

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville City School District)
Lorain County, Ohio

Audited Financial Statements

For the Years Ended
December 31, 2018 and 2017



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Board of Trustees
Joint Insurance Health Plan Trust for the Benefit of
North Ridgeville City School District Employees
10045 College Park
Concord, Ohio 44060

We have reviewed the *Independent Auditor's Report* of the Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees, Lorain County, prepared by Rea & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 21, 2019

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Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville City School District)

Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

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April 24, 2019

To the Board of Trustees
Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees
Lorain County, Ohio
10045 College Park Drive
Concord, Ohio 44060

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees, Lorain County, Ohio, (the "Trust"), a component unit of North Ridgeville City School District, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees, Lorain County, Ohio, as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 6, the Trust will terminate all benefits effective April 1, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* as listed in the table of contents, 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 April 24, 2019 on our consideration of the 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 Trust's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville City School District)

Management Discussion and Analysis
For the Years Ended December 31, 2018 and 2017

As Management of the Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees (Trust), we present a narrative overview and analysis of the financial activities of the Trust for the years ended December 31, 2016, 2017 and 2018. Please read this in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The ending cash and investment balance for the Trust was \$845,412, \$1,450,205, and \$1,440,472, as of December 31, 2018, 2017 and 2016, respectively.
- The January 1, 2018 – December 31, 2018 budget was set at \$4,539,339 and was not fully funded. The January 1, 2017 – December 31, 2017 budget was set at \$4,632,747 and was not fully funded. The January 1, 2016 – December 31, 2016 budget was set at \$4,205,727 and was not fully funded.
- In 2018 the Trust made benefit changes to both PPO Plan A Medical Plan and the Prescription Drug Plan. The medical plan increased the annual deductibles from \$750 to \$1,000 single and \$1,500 to \$2,000 family. The plan coinsurance changed from 85 percent to 80 percent. The out of pocket maximum increased from \$1,250 to \$2,000 single and \$2,500 to \$4,000 family. The office visit copay changed from \$30 then 85 percent to \$25 then 80 percent. The specialty visit/urgent care copay changed from \$30 then 85 percent to \$40 then 80 percent. The prescription plan increased retail and mail order copays. In addition to plan changes employee contributions were also increased.
- No changes were made to the employee contributions in 2017. The maximum out-of-pocket limits were increased to \$7,150 for single coverage and \$14,300 for family coverage. A 30-day supply dispensing limit was implemented on all specialty drugs. CIGNA became the new plan administrator for the dental coverage with two dental plan options: an HMO and a PPO plan. The vision benefit plan increased the amount of plan reimburses for vision services.
- No changes were made to the employee contributions in 2016. The maximum out-of-pocket limits were increased to \$6,850 for single coverage and \$13,700 for family coverage.
- The Board approved a resolution in October 2018 to terminate the Trust effective April 1, 2019. See Note 6 for more details.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trust's basic financial statements which is a component unit of the North Ridgeville City School District. The Trust's basic financial statements are comprised of four components: 1) Statements of Net Position 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows and 4) Notes to Basic Financial Statements.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville city School District)

Management Discussion and Analysis
For the Years Ended December 31, 2018 and 2017

Statement of Net Position – Presents information on all the Trust assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in fund net position may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.

Statements of Revenues and Changes in Net Position – Presents information showing how the Trust net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Statements of Cash Flows – Presents information on the changes in the cash balances and details as to how cash and cash equivalents was provided and used.

Notes to Basic Financial Statements – Provides readers with additional information and required disclosures that are essential to a full understanding of the data provided in the Trust financial statements.

FINANCIAL ANALYSIS OF THE TRUST AS OF DECEMBER 31, 2018, 2017 AND 2016

The Trust’s net position increased by \$16,217 for the year ended December 31, 2018. A portion of the net position is restricted for funding of the insurance reserve. Costs and claims for the year exceeded trust fund contributions, resulting in decreased cash and cash equivalents and a decrease in cost savings – sharing payable.

