

JOINT INSURANCE HEALTH PLAN TRUST
FOR THE BENEFIT OF NORTH RIDGEVILLE
CITY SCHOOL DISTRICT EMPLOYEES
(A COMPONENT UNIT OF
NORTH RIDGEVILLE CITY SCHOOL DISTRICT)
INTERNAL SERVICE FUND
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
March 31, 2000 and 1999

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

**BOBER,
MARKEY**
& COMPANY

PHONE: 330-762-9785
FAX: 330-762-3108



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st
Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Board of Trustees
North Ridgeville CSD Health Trust
North Ridgeville, Ohio

We have reviewed the Independent Auditor's Report of the North Ridgeville CSD Health Trust, Lorain County, prepared by Bober, Markey & Company, for the audit period April 1, 1999 through March 31, 2000. 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 North Ridgeville CSD Health Trust is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

October 2, 2000

JOINT INSURANCE HEALTH PLAN TRUST FOR THE BENEFIT
OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES
(A COMPONENT UNIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT)
INTERNAL SERVICE FUND

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Joint Insurance Health Plan Trust for the Benefit
of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville City School District)
North Ridgeville, Ohio

We have audited the accompanying balance sheets of the Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees (A component unit of North Ridgeville City School District) (the Trust), as of March 31, 2000 and 1999, and the related statements of revenues, expenses and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and standards applicable to financial audits contained in the Governmental Auditing Standards, issued by the Comptroller 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of March 31, 2000 and 1999, and its revenues, expenses and changes in fund equity and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As identified in Note 2 to the financial statements, the Trust has previously reported pursuant to employee benefit plan accounting standards. In 2000, the Trust determined that reporting should be performed pursuant to generally accepted accounting principles for governmental entities. All information in this report has been reclassified and restated in order to present the information in a consistent manner.

In accordance with Government Auditing Standards, we have also issued a report dated June 22, 2000 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



BOBER, MARKEY & COMPANY

June 22, 2000

JOINT INSURANCE HEALTH PLAN TRUST
 FOR THE BENEFIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES
 (A COMPONENT UNIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT)
 INTERNAL SERVICE FUND
 BALANCE SHEETS
 MARCH 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 582,938	\$ 749,245
Prepaid expenses	<u>798</u>	<u>18,831</u>
TOTAL ASSETS	<u>\$ 583,736</u>	<u>\$ 768,076</u>
LIABILITIES		
Current Liabilities		
Vouchers payable	\$ 35,588	\$ 130,294
Cost - sharing payable	-	197,707
Liability for incurred but not reported claims	<u>299,000</u>	<u>276,268</u>
TOTAL LIABILITIES	334,588	604,269
FUND EQUITY		
Unrestricted	<u>249,148</u>	<u>163,807</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 583,736</u>	<u>\$ 768,076</u>

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

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CERTIFIED PUBLIC ACCOUNTANTS
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 FAX: 330-762-3108

JOINT INSURANCE HEALTH PLAN TRUST
 FOR THE BENEFIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES
 (A COMPONENT UNIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT)
 INTERNAL SERVICE FUND
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
 For the Years ended March 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
REVENUES		
Contributions:		
Employer	\$ 2,268,000	\$ 2,358,876
COBRA	13,971	3,772
Total contributions	<u>2,281,971</u>	<u>2,362,648</u>
Interest income	<u>25,431</u>	<u>13,515</u>
TOTAL REVENUES	2,307,402	2,376,163
EXPENSES		
Medical claims	1,154,986	1,152,861
Dental claims	184,570	152,513
Vision claims	23,087	8,117
Prescription claims	482,490	384,227
Medical stop-loss	94,308	68,185
Flu and Hepatitis shots	7,837	1,369
Accounting	8,965	-
Actuarial	41,456	55,498
Trust management	17,256	21,508
Legal fees	15,863	29,495
Bank fees	5,492	2,063
Insurance	1,038	1,120
Printing costs	81	269
Miscellaneous	71	47
Medical administration	124,839	108,589
Vision administration	1,415	1,173
Dental administration	14,467	13,588
Prescription administration	21,108	25,759
Cost-sharing expense	<u>-</u>	<u>197,707</u>
TOTAL EXPENSES	<u>2,199,329</u>	<u>2,224,088</u>
NET CHANGE IN FUND EQUITY BEFORE OTHER REVENUE AND (EXPENSES)	108,073	152,075
Change in claims incurred but not reported	<u>(22,732)</u>	<u>11,732</u>
NET CHANGE IN FUND EQUITY	85,341	163,807
FUND EQUITY - BEGINNING OF YEAR	<u>163,807</u>	<u>-</u>
FUND EQUITY - END OF YEAR	<u>\$ 249,148</u>	<u>\$ 163,807</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)
 INTERNAL SERVICE FUND
 STATEMENTS OF CASH FLOWS
 For the Years Ended March 31, 2000 and 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in fund equity	\$ 85,341	\$163,807
Adjustments to reconcile net change in fund equity to net cash (used) provided by operating activities:		
(Increase) decrease in prepaid expenses	18,033	(18,831)
Increase (decrease) in accounts payable	(94,706)	130,294
(Increase) decrease in cost-sharing payable	(197,707)	197,707
Increase in liability for incurred but not reported claims	22,732	276,268
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(166,307)	749,245
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(166,307)	749,245
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	749,245	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$582,938	\$749,245

