

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, 2004 and 2003





**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's 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, 2004 through December 31, 2004. 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 23, 2005

This Page is Intentionally Left Blank.

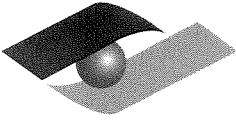
THE JOINTLY ADMINISTERED TRUST FUND
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)

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 Compliance and Internal Control over Financial Reporting Based on an Audit Performed in Accordance with Government Auditing Standards	14 - 15



This Page is Intentionally Left Blank.



**Bober, Markey, Fedorovich
& Company**

*Certified Public Accountants / Business Advisors
A Professional Corporation*

411 Wolf Ledges Parkway
Suite 400
Akron, Ohio 44311-1040
330.762.9785
FAX 330.762.3108
www.bobermarkey.com

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

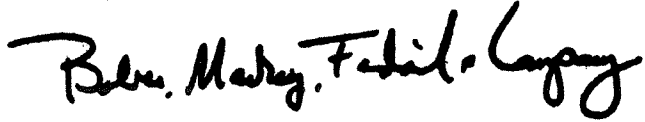
We have audited the accompanying balance sheets of The Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (A Component Unit of Lorain City School District) (the Trust) as of December 31, 2004 and 2003, and the related statements of revenues, expenses and changes 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, 2004 and 2003, 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 7, 2005 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 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.

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 7, 2005



THE JOINTLY ADMINISTERED TRUST FUND FOR THE BENEFIT OF
LORAIN CITY SCHOOL DISTRICT EMPLOYEES
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2004 AND 2003

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, 2004. Please read this in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash and investment balance for the Trust was \$2,747,040 and \$540,253 as of January 1, 2004 and 2003, respectively.
- The 2004 Trust budget was set at \$7,730,496. The 2003 Trust budget was set at \$8,946,811 and was revised to \$7,154,908. The reduction of the 2003 budget was the result of benefit changes and the implementation of a cafeteria plan reducing the employee funding obligation.
- Large medical claims (those in excess of \$10,000) incurred in 2004 represented 56% of medical claims and totaled \$2,769,761 and in 2003 represented 75% of medical claims and totaled \$2,802,711 respectively.
- The Trust also reduced the 2004 employee payroll contributions for Plan A and eliminated employee contributions for Plan B and discontinued Plan C as a result of the 2003 Trust cash surplus and refunded \$800,000 to the insurance reserve that was used to offset the cash flow problem in 2002.
- The benefit changes and the payroll contribution changes resulted in higher claim utilization and more employees elected to enroll in the richer plan and employees that had previously waived coverage elected to enroll which also impacted claim utilization. The increase utilization was offset by the Board of Education electing to contribute \$366,576 above their required 2004 funding obligation.

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 Sheets – 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 –Presents information showing how the Trust fund equity 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.



THE JOINTLY ADMINISTERED TRUST FUND FOR THE BENEFIT OF
LORAIN CITY SCHOOL DISTRICT EMPLOYEES
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2004 AND 2003

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

Notes to Financial Statements – Provides readers with additional information and required disclosures that are essential to a full understanding of the data provided in the Trust financial statements.

FINANCIAL ANALYSIS OF THE TRUST AS OF DECEMBER 31, 2004 AND 2003

The Trust's equity decreased by \$98,727 for the year end December 31, 2004.

The following table represents the major components of the balance sheet as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 2,980,071	\$ 2,917,815
TOTAL ASSETS	<u>2,980,071</u>	<u>2,917,815</u>
Current Liabilities	<u>2,485,302</u>	<u>2,324,319</u>
TOTAL CURRENT LIABILITIES	<u>2,485,302</u>	<u>2,324,319</u>
Restricted fund equity	1,932,623	1,286,223
Unrestricted fund equity (deficit)	<u>(1,437,854)</u>	<u>(692,727)</u>
TOTAL FUND EQUITY	<u>\$ 494,769</u>	<u>\$ 593,496</u>