The following table represents major components of the statements of net position for December 31, 2018, 2017, and 2016:

	2018	2017	2016
Current Assets	\$ 962,436	\$ 1,573,633	\$ 1,559,758
Current Liabilities	787,043	1,414,457	1,402,880
Net Position:			
Restricted	1,078,362	820,229	773,744
Unrestricted (Deficit)	(902,969)	(661,053)	(616,866)
Total Net Position	\$ 175,393	\$ 159,176	\$ 156,878

COMMENTS ON OPERATING AND BUDGET COMPARISONS

- The Trust’s total operating revenue was \$5,234,692, \$4,170,079, and \$3,939,680, for the years ended December 31, 2018, 2017, and 2016 respectively.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville city School District)

Management Discussion and Analysis
For the Years Ended December 31, 2018 and 2017

- The Trust’s total operating expenses were \$5,234,693, \$4,178,958, and \$3,936,807, for the years ended December 31, 2018, 2017 and 2016 respectively. The increase in operating expenses from 2017 to 2018 was primarily due to an increase in medical claims in 2018.
- The Trust’s 2018 operating revenues essentially equaled operating expenses. The Trust’s 2017 operating expenses exceeded operating revenues by \$8,879. The Trust’s 2016 operating revenues exceeded operating expenses by \$2,873.
- The increase in cost savings/sharing-excess premiums from 2017 to 2018 was based on the difference between contributions and claims.

The following table presents a summary of operating revenue and expense for the years ended December 31, 2018, 2017 and 2016 respectively.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:			
Contributions:			
Employer	\$ 3,638,600	\$ 3,515,654	\$ 3,485,724
Participant	805,264	639,105	623,199
Cost Savings/Sharing-Excess Premiums	785,571	9,540	(176,380)
COBRA	5,257	5,780	7,137
<i>Total Operating Revenues</i>	<u>5,234,692</u>	<u>4,170,079</u>	<u>3,939,680</u>
Operating Expenses:			
Medical Claims	3,171,328	2,327,129	2,291,855
Dental Claims	219,391	223,445	155,967
Vision Claims	24,490	20,825	16,580
Prescription Claims	898,237	709,519	630,572
Medical Stop-Loss	596,753	600,507	520,963
Accounting	10,750	10,555	10,454
Actuarial	18,334	20,000	35,000
Trust Management	22,800	22,800	22,800
Legal Fees	7,228	2,958	2,590
Bank Fees	7,196	8,565	9,214
Insurance	1,700	1,700	1,700
Miscellaneous	21,005	13,808	26,924
Medical Administration	204,591	184,141	180,362
Vision Administration	7,958	7,609	7,505
Dental Administration	16,123	19,112	18,181
Prescription Administration	6,809	6,285	6,140
<i>Total Operating Expenses</i>	<u>5,234,693</u>	<u>4,178,958</u>	<u>3,936,807</u>
<i>Operating Income (Loss)</i>	<u>(1)</u>	<u>(8,879)</u>	<u>2,873</u>
Non-Operating Revenues (Expense):			
Investment Income	<u>16,218</u>	<u>11,177</u>	<u>12,213</u>
<i>Change in Net Position</i>	16,217	2,298	15,086
<i>Net Position Beginning of Year</i>	159,176	156,878	141,792
<i>Net Position End of Year</i>	<u>\$ 175,393</u>	<u>\$ 159,176</u>	<u>\$ 156,878</u>

Contacting the Trust’s Financial Management

If you have questions about this report or need additional financial information, contact the Health Trust Manager, 10045 College Park Drive, Concord, Ohio.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employee
(A Component Unit of North Ridgeville City School District)
Statements of Net Position
December 31, 2018 and 2017

	2018	2017
Assets:		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 548,553	\$ 1,150,941
Investments	296,859	299,264
Prepaid Expenses	47,831	68,657
Accounts Receivable	69,193	54,771
<i>Total Current Assets</i>	962,436	1,573,633
Liabilities:		
<i>Current Liabilities:</i>		
Accounts Payable	648	0
Cost Savings - Sharing Payable	245,382	1,030,952
Liability for Incurred But Not Reported Claims	541,013	383,505
<i>Total Current Liabilities</i>	787,043	1,414,457
Net Position:		
Restricted	1,078,362	820,229
Unrestricted	(902,969)	(661,053)
<i>Total Net Position</i>	\$ 175,393	\$ 159,176

