

THE JOINTLY ADMINISTERED TRUST FUND  
FOR THE BENEFIT OF  
LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT  
OF LORAIN CITY SCHOOL DISTRICT)  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
December 31, 2008 and 2007





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Jointly Administered Trust Fund for the Benefit of  
Lorain City School District Employees  
10045 College Park  
Concord, Ohio 44060

We have reviewed the *Independent Auditors' Report* of the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees, Lorain County, prepared by Bober, Markey, Fedorovich & Company, for the audit period January 1, 2008 to December 31, 2008. 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 Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 2, 2009

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(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT DISCUSSION AND ANALYSIS	3 - 5
FINANCIAL STATEMENTS	
Balance Sheets	6
Statements of Revenues, Expenses and Changes in Fund Equity	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13
SUPPLEMENTARY INFORMATION	
Independent Auditors' 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	14 - 15

## INDEPENDENT AUDITORS' REPORT

### Board of Trustees

The Jointly Administered Trust Fund for the Benefit  
of Lorain City School District Employees  
(A Component Unit of the Lorain City School District)  
Lorain, Ohio

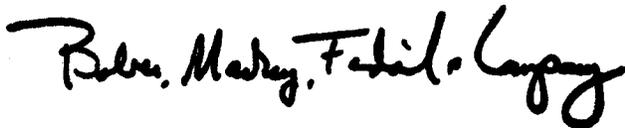
We have audited the accompanying balance sheets of The Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (A Component Unit of Lorain City School District) (the Trust) as of December 31, 2008 and 2007, and the related statements of revenues, expenses and changes 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 auditing standards generally accepted in the United States of America 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 audits provide 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 December 31, 2008 and 2007, and its revenues, expenses and changes in fund equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 29, 2009 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The information in the Management Discussion and Analysis on pages 3 - 5 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.



BOBER, MARKEY, FEDOROVICH & COMPANY

June 29, 2009

THE JOINTLY ADMINISTERED TRUST FUND  
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

As Management of the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (Trust), we present a narrative overview and analysis of the financial activities of the Trust for the year ended December 31, 2008. Please read this in conjunction with additional information found within the body of the audited financial statements

### FINANCIAL HIGHLIGHTS

- The beginning cash and investment balance for the Trust was \$1,130,562, \$1,168,602, and \$1,459,169 as of January 1, 2008, 2007 and 2006, respectively.
- The 2008 Trust budget was set at \$7,749,600 and the 2007 Trust budget was set at \$9,598,800. The 2006 Trust budget was set at \$10,496,000.
- Large claims (those in excess of \$10,000) incurred in 2008 represented 78.3% of medical claims and totaled \$3,943,678. In 2007 those large claims incurred represented 68.0% of medical claims and totaled \$3,399,895, and in 2006, they represented 64% of medical claims and totaled \$3,886,377. During 2008, there were five claims that exceeded the \$150,000 specific stop loss deductible and two additional claims that were between \$100,00 and \$150,000. In 2007, there were two claims that exceeded the \$150,000 specific stop loss deductible and four claims that were between \$100,000 and \$150,000. There were four claims in 2006 that exceeded the \$150,000 specific stop loss deductible and two additional claims that were between \$100,000 and \$150,000.
- In 2008, expenses were over budget by \$863,000. The budget variance was the result of more employees covered under the plan than were budgeted and five claims that exceeded the stop loss specific deductible. The trust's cost for these five claims was \$750,000. The 2007 Trust expenses were less than the projected budget by \$688,392. The variance is the direct result of 300 employees that were removed from the plan in August 2007 due to a reduction in force. The 2007 actual medical claims were \$470,911 less than budget for 2007 and account for the majority of the budget variance.

### 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 Lorain City School District. The Trust's basic financial statements are comprised of four components: 1) Balance Sheets, 2) Statements of Revenues, Expenses and Changes in Fund Equity, 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.

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

Statements of Revenues and Changes in Fund Equity (Deficit) – Presents information showing how the Trust fund equity (deficit) changed during the most recent fiscal year. All changes in fund equity 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.

