



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

April 27, 2017

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Northeast Iowa Schools Insurance Trust for the year ended June 30, 2016.

The Trust had total receipts of \$11,248,703 for the year ended June 30, 2016, a less than 1% increase over the prior year. The receipts included \$11,209,728 of premiums from member school districts and retirees.

Disbursements for the year ended June 30, 2016 totaled \$10,721,968 a 2.6% increase over the prior year, and included \$1,821,544 for claims, \$8,587,096 for premiums and \$165,645 for administrative fees.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1614-2342-B00F>.

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**NORTHEAST IOWA SCHOOLS
INSURANCE TRUST**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2016

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**Northeast Iowa Schools
Insurance Trust**

Officials

Name

Organization

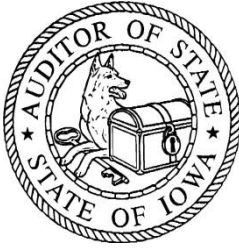
Participating School Districts

Dave Herold, Superintendent	Allamakee Community School District
Michael Haluska, Superintendent	Decorah Community School District
John Carver, Superintendent	Howard-Winneshiek Community School District
Jay Jurrens, Superintendent	New Hampton Community School District
Duane Willhite, Superintendent	North Fayette Community School District
Timothy Dugger, Superintendent	North Winneshiek Community School District
Steve Westerberg, Superintendent	Oelwein Community School District
Abe Maske, Superintendent	Postville Community School District
Clark Goltz, Superintendent	South Winneshiek Community School District
Matt O'Loughlin, Superintendent	Starmont Community School District

Trust Advisor

Sara Hotvedt, Chief Operating Officer	Midwest Group Benefits, Inc.
Rachel Narum, Benefits Administrator	Midwest Group Benefits, Inc.

**Northeast Iowa Schools
Insurance Trust**



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Independent Auditor's Report

To the Trust Advisor and the Superintendents of the
Participating School Districts of the Northeast Iowa
Schools Insurance Trust:

Report on the Financial Statement

We have audited the accompanying financial statement of the Northeast Iowa Schools Insurance Trust as of and for the year ended June 30, 2016, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statement 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 Trust'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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Northeast Iowa Schools Insurance Trust as of June 30, 2016, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.


Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 7 through 9, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2017 on our consideration of the Northeast Iowa Schools Insurance Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report 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 the 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 Northeast Iowa Schools Insurance Trust's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

April 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Northeast Iowa Schools Insurance Trust provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Northeast Iowa Schools Insurance Trust is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Trust's financial statement, which follows.

2016 FINANCIAL HIGHLIGHTS

- The Trust's operating receipts increased less than 1%, or \$100,368, over fiscal year 2015 to fiscal year 2016.
- The Trust's operating disbursements increased 2.6%, or \$271,557, over fiscal year 2015 to fiscal year 2016.
- The Trust's cash balance increased 9.62%, or \$526,735, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The Northeast Iowa Schools Insurance Trust has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Trust's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Trust's operating receipts and disbursements, non-operating receipts and whether the Trust's cash basis financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE TRUST

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Trust and the disbursements paid by the Trust, both operating and non-operating. The statement also presents a fiscal snapshot of the Trust's cash balance at year end. Over time, readers of the financial statement are able to determine the Trust's cash basis financial position by analyzing the increase or decrease in the Trust's cash balance.

Operating receipts primarily include insurance premiums received from member school districts and retirees. Operating disbursements are disbursements paid primarily for medical and dental claims for covered school employees, retirees and their dependents and premiums. Non-operating receipts are from interest on investments.

In fiscal year 2016, operating receipts increased \$100,368, or less than 1%. The increase was primarily due to no change in the rates charged to member school districts. In fiscal year 2016, operating disbursements increased \$271,557, or 2.6%, over fiscal year 2015, primarily due to an increase in health insurance premiums.

A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2016 and June 30, 2015 is presented below:

Changes in Cash Balance		
	Year ended June 30,	
	2016	2015
Operating receipts:		
Premiums from schools and retirees	\$ 11,209,728	\$ 11,106,027
Refunds and reimbursements	29,563	32,218
Miscellaneous	1,000	1,678
Total operating receipts	<u>11,240,291</u>	<u>11,139,923</u>
Operating disbursements:		
Claims	1,821,544	1,814,993
Premiums	8,587,096	8,301,953
Administrative fees	165,645	166,495
Liaison fees	10,000	10,000
Actuarial, audit and other fees	105,308	121,347
Miscellaneous	32,375	35,623
Total operating disbursements	<u>10,721,968</u>	<u>10,450,411</u>
Excess of operating receipts over operating disbursements	518,323	689,512
Non-operating receipts:		
Interest on investments	8,412	21,930
Change in cash balance	526,735	711,442
Cash balance beginning of year	<u>5,472,668</u>	<u>4,761,226</u>
Cash balance end of year	<u>\$ 5,999,403</u>	<u>5,472,668</u>
Cash Basis Fund Balance		
Unrestricted	<u>\$ 5,999,403</u>	<u>5,472,668</u>

DEBT ADMINISTRATION

At June 30, 2016, the Trust had no long-term debt outstanding.

ECONOMIC FACTORS

The current condition of the economy continues to be a concern for Trust officials. The cost of claims with medical inflation is projected to increase next year. With the cash basis fund balance of the Trust at June 30, 2016, it was decided the Trust would not raise premium rates for the next year.

