

SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
OTHER INFORMATION
SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2014

Contents

	<u>Page</u>
Board Members	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis (MD&A)	6-9
Financial Statements:	<u>Exhibit</u>
Business Type Activities Financial Statements:	
Statement of Net Position	A 11
Statement of Revenues, Expenses and Changes in Net Position	B 12
Statement of Cash Flows	C 13
Fiduciary Fund Financial Statements:	
Statement of Net Position	D 14
Statement of Changes in Net Position	E 15
Notes to Financial Statements	16-18
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 <u>Government Auditing Standards</u>	19-20
Schedule of Findings	21

SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN

BOARD MEMBERS

Karron Stineman, Chairperson	Louisa-Muscatine Community School District
Greg Manske, Vice Chairperson	Great Prairie Area Education Agency
David Schmitt	West Burlington Independent School District
Sandy Elmore, Treasurer	Ft. Madison Community School District
Cherie Westendorf	Keota Community Schools
Michelle Riddle-Foster, Secretary	Southeastern Community College
Doug Graber	Morning Sun Elementary School
Connie Linney	Pekin Community School District
Pam Getz	Keokuk Catholic Schools
Deb Trine	Burlington Notre Dame Schools
Ed Chabal	Mt. Pleasant Community Schools

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of Southeast Iowa Schools Health Care Plan:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southeast Iowa Schools Health Care Plan (a common pool of funds) as of and for the year ended June 30, 2014 and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 basic financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Iowa Schools Health Care Plan as of June 30, 2014, and the results of its operations and the cash flows of its business type activities for the year then ended in conformity with U.S. generally accepted accounting principles.

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Other Matters

Required Supplementary Information

U.S. general accepted accounting principles require Management's Discussion and Analysis on pages 6 through 9 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2015 on our consideration of the Southeast Iowa Schools Health Care Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 Southeast Iowa Schools Health Care Plan's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

Newton, Iowa
March 26, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southeast Iowa Schools Health Care Plan provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Plan's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Plan's operating revenues for the business type activities increased 1.00%, or \$103,184, from fiscal year 2013 to fiscal year 2014. The increase was primarily the result of increases in premium revenues.
- The Plan's operating expenses for the business type activities were 1.69%, or \$171,689, less in fiscal year 2014 than in fiscal year 2013.
- The Plan's net position in the business type activities increased 43.84%, or \$405,235, from June 30, 2013 to June 30, 2014.
- The Plan's operating revenues for the Fiduciary Fund increased 34.78%, or \$205,505, from fiscal year 2013 to fiscal year 2014. Operating expenses increased \$945, or 0.13% from fiscal year 2013 to fiscal year 2014. These two changes combined allowed for the Fiduciary Net Position to increase \$54,117 or 618.83%.

USING THIS ANNUAL REPORT

The Southeast Iowa Schools Health Care Plan has Business Type Activities and a Fiduciary Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Southeast Iowa Schools Health Care Plan's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Plan's financial activities.

The Statement of Net Position presents information on the Plan's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Plan is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Plan's operating revenues and expenses, non-operating revenues and expenses and whether the Plan's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Plan's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Plan financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Plan's financial position. The Plan's net position at June 30, 2014 for the Business Type Activities totaled \$1,329,554 compared to \$924,319 at June 30, 2013. A summary of the Plan's Business Type Activities net position is presented below.

	Condensed Statement of Net Position		
	Business Type Activities		Total Change
	June 30,		June 30,
	2014	2013	2013-14
Current assets	\$ 1,483,929	1,110,870	33.58%
Current liabilities	154,375	186,551	-17.25%
Net position:			
Unrestricted	1,304,554	924,319	41.14%
Temporarily restricted	25,000	-	100.00%
Total net position	\$ 1,329,554	924,319	43.84%

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for insurance premiums from the member groups. Operating expenses are expenses paid to members for benefits and claims. A summary of revenues, expenses and changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013 is presented below.

