



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

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

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

June 2, 2025

Contact: Brian Brustkern  
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 \$14,754,984 for the year ended June 30, 2024, a 1.6% increase. The increase in receipts was primarily due to premiums received from schools and retirees. Disbursements for the year ended June 30, 2024 totaled \$15,533,175, a 5.3% increase. The increase in disbursements was primarily due to an increase in insurance premiums paid.

**AUDIT FINDINGS:**

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 18 through 20 of this report. The findings address a lack of evidence of independent review over bank reconciliations and the lack of an accounting policies and procedures manual. Sand provided the Trust with recommendations to address these findings.

Both of the findings discussed above are 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 website at [Audit Reports – Auditor of State](#).

# # #

**NORTHEAST IOWA SCHOOLS  
INSURANCE TRUST**

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

**JUNE 30, 2024**

**Northeast Iowa Schools  
Insurance Trust**



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

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

Rob Sand  
Auditor of State

April 30, 2025

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, 2024. 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  
Tim Cronin, Superintendent  
Kris Einck, Superintendent

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

Jay Jurrens, Superintendent  
Joe Griffith, Superintendent  
Josh Ehn, Superintendent  
Brendan Knudtson, Superintendent  
Rob Busch, Superintendent

**Trust Advisor**

Sara Hotvedt, Agency President  
Kelly Elsbernd, Controller  
Rachel Narum, Benefits Administrator

Midwest Group Benefits  
Midwest Group Benefits  
Midwest Group Benefits

**Northeast Iowa Schools  
Insurance Trust**



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Rob Sand  
Auditor of State

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 financial statement of the Northeast Iowa School Insurance Trust as of and for the year ended June 30, 2024, and the related Notes to Financial Statement, which collectively comprise the Trust's basic financial statement as listed in the table of contents.

In our opinion, the accompanying 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, 2024, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the 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 statement, 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 Statement

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.

### Auditor's Responsibilities for the Audit of the Financial Statement

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 GAAS 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 judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 statement.
- Conclude whether, in our judgment, 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 April 30, 2025 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.



Brian R. Brustkern, CPA  
Deputy Auditor of State

April 30, 2025

**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

As of and for the year ended June 30, 2024

Operating receipts:	
Premiums from schools and retirees	\$ 14,528,934
Refunds and reimbursements	<u>135,556</u>
Total operating receipts	<u>14,664,490</u>
Operating disbursements:	
Claims	2,255,667
Premiums	12,188,172
Dental premiums	683,022
Administrative fees	159,360
Actuarial, audit and other fees	69,513
Insurance	132,655
Miscellaneous	<u>44,786</u>
Total operating disbursements	<u>15,533,175</u>
Deficiency of operating disbursements under operating receipts	(868,685)
Non-operating receipts:	
Interest on investments	<u>90,494</u>
Change in cash balance	(778,191)
Cash balance beginning of year	<u>5,016,635</u>
Cash balance end of year	<u>\$ 4,238,444</u>
<b>Cash Basis Fund Balance</b>	
Unrestricted	<u><u>\$ 4,238,444</u></u>

See notes to financial statement.

Northeast Iowa Schools  
Insurance Trust

Notes to Financial Statement

Year ended June 30, 2024

**(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, organizations, agencies, boards, commissions and authorities. 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, 2024. 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, 2024 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 ensure 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, 2024, the Trust had the following investments:

