

***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

AUDIT REPORT

For the Years Ended December 31, 2013 and 2012





Dave Yost • Auditor of State

Board of Directors
Joint Insurance Health Plan for the benefit of
North Ridgeville City School District
10045 College Park Dr.
Concord, Ohio 44060

We have reviewed the *Independent Auditors' Report* of the Joint Insurance Health Plan for the benefit of North Ridgeville City School District, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. 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 for the benefit of North Ridgeville City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 11, 2014

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**JOINT INSURANCE HEALTH PLAN TRUST FOR THE BENEFIT
OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES**
For the Years Ended December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

Joint Insurance Health Plan Trust for the
Benefit of North Ridgeville City School Employees
(a Component Unit of North Ridgeville City School District)
Lorain County
10045 College Park Drive
Concord, Ohio 44060

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Joint Insurance Health Plan for the Benefit of North Ridgeville City School Employees, Lorain County, Ohio (the Trust), as of and for the years ended December 31, 2013 and 2012, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the Trust's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Joint Insurance Health Plan Trust for the Benefit of

North Ridgeville City School Employees

Lorain County

Independent Auditors' Report

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Joint Insurance Health Plan for the Benefit of North Ridgeville City School Employees, Lorain County, Ohio, as of December 31, 2013 and 2012, and the changes in net position and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2014, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

April 16, 2014

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 (MD&A)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

As Management of the Joint Insurance Health Plan 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, 2013 and 2012. Please read this in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash and investment balance for the Trust was \$678,528, \$370,068, and \$715,474, as of January 1, 2013, 2012 and 2011, respectively.
- The January 1, 2013 – December 31, 2013 budget was set at \$4,285,000 and was fully funded. The January 1, 2012 – December 31, 2012 budget was set at \$4,467,800 and was fully funded. The January 1, 2011 – December 31, 2011 budget was set at \$4,106,000 and was not fully funded.
- Large medical claims (those in excess of \$10,000) incurred for the period January 1, 2013 to December 31, 2013 represented 71.3% of medical claims and totaled \$2,388,454. January 1, 2012 to December 31, 2012 represented 67.4% of medical claims and totaled \$1,877,666. January 1, 2011 to December 31, 2011 represented 68.5% of medical claims and totaled \$1,840,354.
- In 2013, Trustees elected to increase payroll contributions from \$91.20 to \$110.00 single and \$227.98 to \$275.00 family.
- In 2012, Trustees elected to increase payroll contributions from \$70.56 to \$91.20 single and \$176.40 to \$227.98 family. To comply with Federal Health Care Reform for non-grandfathered plans the benefit plan was changed to reimburse all routine services at 100% which was estimated to increase cost by \$33,900. In addition, the Trustees implemented a number of benefit changes that was estimated to reduce cost by \$198,000 that included increasing the annual medical deductible, coinsurance maximum, ER co-pays, physician office visit co-pays and pharmacy co-pays.
- In 2011, Trustees elected to maintain the plans grandfathered status; therefore plan changes were made to the plan in 2011 as necessary to comply with the provisions of PPACA. In addition, the medical plan deductibles change from \$100/\$200 to \$118/\$236 and the office visit changed from \$15 to \$20 and no changes were made to the 2011 payroll contribution.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trust 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) Statement of Net Position 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows and 4) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 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 was provided and used.

Notes to 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, 2013, 2012 and 2011

The Trust's net position increased by \$340 for the year ended December 31, 2013. A portion of the net position is restricted for funding of the run-out-reserve.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Current and other assets	\$ 776,507	\$ 715,874	\$ 487,036
TOTAL ASSETS	\$ 776,507	\$ 715,874	\$ 487,036
Current liabilities	\$ 647,772	\$ 587,479	\$ 416,391
TOTAL LIABILITIES	\$ 647,772	\$ 587,479	\$ 416,391
Restricted net position	\$ 919,000	\$ 896,000	\$ 883,000
Unrestricted net position (deficit)	\$ (790,265)	\$ (767,605)	\$ (812,355)
TOTAL NET POSITION	\$ 128,735	\$ 128,395	\$ 70,645

COMMENTS ON BUDGET COMPARISONS

- The Trust's total revenue was \$4,183,793, \$4,418,593 and \$4,130,364 for the years ended December 31, 2013, 2012, and 2011 respectively.
- The Trust's total expenses were \$4,181,701, \$4,362,879, and \$4,139,764, for the years ended December 31, 2013, 2012 and 2011 respectively.
- The Trust's 2013 expenses were less than budget by \$2,092. The Trust's 2012 expenses were less than budget due to the Trust electing to provide funding of \$490,000 to strengthen the insurance reserve; however claims were higher than projected which reduced the targeted funding to the insurance reserve. The Trust's 2011 expenses exceeded the budget because it was not fully funded and in addition the Trust incurred higher medical claims than projected.

