

**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**

**LORAIN COUNTY**

**AUDIT REPORT**

**For the Year Ended December 31, 2009  
(with comparative statements for the year ended December 31, 2008)**

***Charles E. Harris & Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

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 *Report on Independent Accountants* of The Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 9, 2010

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**JOINTLY ADMINISTERED TRUST FUND FOR THE BENEFIT  
OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
For the Year Ended December 31, 2009**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

**The Jointly Administered Trust Fund  
For the Benefit of Lorain City School District Employees  
(A Component Unit of Lorain City School District)  
10045 College Park Drive  
Concord, Ohio 44060**

**To the Board of Directors:**

We have audited the financial statements of the Jointly Administered Trust Fund for the Benefit of Lorain City School Employees, Lorain County, Ohio, (the Trust), as of and for the year ended December 31, 2009, as listed in the table of contents. 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 audit. The financial statements of the Trust as of December 31, 2008 were audited by other auditors whose report dated June 29, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Jointly Administered Trust Fund for the Benefit of Lorain City School Employees, Lorain County, Ohio, as of December 31, 2009, and the results of its operations and cash flows thereof for the year 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 May 10, 2010, on our consideration of the Trust internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

**Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.**

***Charles E. Harris & Associates, Inc.***

**May 10, 2010**

**THE JOINTLY ADMINISTERED TRUST FUND FOR THE BENEFIT OF  
LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED DECEMBER 31, 2009**

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, 2009. 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 \$732,094, \$1,130,562 and \$1,168,602 as of January 1, 2009, 2008 and 2007, respectively.
- The Trust actuary set the 2009 budget at \$8,160,385; however, the 2009 Trust budget was funded at \$8,241,113. The Trustees elected to over fund the 2009 budget to repay the insurance reserve fund. The 2008 Trust budget was set at \$7,749,600. The 2007 budget was set at \$9,598,800.
- Large medical claims (those in excess of \$10,000) incurred in 2009 represented 73.7% of medical claims and totaled \$4,355,301. In 2008 those large claims incurred represented 78.3% of medical claims and totaled \$3,943,678 and in 2007, they represented 68.0% of medical claims and totaled \$3,399,895.
- In 2009, expenses exceeded revenue by \$12,649 and the 2009 budget by \$96,522. The budget variance was result of more employees covered under the plan than were budgeted. The 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 THE 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 –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) - CONTINUED  
YEAR ENDED DECEMBER 31, 2009**

Statement 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, 2009, 2008 and 2007**

The Trust's equity increased by \$17,932 for 2009 and equity decreased by \$435,810 and \$25,921 for the years end December 31, 2008 and 2007, respectively.

The following table represents the major components of the balance sheet as of December 31, 2009, 2008 and 2007:

	December 31, 2009	December 31, 2008	December 31, 2007
Current and other assets	\$ 992,481	\$ 1,033,513	\$ 1,229,770
<b>TOTAL ASSETS</b>	<b>992,481</b>	<b>1,033,513</b>	<b>1,259,189</b>
Current liabilities	1,396,576	1,455,540	1,215,987
<b>TOTAL LIABILITIES</b>	<b>1,396,576</b>	<b>1,455,540</b>	<b>1,215,987</b>
Restricted fund equity	1,807,000	1,588,000	2,123,000
Unrestricted fund equity(deficit)	(2,211,095)	(2,010,027)	(2,109,217)
<b>TOTAL FUND EQUITY</b>	<b>\$ (404,095)</b>	<b>\$ (422,027)</b>	<b>\$ 13,783</b>

**COMMENTS ON BUDGET COMPARISONS**

- The Trust's total revenue for the fiscal year ended December 31, 2009 was \$8,245,993, \$7,925,957 and \$8,952,325 for the years ended December 31, 2009, 2008 and 2007, respectively.
- The 2009 budget was set at \$8,160,385 however it was funded at \$8,241,113. 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 over fund the 2009 budget in an effort to rebuild the insurance reserve. The trustees increased employee premium contributions, increased the emergency room co-payment from \$75 to \$100 and changed the pharmacy formulary to RX Selections these changes were projected to add an additional \$184,000 to the insurance reserve. This total expected surplus of \$184,000 was more than offset by the unfavorable claims experience.
- The Trust's total expenses were \$8,233,344, \$8,406,462 and \$9,043,026 for the fiscal years ended December 31, 2009, 2008 and 2007, respectively.

**THE JOINTLY ADMINISTERED TRUST FUND FOR THE BENEFIT OF  
LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) - CONTINUED  
YEAR ENDED DECEMBER 31, 2009**

The following table presents a summary of operating revenue and expense for the fiscal years ended December 31, 2009, 2008 and 2007.

