



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

December 20, 2021

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the Northeast Iowa Schools Insurance Trust.

FINANCIAL HIGHLIGHTS:

The Trust receipt's totaled \$14,082,756 for the year ended June 30, 2021, a less .3% decrease from the prior year. Disbursements for the year ended June 30, 2021 totaled \$14,467,872, a 5.7% increase over the prior year. The increase in disbursements is primarily due to premiums paid for dental insurance since the Trust switched from a self-funded dental plan.

AUDIT FINDINGS:

Sand reported one finding related to the receipt and expenditure of taxpayer funds. It is found on page 16 of this report. The finding addresses a lack of segregation of duties over the oversight of financial reporting review. Sand provided the Trust with a recommendation to address this finding.

The one finding discussed above is repeated from the prior year. The Trust Advisor and Officials from Participating School Districts have a fiduciary responsibility to provide oversight of the Trust's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

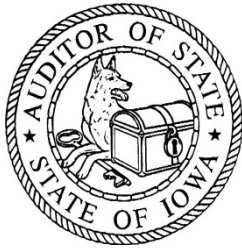
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**NORTHEAST IOWA SCHOOLS
INSURANCE TRUST**

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

JUNE 30, 2021

**Northeast Iowa Schools
Insurance Trust**



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Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

November 22, 2021

Officials of the Northeast Iowa Schools Insurance Trust
Decorah, Iowa

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

I am pleased to submit to you the financial and compliance audit report for the Northeast Iowa Schools Insurance Trust, Iowa, for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Northeast Iowa Schools Insurance Trust throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

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**Northeast Iowa Schools
Insurance Trust**

Officials

Name

Organization

Participating School Districts

Jay Mathis, Superintendent
Mark Lane, Superintendent
Theodore Ihns, Superintendent
Jay Jurrens, Superintendent
Joe Griffith, Superintendent
Josh Ehn, Superintendent
Timothy Dugger, Superintendent
Kris Einck, Superintendent
Gary Benda, Superintendent

Allamakee Community School District
Decorah Community School District
Howard-Winneshiek Community School District
New Hampton Community School District
North Fayette Valley Community School District
Oelwein Community School District
Postville Community School District
South Winneshiek Community School District
Starmont Community School District

Trust Advisor

Sara Hotvedt, Chief Executive Officer
Kelly Elsbernd, Chief Operating Officer
Rachel Narum, Benefits Administrator

Midwest Group Benefits, Inc.
Midwest Group Benefits, Inc.
Midwest Group Benefits, Inc.



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Rob Sand
Auditor of State

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, 2021, 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, 2021, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2021 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.


Marlys K. Gaston, CPA
Deputy Auditor of State

November 22, 2021

**Northeast Iowa Schools
Insurance Trust**

Basic Financial Statement

**Northeast Iowa Schools
Insurance Trust**

Northeast Iowa Schools
Insurance Trust

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2021

Operating receipts:	
Premiums from schools and retirees	\$ 14,041,147
Refunds and reimbursements	<u>24,186</u>
Total operating receipts	<u>14,065,333</u>
Operating disbursements:	
Claims	2,144,373
Premiums	11,284,455
Dental premiums	582,954
Administrative fees	176,229
Actuarial, audit and other fees	22,228
Insurance	147,232
Miscellaneous	<u>110,401</u>
Total operating disbursements	<u>14,467,872</u>
Deficiency of operating disbursements over operating receipts	(402,539)
Non-operating receipts:	
Interest on investments	<u>17,423</u>
Change in cash balance	(385,116)
Cash balance beginning of year, as restated	<u>5,733,020</u>
Cash balance end of year	<u>\$ 5,347,904</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 5,347,904</u>

See notes to financial statement.

Northeast Iowa Schools
Insurance Trust

Notes to Financial Statement

Year ended June 30, 2021

(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 Valley, 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, 2021. 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, 2021 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.

