Metro Interagency Insurance Program

Financial Report
June 30, 2014

McGladrey

Assurance ▪ Tax ▪ Consulting

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McGladrey

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Metro Interagency Insurance Program (the Program), as of and for the years ended June 30, 2014 and 2013, and the related notes to the basic financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Metro Interagency Insurance Program, as of June 30, 2014 and 2013, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 – 7 and the Schedule of Claims Development Information, on page 16 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 reports dated November 24, 2014 and December 6, 2013, on our consideration of the Program'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 these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

McGladrey LLP

Cedar Rapids, Iowa
November 24, 2014

Introduction

Metro Interagency Insurance Program (the 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 four 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, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and related notes.

Using the Financial Statements

The Program's annual report contains three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position 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. 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 table on page 4, the Program has experienced an increase in net position in two of the last three fiscal years. The $2,312,047 current year decrease, as indicated on the Statements of Revenues, Expenses and Changes in Net Position, is the result of the Program having poor experience (higher cost and usage than expected) while keeping premium increases at a minimum. The Board planned for an approximate $1.0 million dollar deficit between premiums and claims but experienced a $1.8 million deficit.

The Program has carried a positive net position balance with a cumulative surplus of $9,964,143 at the end of fiscal year 2012, a cumulative surplus of $10,133,075 at the end of fiscal year 2013 and a cumulative surplus of $7,821,028 at the end of fiscal year 2014. The strong position of the Program has caused the Board to approve premium rates at an actuarial level less than what is considered 100% of anticipated costs. Premium rates were raised 3.5% for the 2013-14 fiscal years with an anticipated shortfall, mentioned in the previous paragraph, of $1.0 million. Given the increased costs and claims, and decreasing balance, the Board will need to consider premium increases closer to actual anticipated costs moving forward.

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

The Statements of Net Position present the financial position of the Program at the end of the fiscal year. The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the Program, while the change in net position over time determines whether the financial health of the Program is improving or not. The Statements of Net Position show the overall financial position of the Program and the Statements of Revenues, Expenses and Changes in Net Position show the current year financial performance.

Metro Interagency Insurance Program

Management's Discussion and Analysis
Year Ended June 30, 2014

The following table summarizes the Program's assets, liabilities and net position as of June 30, 2014, 2013 and 2012:

	2014	2013	2012
Current assets	**$ 12,161,948**	$ 13,915,782	$ 13,898,484
Noncurrent assets, capital assets	**96**	338	681
Total assets	**12,162,044**	13,916,120	13,899,165
Liabilities, current	**4,341,016**	3,783,045	3,935,022
Net position:			
Investment in capital assets	**96**	338	681
Restricted	**7,820,932**	10,132,737	9,963,462
Total net position	**$ 7,821,028**	$ 10,133,075	$ 9,964,143
Change in net position	**$ (2,312,047)**	$ 168,932	$ 7,001

The Program's cash and receivable balances as of June 30, 2014, 2013 and 2012 have exceeded total current liabilities. Net position increased $168,932 from 2012 to 2013 and decreased $2,312,047 from 2013 to 2014. The Program's Board approved premiums for the 2013-2014 year at 97% of the anticipated needs. Increased costs and usage almost doubled the anticipated shortfall for the fiscal year.

The following table summarizes the Program's revenues, expenses and changes in net position for the years ended June 30, 2014, 2013 and 2012:

	2014	2013	2012
Change in net position:			
Total operating revenues	**$ 30,537,000**	$ 29,971,501	$ 29,348,425
Total operating expenses	**32,868,422**	29,826,289	29,367,077
Net operating income (loss)	**(2,331,422)**	145,212	(18,652)
Net nonoperating revenues	**19,375**	23,720	25,653
Change in net position	**(2,312,047)**	168,932	7,001
Net position, beginning	**10,133,075**	9,964,143	9,957,142
Net position, ending	**$ 7,821,028**	$ 10,133,075	$ 9,964,143
Total revenues	**$ 30,556,375**	$ 29,995,221	$ 29,374,078
Total expenses	**$ 32,868,422**	$ 29,826,289	$ 29,367,077

Operating Revenues

As a corporate body under Iowa Code 504A pursuant to Iowa Code Chapter 28E, the Program is a "self funded" entity. Operating revenues for the Program primarily consist of premiums paid for the insurance products provided. 2013-2014 revenues increased by approximately 1.3% from $30 million to $30.4 million although premiums were raised 3.5% on the triple option plan design. Revenues increased by approximately 2.1% from $29.3 million to $30.0 million from 2012 to 2013 as premiums were raised by 2.4%. Revenues increased 0.5% from 2011 to 2012 although premiums were raised by 3.6% on a new triple option plan design. Favorable experience and the addition of participating members had contributed to the increase in revenues in the past, this trend did not continue in the 2013-14 fiscal year.

