

**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

*Final Audit*

For the Years Ended  
December 31, 2019 and 2018



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Trustees  
Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District  
Employees  
10045 College Park Drive  
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, 2019 through December 31, 2019. 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

June 8, 2020

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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, 2019 and 2018

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May 12, 2020

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, 2019 and 2018, and the related notes to the 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, 2019 and 2018, 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 terminated all benefits effective April 1, 2019 and has ceased operations effective March 31, 2020. 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 May 12, 2020 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 the 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, 2019 and 2018*

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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, 2017, 2018 and 2019. Please read this in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The change in net position was an increase of \$16,835 and \$16,217, respectively for December 31, 2019 and December 31, 2018.
- At December 31, 2019, the ending cash and investment balance for the Trust was \$398,108.
- The Trust terminated provision of all benefits effective April 1, 2019. See Note 6.

**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.

Statements 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.

**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, 2019 and 2018*

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**FINANCIAL ANALYSIS OF THE TRUST AS OF DECEMBER 31, 2019, 2018 AND 2017**

The following table represents major components of the statements of net position for December 31, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets	<u>\$ 398,108</u>	<u>\$ 962,436</u>	<u>\$ 1,573,633</u>
Current Liabilities	<u>205,880</u>	<u>787,043</u>	<u>1,414,457</u>
Net Position:			
Restricted	237,019	1,078,362	820,229
Unrestricted (Deficit)	<u>(44,791)</u>	<u>(902,969)</u>	<u>(661,053)</u>
Total Net Position	<u><u>\$ 192,228</u></u>	<u><u>\$ 175,393</u></u>	<u><u>\$ 159,176</u></u>

The Trust's assets and liabilities decreased compared to 2018 due to the termination of provision of benefits as of April 1, 2019.

The Trust's costs and claims for the year 2018 exceeded trust fund contributions, resulting in decreased cash and cash equivalents and a decrease in cost savings – sharing payable for 2018 compared to 2017.

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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)**  
*Management Discussion and Analysis*  
*For the Years Ended December 31, 2019 and 2018*

The following table presents a summary of operating revenue and expense for the years ended December 31, 2019, 2018 and 2017 respectively.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues:			
Contributions:			
Employer	\$ 909,675	\$ 3,638,600	\$ 3,515,654
Participant	211,956	805,264	639,105
Cost Savings/Sharing-Excess Premiums	39,502	785,571	9,540
COBRA	<u>0</u>	<u>5,257</u>	<u>5,780</u>
<i>Total Operating Revenues</i>	<u>1,161,133</u>	<u>5,234,692</u>	<u>4,170,079</u>
Operating Expenses:			
Medical Claims	570,891	3,171,328	2,327,129
Dental Claims	39,341	219,391	223,445
Vision Claims	19,523	24,490	20,825
Prescription Claims	318,321	898,237	709,519
Medical Stop-Loss	89,376	596,753	600,507
Accounting	11,113	10,750	10,555
Actuarial	0	18,334	20,000
Trust Management	22,800	22,800	22,800
Legal Fees	1,015	7,228	2,958
Bank Fees	4,307	7,196	8,565
Insurance	3,450	1,700	1,700
Miscellaneous	11,777	21,005	13,808
Medical Administration	54,572	204,591	184,141
Vision Administration	8,580	7,958	7,609
Dental Administration	4,224	16,123	19,112
Prescription Administration	<u>1,843</u>	<u>6,809</u>	<u>6,285</u>
<i>Total Operating Expenses</i>	<u>1,161,133</u>	<u>5,234,693</u>	<u>4,178,958</u>
<i>Operating Income (Loss)</i>	<u>0</u>	<u>(1)</u>	<u>(8,879)</u>
Non-Operating Revenues (Expense):			
Investment Income	<u>16,835</u>	<u>16,218</u>	<u>11,177</u>
<i>Change in Net Position</i>	16,835	16,217	2,298
<i>Net Position Beginning of Year</i>	<u>175,393</u>	<u>159,176</u>	<u>156,878</u>
<i>Net Position End of Year</i>	<u>\$ 192,228</u>	<u>\$ 175,393</u>	<u>\$ 159,176</u>

In 2019, the Trust experienced a decrease in overall operating activity compared to 2018 as a result of only providing benefits for three months of the 2019 calendar year.