The accompanying notes are an integral part of these financial statements.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employee
(A Component Unit of North Ridgeville City School District)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues:		
Contributions:		
Employer	\$ 3,638,600	\$ 3,515,654
Employees	805,264	639,105
Cost Savings/Sharing-Excess Premiums	785,571	9,540
COBRA	5,257	5,780
<i>Total Operating Revenues</i>	5,234,692	4,170,079
Operating Expenses:		
Medical Claims	3,171,328	2,327,129
Dental Claims	219,391	223,445
Vision Claims	24,490	20,825
Prescription Claims	898,237	709,519
Medical Stop-Loss	596,753	600,507
Accounting	10,750	10,555
Actuarial	18,334	20,000
Trust Management	22,800	22,800
Legal Fees	7,228	2,958
Bank Fees	7,196	8,565
Insurance	1,700	1,700
Miscellaneous	21,005	13,808
Medical Administration	204,591	184,141
Vision Administration	7,958	7,609
Dental Administration	16,123	19,112
Prescription Administration	6,809	6,285
<i>Total Operating Expenses</i>	5,234,693	4,178,958
<i>Operating Income (Loss)</i>	(1)	(8,879)
Non-Operating Revenues (Expense):		
Investment Income	16,218	11,177
<i>Change in Net Position</i>	16,217	2,298
<i>Net Position Beginning of Year</i>	159,176	156,878
<i>Net Position End of Year</i>	\$ 175,393	\$ 159,176

The accompanying notes are an integral part of these financial statements.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employee
(A Component Unit of North Ridgeville City School District)

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Cash Received from Employer	\$ 3,638,600	\$ 3,515,654
Cash Received from Employees	790,842	635,912
Cash Received from COBRA Premiums	5,257	5,780
Cash Payments for Benefit Plan Claims	(4,156,084)	(3,259,270)
Cash Payments for Stop-Loss	(576,095)	(599,905)
Cash Payments for Benefit Provider's Administration Fees	(236,362)	(218,666)
Cash Payments for Plan Administration and Operating Expenses	(87,169)	(80,949)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>(621,011)</i>	<i>(1,444)</i>
Cash Flows from Investing Activities:		
Interest Received	18,623	13,534
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(602,388)	12,090
<i>Cash and Cash Equivalents, Beginning of Year</i>	1,150,941	1,138,851
<i>Cash and Cash Equivalents, End of Year</i>	\$ 548,553	\$ 1,150,941
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	\$ (1)	\$ (8,879)
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(14,422)	(3,193)
Prepaid Expenses	20,826	(949)
Increase (Decrease) in Liabilities:		
Accounts Payable	648	(560)
Cost Savings-Sharing Payable	(785,570)	(9,540)
Liability for Incurred But Not Reported Claims	157,508	21,677
<i>Net Cash Provided by (Used For) Operating Activities</i>	<i>\$ (621,011)</i>	<i>\$ (1,444)</i>

The accompanying notes are an integral part of these financial statements.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville City School District)

Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 1 – DESCRIPTION OF THE TRUST

The following description of the Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees (the “Trust”) provides only general information. Participants should refer to the Trust document for a more complete description of the Trust’s provisions. The Trust maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Trust uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs 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 that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for public policy, management control, accountability or other purposes.

General

The Trust was established on January 1, 1998 and was funded on April 1, 1998 to provide health care benefits to the employees of the North Ridgeville City School District (the “District”). The Trust is a blended component unit of the District, as defined pursuant to Governmental Accounting Standards and Statement No. 61, *The Financial Reporting Entity – An Amendment of GASB Statements No. 14 and No. 34*. The Trust implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The Trust is directed by a ten-member Board of Trustees, four members appointed by the District’s Superintendent and six members appointed by Local 276, OAPSE, North Ridgeville Education Association and AFSCME/AFL-CIO (the “Unions”). The District reports the Trust as an internal service fund which is defined as a fund to account for the financing of goods or services provided by one department or agency to governmental units, on a cost-reimbursement basis.