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

THE JOINTLY ADMINISTERED TRUST FUND  
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(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

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, 2008, 2007 AND 2006**

The Trust's equity decreased by \$435,810, \$25,921, and \$207,570 for the years ended December 31, 2008, 2007 and 2006, respectively.

The following table represents the major components of the balance sheet as of December 31, 2008, 2007 and 2006:

	December 31, 2008	December 31, 2007	December 31, 2006
Current and other assets	\$ 1,033,513	\$ 1,229,770	\$ 1,259,189
<b>TOTAL ASSETS</b>	<b>1,033,513</b>	<b>1,229,770</b>	<b>1,259,189</b>
Current liabilities	1,455,540	1,215,987	1,219,485
<b>TOTAL LIABILITIES</b>	<b>1,455,540</b>	<b>1,215,987</b>	<b>1,219,485</b>
Restricted fund equity	1,588,000	2,123,000	2,147,000
Unrestricted fund equity (deficit)	2,010,027	2,109,217	2,107,296
<b>TOTAL FUND EQUITY</b>	<b>\$ (422,027)</b>	<b>\$ 13,783</b>	<b>\$ 39,704</b>

**COMMENTS ON BUDGET COMPARISONS**

- The Trust's total revenues were \$7,925,957, \$8,952,325 and \$9,016,066 for the years ended December 31, 2008, 2007 and 2006, respectively.
- The 2008 budget was set at \$ 7,314,400 however it was funded at \$7,749,600. The budget is determined by the actuary; however, trustees, at times, have elected to adjust the budget based on financial constraints and current facts and circumstances. The trustees elected to overfund the 2008 budget in an effort to rebuild the insurance reserve. The trustees increased employee premium contributions by 20% and benefit modifications that were projected to add an additional \$292,000. This total expected surplus of \$430,000 was more than offset by the unfavorable claims experience.
- The Trust's total expenses were \$8,406,462, \$9,043,026 and \$9,266,431 for the years ended December 31, 2008, 2007 and 2006, respectively.
- In July 2007 the Trustees elected to make the following benefit changes and payroll contribution changes with an implementation date of January 1, 2008:
  1. Mandatory Spousal coverage for RX
  2. Mandatory RX Home Delivery
  3. Change in office visit copay from \$20 to \$25
  4. Increase monthly payroll contributions for Plan A from \$45 to \$54 for single and \$113 to \$134 for family.

THE JOINTLY ADMINISTERED TRUST FUND  
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MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

The following table presents a summary of operating revenue and expense for the fiscal years ended December 31, 2008, 2007 and 2006.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>			
Contributions:			
Employer	\$ 6,814,668	\$ 8,052,996	\$ 8,052,996
Participant	850,626	861,046	930,823
Cost-sharing savings from prior years contributed to 2008	236,230	-	-
COBRA	<u>24,433</u>	<u>38,283</u>	<u>32,247</u>
<b>TOTAL REVENUE</b>	<b>7,925,957</b>	<b>8,952,325</b>	<b>9,016,066</b>
<b>EXPENSES</b>			
Medical claims	5,327,717	5,029,843	5,719,659
Dental claims	398,071	446,256	430,028
Vision claims	124,305	141,048	137,959
Prescription claims	1,641,801	2,176,767	1,885,832
Stop-loss	325,230	330,230	308,691
Access fee	88,229	103,119	109,303
Accounting	12,527	12,089	10,800
Actuarial	56,623	47,630	80,616
Trust management	50,400	51,519	50,442
Legal fees	16,539	25,186	49,417
Bank fees	9,284	9,583	10,102
Insurance	4,941	4,498	4,498
Miscellaneous	-	1,336	431
Medical administration	297,174	347,188	367,743
Vision administration	17,813	21,488	23,605
Prescription administration	4,153	5,022	5,533
Dental administration	31,655	38,279	40,574
Cost savings-sharing expense	-	<u>251,945</u>	<u>31,198</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>8,406,462</u></b>	<b><u>9,043,026</u></b>	<b><u>9,266,431</u></b>
<b>NET CHANGE IN FUND EQUITY BEFORE OTHER REVENUE</b>	<b>(480,505)</b>	<b>(90,701)</b>	<b>(250,365)</b>
<b>OTHER REVENUE</b>			
Investment income	<u>44,695</u>	<u>64,780</u>	<u>42,795</u>
<b>NET CHANGE IN FUND EQUITY</b>	<b>(435,810)</b>	<b>(25,921)</b>	<b>(207,570)</b>
<b>FUND EQUITY - BEGINNING OF YEAR</b>	<b><u>13,783</u></b>	<b><u>39,704</u></b>	<b><u>247,274</u></b>
<b>FUND EQUITY - END OF YEAR</b>	<b><u>\$ (422,027)</u></b>	<b><u>\$ 13,783</u></b>	<b><u>\$ 39,704</u></b>