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members and customers with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Midwest Group Benefits, Inc., Trust Advisor, PO Box 408, Decorah, Iowa 52101

**Northeast Iowa Schools
Insurance Trust**

Northeast Iowa Schools
Insurance Trust

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2016

Operating receipts:	
Premiums from schools and retirees	\$ 11,209,728
Refunds and reimbursements	29,563
Miscellaneous	<u>1,000</u>
Total operating receipts	<u>11,240,291</u>
Operating disbursements:	
Claims	1,821,544
Premiums	8,587,096
Administrative fees	165,645
Liaison fees	10,000
Actuarial, audit and other fees	105,308
Miscellaneous	<u>32,375</u>
Total operating disbursements	<u>10,721,968</u>
Excess of operating receipts over operating disbursements	518,323
Non-operating receipts:	
Interest on investments	<u>8,412</u>
Change in cash balance	526,735
Cash balance beginning of year	<u>5,472,668</u>
Cash balance end of year	<u>\$ 5,999,403</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 5,999,403</u>

See notes to financial statement.

Northeast Iowa Schools
Insurance Trust

Notes to Financial Statement

Year ended June 30, 2016

(1) Summary of Significant Accounting Policies

The Northeast Iowa Schools Insurance Trust (Trust) is a voluntary joint undertaking of the Allamakee, Decorah, Howard-Winneshiek, New Hampton, North Fayette, North Winneshiek, Oelwein, Postville, South Winneshiek and Starmont Community School Districts, as authorized by Chapter 28E of the Code of Iowa. The primary purpose of the Trust is to provide medical and dental benefits to the Schools' employees, retirees and their dependents pursuant to a plan adopted by the Schools and administered by Midwest Group Benefits, Inc.

If terminated, the balance of the Trust remaining after payment of all claims and expenses would be divided and distributed to the member school districts on the basis of the current number of employees enrolled.

A. Reporting Entity

For financial reporting purposes, the Trust has included all funds. The Trust has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Trust are such that exclusion would cause the Trust's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Trust to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Trust. The Trust has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Trust are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Trust maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Trust is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including claims incurred but not reported as of June 30, 2016. Accordingly, the financial statement does not present the financial position and results of operations of the Trust in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Trust's deposits in banks at June 30, 2016 were entirely covered 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 insure there will be no loss of public funds.

The Trust is authorized by statute to invest public funds in 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 Superintendents of the participating school districts; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the Trust had investments in the Federated Capital Reserve Fund (Fund) which are valued at an amortized cost of \$1,994,868 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the Fund investments. The Trust's investment in the Fund is unrated.

The Trust had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No.72.

(3) Third Party Administrative Fees

On July 1, 2002, the Trust entered into an agreement with Midwest Group Benefits, Inc. for services as claims processor for the plan. The agreement provides for the payment of administrative fees. During the year ended June 30, 2016, Midwest Group Benefits, Inc. was paid \$165,645 for these services.

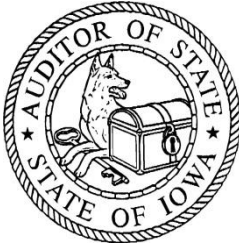
(4) Other Postemployment Benefits (OPEB)

The Trust obtained an actuarial valuation with a valuation date of July 1, 2012. However, the valuation was performed on an individual basis for the ten member schools and those OPEB disclosures are included in the financial statements of the individual member schools.

(5) New Accounting Pronouncement

The Trust adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

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



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Trust Advisor and the Superintendents of the
Participating School Districts of the Northeast Iowa
Schools Insurance Trust:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Northeast Iowa Schools Insurance Trust as of and for the year ended June 30, 2016, and the related Notes to Financial Statement, and have issued our report thereon dated April 10, 2017. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Northeast Iowa Schools Insurance Trust's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Northeast Iowa Schools Insurance Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northeast Iowa Schools Insurance Trust'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 a material misstatement of the Northeast Iowa Schools Insurance Trust's financial statement 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 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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northeast Iowa Schools Insurance Trust's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Trust's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Trust. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The Northeast Iowa Schools Insurance Trust's Responses to the Finding

The Northeast Iowa Schools Insurance Trust's responses to the findings identified in our audit is described in the accompanying Schedule of Findings. The Northeast Iowa Schools Insurance Trust's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Northeast Iowa Schools Insurance Trust during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

April 10, 2017

Northeast Iowa Schools
Insurance Trust

Schedule of Findings

Year ended June 30, 2016

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Trust's investment policy were noted.
- (2) Unclaimed Property – Chapter 556 of the Code of Iowa requires entities to annually report and remit obligations, including checks, outstanding for more than three years to the Office of Treasurer of State. The Trust did not remit all covered obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over three years old should be remitted to the Office of Treasurer of State as required.

Response – The outstanding checks will be reviewed annually and items over three years old will be remitted to the Office of Treasurer of State, State of Iowa.

Conclusion – Response accepted.

- (3) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the minutes, including the schedule of bills allowed, were not published as required by Chapter 28E.6(3) of the Code of Iowa for two of four meetings tested.

Recommendation – The Board should ensure the minutes, including the schedule of bills allowed, are published as required.

Response – We understand the requirement to publish the meeting minutes from the Board meetings and will provide direction to the board secretaries regarding this requirement.


Conclusion – Response accepted.

Northeast Iowa Schools
Insurance Trust

Staff

This audit was performed by:

Deborah J. Moser, CPA, CGFM, Manager
Erin J. Sietstra, Staff Auditor
Jacob N. Bennett, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State