Benefits

The Trust provides benefits for hospitalization, medical, dental, vision, and prescription drugs as provided for in the collective bargaining agreement that may be authorized or permitted by law for eligible District employees, their families and dependents. In order to manage its claims risks, the Trust has purchased stop-loss coverage for individual claims during the policy years in excess of \$100,000 for the years ended December 31, 2018 and 2017.

Contributions

The District makes contributions to the Trust in amounts equal to a budgeted level of funding needs as calculated by an actuary, but is subject to minimum levels as established by the collective bargaining agreement. Additional funds are paid to the Administrator to cover costs of administering the Trust. The District makes certain pre-funding contributions to the Trust, which are to fund future benefit expenses.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
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Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

Termination

The District has the right to terminate the Trust, under the provisions set forth by the collective bargaining agreement.

Cost-Sharing

The Trust provides for a sharing of cost between eligible participants in the plan covered by the Trust and the District. The cost-sharing is based upon a calculation of plan income as compared to the larger of the plan's current year budget or the plan's 1998 budget for costs. The participants' 50 percent share may be funded through payroll contributions, benefit reductions or a combination of both.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Accounting

The Trust follows Generally Accepted Accounting Principles (GAAP), which includes all Governmental Accounting Standards Board (GASB) pronouncements. The financial statements are prepared using the accrual basis of accounting.

Implementation of New Accounting Principles

For the year ended December 31, 2018, the Trust has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the Trust.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Trust.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Trust.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville City School District)

Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

For the year ended December 31, 2017, the Trust has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Trust.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capaTrust of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Trust.

GASB Statement No. 82 improves consistency in the application of pension accounting. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the Trust.

Cash and Cash Equivalents

The Trust invests their cash in U.S. Government Bonds, negotiable certificates of deposit and money market mutual funds. The Trust maintains all of its cash balances with one bank.

For purposes of the statement of cash flows, the Trust considers all highly liquid instruments purchased with a maturity of ninety days or less to be cash equivalents. All other investments are considered "investments".

Reserves

The Trust documents specifically require the maintenance of an insurance reserve, consisting of cash and investments, to provide a minimum funding level within the Trust to provide for future claims. At December 31, 2018 and 2017, this calculated reserve amount was \$1,078,362 and \$820,229, respectively. The Trustees authorized use of this reserve to subsidize Trust expenses with an understanding that the funds would be replenished by increasing employee and District contributions and changes in benefits provided. This amount is reflected in the net position section of the statement of net position.

The required balance in the run-out reserve is the greater of an amount equal to the incurred but unreported claims liability as calculated by the actuary or three months of claims.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
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Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

Risk Management

The Trust is insured through Travelers Property Casualty for employee dishonesty coverage. A fiduciary bond of \$1,000,000 is maintained for the Trustees, the Trust actuary, and the Trust manager. There have been no settlements paid in excess of insurance in the past three years nor has insurance coverage been significantly reduced from the prior year.

Use of Estimates

In preparing the Trust's financial statements, the Trustees are required to make estimates and assumptions that affect the reported amounts of Trust assets, liabilities, and benefit obligations, and the reported increases and reductions of Trust assets during the reporting period. Actual results could differ from those estimates.

Trust Benefits

Trust liabilities for health claims incurred but not reported are reflected in the Trust's statement of net position and the related statements of revenues, expenses and changes in net position. Medical Mutual of Ohio estimated claims incurred but not reported as of December, 2018, and the Trust's independent actuary estimated claims incurred but not reported as of December 31, 2017, and are based on historical trends.

Cost Savings

The Trust provides for a cost savings calculation in order to distribute any savings by the Plan over the contributed amount, as adjusted by certain items. For the years ended December 31, 2018 and 2017, the cost-savings calculation resulted in an amount distributable to the employees and the District. For the year ended December 31, 2018, the cost-savings calculation resulted in expenses being greater than revenue in the amount of \$785,570; and during December 31, 2017, the cost-savings calculation resulted in expenses being greater than revenues in the amount of \$9,540. The trustees may elect, on behalf of the employees, to reduce the following year's cost-sharing by their distributable amount.