The triple option plan design contains one HMO product and two PPO products. Each plan offered the four tier design of single, two person, employee + children, and family. Additionally, Wellmark Blue Cross has allowed an HSA product that the Cedar Rapids Community School District began offering during the 2011-2012 fiscal year. The Board is currently studying plan design as they consider offerings in the spring for the 2015-16 fiscal year.

Taking into consideration the Program's cash balances and potential for additional Federal reimbursements, a 2.4% premium increase on the triple option plan design was approved by the Board for the 2012-2013 fiscal year. A 3.5% premium increase on the triple option plan design was approved by the Board for the 2013-2014 fiscal year. A 7.4% premium increase was approved for the 2014-15 fiscal year which also represents an estimated 97% of anticipated costs.

Operating Expenses

The Program's insurance, premiums, claims and administrative charges expense primarily consist of "net paid claims" (95%) for medical, dental and vision services provided to those participants in the Program. Additional "fixed costs" (5%) include: reinsurance, administration, access fees and the Program's operations fees.

Operating expenses in the 2013-2014 fiscal year increased over the previous year, and were larger then fiscal year revenue, as indicated on the chart on the previous page. Claims increases account for the entire increase as the plan experienced a 9.5% increase in claims from 2012-2013 to 2013-2014 with total claims in 2013-2014 of $28.9 million.

Operating expenses in the 2012-2013 fiscal year increased over the previous year, but ran slightly behind revenues, as indicated on the chart on the previous page. Fixed costs have decreased and premiums have increased slightly faster than net paid claims due to rate increases.

Expenses in the 2011-2012 fiscal year decreased over the previous year, but still ran slightly ahead of revenues, as indicated on the chart on the previous page. Fixed costs have held steady and net paid claims have increased slightly faster than premiums due to minimal rate increases as a result of favorable history and plan design changes.

Cash Flows

The following summary of cash flows provides information regarding the Program's cash receipts and disbursements during the years ended June 30, 2014, 2013 and 2012. This provides an assessment of the Program's ability to generate net cash flows and meet obligations as they come due.

Cash Flows for the Years Ended:

	2014	2013	2012
Cash from (used in):			
Operating activities	**$ (1,851,060)**	$ (221)	$ (153,910)
Investing activities	**19,375**	23,720	25,653
Net change in cash	**(1,831,685)**	23,499	(128,257)
Cash, beginning of year	**13,813,406**	13,789,907	13,918,164
Cash, end of year	**$ 11,981,721**	$ 13,813,406	$ 13,789,907

The cash position of the Program went down two of the last three fiscal years, substantially in the 2013-14 year, as indicated above. Some decrease was considered and planned for in each fiscal year when rates were set, the $1.9 million decrease though in 2013-14 was anticipated to be approximately $1.0 million. The Board increased rates for the 2014-15 fiscal year by 7.4% due to the increased cost of claims over the preceding year and anticipated claim increases during the 2014-15 fiscal year. The discussion at the Board table has become more complex as the Board attempts to understand both local claim cost increases and the anticipated increases in medical costs associated with the ongoing implementation of the Affordable Care Act (ACA).

The Board remains mindful of the claims fluctuation reserve (CFR) and the reserve for incurred but not reported claims (IBNR) as is required by the Iowa Code and Iowa Insurance Commissioner's Office. The estimated CFR as of June 30, 2014 and 2013 for the Program's plan was $4.91 million and $4.41 million, respectively, and is included as a restricted component of net position. The estimated IBNR as of June 30, 2014 and 2013 for the Program's plan was $3.30 million and $2.95 million, respectively, and is included in current liabilities.

