

**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

January 10, 2023

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

FINANCIAL HIGHLIGHTS:

The Trust receipt's totaled \$14,105,683 for the year ended June 30, 2022, a less than 1% increase over the prior year. Disbursements for the year ended June 30, 2022 totaled \$14,470,553, a less than 1% increase over the prior year.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 18 and 19 of this report. The findings address a lack of evidence of independent review over bank reconciliations and the Trust meeting minutes not being published timely. Sand provided the Trust with recommendations to address these findings.

One of the two findings 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 [Audit Reports – Auditor of State](#).

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**NORTHEAST IOWA SCHOOLS
INSURANCE TRUST**

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

JUNE 30, 2022

**Northeast Iowa Schools
Insurance Trust**



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STATE OF IOWA

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Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

December 20, 2022

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, 2022. 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".

Rob Sand
Auditor of State

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**Northeast Iowa Schools
Insurance Trust**

Officials

Name

Organization

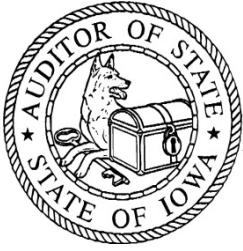
Participating School Districts

| | |
|--------------------------------|--|
| Jay Mathis, Superintendent | Allamakee Community School District |
| Tim Cronin, Superintendent | Decorah Community School District |
| Kris Einck, Superintendent | Howard-Winneshiek Community School District |
| Jay Jurrens, Superintendent | New Hampton Community School District |
| Joe Griffith, Superintendent | North Fayette Valley Community School District |
| Josh Ehn, Superintendent | Oelwein Community School District |
| Timothy Dugger, Superintendent | Postville Community School District |
| Kris Einck, Superintendent | South Winneshiek Community School District |
| Gary Benda, Superintendent | Starmont Community School District |

Trust Advisor

| | |
|--------------------------------------|------------------------------|
| Sara Hotvedt, Agency President | Midwest Group Benefits, Inc. |
| Kelly Elsbernd, Controller | 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

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

Report on the Audit of the Financial Statement

Opinion

We have audited the accompanying financial statement of the Northeast Iowa School Insurance Trust as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the Trust's basic financial statement as listed in the table of contents.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the Northeast Iowa School Insurance Trust as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statement section of our report. We are required to be independent of the Northeast Iowa School Insurance Trust, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northeast Iowa School Insurance Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northeast Iowa School Insurance Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northeast Iowa School Insurance Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2022 on our consideration of the Northeast Iowa School Insurance Trust'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 that report is solely 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 effectiveness of the Trust's 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 School Insurance Trust's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

December 20, 2022

**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, 2022

| | |
|---|---------------------|
| Operating receipts: | |
| Premiums from schools and retirees | \$ 14,003,976 |
| Refunds and reimbursements | <u>55,558</u> |
| Total operating receipts | <u>14,059,534</u> |
| Operating disbursements: | |
| Claims | 2,126,994 |
| Premiums | 11,257,687 |
| Dental premiums | 659,115 |
| Administrative fees | 158,980 |
| Actuarial, audit and other fees | 125,771 |
| Insurance | 116,491 |
| Miscellaneous | <u>25,515</u> |
| Total operating disbursements | <u>14,470,553</u> |
| Deficiency of operating disbursements over operating receipts | (411,019) |
| Non-operating receipts: | |
| Interest on investments | <u>46,149</u> |
| Change in cash balance | (364,870) |
| Cash balance beginning of year | <u>5,347,904</u> |
| Cash balance end of year | <u>\$ 4,983,034</u> |
| Cash Basis Fund Balance | |
| Unrestricted | <u>\$ 4,983,034</u> |

See notes to financial statement.

Northeast Iowa Schools
Insurance Trust

Notes to Financial Statement

Year ended June 30, 2022

(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, 2022. 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, 2022 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, 2022, the Trust had the following investments:

| <u>Investments</u> | <u>Fair Value</u> | <u>Maturity</u> |
|-----------------------|---------------------|-----------------|
| FEDL FARM CREDIT BANK | \$ 75,070 | 7/27/2022 |
| FEDL FARM CREDIT BANK | 98,811 | 3/18/2027 |
| FEDL FARM CREDIT BANK | 99,840 | 9/4/2025 |
| FEDL FARM CREDIT BANK | 113,349 | 12/18/2029 |
| FEDL FARM CREDIT BANK | 49,928 | 8/20/2029 |
| FEDL FARM CREDIT BANK | 26,906 | 1/14/2026 |
| FEDL HOME LOAN BANK | 189,195 | 12/11/2026 |
| FEDL HOME LOAN BANK | 125,171 | 12/12/2025 |
| FEDL HOME LOAN BANK | 46,290 | 6/25/2030 |
| FEDL HOME LOAN BANK | 85,240 | 8/23/2029 |
| FEDL HOME LOAN BANK | 101,229 | 8/23/2028 |
| FEDL HOME LOAN BANK | 52,984 | 2/25/2028 |
| FEDL HOME LOAN BANK | 42,461 | 8/24/2029 |
| FEDL HOME LOAN BANK | 144,188 | 7/26/2024 |
| FEDL HOME LOAN BANK | 197,839 | 1/28/2025 |
| FEDL HOME LOAN BANK | 156,927 | 10/24/2029 |
| FEDL HOME LOAN BANK | 99,732 | 6/14/2024 |
| FEDL HOME LOAN BANK | 100,837 | 9/30/2022 |
| FEDL HOME LOAN BANK | 30,441 | 3/10/2023 |
| FEDL HOME LOAN BANK | 25,090 | 6/9/2023 |
| FEDL HOME LOAN BANK | 62,728 | 6/1/2026 |
| FEDL NATL MTG ASSN | 96,613 | 4/24/2026 |
| FEDL NATL MTG ASSN | 95,167 | 9/24/2026 |
| FEDL NATL MTG ASSN | 99,246 | 2/5/2024 |
| FEDL NATL MTG ASSN | 71,286 | 5/15/2029 |
| FEDL NATL MTG ASSN | 98,946 | 10/30/2023 |
| FEDL NATL MTG ASSN | 114,140 | 9/27/2027 |
| FEDL NATL MTG ASSN | 22,643 | 11/26/2027 |
| FEDL NATL MTG ASSN | 28,939 | 12/20/2027 |
| FEDL NATL MTG ASSN | 57,584 | 1/28/2028 |
| TENNESSEE VALLEY | 124,771 | 9/15/2024 |
| U.S. TREASURY | 237,930 | 2/15/2026 |
| U.S. TREASURY | 98,406 | 2/15/2028 |
| U.S. TREASURY | 49,828 | 5/31/2025 |
| U.S. TREASURY | 48,766 | 2/15/2029 |
| U.S. TREASURY | 97,719 | 4/30/2026 |
| | <u>\$ 3,266,239</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, 2022, Midwest Group Benefits, Inc. was paid \$158,980 for these services.

(4) Other Postemployment Benefits (OPEB)

The Trust obtained an actuarial valuation with a valuation date of July 1, 2021. 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.

**Northeast Iowa Schools
Insurance Trust**



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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 Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited 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, the financial statement of the Northeast Iowa School Insurance Trust, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the Trust's basic financial statement, and have issued our report thereon dated December 20, 2022. 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northeast Iowa School Insurance Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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 School Insurance Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northeast Iowa School 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 that a material misstatement of the 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 of this section 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 were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings as item (A) to be material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northeast Iowa School Insurance Trust's financial statement is free from 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 financial statement. 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 which are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which are 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, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements 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.

Northeast Iowa School Insurance Trust's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Northeast Iowa School Insurance Trust's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Northeast Iowa School Insurance Trust's responses were not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

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 School 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

December 20, 2022

Northeast Iowa Schools
Insurance Trust

Schedule of Findings

Year ended June 30, 2022

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 was not documented.

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

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 be documented. 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 – Midwest Group Benefits will ensure the review of bank statements and reconciliations are documented.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Northeast Iowa Schools
Insurance Trust

Schedule of Findings

Year ended June 30, 2022

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. However, the minutes for four of the proceedings were not published within 20 days of meeting adjournment as required by Chapter 28E.6(3)(a) of the Code of Iowa. In addition, the minutes for two of the proceedings were not published at all.

Recommendation – The Trust meeting minutes should be published within 20 days of meeting adjournment, as required.

Response – Midwest Group Benefits will remind the Board Secretary of the requirement to submit the minutes to the newspaper within 20 days of the meeting.

Conclusion – Response accepted.

Northeast Iowa Schools
Insurance Trust

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Deborah J. Moser, CPA, Manager
Mackenzie L. Johnson, Staff Auditor