THE JOINTLY ADMINISTERED TRUST FUND  
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
BALANCE SHEETS  
December 31, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 313,750	\$ 522,193
Investments, at fair value	418,344	608,369
Due from Medical Mutual of Ohio	244,289	46,554
Prepaid expenses	57,130	52,654
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 1,033,513</b>	<b>\$ 1,229,770</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 173,574	\$ 33,291
Cost savings - sharing payable	104,466	340,696
Liability for claims incurred but not reported	1,177,500	842,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,455,540</b>	<b>1,215,987</b>
<b>FUND EQUITY</b>		
Restricted	1,588,000	2,123,000
Unrestricted	(2,010,027)	(2,109,217)
<b>TOTAL FUND EQUITY</b>	<b>(422,027)</b>	<b>13,783</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,033,513</b>	<b>\$ 1,229,770</b>

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



THE JOINTLY ADMINISTERED TRUST FUND  
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>		
Contributions:		
Employer	\$ 6,814,668	\$ 8,052,996
Participant	850,626	861,046
Cost-sharing savings from prior years contributed to 2008	236,230	-
COBRA	<u>24,433</u>	<u>38,283</u>
 TOTAL REVENUE	 7,925,957	 8,952,325
 <b>EXPENSES</b>		
Medical claims	5,327,717	5,029,843
Dental claims	398,071	446,256
Vision claims	124,305	141,048
Prescription claims	1,641,801	2,176,767
Stop-loss	325,230	330,230
Access fee	88,229	103,119
Accounting	12,527	12,089
Actuarial	56,623	47,630
Trust management	50,400	51,519
Legal fees	16,539	25,186
Bank fees	9,284	9,583
Insurance	4,941	4,498
Miscellaneous	-	1,336
Medical administration	297,174	347,188
Vision administration	17,813	21,488
Prescription administration	4,153	5,022
Dental administration	31,655	38,279
Cost savings-sharing expense	<u>-</u>	<u>251,945</u>
 TOTAL OPERATING EXPENSES	 <u>8,406,462</u>	 <u>9,043,026</u>
 OPERATING LOSS	 (480,505)	 (90,701)
 OTHER REVENUE - INVESTMENT INCOME	 <u>44,695</u>	 <u>64,780</u>
 NET CHANGE IN FUND EQUITY	 (435,810)	 (25,921)
 FUND EQUITY - BEGINNING OF YEAR	 <u>13,783</u>	 <u>39,704</u>
 FUND EQUITY - END OF YEAR	 <u>\$ (422,027)</u>	 <u>\$ 13,783</u>

