

IOWA STAR SCHOOLS 28E RETENTION POOL TRUST

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

JUNE 30, 2015

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IOWA STAR SCHOOLS 28E RETENTION POOL TRUST

BOARD MEMBERS

Jesse Ulrich	A-H-S-T Community Schools
Jay Mathis	Eldora-New Providence Community Schools
Art Pixler, Chairperson	North Union Community Schools
Eric Wood	Clarksville Community Schools
James Stanton	Dunkerton Community Schools
Duane Bennett	Durant Community Schools
William Thompson	Hartley-Melvin-Sanborn Community Schools
B.J. Meaney	Janesville Consolidated Schools
Nathan Marting	Jesup Community Schools
Pat Heiderscheit	Keystone AEA # 1
Mark Egli	Manson-NW Webster Community Schools
Bob Cue	North Tama County Community Schools
Steve Nicholson	Riceville Community Schools
Dr. James Sutton	Riverside Community Schools
Keith Turner	RRMR Community Schools
Bill Boer	Sibley-Ocheyedan Community Schools
Rick Pederson	Sumner-Fredericksburg Community Schools
Stuart Fuhs	West Central Community Schools
Joe Burnett	Wilton Community Schools

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**INDEPENDENT AUDITOR'S REPORT**

To the Board Members of  
Iowa Star Schools 28E Retention Pool Trust

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Iowa Star Schools 28E Retention Pool Trust (a common pool of funds) as of and for the year ended June 30, 2015 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 of 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 Trust'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 Trust's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Iowa Star Schools Health 28E Retention Pool Trust as of June 30, 2015, 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.

**Members American Institute & Iowa Society of Certified Public Accountants**

**Other Matters**

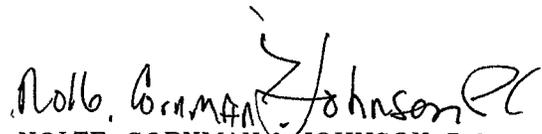
*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 6 through 8 be 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 February 11, 2016 on our consideration of the Iowa Star Schools 28E Retention Pool Trust'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 and should be considered in assessing the results of our audit.

Newton, Iowa  
February 11, 2016

  
NOLTE, CORNMAN & JOHNSON, P.C.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Iowa Star Schools 28E Retention Pool Trust (Trust) 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, 2015. We encourage readers to consider this information in conjunction with the Trust's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- The Trust's operating revenues increased 10.86%, or \$1,360,267, from fiscal year 2014 to fiscal year 2015. The increase in revenues was due to an increase in premiums received.
- The Trust's operating expenses increased 7.60% or \$929,114, from fiscal year 2014 to fiscal year 2015. The increase was primarily due to the increase in premiums paid.
- The Trust's net position increased 31.14% or \$741,578, from June 30, 2014 to June 30, 2015.

### **USING THIS ANNUAL REPORT**

The Trust is a single Enterprise 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 the Trust'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 Trust's financial activities.

The Statement of Net Position presents information on the Trust's assets and liabilities, with the difference 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 Trust is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basis statement of activities for proprietary funds. This statement presents information on the Trust's operating revenues and expenses, non-operating revenues and expenses and whether the Trust'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 Trust's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Trust 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 provide in the basic financial statements.

**FINANCIAL ANALYSIS OF THE IOWA STAR SCHOOLS 28E RETENTION POOL TRUST**

*Statement of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the improvement or deterioration in Trust's financial position. The Trust's net position for June 30, 2015 was \$3,123,246. This compares to \$2,381,668 at June 30, 2014. A summary of the Trust's net position at June 30, 2015 compared to June 30, 2014 is presented below.

	Condensed Statement of Net Position		
	June 30,		Change
	2015	2014	2014-15
Current assets	\$ 3,247,242	2,521,563	28.78%
Current liabilities	123,996	139,895	-11.36%
Net Position:			
Unrestricted	3,114,146	2,374,068	31.17%
Temporarily restricted	9,100	7,600	100.00%
Total net position	\$ 3,123,246	2,381,668	31.14%

*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, 2015 compared to the year ended June 30, 2014 is presented below:

	Changes in Net Position		
	Year ended June 30,		Change
	2015	2014	2014-15
Operating revenues:			
Charges for service	\$ 13,884,596	12,524,329	10.86%
Operating expenses:			
Premiums	12,294,865	11,216,777	9.61%
Services	830,892	979,448	-15.17%
Miscellaneous	24,379	24,797	-1.69%
Total operating expenses	13,150,136	12,221,022	7.60%
Operating income	734,460	303,307	142.15%
Non-operating revenues:			
Interest income	7,118	5,645	26.09%
Change in net position	741,578	308,952	140.03%
Net position beginning of year	2,381,668	2,072,716	14.91%
Net position end of year	\$ 3,123,246	2,381,668	31.14%

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

In fiscal 2015, operating revenues increased by \$1,360,267, or 10.86%, primarily a result of an increase in premiums received. Operating expenses increased by \$929,114 or 7.60%, due to the increase in services paid.

#### *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 service reduced by payments for goods and services.

#### **DEBT ADMINISTRATION**

At June 30, 2015, the Trust had no long-term debt outstanding.

#### **ECONOMIC FACTORS**

- The future of Iowa Star Schools 28E Retention Pool Trust depends on the continuing participation by schools and the usage of programs.

