees.

Expenses in both 2006 and 2007 increased over previous years, but at a lesser rate than revenues, as indicated on the chart above. Fixed Costs have been held steady and Net Paid Claims have not outpaced increased premiums due to appropriate rate increases and additional margins.

Cash Flows

The following Summary of Cash Flows provides information regarding the Program's cash receipts and disbursements during the years ended June 30, 2007, 2006 and 2005. This provides an assessment of the Program's ability to generate future net cash flows and meet obligations as they come due.

Cash Flows for the Years Ended:

	2007	2006	2005
Cash provided (used) by:			
Operating activities	$ 2,616,164	$ 2,284,676	$ 4,209,647
Investing activities	430,229	191,810	65,217
Capital and related financing activities	-	-	-
Noncapital financing activities	-	(727,857)	-
Net change in cash	3,046,393	1,748,629	4,274,864
Cash, beginning of year	8,097,935	6,349,306	2,074,442
Cash, end of year	$ 11,144,328	$ 8,097,935	$ 6,349,306

The cash position of the plan at the end of the fiscal year indicates that surplus dollars will need to be considered when rates are set in the upcoming years.

It will also be necessary to consider the necessary Claims Fluctuation Reserve (CFR) as is required by the Iowa Code and Iowa Insurance Commissioners office. The CFR as of June 2007 for the MIIP plan was estimated at $3.5 Million.

Capital Assets

As of June 30, 2007 and 2006, the Program had capital assets, principally equipment, with a recorded cost of $2,769 for each year, with accumulated depreciation of $1,711 and $1,158, respectively, for a net of $1,058 and $1,611, respectively. Depreciation charges totaled $553 and $554, respectively.

Debt Administration

As of June 30, 2007 and 2006, the Program had no outstanding debt. The Program does not have any debt limitations that may affect financing of future facilities or services, and there have not been any changes in credit ratings.

Economic Factors that May Affect the Future

The economic forecast for the Program looks steady. Due to the bold steps taken by the Program Board, starting with the complete plan design change effective July 1, 2002 and necessary rate increases as indicated above, the plan is in compliance with the State Insurance Commissioners guidelines for financial condition as of June 30, 2007.

The MIIP Board has established a sub-committee to study plan design and make recommendations of their findings to the Board during the 2006-07 fiscal year. The Board has asked the sub-committee to specifically look at current plan designs, possible new plan designs, disease management programs, wellness programs, communication recommendations, and health care consumerism as it pertains to employees making wise insurance decisions. Recommendations from the sub-committee were received by the Board at its January 10th meeting. The board agreed, at its May meeting, that they would refer to the proposed strategy as an aid in planning upcoming renewals instead of taking formal action on the specific recommendations. All members agreed that work needed to take place within MIIP entity to prepare working groups for potential changes in plan design.

Request for Information

This financial report has been prepared in the spirit of full disclosure to provide the reader with an overview of the Metro Interagency Insurance Program’s operations. If the reader has questions or would like additional information about the Metro Interagency Insurance Program, please direct the request to Theresa Stevens, Metro Interagency Insurance Program, 1120 33rd Avenue SW, Cedar Rapids, Iowa 52404 or call 319-399-6793.

Metro Interagency Insurance Program

Statements of Net Assets
June 30, 2007 and 2006

Assets		2007		2006
Current Assets				
Cash and cash equivalents	$	11,144,328	$	8,097,935
Insurance refund receivable		8,559		9,853
Total current assets		11,152,887		8,107,788
Capital Assets (Note 3)				
Equipment		2,769		2,769
Less accumulated depreciation		1,711		1,158
Total capital assets		1,058		1,611
Total assets	$	11,153,945	$	8,109,399

Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	150,878	$	235,897
Reserve for incurred but not reported claims (Note 4)		2,400,000		2,300,000
Total current liabilities		2,550,878		2,535,897
Net Assets:				
Invested in capital assets		1,058		1,611
Restricted		8,602,009		5,571,891
Total net assets		8,603,067		5,573,502
Total liabilities and net assets	$	11,153,945	$	8,109,399

See Notes to Basic Financial Statements.

Metro Interagency Insurance Program

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2007 and 2006

	2007	2006
Operating revenues:		
Member assessments for insurance (Note 5)	$ 27,112,882	$ 25,632,552
Other operating revenue, cobra premiums and other	129,335	138,883
Total operating revenues	27,242,217	25,771,435
Operating expenses:		
Insurance premiums, claims and administrative charges	24,454,720	23,955,278
Insurance pool assessment	136,930	140,005
Contracted services	30,636	28,421
Cobra administration and notice fees	6,180	8,606
Professional services	9,125	8,625
Plan insurance	742	1,018
Filing and state audit fees	100	100
Depreciation	553	554
Miscellaneous	3,895	158
Total operating expenses	24,642,881	24,142,765
Net operating income	2,599,336	1,628,670
Nonoperating revenue (expense):		
Interest income	430,229	191,810
Interest expense	-	(7,207)
Net nonoperating revenue	430,229	184,603
Change in net assets	3,029,565	1,813,273
Net assets, beginning	5,573,502	3,760,229
Net assets, ending	$ 8,603,067	$ 5,573,502

See Notes to Basic Financial Statements.