Investments	Cost Value	Fair Value	Maturity
FEDL FARM CREDIT BANK	\$ 102,082	95,588	3/18/2027
FEDL FARM CREDIT BANK	102,977	97,572	9/4/2025
FEDL FARM CREDIT BANK	125,901	111,323	12/18/2029
FEDL FARM CREDIT BANK	58,233	49,894	8/20/2029
FEDL FARM CREDIT BANK	26,076	25,171	1/14/2026
FEDL HOME LOAN BANK	195,924	182,722	12/11/2026
FEDL HOME LOAN BANK	128,947	121,890	12/12/2025
FEDL HOME LOAN BANK	54,588	45,595	6/25/2030
FEDL HOME LOAN BANK	99,700	85,043	8/23/2029
FEDL HOME LOAN BANK	114,856	101,008	8/23/2028
FEDL HOME LOAN BANK	59,970	53,103	2/25/2028
FEDL HOME LOAN BANK	49,925	42,405	8/24/2029
FEDL HOME LOAN BANK	144,780	149,566	7/26/2024
FEDL HOME LOAN BANK	199,940	197,319	1/28/2025
FEDL HOME LOAN BANK	174,060	146,959	10/24/2029
FEDL HOME LOAN MTG	72,406	57,153	6/1/2026
FEDL NATL MTG ASSN	100,852	95,376	4/24/2026
FEDL NATL MTG ASSN	100,429	94,069	9/24/2026
FEDL NATL MTG ASSN	74,273	64,786	5/15/2029
FEDL NATL MTG ASSN	116,512	104,594	9/27/2027
FEDL NATL MTG ASSN	23,356	20,826	11/26/2027
FEDL NATL MTG ASSN	29,670	26,449	12/20/2027
FEDL NATL MTG ASSN	57,252	52,726	1/28/2028
TENNESSEE VALLEY	125,306	124,335	9/15/2024
U.S. TREASURY	250,257	237,422	2/15/2026
U.S. TREASURY	106,930	94,250	2/15/2028
U.S. TREASURY	51,251	48,969	5/31/2025
U.S. TREASURY	55,075	46,352	2/15/2029
U.S. TREASURY	101,393	95,813	4/30/2026
	<u>\$ 2,902,921</u>	<u>2,668,278</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, 2024, Midwest Group Benefits, Inc. was paid \$159,360 for these services.

**(4) Other Postemployment Benefits (OPEB)**

The Trust obtained an actuarial valuation with a valuation date of July 1, 2023. 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) Subsequent Event**

In February 2024, Oelwein Community School District submitted notice to withdraw from the Northeast Iowa Schools Insurance Trust effective July 1, 2024.

**Northeast Iowa Schools  
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 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, 2024, and the related Notes to Financial Statement, which collectively comprise the Trust's basic financial statement, and have issued our report thereon dated April 30, 2025. 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 statement, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design of 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. We consider the deficiency described in the accompanying Schedule of Findings as item 2024-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2024-002 to be a significant deficiency.

## 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 noncompliance 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, 2024 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.

## 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.



Brian R. Brustkern, CPA  
Deputy Auditor of State

April 30, 2025

Northeast Iowa Schools  
Insurance Trust

Schedule of Findings

Year ended June 30, 2024

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCIES:**

2024-001 Bank Reconciliations

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 – The Benefits Administrator will initial and date the bank statements and have the Board President review, initial and date the monthly reconciliations.

Conclusion – Response accepted.

2024-002 Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

- (1) Aid in training additional and replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar situation arises.

Condition – The Trust does not have an accounting policies and procedures manual nor a chart of accounts.

Northeast Iowa Schools  
Insurance Trust

Schedule of Findings

Year ended June 30, 2024

Cause – Trust policies do not require a chart of accounts or policies and procedures.

Effect – Lack of policies and procedures could negatively impact the Trust's ability to continue operating effectively and efficiently in the event of staff turnover.

Recommendation – The Trust should establish and document accounting policies and procedures and a chart of accounts.

Response – We will establish a procedure manual for accounting and financial statements.

Conclusion – Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

Northeast Iowa Schools  
Insurance Trust

Schedule of Findings

Year ended June 30, 2024

**Other Findings Related to Required Statutory Reporting:**

- 2024-A     Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Trust's investment policy were noted.
- 2024-B     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.
- 2024-C     Board Minutes – No transactions were found that we believe should have been approved in the Trust minutes but were not.

Northeast Iowa Schools  
Insurance Trust

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy  
Jennifer L. Wall, CPA, Director  
Jon D. Hedgecock, Senior Auditor