The increase in operating expenses from 2017 to 2018 was primarily due to an increase in medical claims in 2018.

**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 Employees**  
**(A Component Unit of North Ridgeville City School District)**  
*Statements of Net Position*  
*December 31, 2019 and 2018*

	2019	2018
<b>Assets:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 398,108	\$ 548,553
Investments	0	296,859
Prepaid Expenses	0	47,831
Accounts Receivable	0	69,193
<i>Total Current Assets</i>	398,108	962,436
<b>Liabilities:</b>		
<i>Current Liabilities:</i>		
Accounts Payable	0	648
Cost Savings - Sharing Payable	205,880	245,382
Liability for Incurred But Not Reported Claims	0	541,013
<i>Total Current Liabilities</i>	205,880	787,043
<b>Net Position:</b>		
Restricted	237,019	1,078,362
Unrestricted	(44,791)	(902,969)
<i>Total Net Position</i>	\$ 192,228	\$ 175,393

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, 2019 and 2018*

	2019	2018
<b>Operating Revenues:</b>		
Contributions:		
Employer	\$ 909,675	\$ 3,638,600
Employees	211,956	805,264
Cost Savings/Sharing-Excess Premiums	39,502	785,571
COBRA	0	5,257
<i>Total Operating Revenues</i>	1,161,133	5,234,692
<b>Operating Expenses:</b>		
Medical Claims	570,891	3,171,328
Dental Claims	39,341	219,391
Vision Claims	19,523	24,490
Prescription Claims	318,321	898,237
Medical Stop-Loss	89,376	596,753
Accounting	11,113	10,750
Actuarial	0	18,334
Trust Management	22,800	22,800
Legal Fees	1,015	7,228
Bank Fees	4,307	7,196
Insurance	3,450	1,700
Miscellaneous	11,777	21,005
Medical Administration	54,572	204,591
Vision Administration	8,580	7,958
Dental Administration	4,224	16,123
Prescription Administration	1,843	6,809
<i>Total Operating Expenses</i>	1,161,133	5,234,693
<i>Operating Income (Loss)</i>	0	(1)
<b>Non-Operating Revenues (Expense):</b>		
Investment Income	16,835	16,218
<i>Change in Net Position</i>	16,835	16,217
<i>Net Position Beginning of Year</i>	175,393	159,176
<i>Net Position End of Year</i>	\$ 192,228	\$ 175,393

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, 2019 and 2018*

	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Employer	\$ 909,675	\$ 3,638,600
Cash Received from Employees	281,147	790,842
Cash Received from COBRA Premiums	0	5,257
Cash Payments for Benefit Plan Claims	(1,491,063)	(4,156,084)
Cash Payments for Stop-Loss	(60,133)	(576,095)
Cash Payments for Benefit Provider's Administration Fees	(48,656)	(236,362)
Cash Payments for Plan Administration and Operating Expenses	(55,109)	(87,169)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(464,139)	(621,011)
<b>Cash Flows from Investing Activities:</b>		
Interest Received	63,694	18,623
Proceeds from Investments	250,000	0
<i>Net Cash Provided by (Used For) Investing Activities</i>	313,694	18,623
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(150,445)	(602,388)
<i>Cash and Cash Equivalents, Beginning of Year</i>	548,553	1,150,941
<i>Cash and Cash Equivalents, End of Year</i>	\$ 398,108	\$ 548,553
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>		
Operating Income (Loss)	\$ 0	\$ (1)
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	69,193	(14,422)
Prepaid Expenses	47,831	20,826
Increase (Decrease) in Liabilities:		
Accounts Payable	(648)	648
Cost Savings-Sharing Payable	(39,502)	(785,570)
Liability for Incurred But Not Reported Claims	(541,013)	157,508
<i>Net Cash Provided by (Used For) Operating Activities</i>	\$ (464,139)	\$ (621,011)

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, 2019 and 2018*

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**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 year ended December 31, 2018. The Trust’s stop-loss coverage through March 31, 2019, was for individual claims in excess of \$125,000.