Metro Interagency Insurance Program

Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities:		
Cash received from member assessments	$ 27,112,882	$ 25,632,552
Cash received from other operating revenue	130,629	138,883
Cash paid for insurance premiums, claims and administrative charges	(24,447,916)	(23,300,245)
Cash paid for insurance pool assessment	(136,930)	(140,005)
Cash paid for contracted services	(22,411)	(28,421)
Cash paid for cobra administration and notice fees	(6,227)	(8,187)
Cash paid for professional fees	(9,125)	(8,625)
Cash paid for other operating expenses	(4,738)	(1,276)
Net cash provided by operating activities	2,616,164	2,284,676
Cash Flows from Investing Activities, interest received	430,229	191,810
Cash Flows from Capital and Related Financing Activities	-	-
Cash Flows from Noncapital Financing Activities		
Principal payment on surplus notes payable	-	(710,000)
Cash paid for interest	-	(17,857)
Net cash provided by noncapital financing activities	-	(727,857)
Net increase in cash and cash equivalents	3,046,393	1,748,629
Cash and Cash Equivalents:		
Beginning	8,097,935	6,349,306
Ending	$ 11,144,328	$ 8,097,935
Reconciliation to Net Cash Provided by Operating Activities		
Operating income	$ 2,599,336	$ 1,628,670
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	553	554
Changes in certain assets and liabilities:		
Insurance refund receivable	1,294	(1,777)
Accounts payable	(85,019)	207,229
Reserve for incurred but not reported claims	100,000	450,000
Net cash provided by operating activities	$ 2,616,164	$ 2,284,676

See Notes to Basic Financial Statements.

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies

Nature of operations: Metro Interagency Insurance Program (Program) was incorporated in 1990 under a joint powers agreement in accordance with Chapter 28E of the Code of Iowa. The Program is to provide services necessary and appropriate for the establishment, operation and maintenance of an insurance program for employee health and medical claims for the employees of the Cedar Rapids Community School District, College Community School District, Linn-Mar Community School District, Marion Independent School District, Grant Wood Area Education Agency and Kirkwood Community College. The Program is not intended to function as an insurance company for the school entities. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates. Although premiums billed to the school entities are determined on an actuarial basis, ultimate liability for claims remains with the respective school entity and, accordingly, the insurance risks are not transferred to the Program. The Program's fiscal year ends on June 30. There are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

Significant accounting policies followed by the Program are presented below:

Measurement focus and basis of accounting: The financial statements of the Program have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Member assessments: The Program offers four health plans through Wellmark Blue Cross Blue Shield of Iowa. On an annual basis, the Board of Directors of the Program determines the rate to be assessed to each member based on claims history, type of plan and operating expenses of the Program. Members are billed on a monthly basis based on the total number of covered employees of the member as well as the type of plan selected by the covered employee.

After participating in the Program for five complete fiscal years, members of the Program may voluntarily withdraw from membership as of June 30 of any fiscal year, provided that the withdrawing member has notified the Board of Directors of the Program in writing by June 30 of the preceding year and has paid in full all obligations of the member to the Program. A withdrawn member continues to be responsible or its share of the cost of claims arising from events occurring while a participating member.

For each fiscal year, the Board of Directors will annually calculate the share each participating member or withdrawn member has in the Program's equity for that fiscal year according to a formula approved by the Board of Directors as outlined in Article XI of the Bylaws of the Program.

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

Net assets: Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Program first applies restricted resources. At June 30, 2007, $8,602,009 has been classified as restricted due to enabling legislation.

Cash and cash equivalents: The Program considers all short-term investments that are highly liquid to be cash equivalents. The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Capital assets: Capital assets are defined by the Program as assets with an initial, individual cost of more than $400 and an initial, useful life of one year or greater. Capital assets are accounted for at historical cost and consist principally of equipment. Depreciation is charged as an expense against operations. Equipment is depreciated using the straight-line method over the estimated useful life of five years.

Classification of revenues and expenses: Operating revenues and expenses generally result from providing services in connection with the Program's principal ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Reserve for incurred but not reported claims: The Program negotiated master health insurance contracts with Wellmark Blue Cross Blue Shield of Iowa (BC/BS) for the year ended June 30, 2007. The contract contained these parameters:

a. Individual Stop/Loss of $200,000.

b. Aggregate Stop/Loss of 125% of BC/BS actuarial projections for the rating period.

c. All claims will be paid by BC/BS that are presented during the 12-month rating period, plus a 3-month lag period for all claims incurred during the rating period.

d. Rating period is from July 1 through June 30.

e. Claims may be submitted for reimbursement up to 365 days after the termination of the benefit period (benefit period = calendar year).