At June 30, 2021, the Trust had the following investments:

Investments	Fair Value	Maturity
FEDL FARM CREDIT BANK	\$ 77,348.77	7/27/2022
FEDL FARM CREDIT BANK	109,813.50	3/18/2027
FEDL FARM CREDIT BANK	109,377.40	9/4/2025
FEDL FARM CREDIT BANK	130,184.00	12/18/2029
FEDL FARM CREDIT BANK	57,145.21	8/20/2029
FEDL FARM CREDIT BANK	45,605.83	11/24/2021
FEDL FARM CREDIT BANK	30,066.52	1/14/2026
FEDL FARM CREDIT BANK	77,477.62	2/22/2022
FEDL FARM CREDIT BANK	51,762.75	4/1/2022
FEDL HOME LOAN BANK	209,926.82	12/11/2026
FEDL HOME LOAN BANK	137,701.12	12/12/2025
FEDL HOME LOAN BANK	39,745.92	5/6/2030
FEDL HOME LOAN BANK	53,872.00	6/25/2030
FEDL HOME LOAN BANK	97,322.80	8/23/2029
FEDL HOME LOAN BANK	113,186.10	8/23/2028
FEDL HOME LOAN BANK	58,877.34	2/25/2028
FEDL HOME LOAN BANK	48,579.70	8/24/2029
FEDL HOME LOAN BANK	180,709.95	10/24/2029
FEDL HOME LOAN BANK	107,128.20	6/14/2024
FEDL HOME LOAN BANK	106,520.30	9/30/2022
FEDL HOME LOAN BANK	32,298.36	3/10/2023
FEDL HOME LOAN BANK	50,223.15	9/10/2021
FEDL HOME LOAN BANK	26,454.45	6/9/2023
FEDL HOME LOAN BANK	70,961.05	6/1/2026
FEDL NATL MTG ASSN	106,025.20	4/24/2026
FEDL NATL MTG ASSN	104,996.40	9/24/2026
FEDL NATL MTG ASSN	105,514.70	2/5/2024
FEDL NATL MTG ASSN	81,805.62	5/15/2029
FEDL NATL MTG ASSN	104,277.00	10/30/2023
FEDL NATL MTG ASSN	129,691.40	9/27/2027
FEDL NATL MTG ASSN	25,754.40	11/26/2027
FEDL NATL MTG ASSN	33,008.55	12/20/2027
FEDL NATL MTG ASSN	65,694.80	1/28/2028
TENNESSEE VALLEY	134,377.00	9/15/2024
U.S. TREASURY	259,257.75	2/15/2026
U.S. TREASURY	110,265.60	2/15/2028
U.S. TREASURY	54,296.85	5/31/2025
U.S. TREASURY	54,875.00	2/15/2029
U.S. TREASURY	107,265.60	4/30/2026
	<u>\$ 3,499,394.73</u>	

The Trust uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the investments were determined using the last reported sales price at current exchange rates. (Level 1 inputs)

(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, 2021, Midwest Group Benefits, Inc. was paid \$176,229 for these services.

(4) Other Postemployment Benefits (OPEB)

The Trust obtained an actuarial valuation with a valuation date of July 1, 2019. However, the valuation was performed on an individual basis for the nine member schools and those OPEB disclosures are included in the financial statements of the individual member schools.

(5) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Northeast Iowa Schools Insurance Trust, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Northeast Iowa Schools Insurance Trust. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Northeast Iowa Schools Insurance Trust's operations and finances.

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Insurance Trust**



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Rob Sand
Auditor of State

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, 2021, and the related Notes to Financial Statement, and have issued our report thereon dated November 22, 2021. 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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.

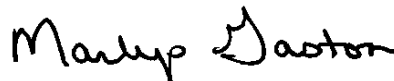
Northeast Iowa Schools Insurance Trust's Response to the Finding

The Northeast Iowa Schools Insurance Trust's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Northeast Iowa Schools Insurance Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

November 22, 2021

Northeast Iowa Schools
Insurance Trust
Schedule of Findings
Year ended June 30, 2021

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Although the cash and investment balances in the Insurance Trust's general ledger were reconciled to bank and investment account balances throughout the year, an independent review of the reconciliations was not performed.

Cause – Board policies and procedures do not require an independent review of the monthly bank reconciliations.

Effect – Lack of an independent review of the monthly bank reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Board policies should be modified to require an independent review of the monthly bank reconciliations. The independent review should include a review of the bank reconciliations, including verifying all reconciling items, and a review of the bank statements for unusual or unexpected transactions. The independent review should be documented by signing or initialing and dating the monthly reconciliations and bank statements.

Response – Corrective measures will be taken to have the bank statements reviewed by the CEO. Once reviewed, they will be signed, dated and placed in a folder on the server for the Consultant to prepare the reconciliation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Northeast Iowa Schools
Insurance Trust
Schedule of Findings
Year ended June 30, 2021

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) Restricted Donor Activity – No transactions were noted between the Trust, Trust officials, Trust employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Trust minutes but were not. No instances of non-compliance with Chapter 28E.6.

Northeast Iowa Schools
Insurance Trust
Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Deborah J. Moser, CPA, Manager
Coltin R. Collins, Staff Auditor