COMMENTS ON BUDGET COMPARISONS

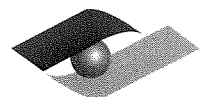
- The Trust's total revenue for the fiscal year ended December 31, 2004 was \$8,175,631 and was \$8,944,453 for the fiscal year ended December 31, 2003.
- The Trust's actual revenue in 2004 compared to the budget revenue varied due to the Board of Education contributing \$366,756 in excess of their 2004 funding obligation.
- The Trust's total expenses were \$8,313,613 and \$7,960,201 for the fiscal years ended December 31, 2004 and 2003, respectively.
- As a result of plan changes, decreased employee contributions and higher claim utilization no surplus was generated in 2004.
- The Trust's actual expenses compared to the budget expenses varied due to higher actual dental and prescription drug claims than projected (\$641,724). This was offset by other expenses that were less than projected and additional funding received by the Board of Education. This provided the Trust with no significant change in the 2004 cash position.



THE JOINTLY ADMINISTERED TRUST FUND FOR THE BENEFIT OF
LORAIN CITY SCHOOL DISTRICT EMPLOYEES
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2004 AND 2003

The following table presents a summary of operating revenue and expense for the fiscal years ended December 31, 2004 and December 31, 2003.

	<u>2004</u>	<u>2003</u>
REVENUES		
Contributions:		
Employer	\$ 7,106,329	\$ 7,472,906
Participant	1,030,157	1,435,970
COBRA	<u>39,145</u>	<u>35,577</u>
TOTAL REVENUE	8,175,631	8,944,453
EXPENSES		
Medical claims	4,946,506	3,780,313
Dental claims	521,768	312,865
Vision claims	51,563	97,857
Prescription claims	1,807,680	1,355,948
Medical stop-loss	176,749	129,295
Change in claims incurred but not reported	88,900	(122,900)
Access fee	96,628	42,840
Dispensing fee - National Prescription Administrators, Inc.	49,032	44,950
Flu and Hepatitis shots	-	5,628
Accounting	11,734	12,284
Actuarial	54,397	46,664
Trust management	51,193	47,399
Legal fees	29,194	53,615
Bank fees	10,703	4,303
Insurance	4,996	4,956
Miscellaneous	975	6,604
Medical administration	357,117	291,945
Vision administration	18,022	14,236
Prescription administration	18,434	18,468
Dental administration	18,022	12,479
Cost savings-sharing expense	<u>-</u>	<u>1,800,452</u>
TOTAL OPERATING EXPENSES	<u>8,313,613</u>	<u>7,960,201</u>
NET CHANGE IN FUND EQUITY BEFORE OTHER REVENUE	(137,982)	984,252
OTHER REVENUE		
Investment income	39,255	17,672
Other income	<u>-</u>	<u>999</u>
TOTAL OTHER REVENUE	<u>39,255</u>	<u>18,671</u>
NET CHANGE IN FUND EQUITY	(98,727)	1,002,923
FUND EQUITY (DEFICIT) - BEGINNING OF YEAR	<u>593,496</u>	<u>(409,427)</u>
FUND EQUITY - END OF YEAR	<u>\$ 494,769</u>	<u>\$ 593,496</u>



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, 2004 and 2003

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,663,325	\$ 2,408,682
Investments, at fair value	1,131,169	338,358
Due from Lorain City School District	72,116	42,627
Due from Medical Mutual of Ohio	-	17,254
Prepaid expenses	48,461	45,894
TOTAL CURRENT ASSETS	2,915,071	2,852,815
OTHER ASSETS		
Deposit - Express Scripts, Inc.	65,000	65,000
TOTAL ASSETS	\$ 2,980,071	\$ 2,917,815
LIABILITIES AND FUND EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 132,776	\$ 60,693
Cost savings - sharing payable	1,609,026	1,609,026
Liability for claims incurred but not reported	743,500	654,600
TOTAL CURRENT LIABILITIES	2,485,302	2,324,319
FUND EQUITY (DEFICIT)		
Restricted	1,932,623	1,286,223
Unrestricted	(1,437,854)	(692,727)
TOTAL FUND EQUITY	494,769	593,496
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,980,071	\$ 2,917,815

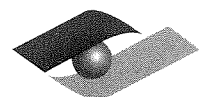
The accompanying notes are an integral part of these financial statements.