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

THE JOINTLY ADMINISTERED TRUST FUND  
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash contributions received from employer	\$ 6,814,668	\$ 8,052,996
Cash contributions received from employees	850,626	861,046
Cash received for COBRA premiums	24,433	38,283
Cash payments for benefit plan claims	(7,565,934)	(8,539,257)
Cash payments for benefit providers' administration fees	(415,413)	(356,366)
Cash payments for plan administration and operating expenses	(151,543)	(159,523)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<u>(443,163)</u>	<u>(102,821)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and dividends received	34,720	47,440
Purchase of bonds	(100,000)	-
Proceeds from bond maturity	300,000	321,392
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>234,720</u>	<u>368,832</u>
<b>NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS</b>	(208,443)	266,011
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>522,193</u>	<u>256,182</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 313,750</u>	<u>\$ 522,193</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:</b>		
Operating loss	\$ (480,505)	\$ (90,701)
Adjustments to reconcile operating income to net cash used for operating activities:		
Changes in operating assets and liabilities:		
Due from Medical Mutual of Ohio	(197,735)	(24,024)
Prepaid expenses	(4,476)	15,403
Accounts payable	140,283	(156,444)
Cost savings - sharing payable	(236,230)	251,945
Liability for claims incurred but not reported	335,500	(99,000)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<u>\$ (443,163)</u>	<u>\$ (102,821)</u>

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

THE JOINTLY ADMINISTERED TRUST FUND  
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

NOTE 1 - DESCRIPTION OF THE TRUST

The following description of the Jointly Administered Trust Fund for the Benefit of Lorain 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 in 1994 to provide health care benefits to the employees of the Lorain 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 twelve-member Board of Trustees, eight members appointed by the District's Superintendent and four members appointed by the Lorain Education Association. 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. After November 30, 1989, FASB pronouncements are applied unless they 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 \$150,000.

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. The District makes certain pre-funding contributions to the Trust, which are to fund future benefit expenses.

Methods of determining participant contributions are based on actuarial calculations.

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.

THE JOINTLY ADMINISTERED TRUST FUND  
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

Cost Sharing

The Trust provides for a sharing of the expected increase in funding over the base year funding level by the participants in the plan covered by the Trust and the District. This cost sharing amount is based upon a calculation of plan income as compared to the larger of the plan's current year budget or the plan's 1994 budget for costs. The participants 50% share may be funded through payroll contributions, benefit reductions, or a combination of both.

Reclassifications

Certain amounts in the December 31, 2007 financial statements have been reclassified to conform to the December 31, 2008 presentation.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

The Trust invests their cash in money market funds and U.S. Treasury notes. U.S. Treasury notes with a maturity of ninety days or less are considered to be cash equivalents for purposes of cash flows. 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.

Concentration of Credit Risk

The trust is insured through Aetna Life Casualty for employee dishonesty coverage. A fiduciary bond of \$1,000,000 is maintained for the Trustees, the Trust actuary, and the Trust manager.

Valuation of Investments

If available, quoted market prices are used to value investments. If market prices are not available, investments are valued at cost, which due to the short-term nature of the investments approximates market value.

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 fund equity, and the reported revenues and expenses of Trust assets during the reporting period. Actual results could differ from those estimates.

THE JOINTLY ADMINISTERED TRUST FUND  
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(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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 estimates claims incurred but not reported as of December 31, 2008 and 2007 based on historical trends. As of December 31, 2008 it was noted that the liability for claims incurred but not reported (IBNR) was not fully funded by the school district. The requirement rests with the school district which has a fiscal year end of June 30, 2009 and it is anticipated that this will be fully funded when the amount is determined as of that date. As of December 31, 2007, it was noted that the liability for claims incurred but not reported was fully funded by the school district as required by Ohio Revised Code Section 9.833.

Cost Savings - Sharing

The Trust provides for a cost savings - sharing calculation in order to distribute any savings by the plan over the contributed amount, as adjusted by certain items. Any excess is distributed 50-50 to the participants and the District. The Trust has funded 2008, 2007, 2006 and 2003 shortfalls with advances from the insurance reserve account in the amount of \$110,000, \$200,000, \$250,000 and \$241,127, respectively. For the year ended December 31, 2008, the cost-savings calculation resulted in expenses being greater than revenue in the amount of \$236,230. For the year ended December 31, 2007 the cost-savings calculation resulted in revenue being greater than expenses in the amount of \$251,945. These amounts, and the remaining excess from 2006 of \$31,199 and 2003 of \$57,552, are reflected as a liability on the balance sheet in the amount of \$104,466 and \$340,696, for the years ended December 31, 2008 and 2007, respectively, and will be used to offset future trust expense and will not be distributed to the employees or the Board of Education.