**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**  
**(A Component Unit of North Ridgeville City School District)**

*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2019 and 2018*

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### **Termination**

The District has the right to terminate the Trust, under the provisions set forth by the collective bargaining agreement. See Note 6.

### **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, 2019, the Trust has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*



**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, 2019 and 2018*

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For the year ended December 31, 2019, the Trust has early implemented GASB No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 90, *Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Trust.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Trust.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Trust.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Trust.

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**  
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*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2019 and 2018*

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### **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, 2019 and 2018, this calculated reserve amount was \$237,019 and \$1,078,362, 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.

### **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. The Trust terminated provision of benefits as of April 1, 2019; therefore, unpaid claims incurred through March 31, 2019 but not yet paid as of December 31, 2019, are deemed insignificant.

**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, 2019 and 2018*

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### **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 year ended December 31, 2019, the cost-savings calculation resulted in expenses being greater than revenue in the amount of \$39,502; and during December 31, 2018, the cost-savings calculation resulted in expenses being greater than revenues in the amount of \$785,571. The trustees may elect, on behalf of the employees, to adjust the following year's cost-sharing 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.

### **NOTE 3 – DEPOSITS AND 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, 2019 and 2018 is 39 days and 23 days, respectively, and is rated AAAM by S&P Global Ratings. The Trust's investments in federal agency securities were rated AA+ by S&P Global Ratings for 2019 and 2018.

#### **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, 2019 and 2018. These balances are held in the insurance reserve account. Individual investments in excess of 5 percent of assets are separately presented.

**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, 2019 and 2018*

	Measurement Amount		Percentage of Total Investments	
	2019	2018	2019	2018
<b>Net Asset Value:</b>				
<b>Federated Government Obligations - Money Market</b>	\$ 398,108	\$ 548,553	100.00%	64.89%
<b>Fair Value:</b>				
<b>Bond - U.S. Government (State Tax Exempt)</b>				
Federal Home Loan Bank Mortgage				
1.50%, due 3/23/2021	0	99,238	0.00%	11.74%
<b>Negotiable Certificate of Deposits</b>				
Capital One 2.00% due 10/28/2019	0	49,747	0.00%	5.88%
Discover Bank 2.20% due 10/28/2020	0	147,874	0.00%	17.49%
<b>Total Negotiable Certificate of Deposits</b>	<u>0</u>	<u>197,621</u>	<u>0.00%</u>	<u>23.37%</u>
<b>Total Investments</b>	<u>\$ 398,108</u>	<u>\$ 845,412</u>	<u>100.00%</u>	<u>100.00%</u>

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, 2019 and 2018.

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
2019	\$ 541,013	\$ 950,050	\$ (1,491,063)	\$ 0
2018	383,505	4,313,592	(4,156,084)	541,013
2017	361,828	3,280,947	(3,259,270)	383,505

**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, 2019 and 2018*

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**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 terminated provision of health, dental and vision benefits to the Board of Education's employees and their dependents through the Trust. In addition, the Trust will cease operations as of March 31, 2020, and all rights, obligations and responsibilities of the Trust will be transferred to the Chief Executive Officer of the District. As of December 31, 2019, the Trust had a cash balance of \$398,108. For the period January 1, 2020 through March 31, 2020 the Trust received \$24,036 in receipts and paid out \$13,925 in expenses, transferred \$407,950 to the District, leaving a balance as of March 31, 2020 of \$269 to be distributed as outlined in the Trust agreement with the District, since the Trust dissolved, the cost sharing payable was written off as of March 31, 2020 as part of the final agreement. The Chief Executive Officer of the District is to assume, discharge, perform and satisfy fully all of the Trust's remaining obligations after March 31, 2020, necessary for the Trust to terminate.

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May 12, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated May 12, 2020 wherein we noted the Trust terminated benefits effective April 1, 2019, and has ceased operations effective March 31, 2020.

**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 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 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.

Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees  
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*  
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**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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hea & 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 18, 2020**