Capital Assets

As of June 30, 2014 and 2013, the Program had capital assets, principally equipment, with a recorded cost of $2,170, with accumulated depreciation of $2,074 and $1,832, respectively, for a net of $96 and $338, respectively. Depreciation charges totaled $242 and $343 for fiscal years ended June 30, 2014 and 2013, respectively.

Debt Administration

As of June 30, 2014 and 2013, 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 Program remains in compliance with the State Insurance Commissioner's guidelines for financial condition as of June 30, 2014 and 2013. The success of changes implemented in 2004, in addition to favorable experience, grew the balance and financial position of the Program to a point that a focus on the size of the positive balance remains necessary. The Board has utilized the reserve balance and set new rates at a level less than anticipated expenditures to lessen the impact of premiums on the new plans. This practice will need to be closely monitored and likely altered by subsequent Boards as the full affect of the ACA is realized across the country. Subsequent Boards must continue to monitor the reserve balance and effect of premium rates vs. expenditures each fiscal year.

The 2013-2014 Board is aware that the Program is subject to federal and state laws as it pertains to the successful operation of the Program. Specifically, the Board has discussed, and remains mindful of, the Federal Affordable Care Act and its impact on the plan.

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, 4401 Sixth Street SW, Cedar Rapids, Iowa 52404 or call 319-399-6763.

Metro Interagency Insurance Program

Statements of Net Position
June 30, 2014 and 2013

Assets	**2014**	2013
Current Assets:		
Cash and cash equivalents	**$ 11,981,721**	$ 13,813,406
Insurance refund receivable	**180,227**	102,376
Total current assets	**12,161,948**	13,915,782
Capital Assets, equipment,		
less accumulated depreciation	**96**	338
Total assets	**$ 12,162,044**	$ 13,916,120

Liabilities and Net Position		
Current Liabilities:		
Accounts payable	**$ 1,041,016**	$ 833,045
Reserve for incurred but not reported claims	**3,300,000**	2,950,000
Total current liabilities	**4,341,016**	3,783,045
Net Position:		
Investment in capital assets	**96**	338
Restricted	**7,820,932**	10,132,737
Total net position	**7,821,028**	10,133,075
Total liabilities and net position	**$ 12,162,044**	$ 13,916,120

See Notes to Basic Financial Statements.

Metro Interagency Insurance Program

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Member assessments for insurance	**$ 30,438,316**	$ 29,861,511
Other operating revenue, cobra premiums and other	**98,684**	109,990
Total operating revenues	**30,537,000**	29,971,501
Operating expenses:		
Insurance premiums, claims and administrative charges	**32,644,842**	29,604,462
Insurance pool assessment	**97,255**	100,979
Consulting services	**60,000**	60,000
Contracted services	**37,689**	35,379
Cobra administration and notice fees	**8,907**	12,163
Professional services	**12,375**	11,975
Plan insurance	**575**	542
Filing and state audit fees	**5,831**	100
Depreciation	**242**	343
Miscellaneous	**706**	346
Total operating expenses	**32,868,422**	29,826,289
Net operating (loss) income	**(2,331,422)**	145,212
Nonoperating revenue, interest income	**19,375**	23,720
Change in net position	**(2,312,047)**	168,932
Net position, beginning	**10,133,075**	9,964,143
Net position, ending	**$ 7,821,028**	$ 10,133,075

See Notes to Basic Financial Statements.

Metro Interagency Insurance Program

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Cash received from member assessments	**$ 30,438,316**	$ 29,861,511
Cash received from other operating revenue	**98,670**	111,743
Cash paid for insurance premiums, claims and administrative charges	**(32,271,024)**	(29,739,112)
Cash paid for consulting services	**(60,000)**	(60,000)
Cash paid for insurance pool assessment	**-**	(115,979)
Cash paid for contracted services	**(27,122)**	(35,379)
Cash paid for cobra administration and notice fees	**(10,413)**	(10,042)
Cash paid for professional fees	**(12,375)**	(11,975)
Cash paid for other operating expenses	**(7,112)**	(988)
Net cash (used in) operating activities	**(1,851,060)**	(221)
Cash Flows Provided by Investing Activities, interest received	**19,375**	23,720
Net (decrease) increase in cash and cash equivalents	**(1,831,685)**	23,499
Cash and Cash Equivalents:		
Beginning	**13,813,406**	13,789,907
Ending	**$ 11,981,721**	$ 13,813,406
Reconciliation to Net Cash (Used in) Operating Activities:		
Operating (loss) income	**$ (2,331,422)**	$ 145,212
Adjustments to reconcile operating (loss) income to net cash (used in) operating activities:		
Depreciation	**242**	343
Changes in certain assets and liabilities:		
Insurance refund receivable	**(77,851)**	6,201
Accounts payable	**207,971**	(251,977)
Reserve for incurred but not reported claims	**350,000**	100,000
Net cash (used in) operating activities	**$ (1,851,060)**	$ (221)