	Changes in Net Position		
	Business Type		Total
	Activities		Change
	2014	2013	2013-14
Operating revenues:			
Charges for service	\$ 10,410,044	10,306,860	1.00%
Operating expenses:			
Premium - Health insurance	8,366,170	8,543,834	-2.08%
Vision claims	107,013	105,522	1.41%
Wrap claims	192,699	193,464	-0.40%
EBS Administration fee	157,392	141,942	10.88%
ACA fee	130,693	-	100.00%
Premium - Basic Group Life	252,848	228,805	10.51%
Premium - Long-Term Disability	275,152	270,394	1.76%
PSF claims	433,534	638,320	-32.08%
Wellness	38,967	23,524	65.65%
Miscellaneous	51,562	31,914	61.57%
Total operating expenses	10,006,030	10,177,719	-1.69%
Operating income	404,014	129,141	212.85%
Non-operating revenues:			
Interest income	1,221	2,110	-42.13%
Change in net position	405,235	131,251	208.75%
Net position beginning of year	924,319	793,068	16.55%
Net position end of year	\$ 1,329,554	924,319	43.84%

The Statement of Revenues, Expenses and Changes in Net Position reflects a favorable year with an increase in the net position at the end of the fiscal year.

In fiscal 2014, net position in the Business Type Activities increased by \$405,235 or 43.84%.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes charges for services reduced by payments for goods and services.

DEBT ADMINISTRATION

At June 30, 2014, the Plan had no long-term debt outstanding.

ECONOMIC FACTORS

- The future of Southeast Iowa Schools Health Care Plan depends on the continuing participation by schools and the usage of programs.

CONTACTING THE SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Plan's finances and to show the Plan's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Southeast Iowa Schools Health Care Plan, 214 N. Main Street, P.O. Box 1053, Burlington, Iowa.

FINANCIAL STATEMENTS

SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN
STATEMENT OF NET POSITION
BUSINESS TYPE ACTIVITIES
JUNE 30, 2014

ASSETS	
Cash and pooled investments	\$ <u>1,483,929</u>
LIABILITIES	
Incurred but not reported	<u>154,375</u>
NET POSITION	
Unrestricted	1,304,054
Temporarily restricted	<u>25,500</u>
TOTAL NET POSITION	<u>\$ <u>1,329,554</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUSINESS TYPE ACTIVITIES
YEAR ENDED JUNE 30, 2014

Operating revenues:	
Charges for service	<u>\$ 10,410,044</u>
Operating expenses:	
Premium - Health insurance	8,366,170
Vision claims	107,013
Wrap claims	192,699
EBS Administration fee	157,392
ACA fee	130,693
Premium - Basic Group Life	252,848
Premium - Long-Term Disability	275,152
PSF claims	433,534
Wellness	38,967
Miscellaneous	51,562
Total operating expenses	<u>10,006,030</u>
Operating income	404,014
Non-operating revenues:	
Interest income	<u>1,221</u>
Change in net position	405,235
Net position beginning of year	<u>924,319</u>
Net position end of year	<u><u>\$ 1,329,554</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN
STATEMENT OF CASH FLOWS
BUSINESS TYPE ACTIVITIES
YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:	
Cash received from charges for service	\$ 10,399,858
Cash paid to suppliers for goods and services	<u>(10,028,020)</u>
Net cash provided by operating activities	<u>371,838</u>
Cash flows from investing activities:	
Receipt of interest	<u>1,221</u>
Net increase in cash and cash equivalents	373,059
Cash and cash equivalents beginning of year	<u>1,110,870</u>
Cash and cash equivalents end of year	<u>\$ 1,483,929</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 404,014
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in incurred but not reported claims	(21,990)
Decrease in deferred revenue	<u>(10,186)</u>
Net cash provided by operating activities	<u>\$ 371,838</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

ASSETS	
Cash and pooled investments	\$ <u>45,372</u>
LIABILITIES	
	<u>-</u>
NET POSITION	
Unrestricted	\$ <u><u>45,372</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