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, 2004 and 2003

	2004	2003
REVENUES		
Contributions:		
Employer	\$ 7,106,329	\$ 7,472,906
Participant	1,030,157	1,435,970
COBRA	39,145	35,577
 TOTAL REVENUE	 8,175,631	 8,944,453
EXPENSES		
Medical claims	4,946,506	3,780,313
Dental claims	521,768	312,865
Vision claims	51,563	97,857
Prescription claims	1,807,680	1,355,948
Medical stop-loss	176,749	129,295
Change in claims incurred but not reported	88,900	(122,900)
Access fee	96,628	42,840
Dispensing fee - National Prescription Administrators, Inc.	49,032	44,950
Flu and Hepatitis shots	-	5,628
Accounting	11,734	12,284
Actuarial	54,397	46,664
Trust management	51,193	47,399
Legal fees	29,194	53,615
Bank fees	10,703	4,303
Insurance	4,996	4,956
Miscellaneous	975	6,604
Medical administration	357,117	291,945
Vision administration	18,022	14,236
Prescription administration	18,434	18,468
Dental administration	18,022	12,479
Cost savings-sharing expense	-	1,800,452
 TOTAL OPERATING EXPENSES	 8,313,613	 7,960,201
NET CHANGE IN FUND EQUITY BEFORE OTHER REVENUE	 (137,982)	 984,252
OTHER REVENUE		
Investment income	39,255	17,672
Other income	-	999
TOTAL OTHER REVENUE	39,255	18,671
NET CHANGE IN FUND EQUITY	 (98,727)	 1,002,923
FUND EQUITY (DEFICIT) - BEGINNING OF YEAR	593,496	(409,427)
FUND EQUITY - END OF YEAR	\$ 494,769	\$ 593,496

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 SCHOOL DISTRICT)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash contributions received from employer	\$ 7,148,956	\$ 7,472,906
Cash contributions received from employees	1,030,157	1,435,969
Cash received for COBRA premiums	39,146	35,577
Cash payments for benefit plan claims	(7,552,062)	(6,096,261)
Cash payments for benefit providers' administration fees	(508,794)	(455,816)
Cash payments for plan administration and operating expenses	<u>(149,204)</u>	<u>(196,919)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,199	2,195,456
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends on investments	44,944	26,580
Transfer to investment account	<u>(798,500)</u>	<u>-</u>
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	<u>(753,556)</u>	<u>26,580</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(745,357)	2,222,036
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,408,682</u>	<u>186,646</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,663,325</u>	<u>\$ 2,408,682</u>
RECONCILIATION OF NET CHANGE IN FUND EQUITY TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES:		
Net change in fund equity	\$ (98,727)	\$ 1,002,923
Adjustments to reconcile net change in fund equity to net cash (used for) provided by operating activities:		
Net depreciation in fair value of investments	5,689	8,908
Changes in operating assets and liabilities:		
Investments, at fair value	(44,944)	(26,580)
Due from Medical Mutual of Ohio	17,254	(17,254)
Due from Lorain City School District	(29,489)	-
Prepaid expenses	(2,567)	2,052
Accounts payable	72,083	(260,719)
Cost savings - sharing payable	-	1,609,026
Liability for claims incurred but not reported	<u>88,900</u>	<u>(122,900)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 8,199</u>	<u>\$ 2,195,456</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, 2004 and 2003

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.

Contributions from participants began in 2002 due to a budget deficit. 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, 2004 and 2003

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 2003 financial statements have been reclassified to conform to the 2004 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 \$100,000.

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.