The following table presents a summary of operating revenue and expenses for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

REVENUES	2013	2012	2011
Contributions:			
Employer	\$3,414,200	\$ 3,689,500	\$ 3,227,800
Participant	769,593	711,488	591,448
Cost-sharing savings	-	-	292,380
COBRA	-	17,605	18,736
TOTAL REVENUE	4,183,793	4,418,593	4,130,364
EXPENSES			
Medical claims	2,790,997	2,783,055	2,687,297
Dental claims	160,372	152,204	175,175
Vision claims	19,783	18,665	22,909
Prescription claims	594,767	576,749	702,538
Medical stop-loss	278,952	274,671	272,467
Accounting	9,455	9,348	8,841
Actuarial	39,370	19,545	36,426
Trust management	22,710	21,671	22,964
Legal fees	2,800	1,662	6,092
Bank fees	8,710	4,139	6,199
Insurance	1,653	1,601	1,599
Miscellaneous	10,730	6,652	6,685
Medical administration	157,479	157,057	162,282
Vision administration	6,675	6,733	6,891
Dental administration	16,207	16,319	16,844
Prescription administration	4,405	4,412	4,555
Cost savings-sharing expense	56,636	308,396	-
TOTAL OPERATING EXPENSES	4,181,701	4,362,879	4,139,764
OPERATING GAIN/(LOSS)	2,092	55,714	(9,400)
OTHER REVENUE - INVESTMENT INCOME	(1,752)	2,036	7,035
NET CHANGE IN NET POSITION	340	57,750	(2,365)
NET POSITION - BEGINNING OF YEAR	128,395	70,645	73,010
NET POSITION - END OF YEAR	<u>\$128,735</u>	<u>\$128,395</u>	<u>\$70,645</u>

JOINT INSURANCE HEALTH PLAN TRUST
FOR THE BENEFIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES
(A COMPONENT UNIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT)
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 436,129	\$ 375,514
Investments, at fair value	297,667	303,014
Prepaid expenses	<u>42,711</u>	<u>37,346</u>
TOTAL ASSETS	\$ 776,507	\$ 715,874
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 37,434	\$ 25,576
Cost savings-sharing payable	285,838	229,203
Liability for incurred but not reported claims	<u>324,500</u>	<u>332,700</u>
TOTAL LIABILITIES	\$ 647,772	\$ 587,479
NET POSITION (DEFICIT)		
Restricted	\$ 919,000	\$ 896,000
Unrestricted	<u>(790,265)</u>	<u>(767,605)</u>
TOTAL NET POSITION	\$ 128,735	\$ 128,395
TOTAL LIABILITIES & NET POSITION	\$ 776,507	\$ 715,874

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)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Contributions:		
Employer	\$ 3,414,200	\$ 3,689,500
Employees	769,593	711,488
COBRA	-	17,605
TOTAL REVENUES	4,183,793	4,418,593
EXPENSES		
Medical claims	2,790,997	2,783,055
Dental claims	160,372	152,204
Vision claims	19,783	18,665
Prescription claims	594,767	576,749
Medical stop-loss	278,952	274,671
Accounting	9,455	9,348
Actuarial	39,370	19,545
Trust management	22,710	21,671
Legal fees	2,800	1,662
Bank fees	8,710	4,139
Insurance	1,653	1,601
Miscellaneous	10,730	6,652
Medical administration	157,479	157,057
Vision administration	6,675	6,733
Dental administration	16,207	16,319
Prescription administration	4,405	4,412
Cost savings-sharing expense	<u>56,636</u>	<u>308,396</u>
TOTAL OPERATING EXPENSES	4,181,701	4,362,879
OPERATING GAIN/ (LOSS)	2,092	55,714
OTHER REVENUE - INVESTMENT INCOME	(1,752)	2,036
NET CHANGE IN NET POSITION	340	57,750
NET POSITION - BEGINNING OF YEAR	\$ 128,395	\$ 70,645
NET POSITION - END OF YEAR	\$ 128,735	\$ 128,395

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)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash contributions received from employer	\$ 3,414,200	\$ 3,689,500
Cash contributions received from employees	769,593	711,488
Cash received for COBRA premiums	-	17,605
Cash payments for benefit plan claims	(3,846,294)	(3,863,446)
Cash payments for benefit providers' administration fees	(185,971)	(184,084)
Cash payments for plan administration and operating expenses	<u>(94,508)</u>	<u>(64,639)</u>
 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	 <u>57,020</u>	 <u>306,424</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	(1,752)	2,036
Purchases of U.S. Treasury Notes	(297,667)	(303,014)
Proceeds from bond sales	<u>303,014</u>	<u>279,850</u>
 NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	 <u>3,595</u>	 <u>(21,128)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 60,615	 285,296
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>375,514</u>	 <u>90,218</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 436,129</u>	 <u>\$ 375,514</u>
 RECONCILIATION OF OPERATING GAIN/(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income /(loss)	\$ 2,092	\$ 55,714
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:		
Changes in assets and liabilities:		
Prepaid expenses	(5,365)	430
Accounts payable	11,858	(42,816)
Cost savings-sharing savings	56,635	308,396
Liability for incurred but not reported claims	<u>(8,200)</u>	<u>(15,300)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 57,020</u>	 <u>\$ 306,424</u>

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 FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012**

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.