See Notes to Basic Financial Statements.

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

Nature of operations: Metro Interagency Insurance Program (the 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 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 for 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.

Net position: Net position represents the difference between assets and liabilities. Investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its 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 position is available, the Program first applies restricted resources.

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

As part of this restriction, the Iowa Code and Iowa Insurance Commissioner's Office requires a claims fluctuation reserve (CFR). The CFR is required by the Iowa Code and Iowa Insurance Commissioner's Office. The estimated CFR as of June 2014 and 2013 for the Program was \$4.91 million and \$4.41 million, respectively, and is included as a restricted component of net position.

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 investment in the Iowa Schools Joint Investment Trust is stated at amortized cost, pursuant to Rule 2a-7 under the Investment Company Act of 1940, but is not registered with the SEC.

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 (Wellmark) for the years ended June 30, 2014 and 2013. The contract contained these parameters:

a. Individual Stop Loss deductible of \$200,000.
b. Aggregate Stop Loss of 125% of Wellmark actuarial projections for the rating period.
c. All claims will be paid by Wellmark 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 includes 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 determine its reserve estimates. An independent actuary assisted management with the establishment of the reserve as of June 30, 2014 and 2013.

The Program makes payments to Wellmark each week based upon actual claims and administrative expenses. Amounts relating to actual claims incurred are reflected as a payable at June 30, 2014 and 2013.

Income taxes: The 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.

Subsequent events: Management has evaluated subsequent events through November 24, 2014, the date the financial statements were available to be issued. Through this date, there were no significant events requiring disclosure.

Note 2. Cash and Cash Equivalents

As of June 30, 2014 and 2013, the Program's cash and cash equivalents were as follows:

	2014	2013
Cash and other deposits	$ 6,487,528	$ 13,325,008
Investment with the Iowa Schools Joint Investment Trust	5,494,193	488,398
	$ 11,981,721	$ 13,813,406

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 than 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.

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, 2014 and 2013, the Program's investments were rated as follows:

Investment Type	Moody's Investors Services	Standard & Poor's
June 30, 2014:		
Iowa Schools Joint Investment Trust	Aaa	AAAm
June 30, 2013:		
Iowa Schools Joint Investment Trust	Aaa	AAAm

Note 2. Cash and Cash Equivalents (Continued)

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, 2014 and 2013, the Program's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds. At June 30, 2014 and 2013, the Program's investments are held in the Iowa Schools Joint Investment Trust, which is not subject 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 as they are considered a pooled investment.

Note 3. Capital Assets

A summary of capital assets as of June 30, 2014 and 2013 is as follows:

	Year Ended June 30, 2014			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable assets, equipment	$ 2,170	$ -	$ -	$ 2,170
Less accumulated depreciation	1,832	242	-	2,074
Total depreciable assets, net	$ 338	$ (242)	$ -	$ 96

	Year Ended June 30, 2013			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable assets, equipment	$ 2,170	$ -	$ -	$ 2,170
Less accumulated depreciation	1,489	343	-	1,832
Total depreciable assets, net	$ 681	$ (343)	$ -	$ 338

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 change in the reserve for IBNR claims for the years ended June 30, 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Reserve for incurred but not reported claims, beginning of year	$ 2,950,000	$ 2,850,000	$ 3,000,000
Insurance premiums, claims and administrative charges:			
Provision for insured events of current year	33,868,166	30,657,550	29,964,965
(Decreases) in provision for insured events of prior years	(1,223,324)	(1,053,088)	(784,787)
	32,644,842	29,604,462	29,180,178
Payments:			
Attributable to insured events of current year	(30,223,126)	(27,845,123)	(26,892,375)
Attributable to insured events of prior years	(2,047,898)	(1,893,989)	(2,336,900)
	(32,271,024)	(29,739,112)	(29,229,275)
Other, change in payable for plan related costs	(23,818)	234,650	(100,903)
Reserve for incurred but not reported claims, end of year	$ 3,300,000	$ 2,950,000	$ 2,850,000