Deposits

The Trust has funds on deposit with Express Scripts, Inc. to allow for fund availability for paying on such claims. Express Scripts, Inc. requires that such deposits be renewed monthly in order to maintain an adequate coverage for claims.

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
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

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, 2004 and 2003 based on historical trends. The District has committed to retain sufficient funding to cover this liability.

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. For the year ended December 31, 2004, the cost-savings calculation resulted in expenses being slightly greater than revenue therefore there was not an amount distributable to the employees and the District. For the year ended December 31, 2003, the cost-savings calculation resulted in an amount distributable to the employees and the District, but both the employees and the District decided to escrow the funds for possible future increases, therefore it remains a liability as of December 31, 2004.

Fund Equity

Fund equity includes originally contributed capital plus retained earnings accumulated since inception. It is the Trust policy to reserve retained earnings 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, 2004 and 2003, the carrying amount of the Trust's cash deposits were \$1,663,325 and \$2,408,682, 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 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.



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, 2004 and 2003

The following table presents investments at market value as of December 31, 2004 and 2003. 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.

	<u>2004</u>	<u>2003</u>
U.S. Treasury Notes:		
6.500%, due 8/15/2005	\$ 66,580	\$ 70,139
5.000%, due 2/15/2011	159,586	161,156
5.000%, due 8/15/2011	106,469	107,063
3.000% due 11/15/2007	198,750	-
3.375% due 11/15/2008	199,468	-
3.500% due 11/15/2009	199,000	-
2.875% due 11/30/2006	<u>201,316</u>	<u>-</u>
Total Investments	<u>\$ 1,131,169</u>	<u>\$ 338,358</u>

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, 2004 and 2003 this calculated reserve amount was \$1,932,623 and \$1,286,223, respectively. In 2002, the Trustees authorized partial use of this reserve to subsidize Trust expenses with an understanding that the funds would be replenished by December 31, 2003, due to increasing employee and District contributions and changes in benefits provided. The funds were completely replenished as of January 12, 2004.

NOTE 4 - 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.



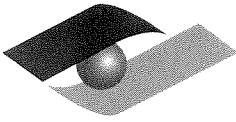
THE JOINTLY ADMINISTERED TRUST FUND
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 5 - 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>2004</u>	<u>2003</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 707,944	\$ 1,076,193
Incurred claims and claim adjustment expenses: Provision for insured events of current year	<u>8,071,017</u>	<u>6,201,583</u>
Total incurred claims and claim adjustment expenses	8,778,961	7,277,776
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	7,224,657	5,493,639
Claims and claim adjustment expenses attributable to insured events of prior years	<u>707,944</u>	<u>1,076,193</u>
Total payments	<u>7,932,601</u>	<u>6,569,832</u>
Total unpaid claims and claim adjustment expenses at end of year (see schedule below)	<u>\$ 846,360</u>	<u>\$ 707,944</u>
Schedule of unpaid claims and claim adjustment expenses at end of year:		
Portion of accounts payable that relates to claims expenses	\$ 102,860	\$ 53,344
Liability for incurred but not reported claims	<u>743,500</u>	<u>654,600</u>
	<u>\$ 846,360</u>	<u>\$ 707,944</u>





**Bober, Markey, Fedorovich
& Company**

Certified Public Accountants / Business Advisors
A Professional Corporation

411 Wolf Ledges Parkway
Suite 400
Akron, Ohio 44311-1040
330.762.9785
FAX 330.762.3108
www.bobermarkey.com

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
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, 2004 and have issued our report thereon dated June 7, 2005. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

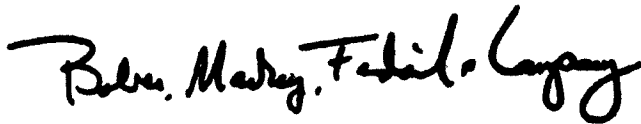
As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the 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

June 7, 2005





**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**JOINTLY ADMINISTERED TRUSTED FUND FOR THE BENEFIT OF LORAIN
CITY SCHOOL DISTRICT**

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
JULY 7, 2005**