Fund Equity

It is the Trust policy to reserve fund equity for the required amount of the insurance reserve as per the actuarial calculation in the budget. This reserve is reflected separately in the balance sheet under fund equity.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

At December 31, 2008 and 2007, the carrying amount of the Trust's cash deposits were \$313,750 and \$522,193, 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.

Investments

The Trust's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Trust. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Trust's name. Category 3 includes

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 FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
 (A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2008 and 2007

uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Trust's name. All the Trust investments are categorized as Category 1.

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.

Credit Risk

The Trust follows the Ohio Revised Code that limits its 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, 2008 and 2007. Investments are held in the form of U.S. Treasury Notes, and are not insured by the FDIC. Individual investments in excess of 5% of assets are separately presented.

	2008	2007
U.S. Treasury Notes:		
5.000%, due 8/15/2011	\$ 111,266	\$ 106,063
3.375% due 11/15/2008	-	200,110
3.500% due 11/15/2009	205,422	201,766
4.125% due 8/15/2008	-	100,430
1.750% due 3/31/2010	101,656	-
	\$ 418,344	\$ 608,369
Total Investments	\$ 418,344	\$ 608,369

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, 2008 and 2007 this calculated reserve amount was \$1,588,000 and \$2,123,000 respectively. The Trustees have elected to permit funding within the Trust to drop below these levels since the Trust is not legally required to be funded and the Trust document only provides language for the initial funding and does not provide any additional language for future funding.

THE JOINTLY ADMINISTERED TRUST FUND  
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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.

	<u>2008</u>	<u>2007</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 854,165	\$ 1,110,419
Incurred claims and claim adjustment expenses: Provision for insured events of current year	<u>8,669,395</u>	<u>8,635,914</u>
Total incurred claims and claim adjustment expenses	9,523,560	9,746,333
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	7,340,486	7,781,749
Claims and claim adjustment expenses attributable to insured events of prior years	<u>854,165</u>	<u>1,110,419</u>
Total payments	<u>8,194,651</u>	<u>8,892,168</u>
Total unpaid claims and claim adjustment expenses at end of year (see schedule below)	<u>\$ 1,328,909</u>	<u>\$ 854,165</u>
Schedule of unpaid claims and claim adjustment expenses at end of year:		
Portion of accounts payable that relates to claims expenses	\$ 151,409	\$ 12,165
Liability for incurred but not reported claims	<u>1,177,500</u>	<u>842,000</u>
	<u>\$ 1,328,909</u>	<u>\$ 854,165</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 Trust has obtained a favorable tax determination letter dated July 5, 1995 from the Internal Revenue Service and the Trustees believe that the Trust continues to qualify and to operate as designed.

INDEPENDENT AUDITORS' 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

Board of Trustees  
The Jointly Administered Trust Fund for the Benefit  
of Lorain City School District Employees  
(A Component Unit of the Lorain City School District)  
Lorain, Ohio

We have audited the financial statements of the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (the Trust) (a Component Unit of Lorain City School District) as of and for the year ended December 31, 2008 and have issued our report thereon dated June 29, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the agency's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

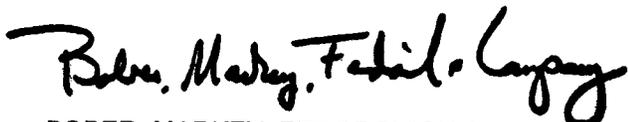
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

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

June 29, 2009



**Mary Taylor, CPA**  
Auditor of State

**JOINTLY ADMINISTERED TRUST FUND FOR THE BENEFIT OF  
LORAIN 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  
SEPTEMBER 15, 2009**