Note 5. Related Party Transactions

The Program had the following related party transactions for the years ended June 30, 2014 and 2013:

	Member Assessment Revenue	
	2014	2013
Cedar Rapids Community School District	$ 10,626,081	$ 11,396,672
College Community School District	3,651,927	3,338,002
Linn-Mar Community School District	4,299,801	3,842,477
Marion Independent School District	1,622,408	1,558,215
Grant Wood Area Education Agency	3,704,005	3,456,202
Kirkwood Community College	6,534,094	6,269,943
Total	$ 30,438,316	$ 29,861,511

Metro Interagency Insurance Program

Required Supplementary Information - Schedule of Claims Development Information - Unaudited
All Membership Years
June 30, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Assessment and investment revenue:										
Earned	$ 25,237,957	$ 25,817,155	$ 27,543,111	$ 27,425,823	$ 28,184,640	$ 28,154,577	$ 28,692,902	$ 29,259,675	$ 29,885,231	**$ 30,457,691**
Ceded	**	**	**	**	**	**	**	**	**	**
Net earned	25,237,957	25,817,155	27,543,111	27,425,823	28,184,640	28,154,577	28,692,902	29,259,675	29,885,231	**30,457,691**
Unallocated expenses	142,615	187,487	188,161	255,034	502,956	304,565	316,869	186,899	221,827	**223,580**
Estimated insured claims and expenses, end of policy year										
Incurred	21,380,462	23,955,278	24,454,720	25,265,254	27,366,280	28,969,322	29,964,965	29,964,965	30,657,550	**33,868,166**
Ceded	-	-	-	-	-	-	-	-	-	**-**
Net incurred	21,380,462	23,955,278	24,454,720	25,265,254	27,366,280	28,969,322	29,964,965	29,964,965	30,657,550	**33,868,166**
Cumulative paid claims as of:										
End of the policy year	21,380,462	23,505,278	24,354,720	25,165,254	24,866,280	26,169,322	27,838,883	26,892,375	27,845,123	**30,223,126**
One year later	*	*	*	*	*	*	*	*	29,847,564	**-**
Two years later	*	*	*	*	*	*	*	-	-	**-**
Three years later	*	*	*	*	*	*	-	-	-	**-**
Four years later	*	*	*	*	*	-	-	-	-	**-**
Five years later	*	*	*	*	-	-	-	-	-	**-**
Six years later	*	*	*	-	-	-	-	-	-	**-**
Seven years later	*	*	-	-	-	-	-	-	-	**-**
Eight years later	*	-	-	-	-	-	-	-	-	**-**
Nine years later	-	-	-	-	-	-	-	-	-	**-**
Re-estimated ceded losses and expenses	*	*	*	*	*	*	*	*	*	**-**
Re-estimated net incurred claims and expenses:										
End of the policy year	21,380,462	23,955,278	24,454,720	25,265,254	27,366,280	28,969,322	29,964,965	29,964,965	30,657,550	**33,868,166**
One year later	*	*	*	*	*	*	*	*	30,657,550	**-**
Two years later	*	*	*	*	*	*	*	-	-	**-**
Three years later	*	*	*	*	*	*	-	-	-	**-**
Four years later	*	*	*	*	*	-	-	-	-	**-**
Five years later	*	*	*	*	-	-	-	-	-	**-**
Six years later	*	*	*	-	-	-	-	-	-	**-**
Seven years later	*	*	-	-	-	-	-	-	-	**-**
Eight years later	*	-	-	-	-	-	-	-	-	**-**
Nine years later	-	-	-	-	-	-	-	-	-	**-**
Increase (decrease) in estimated net incurred claims and expenses from end of the policy year	*	*	*	*	*	*	*	*	-	**-**

* This information was not included as it was not readily available.
** Excess insurance premiums are included with incurred estimated insured claims and expenses