REVENUES	2009	2008	2007
Contributions:			
Employer	\$7,274,812	\$ 6,814,668	\$ 8,052,996
Participant	966,301	850,626	861,046
Cost-sharing savings from prior years	-	236,230	-
COBRA	4,742	24,433	38,283
IRS Refund	138	-	-
<b>TOTAL REVENUE</b>	<b>8,245,993</b>	<b>7,925,957</b>	<b>8,952,325</b>
<b>EXPENSES</b>			
Medical claims	5,906,984	5,327,717	5,029,843
Dental claims	381,030	398,071	446,256
Vision claims	120,324	124,305	141,048
Prescription claims	697,150	1,641,801	2,176,767
Stop-loss	394,182	325,230	330,230
Access fee	85,581	88,229	103,119
Accounting	13,211	12,527	12,089
Actuarial	80,833	56,623	47,630
Trust management	50,400	50,400	51,519
Legal fees	19,897	16,539	25,186
Bank fees	10,153	9,284	9,583
Insurance	4,498	4,941	4,498
Miscellaneous	-	-	1,336
Medical administration	315,560	297,174	347,188
Vision administration	18,995	17,813	21,488
Prescription administration	4,410	4,153	5,022
Dental administration	33,614	31,655	38,279
Cost savings-sharing expense	96,522	-	251,945
<b>TOTAL OPERATING EXPENSES</b>	<b>8,233,344</b>	<b>8,406,462</b>	<b>9,043,026</b>
<b>NET CHANGE IN FUND EQUITY BEFORE OTHER REVENUE</b>	<b>12,649</b>	<b>(480,505)</b>	<b>(90,701)</b>
<b>OTHER REVENUE</b>			
Investment income	5,283	44,695	64,780
<b>NET CHANGE IN FUND EQUITY</b>	<b>17,932</b>	<b>(435,810)</b>	<b>(25,921)</b>
<b>FUND EQUITY - BEGINNING OF YEAR</b>	<b>(422,027)</b>	<b>13,783</b>	<b>39,704</b>
<b>FUND EQUITY - END OF YEAR</b>	<b>(\$404,095)</b>	<b>(\$422,027)</b>	<b>\$13,783</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  
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 381,685	\$ 313,750
Investments, at fair value	506,797	418,344
Due from Medical Mutual of Ohio	27,128	244,289
Prepaid expenses	<u>76,871</u>	<u>57,130</u>
 TOTAL ASSETS	 <u>\$ 992,481</u>	 <u>\$ 1,033,513</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 173,988	\$ 173,574
Cost savings-sharing payable	200,988	104,466
Liability for insured but not reported claims	<u>1,021,600</u>	<u>1,177,500</u>
 TOTAL LIABILITIES	 <u>\$ 1,396,576</u>	 <u>\$ 1,455,540</u>
FUND EQUITY (DEFICIT)		
Restricted	\$ 1,807,000	\$ 1,588,000
Unrestricted	<u>(2,211,095)</u>	<u>(2,010,027)</u>
 TOTAL FUND EQUITY	 <u>\$ (404,095)</u>	 <u>\$ (422,027)</u>
 TOTAL LIABILITIES & FUND EQUITY	 <u>\$ 992,481</u>	 <u>\$ 1,033,513</u>

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
Contributions:		
Employer	\$ 7,274,812	\$ 6,814,668
Participant	966,301	850,626
Cost-sharing savings from prior years contributed to 2008	-	236,230
COBRA	4,742	24,433
IRS refund	138	-
	<u>8,245,993</u>	<u>7,925,957</u>
EXPENSES		
Medical claims	5,906,984	5,327,717
Dental claims	381,030	398,071
Vision claims	120,324	124,305
Prescription claims	697,150	1,641,801
Stop-loss	394,182	325,230
Access fee	85,581	88,229
Accounting	13,211	12,527
Actuarial	80,833	56,623
Trust management	50,400	50,400
Legal fees	19,897	16,539
Bank fees	10,153	9,284
Insurance	4,498	4,941
Medical administration	315,560	297,174
Vision administration	18,995	17,813
Prescription administration	4,410	4,153
Dental administration	33,614	31,655
Cost savings-sharing expense	96,522	-
	<u>8,233,344</u>	<u>8,406,462</u>
OPERATING INCOME / (LOSS)	12,649	(480,505)
OTHER REVENUE - INVESTMENT INCOME	<u>5,283</u>	<u>44,695</u>
NET CHANGE IN FUND EQUITY	17,932	(435,810)
FUND EQUITY - BEGINNING OF YEAR	<u>(422,027)</u>	<u>13,783</u>
FUND EQUITY - END OF YEAR	<u>\$ (404,095)</u>	<u>\$ (422,027)</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash contributions received from employer	\$ 7,274,812	\$ 6,814,668
Cash contributions received from employees	966,301	850,626
Cash received for COBRA premiums	4,742	24,433
Cash received for IRS refund	138	-
Cash payments for benefit plan claims	(7,482,122)	(7,565,934)
Cash payments for benefit providers' administration fees	(435,374)	(415,413)
Cash payments for plan administration and operating expenses	<u>(177,392)</u>	<u>(151,543)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>151,105</u>	<u>(443,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	5,283	34,720
Purchases of U.S. Treasury Notes	(506,797)	(100,000)
Proceeds from bond sales	<u>418,344</u>	<u>300,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(83,170)</u>	<u>234,720</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	67,935	(208,443)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>313,750</u>	<u>522,193</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 381,685</u>	<u>\$ 313,750</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating gain/ (loss)	\$ 12,649	\$ (480,505)
Adjustments to reconcile net change in fund equity to net cash provided by operating activities:		
Changes in assets and liabilities:		
Due from Medical Mutual	217,161	(197,735)
Prepaid expenses	(19,741)	(4,476)
Accounts payable	414	140,283
Cost savings-sharing payable	96,522	(236,230)
Liability for incurred but not reported claims	<u>(155,900)</u>	<u>335,500</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 151,105</u>	<u>\$ (443,163)</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, 2009 and 2008

**NOTE 1 – DESCRIPTION OF THE TRUST**

The following description of the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (the "Trust") provides only general information. Participants should refer to the Trust document for a more complete description of the Trust's provisions.