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 component unit of the District, as defined pursuant to Governmental Accounting Standards and Statement No. 14, “The Financial Reporting Entity”. 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 that 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 and as 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, 2013 and 2012.

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.

Termination

Although it has not expressed any intention to do so, 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% share may be funded through payroll contributions, benefit reductions or a combination of both.

**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 FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012**

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

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.

In 2012, the Trust has implemented Governmental Accounting Standards Board (GASB) Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Cash and Cash Equivalents and Deposits

The Trust invests their cash in money market funds. The Trust maintains all of its cash balances with one bank. The Federal Deposit Insurance Corporation (FDIC) insures such cash balances to a maximum of \$250,000.

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.

At December 31, 2013 and 2012, the carrying amount of the Trust’s deposits was \$436,129 and \$375,514, respectively, and the bank balance was the same, all of which are covered by federal depository insurance or by collateral held by a qualified third party trustee in the name of the Trust.

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, 2013 and 2012 this calculated reserve amount was \$919,000 and \$896,000, 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 an amount equal to the incurred but unreported claims liability as calculated by the actuary.

**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 FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012**

Concentration of Credit Risk

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.

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. The Trust's independent actuary estimated claims incurred but not reported as of December 31, 2013 and 2012 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, 2013 and 2012, the cost-savings calculation resulted an amount distributable to the employees and the District. For the years ended December 31, 2013 and 2012, the cost-savings calculation resulted in expenses being greater than revenue in the amount of \$56,636 and \$308,396, respectively. The trustees may elect, on behalf of the employees, to reduce the following year's cost-sharing by their distributable amount.

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.

**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 FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012**

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 at market value as of December 31, 2013 and 2012. Investments are held in the form of U.S. Treasury Notes and U.S. Government Bonds, and are not insured by the FDIC. Individual investments in excess of 5% of assets are separately presented.

	<u>2013</u>	<u>2012</u>
U.S. Treasury Notes		
1.375% due 3/15/2013	\$ -	\$ 50,127
1.750% due 4/15/2013	<u>-</u>	<u>50,234</u>
Total US Treasury Notes	<u>-</u>	100,361
Bond - US Govt (State tax exempt)		
Federal Home Loan Bank 1.25% due 12/12/14	50,499	50,929
Federal Home Loan Bank 1.375% due 9/12/14	100,819	101,778
Federal Home Loan Bank Step Rate due 4/11/2018		
Callable 10/11/2013	97,368	<u>-</u>
Total US Govt Bond	<u>248,686</u>	152,707
Bond - US Govt (State taxable)		
Fannie Mae 0.900% due 10/25/17 Callable 10/25/13	48,981	49,946
Total Investments	<u>\$ 297,667</u>	<u>\$ 303,014</u>

NOTE 4 – UNPAID CLAIMS LIABILITIES

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 two years.

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 FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

	2013	2012
Unpaid claims and claim adjustment expenses at beginning of year	\$ 357,140	\$ 415,236
Incurred claims and claim adjustment expenses:		
Provision for insured event of current year	3,890,419	3,863,373
Total incurred claims and claim adjustment expenses	4,247,559	4,278,609
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	3,530,541	3,506,233
Claims and claim adjustment expenses attributable to insured events of prior years	357,140	415,236
Total payments	3,887,681	3,921,469
Total unpaid claims and claim adjustment expenses at end of year (see schedule below)	<u>\$ 359,878</u>	<u>\$ 357,140</u>
Schedule of unpaid claims and claim adjustment expenses at end of year:		
Portion of accounts payable that relates to claims expenses	\$ 35,378	\$ 24,440
Liability of incurred but not reported claims	324,500	332,700
	<u>\$ 359,878</u>	<u>\$ 357,140</u>

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.

Charles E. Harris & Associates, Inc.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Joint Insurance Health Plan Trust for the
Benefit of North Ridgeville City School Employees
(a Component Unit of North Ridgeville City School District)
Lorain County
10045 College Park Drive
Concord, Ohio 44060

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School Employees, Lorain County, Ohio, (the Trust), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Trust's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Trust's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Trust's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Independent Auditors' Report on Internal Control Over
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Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

April 16, 2014



Dave Yost • Auditor of State

JOINT INSURANCE HEALTH PLAN FOR THE BENEFIT OF 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

**CERTIFIED
JUNE 24, 2014**