#### **CONTACTING THE IOWA STAR SCHOOLS 28E RETENTION POOL TRUST**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Iowa Star Schools 28E Retention Pool Trust, 214 N. Main Street, P.O. Box 1053, Burlington, Iowa.

FINANCIAL STATEMENTS

IOWA STAR SCHOOLS 28E RETENTION POOL TRUST  
STATEMENT OF NET POSITION  
BUSINESS TYPE ACTIVITIES  
JUNE 30, 2015

<b>Assets</b>	
Cash	\$ 3,247,242
<b>Total assets</b>	<u>3,247,242</u>
<b>Liabilities</b>	
Incurring but not reported	<u>123,996</u>
<b>Net Position</b>	
Unrestricted	3,114,146
Temporarily Restricted	9,100
<b>Total net position</b>	<u>\$ 3,123,246</u>

SEE NOTES TO FINANCIAL STATEMENTS.

IOWA STAR SCHOOLS 28E RETENTION POOL TRUST  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUSINESS TYPE ACTIVITIES  
YEAR ENDED JUNE 30, 2015

Operating revenues:	
Charges for service	<u>\$ 13,884,596</u>
Operating expenses:	
Insurance premiums	12,294,865
Flex disbursements	603,524
Accounting and administration fees	219,882
Legal fees	7,486
Miscellaneous	<u>24,379</u>
Total operating expenses	<u>13,150,136</u>
Operating income	734,460
Non-operating revenues:	
Interest income	<u>7,118</u>
Change in net position	741,578
Net position beginning of year	<u>2,381,668</u>
Net position end of year	<u>\$ 3,123,246</u>

SEE NOTES TO FINANCIAL STATEMENTS.

IOWA STAR SCHOOLS 28E RETENTION POOL TRUST  
STATEMENT OF CASH FLOWS  
BUSINESS TYPE ACTIVITIES  
YEAR ENDED JUNE 30, 2015

**Cash flows from operating activities:**

Cash received from charges for services	\$ 13,881,705
Cash paid to suppliers for goods and services	(13,163,144)
Net cash provided by operating activities	<u>718,561</u>

**Cash flows from investing activities:**

Receipt of interest	<u>7,118</u>
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Net increase in cash and cash equivalents 725,679

Cash and cash equivalents beginning of year 2,521,563

Cash and cash equivalents end of year \$ 3,247,242

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$ 734,460
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in incurred but not reported	<u>(15,899)</u>
Net cash provided by operating activities	<u>\$ 718,561</u>

SEE NOTES TO FINANCIAL STATEMENTS.

IOWA STAR SCHOOLS 28E RETENTION POOL TRUST  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**(1) Summary of Significant Accounting Policies**

The Iowa Star Schools 28E Retention Pool Trust (Trust) is a voluntary joint undertaking of units of government to create and maintain a fully-funded health benefits program through cooperative action with private agencies, as authorized by Chapter 28E of the Code of Iowa. The Trust maintains a fully funded health benefits program.

The Trust is composed of one representative from each of the nineteen member groups. The member groups are as follows:

AHST Community Schools, Clarksville Community Schools, Dunkerton Community Schools, Durant Community Schools, Eldora-New Providence Community Schools, Hartley-Melvin-Sanborn Community Schools, Janesville Consolidated Schools, Jesup Community Schools, Keystone AEA # 1, Manson-Northwest Webster Community Schools, North Tama County Community Schools, North Union Community Schools, Riceville Community Schools, Riverside Community Schools, RRMR Community Schools, Sibley-Ocheyedan Community Schools, Sumner-Fredericksburg Community Schools, West Central Community Schools and Wilton Community Schools.

The Trust'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, 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 is such that exclusion would cause the Trust'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 Trust to impose its will on that organization or (2) the potential for the organization to provide 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 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.

C. 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.

D. Assets, Liabilities and Net Position

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

Cash, Investments and Cash Equivalents - The Trust 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 Iowa Star Schools 28E Retention Pool Trust 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 Iowa Star Schools 28E Retention Pool Trust, 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 Trust's deposits in banks at June 30, 2015 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 Trust 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 Trust; 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 Trust had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Third Party Administrative Fee**

The Iowa Star Schools 28E Retention Pool Trust has an agreement with Employee Benefit Systems, to administer the plan and process claims. The agreement provides for the payment of administrative fees. Administration fees paid to Employee Benefit Systems, for the year ended June 30, 2015 totaled \$212,632.

**(4) Risk Management**

The Trust 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 Trust 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  
Iowa Star Schools 28E Retention Pool 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 statements of the Iowa Star Schools 28E Retention Pool Trust as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated February 11, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Trust'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 Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 Trust'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 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 Trust'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.

**Members American Institute & Iowa Society of Certified Public Accountants**

**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 on the effectiveness of the Iowa Star Schools 28E Retention Pool 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 Iowa Star Schools 28E Retention Pool 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 Iowa Star Schools 28E Retention Pool 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

Newton, Iowa  
February 11, 2016

IOWA STAR SCHOOLS 28E RETENTION POOL TRUST  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**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 Trust Fund - We noted no expenditures from the Trust 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 Trust 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 appears to have complied with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Organization's Investment policy.