Operating Revenue and Expenses

Operating revenue is revenue that is generated directly from the primary activities. For the Trust, this revenue is primarily from contributions from the North Ridgeville City School District and District employees, cost-sharing savings and COBRA. Operating expenses include the payment of claims, stop-loss premiums, administration and other fees. Revenue and expenses not meeting this definition are reported as nonoperating.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville City School District)
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 3 – INVESTMENTS

Significant investment disclosures required by the Governmental Accounting Standards Board follow:

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The weighted average of maturity of the money market as of December 31, 2018 and 2017 is 23 days and 26 days, respectively.

Credit Risk

The Trust follows the Ohio Revised Code that limits the investment choices.

Concentration of Credit Risk

The Trust places no limit on the amount that may be invested in any one issuer.

The following table presents investments as of December 31, 2018 and 2017. These balances are held in the insurance reserve account. Individual investments in excess of 5 percent of assets are separately presented.

	<u>Measurement Amount</u>		<u>Percentage of Total Investments</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<i>Net Asset Value:</i>				
Federated Government Obligations - Money Market	\$ 548,553	\$ 1,150,941	64.89%	79.36%
<i>Fair Value:</i>				
Bond - U.S. Government (State Tax Exempt)				
Federal Home Loan Bank Mortgage				
1.50%, due 3/23/2021	99,238	99,028	11.74%	6.83%
Negotiable Certificate of Deposits				
Capital One 2.00% due 10/28/2019	49,747	50,057	5.88%	3.45%
Discover Bank 2.20% due 10/28/2020	147,874	150,179	17.49%	10.36%
Total Negotiable Certificate of Deposits	<u>197,621</u>	<u>200,236</u>	<u>22.37%</u>	<u>13.81%</u>
Total Investments	<u>\$ 845,412</u>	<u>\$ 1,450,205</u>	<u>100.00%</u>	<u>100.00%</u>

* The Trust's investments in federal agency securities were rated AA+ by S&P Global Ratings for 2018 and 2017.

*The Trust's money market rated AAAm by S&P Global Ratings for 2018 and 2017.

Joint Insurance Health Plan Trust
For the Benefit of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville City School District)

Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is 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 above table identifies the Trust's recurring fair value measurements as of December 31, 2018 and 2017.

The Trust's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

NOTE 4 – UNPAID CLAIMS LIABILITY

The Trust establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Trust during the past three years.

Liability Year	Beginning of Year Liability	Current Year Claims	Claim Payments	End of Year Liability
2018	\$ 383,505	\$ 4,313,592	\$ (4,156,084)	\$ 541,013
2017	361,828	3,280,947	(3,259,270)	383,505
2016	391,215	3,094,996	(3,124,383)	361,828

NOTE 5 – FEDERAL INCOME TAXES

The Plan established under the Trust is qualified pursuant to the Section 501(c)(9) of the Internal Revenue Code, and accordingly, the Trust's net investment income is exempt from income taxes. The Plan obtained its latest determination letter on January 13, 1999, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax council believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

NOTE 6 – SUBSEQUENT EVENT

Effective April 1, 2019, the Trust will terminate all benefits. The Trust will remain open until April 1, 2021 to pay outstanding claims incurred prior to April 1, 2019. All remaining funds will be distributed on April 1, 2021 as outlined in the Trust document unless the District assumes all Trust liabilities prior to April 1, 2021.

April 24, 2019

To the Board of Trustees
Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees
Lorain County, Ohio
10045 College Park Drive
Concord, Ohio 44060

**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***

We have audited, in accordance with the 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 statements of the Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees, Lorain County, Ohio (the “Trust”), a component unit of North Ridgeville City School District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated April 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity’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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are 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 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

OHIO AUDITOR OF STATE KEITH FABER



**JOINT INSURANCE HEALTH PLAN TRUST FOR NORTH RIDGEVILLE CITY SCHOOL DISTRICT
EMPLOYEES**

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 4, 2019**