Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement tends including frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is reported in the Internal Service Fund. An excess coverage policy covers $70,000 per participant annually and $2,000,000 annual maximum benefit. Changes in the balances of claims liabilities during the past two years are as follows:

	Years Ended	
	9/30/2013	9/30/2012
Unpaid claims at beginning of year	$ 224,905	$ 189,085
Incurred claims (including IBNRs)	3,533,424	3,849,768
Claim payments	(3,623,594)	(3,813,948)
Unpaid claims at end of year	$ 134,735	$ 224,905

M. Commitments and Contingencies

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and, accordingly, no provision for losses has been recorded.

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2013, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.