The reserve for incurred but not reported claims include provisions for claims incurred but not reported as of year-end. They are based upon actual expense and assumptions and projected future events, which may vary from the eventual outcome. The Program's historical experience, supplemented with other data such as lag reports, is used to base its reserve estimates. An independent actuary assists management with the establishment of the reserve as of June 30, 2007.

Income taxes: Metro Interagency Insurance Program has qualified as a tax-exempt organization under Section 115(1) of the Internal Revenue Code and Section 28E of the Iowa Code. Therefore, the Program is exempt from tax on income.

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

Accounting pronouncements: The Program is applying all applicable Government Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Note 2. Cash and Cash Equivalents

As of June 30, 2007, the Program's cash and cash equivalents were are follows:

Cash and other deposits	$	9,101,201
Investment with the Iowa Schools Joint Investment Trust		2,043,127
	$	11,144,328

Authorized investments*:* The Program is authorized by statute and policy to invest public funds in interest-bearing savings accounts, money market accounts and checking accounts, obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Program and State of Iowa Statute, Chapter 12C; perfected repurchase agreements, pooled funds including but not limited to mutual funds, trusts and third party management arrangement or improvement certificates of a drainage district. Additionally, investments in (1) reverse repurchase agreements and (2) securities derived from interest-only cash flows from an underlying collateral debt instrument where there is risk of loss due to early redemption of the collateral are prohibited.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Program's investment policy, funds needed for operations may only be invested in authorized investments that mature within 397 days. Funds not identified as operating funds may be invested in investments that mature in more that 397 days. This policy states that portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.

Note 2. Cash and Cash Equivalents (Continued)

As of June 30, 2007, the Programs investment balances and maturities were as follows:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Iowa Schools Joint Investment Trust	$ 2,043,127	$ 2,043,127	$ -	$ -	$ -

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

As of June 30, 2007, the Program's investments were rated as follows:

Investment Type	Moody's Investors Services	Standard & Poor's
Iowa Schools Joint Investment Trust	AAA	Not rated

Custodial credit risk: For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a governmental entity will not be able to recover its deposits. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a governmental entity will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of June 30, 2007, none of the Program's deposit bank balance or investments were exposed to custodial credit risk.

Concentration of credit risk: The Program's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. The investments in the Iowa Schools Joint Investment Trust are not subject to concentration of credit risk due as they are considered a pooled investment.

Note 3. Capital Assets

A summary of capital assets at June 30, 2007 and 2006 is as follows:

	Year Ended June 30, 2007			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable assets, equipment	$ 2,769	$ -	$ -	$ 2,769
Less accumulated depreciation	1,158	553	-	1,711
Total depreciable assets, net	$ 1,611	$ (553)	$ -	$ 1,058

	Year Ended June 30, 2006			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable assets, equipment	$ 2,769	$ -	$ -	$ 2,769
Less accumulated depreciation	604	554	-	1,158
Total depreciable assets, net	$ 2,165	$ (554)	$ -	$ 1,611

Note 4. Incurred But Not Reported Claims

Claim liabilities include all known claims and an amount for claims that have been incurred but not reported (IBNR). A liability is reported when it is probable that a claim has occurred and the amount of the claim can be reasonably estimated. The change in the reserve for IBNR is based on: actuarial assumptions considering the effects of inflation; recent settlement trends; including frequency and amount of payouts, and other economic factors. The changes in the reserve for IBNR claims for the years ended June 30, 2007 and 2006 is as follows:

	2007	2006
Reserve for incurred but not reported claims, beginning of year	$ 2,300,000	$ 1,850,000
Claims recognized	24,454,720	23,955,278
Claims payments	(24,354,720)	(23,505,278)
Reserve for incurred but not reported claims, end of year	$ 2,400,000	$ 2,300,000

Note 5. Related Party Transactions

The Metro Interagency Insurance Program had the following related party transactions for the year ended June 30, 2007 and 2006:

	2007 Member Assessment Revenue	2006 Member Assessment Revenue
Cedar Rapids Community School District	$ 10,937,812	$ 10,532,980
College Community School District	2,570,411	2,473,747
Linn-Mar Community School District	3,169,771	2,935,357
Marion Independent School District	1,260,662	1,187,051
Grant Wood Area Education Agency	3,358,938	3,092,654
Kirkwood Community College	5,815,288	5,410,763
Total	$ 27,112,882	$ 25,632,552

Note 6. Change in Accounting Policy and Pending GASB Statements

As of June 30, 2007, the Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the Program. None of the following statements are expected to affect the Program.

- GASB Statement No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004.
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* issued September 2006.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* issued November 2006.
- GASB Statement No. 50, *Pension Disclosures*, an amendment to GASB Statement Nos. 25 and 27, issued May 2007.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007.

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

To the Board of Directors
Metro Interagency Insurance Program
Cedar Rapids, Iowa

We have audited the financial statements of Metro Interagency Insurance Program as of and for the year ended June 30, 2007, and have issued our report thereon dated November 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Metro Interagency Insurance Program in a separate letter dated November 26, 2007.

This report is intended solely for the information and use of the Board of Directors, management and others within the Program and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Cedar Rapids, Iowa
November 26, 2007