

JOINT INSURANCE HEALTH PLAN TRUST  
FOR THE BENEFIT OF NORTH RIDGEVILLE  
CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT OF  
NORTH RIDGEVILLE CITY SCHOOL DISTRICT)  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
March 31, 2001 and 2000







**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Trustees  
Joint Insurance Health Plan Trust for the Benefit  
of North Ridgeville City School District Employees

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 Bober, Markey, Fedorovich & Company for the audit period April 1, 2000 through March 31, 2001. Based upon this review, we have accepted this report 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.

**JIM PETRO**  
Auditor of State

October 3, 2001

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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)

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Revenues, Expenses and Changes in Fund Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Compliance and Internal Control over Financial Reporting Based on a Audit Performed in Accordance with Government Auditing Standards	10



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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, 2001 and 2000, 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, 2001 and 2000 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.

In accordance with Government Auditing Standards, we have also issued a report dated July 3, 2001 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.

*Bob Markey, Dells - Company*  
BOBER, MARKEY, FEDOROVICH & COMPANY

July 3, 2001





JOINT INSURANCE HEALTH PLAN TRUST  
 FOR THE BENEFIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES  
 (A COMPONENT UNIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT)  
 BALANCE SHEETS  
 MARCH 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 752,561	\$ 582,938
Accounts receivable	6,930	-
Prepaid expenses	<u>26,178</u>	<u>798</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 785,669</u></b>	<b><u>\$ 583,736</u></b>
<b>LIABILITIES</b>		
Current Liabilities		
Vouchers payable	\$ 47,044	\$ 35,588
Liability for incurred but not reported claims	<u>299,000</u>	<u>299,000</u>
<b>TOTAL LIABILITIES</b>	<b>346,044</b>	<b>334,588</b>
<b>FUND EQUITY</b>		
Unrestricted	<u>439,615</u>	<u>249,148</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b><u>\$ 785,669</u></b>	<b><u>\$ 583,736</u></b>

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 FUND EQUITY  
 For the Years ended March 31, 2001 and 2000

	2001	2000
<b>REVENUES</b>		
Contributions:		
Employer	\$ 2,364,667	\$ 2,268,000
Employees	60,855	-
COBRA	7,861	13,971
Total contributions	<u>2,433,373</u>	<u>2,281,971</u>
Interest income	32,911	25,431
<b>TOTAL REVENUES</b>	<u>2,466,284</u>	<u>2,307,402</u>
<b>EXPENSES</b>		
Medical claims	1,230,786	1,154,986
Dental claims	193,062	184,570
Vision claims	30,468	23,087
Prescription claims	463,905	482,490
Change in claims incurred but not reported	-	22,732
Medical stop-loss	100,860	94,308
Flu and Hepatitis shots	6,330	7,837
Accounting	8,417	8,965
Actuarial	42,450	41,456
Trust management	16,902	17,250
Legal fees	7,287	15,863
Bank fees	3,919	5,492
Insurance	1,073	1,038
Printing costs	-	81
Miscellaneous	21	71
Medical administration	141,807	124,839
Vision administration	8,310	1,415
Dental administration	13,482	14,467
Prescription administration	8,938	21,108
<b>TOTAL EXPENSES</b>	<u>2,275,817</u>	<u>2,222,061</u>
<b>NET CHANGE IN FUND EQUITY</b>	190,467	85,341
<b>FUND EQUITY - BEGINNING OF YEAR</b>	<u>249,148</u>	<u>163,807</u>
<b>FUND EQUITY - END OF YEAR</b>	<u>\$ 439,615</u>	<u>\$ 249,148</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)  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended March 31, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in fund equity	\$ 190,467	\$ 85,341
Adjustments to reconcile net change in fund equity to net cash (used) provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	(6,930)	-
Prepaid expenses	(25,380)	18,033
Vouchers payable	11,458	(94,706)
Cost-sharing payable	-	(197,707)
Liability for incurred but not reported claims	-	22,732
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	169,613	(166,307)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	169,613	(166,307)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	582,938	749,245
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 752,551	\$ 582,938

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  
March 31, 2001 and 2000

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 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 (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.

In the current year, the employees were required to make contributions through payroll deductions, in order to fully fund their 50% share of the budget increase.

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-savings between eligible participants in the plan covered by the Trust and the District. The cost-savings are 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.



JOINT INSURANCE HEALTH PLAN TRUST  
FOR THE BENEFIT OF NORTH RIDGEVILLE CITY SCHOOL DISTRICT EMPLOYEES  
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NOTES TO FINANCIAL STATEMENTS  
March 31, 2001 and 2000

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.

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 March 31, 2001 and 2000, the carrying amount of the Trust's deposits was \$752,551 and \$582,938, 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, 2001 and 2000 the insurance reserve amount was \$390,267 and \$463,487, respectively. In addition, effective April, 1999 a run-out reserve account was opened and the prior 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, which agreed to the required amounts, was \$299,000 and \$177,000 at March 31, 2001 and 2000, respectively.

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.

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



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 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2001 and 2000

actuary estimated claims incurred but not reported as of March 31, 2001 and 2000 based on historical trends.

Cost-Sharing

For the year ended March 31, 2001, the cost-sharing calculation resulted in an excess of revenue over costs of \$35,558. In the prior year, the cost-sharing calculation resulted in excess of costs over revenue of \$94,385. The Board passed a resolution, in 2000, to take the excess costs out of the insurance reserve, and if there are cost savings in the subsequent year, they would first be used to fund the money taken out of the reserve. Therefore, the current year cost-savings will be used to partially replenish the insurance reserve.

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.

	2001	2000
Unpaid claims and claim adjustment expenses at beginning of year	\$ 322,278	\$ 303,992
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	336,244	322,276
Increases in provision for		



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 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2001 and 2000

insured events of prior years	-	-
	<u>2001</u>	<u>2000</u>
Total incurred claims and claim adjustment expenses	\$ 658,522	\$ 626,270
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	<u>322,278</u>	<u>303,992</u>
Total payments	<u>322,278</u>	<u>303,992</u>
Total unpaid claims and claim adjustment expenses at end of year	\$ <u>336,244</u>	\$ <u>322,278</u>
Schedule of unpaid claims and claim adjustment expenses at end of year:		
Portion of accounts payable that relates to claims expenses	\$ 37,244	\$ 23,278
Liability for incurred but not reported claims	<u>299,000</u>	<u>299,000</u>
	\$ <u>336,244</u>	\$ <u>322,278</u>



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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, 2001 and have issued our report thereon dated July 3, 2001. 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.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

  
BOBER, MARKEY, FEDOROVICH & COMPANY

July 3, 2001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**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 16,2001**