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)
INTERNAL SERVICE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2000 and 1999

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 (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 (District). 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, CAPSE and ARFSCME/AFL-CIO (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. The Trust applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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 year in excess of \$50,000.

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.

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.

JOINT INSURANCE HEALTH PLAN TRUST
FOR THE BENEFIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES
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INTERNAL SERVICE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2000 and 1999

Cost-Sharing

The Trust provides for a sharing of cost-savings 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 plan's 1998 budget for costs.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

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 \$100,000.

At March 31, 2000 and 1999, the carrying amount of the Trust's deposits was \$582,938 and \$749,245, respectively, and the bank balance was the same, all of which was 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 March 31, 2000 and 1999 the insurance reserve amount was \$463,487 and \$440,075, respectively. In addition, effective April, 1999 a run-out reserve account was opened and the current year's budget required a monthly deposit of \$14,750 to fund the required reserve, with full funding, as determined by actuarial calculation, required by January, 2001. The balance in the run-out reserve was \$177,000 at March 31, 2000.

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 and the Trust manager.

JOINT INSURANCE HEALTH PLAN TRUST
FOR THE BENEFIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES
(A COMPONENT UNIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT)
INTERNAL SERVICE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2000 and 1999

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 balance sheets and the related statements of revenues, expenses and changes in fund equity. The Trust's independent actuary estimated claims incurred but not reported as of March 31, 2000 and 1999 based on historical trends.

Cost-Sharing

For the year ended March 31, 2000, the cost-sharing calculation resulted in an excess of costs over revenue of \$94,385, and therefore there is no cost-sharing savings due to the plan's participants and the District. The Board passed a resolution to take the excess costs out of the insurance reserve, and if there are cost savings in the subsequent year, it will first be used to fund the money taken out of the reserve. For the year ended March 31, 1999, the cost-sharing calculation resulted in cost-savings to the plan's participants and the District totaling \$197,707.

Reclassification and Restatement

In the prior year, the financial reports for the Trust were prepared in compliance with "Audits of Employee Benefit Plans" as published by the American Institute of Certified Public Accountants (AICPA). In 2000, the Trustees determined that, as a component unit of North Ridgeville City School district, the Plan should be reporting pursuant to generally accepted accounting principles and governmental accounting standards. As such, all amounts in the financial report for 1999 have been restated in order to comply with the form and context requirements under governmental accounting standards.

JOINT INSURANCE HEALTH PLAN TRUST
 FOR THE BENEFIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES
 (A COMPONENT UNIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT)
 INTERNAL SERVICE FUND
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2000 and 1999

NOTE 3 - 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 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.

	2000	1999
Unpaid claims and claim adjustment expenses at beginning of year	\$ 303,992	\$ -
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	322,278	303,922
Increases in provision for insured events of prior years	-	-
Total incurred claims and claim adjustment expenses	626,270	303,992

JOINT INSURANCE HEALTH PLAN TRUST
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 INTERNAL SERVICE FUND
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2000 and 1999

	2000	1999
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	\$ -	\$ -
Claims and claim adjustment expenses attributable to insured events of prior years	303,992	-
Total payments	303,992	-
Total unpaid claims and claim adjustment expenses at end of year (see schedule attached)	\$ 322,278	\$ 303,992
Schedule of unpaid claims and claim adjustment expenses at end of year:		
Portion of accounts payable that relates to claims expenses	\$ 23,278	\$ 27,724
Liability for incurred but not reported claims	299,000	276,268
	\$ 322,278	\$ 303,992

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Joint Insurance Health Plan Trust for the Benefit
of North Ridgeville City School District Employees
(A Component Unit of North Ridgeville City School District)
North Ridgeville, Ohio

We have audited the financial statements of Joint Insurance Health Plan Trust for the Benefit of North Ridgeville City School District Employees (A Component Unit of North Ridgeville City School District) (the Trust) as of and for the year ended March 31, 2000 and have issued our report thereon dated June 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in the *Governmental Auditing Standards*, issued by the Comptroller of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



BOBER, MARKEY & COMPANY

June 22, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

NORTH RIDGEVILLE CITY SCHOOL DISTRICT HEALTH TRUST

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
OCTOBER 17, 2000**