Additions:	
Local sources:	
125 Plan deposits	\$ <u>796,365</u>
Deductions:	
Support services:	
125 Plan withdrawals	<u>742,248</u>
Change in net position	54,117
Net position beginning of year	<u>(8,745)</u>
Net position end of year	<u><u>\$ 45,372</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

(1) Summary of Significant Accounting Policies

The Southeast Iowa Schools Health Care Plan (Plan) is a voluntary joint undertaking of units of government to create and maintain a self-funded health benefits program through cooperative action with private agencies, as authorized by Chapter 28E of the Code of Iowa. The Plan maintains a fully funded health and dental plan. The vision benefit plan continues to be self-funded. The plan will continue to be a cooperative effort to achieve financial savings to participants while providing health care benefits to their respective employees.

The Plan's board is composed of one representative from each of the eleven member groups. The member groups are: Ft. Madison Community School District, Mt. Pleasant Community Schools, West Burlington Independent School District, Keota Community Schools, Louisa-Muscatine Community School District, Great Prairie Area Education Agency, Morning Sun Elementary School, Pekin Community School District, Keokuk Catholic Schools, Southeastern Community College, and Burlington Notre Dame Schools.

The Plan's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Plan has included all funds, organizations, agencies, boards, commissions and authorities. The Plan 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 Plan is such that exclusion would cause the Plan's financial statements 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 Plan to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the Plan. The Plan has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The Plan's accounts are organized as Business Type Activities and as Fiduciary Fund. The Business Type Activities are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Fiduciary Fund is used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

The Statement of Net Position presents the Southeast Iowa Schools Health Care Plan (Plan) nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Temporarily restricted net position consists of net position that is not immediately available due to timing or external restrictions and becomes available either by the passage of time or by actions of the organization.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

C. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Investments and Cash Equivalents - The Plan considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Income Tax Status - The Plan is not a legal entity but a self-funded health benefits program funded by a common pool of funds as authorized by Chapter 28E of the Code of Iowa. Any tax liability that would occur would be the responsibility of the participating agencies.

Capital Assets - As stated in Section 4, Article XVI of the 28E agreement of the Plan, no property, real or personal, shall be acquired or held, except for a common pool of trust funds supporting the self-funded health benefits program.

(2) Cash and Investments

The Plan's deposits in banks at June 30, 2014 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 depositories to insure there will be no loss of public funds.

The Plan is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposits or other evidences of deposit at federally insured depository institutions approved by the Plan; 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.

The Southeast Iowa Schools Health Care Plan had investments in the Iowa Schools Joint Investment Trust of \$36,845 at June 30, 2014.

(3) Third Party Administrative Fee

The Plan has an agreement with Two Rivers Insurance Services DBA Employee Benefit Systems, to administer the plan and process claims. The agreement provides for the payment of administrative fees; which totaled \$157,392 for the year ended June 30, 2014.

(4) Risk Management

The Plan is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Plan assumes liability for any deductibles and claims in excess of coverage limitations.

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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

To the Board Members of Southeast Iowa Schools Health Care Plan:

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 statements of the Southeast Iowa Schools Health Care Plan as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, and have issued our report thereon dated March 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Plan's financial statements 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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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. 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 which have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed test of its compliance with certain laws, regulations contracts and grant agreements, noncompliance 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.

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Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion of the effectiveness of the Southeast Iowa Schools Health Care Plan'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 Southeast Iowa Schools Health Care Plan'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 Southeast Iowa Schools Health Care Plan 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.


NOLTE, CORNMAN & JOHNSON, P.C.

Newton, Iowa
March 26, 2015

SOUTHEAST IOWA SCHOOLS HEALTH CARE PLAN
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Disbursements from Plan Fund - We noted no expenditures from the Plan Fund other than those allowed by Chapter 35.20(2)f of the Iowa Administrative Code.
- (2) Business Transactions with Related Parties - No business transactions between the Plan and related parties were noted.
- (3) Bond Coverage - Surety bond coverage of officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (4) Board Minutes - No items were found that we believe should have been approved in the board minutes but were not.
- (5) Deposits and Investments - The 28E Organization complied with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Organization's Investment policy.