**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 to all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) 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 years 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 is 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, 2009 and 2008

**Cost-Sharing**

The Trust provides for a sharing of cost between eligible participants in the plan covered by the Trust and the District. The cost-sharing 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, 2008 financial statements have been reclassified to conform to the December 31, 2009 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 and Deposits**

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 dishonestly 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  
FOR THE BENEFIT OF LORAIN CITY SCHOOL DISTRICT EMPLOYEES  
(A COMPONENT UNIT OF LORAIN CITY SCHOOL DISTRICT)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008

**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, 2009 and 2008 are based on historical trends. As of December 31, 2009, 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**

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, 2009, the cost-savings calculation resulted in an amount distributable to the employees and the District in the amount of \$96,522. The trustees may elect, on behalf of the employees, to reduce the following year's cost-sharing by their distributable amount. For the year ended December 31, 2008, the cost-savings calculation resulted in expenses being greater than revenue in the amount of \$236,230. These amounts are reflected as a liability on the balance sheet in the amount of \$200,988 and \$104,696, for the years ended December 31, 2009 and 2008, respectively, and will be used to offset future trust expense and will not be distributed to the employees or the Board of Education.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits**

At December 31, 2009 and 2008, the carrying amount of the Trust's deposits was \$381,685 and \$313,750, 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**

Significant investment disclosures required by the Governmental Accounting Standards Board follow.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.



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, 2009 and 2008

**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 the investment choices.

**Concentration of Credit Risk**

The Trust places no limit on the amount that may be invested in any one issuer.

The following table presents investments at market value as of December 31, 2009 and 2008. Investments are held in the form of U.S. Treasury Notes and U.S. Government Bonds, and are not insured by the FDIC. Individual investments in excess of 5% of assets are separately presented.

	<u>2009</u>	<u>2008</u>
<b>U.S. Treasury Notes</b>		
3.500% due 11/05/2009	-	\$ 205,422
5.000% due 08/15/2011	\$ 106,617	111,266
0.875% due 03/31/2011	100,188	-
1.375% due 04/15/2012	100,109	-
1.750% due 03/31/2010	100,391	101,656
1.375% due 10/15/2012	<u>99,492</u>	<u>-</u>
 Total Investments	 <u>\$ 506,797</u>	 <u>\$ 418,344</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, 2009 and 2008 this calculated reserve amount was \$1,807,000 and \$1,588,000, 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. This amount is reflected in the fund equity section of the balance sheet.

The required balance in the run-out reserve is an amount equal to the incurred but unreported claims liability as calculated by the actuary.

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, 2009 and 2008

**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.

	2009	2008
Unpaid claims and claim adjustment expenses at beginning of year	\$ 1,328,909	\$ 854,165
Incurring claims and claim adjustment expenses:		
Provision for insured event of current year	8,127,088	8,669,395
Total incurred claims and claim adjustment expenses	9,455,997	9,523,560
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	6,958,558	7,340,486
Claims and claim adjustment expenses attributable to insured events of prior years	1,328,909	854,165
Total payments	8,287,467	8,194,651
Total unpaid claims and claim adjustment expenses at end of year (see schedule below)	\$ 1,168,530	\$ 1,328,909
Schedule of unpaid claims and claim adjustment expenses at end of year:		
Portion of accounts payable that relates to claims expenses	\$ 146,930	\$ 151,409
Liability of incurred but not reported claims	1,021,600	1,177,500
	<u>\$ 1,168,530</u>	<u>\$ 1,328,909</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 continued to qualify and to operate as designed.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

The Jointly Administered Trust Fund  
Benefit of Lorain City School District Employees  
(A Component Unit of Lorain City School District)  
Lorain County  
10045 College Park Drive  
Concord, Ohio 44060

To the Board of Trustees:

We have audited the financial statements of The Jointly Administered Trust Fund for the Benefit of Lorain City School Employees, Lorain County, Ohio, (the Trust) as of and for the year ended December 31, 2009, and have issued our report thereon dated May 10, 2010. 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 Controls 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 opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Trust's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the Trust's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the Trust. We intend it for no one other than these specified parties.

***Charles E. Harris and Associates, Inc.***

May 10, 2010



**Mary Taylor, CPA**  
Auditor of State

**THE JOINTLY ADMINISTERED TRUST FUND FOR THE BENEFIT OF LORAIN CSD 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**  
**JULY 22, 2010**