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, 2006 and 2005

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 *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, 2006 through December 31, 2006. 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

August 22, 2007

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

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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, 2006 and 2005, 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, 2006 and 2005, 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, 2007 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

BOBER, MARKEY, FEDOROVICH & COMPANY

June 29, 2007

THE JOINTLY ADMINISTERED TRUST FUND FOR THE BENEFIT
OF THE LORAIN CITY SCHOOL DISTRICT EMPLOYEES
MANAGEMENT DISCUSSION AND ANALYSIS
For The Years Ended December 31, 2006 And 2005

As Management of the Jointly Administered Trust Fund for the Benefit of Lorain City School District Employees (Trust), present a narrative overview and analysis of the financial activities of the Trust for the year ended December 31, 2006. 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 $1,459,169, $2,794,494 and $2,747,040 as of January 1, 2006, 2005 and 2004, respectively.

- The 2006 Trust budget was set at $10,496,000. The 2005 Trust budget was set at $8,216,552. The 2004 Trust budget was set at $7,730,496.

- Large claims (those in excess of $10,000) incurred in 2006 represented 64% of medical claims and totaled $3,886,377, in 2005, they represented 65% of medical claims and totaled $3,853,753 and in 2004, represented 56% of medical claims and totaled $2,769,761. 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 2005 there were two claims that exceeded the $150,000 specific stop loss deductible and two additional claims that were between $100,000 and $150,000. No claims exceeded the specific stop loss deductible in 2004.

- The 2006 Trust expenses were less than the projected budget by $1,060,569. Medical claims were the key reason for the variance and was the result of Trustees electing to offset employee cost sharing requirement by implementing benefit changes. The benefit changes were estimated to reduce medical claims cost by 16.9%. While the benefit changes were not sufficient to offset the entire employee cost sharing requirement the trustees also decided not to increase the employee premium contributions resulting in the Trusts transferring $250,000 from the insurance reserve to the operating reserve to absorb the funding shortfall. The following medical benefit changes were implemented in April 1, 2006:

    1. Implemented an annual deductible in Plan A and increased the annual deductible in Plan B.
    2. Implemented a coinsurance in Plan A and increased the coinsurance in Plan B.
    3. Increased the out-of-pocket maximum for both Plan A and Plan B
    4. Implemented a office visit co-pay for both Plan A and Plan B
    5. Implemented a emergency room co-pay for both Plan A and Plan B

  Prescription claims were higher than projected due to higher utilization. Dental claims were about 30% less than projected due to moving from the reimbursement plan to a more traditional dental plan in 2005. Many employees received dental services from a non-contracting provider resulting in higher out-of-pocket expenses for employees. Vision claims were higher than projected due to moving from the reimbursement plan to a more generous plan through Vision Service Plan. Basic administrative costs were under budget. The largest contributor to this favorable variance was legal fees and was the direct result of the Trust changing legal counsel.

- Subsequent to year-end, in June, 2007 the District announced staffing layoffs of approximately 300 persons. Health benefits for these persons shall be provided through August, 2007.

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.

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, 2006, 2005 AND 2004

The Trust's equity decreased by $207,570, $247,495 and $98,727 for the years ended December 31, 2006, 2005 and 2004, respectively.

The following table represents the major components of the balance sheet as of December 31, 2006, 2005 and 2004:

	December 31, 2006	December 31, 2005	December 31, 2004
Current and other assets	$ 1,259,189	$ 1,518,058	$ 2,980,071
TOTAL ASSETS	1,259,189	1,518,058	2,980,071
Current liabilities	1,219,485	1,270,784	2,485,302
TOTAL LIABILITIES	1,219,485	1,270,784	2,485,302
Restricted fund equity	2,147,000	1,843,000	1,932,623
Unrestricted fund equity (deficit)	(2,107,296)	(1,595,726)	(1,437,854)
TOTAL FUND EQUITY	$ 39,704	$ 247,274	$ 494,769

COMMENTS ON BUDGET COMPARISONS

- The Trust's total revenue for the fiscal year ended December 31, 2006 was $9,016,066; December 31, 2005 was $9,525,186 and was $8,175,631 for the fiscal year ended December 31, 2004.
- The Trust's actual revenue in 2006 compared to the budget revenue varied due to the trustees electing to make medical benefit changes reducing expected medical claim costs and electing not to increase employee payroll contributions resulting in a funding shortfall.
- The Trust's total expenses were $9,266,431, $9,813,344 and $8,313,613 for the fiscal years ended December 31, 2006, 2005 and 2004, respectively.
- As a result of not fully funding the budget no surplus was generated in 2006

The following table presents a summary of operating revenue and expense for the fiscal years ended December 31, 2006, 2005 and 2004.

	2006	2005	2004
REVENUES			
Contributions:			
Employer	$ 8,052,996	$ 7,007,772	$ 7,106,329
Participant	930,823	923,989	1,030,157
Cost-sharing savings from 2003 contributed to 2005	-	1,551,474	-
COBRA	32,247	41,951	39,145
TOTAL REVENUE	9,016,066	9,525,186	8,175,631
EXPENSES			
Medical claims	5,719,659	6,237,758	5,014,406
Dental claims	430,028	510,517	540,768
Vision claims	137,959	141,155	47,563
Prescription claims	1,885,832	1,862,965	1,813,680
Stop-loss	308,691	258,143	176,749
Access fee	109,303	96,346	96,628
Dispensing fee - National Prescription Administrators	-	31,419	49,032
Accounting	10,800	10,100	11,734
Actuarial	80,616	96,911	54,397
Trust management	50,442	51,702	51,193
Legal fees	49,417	75,081	29,194
Bank fees	10,102	15,325	10,703
Insurance	4,498	4,498	4,996
Miscellaneous	431	870	975
Medical administration	367,743	352,919	357,117
Vision administration	23,605	24,221	18,022
Prescription administration	5,533	14,666	18,434
Dental administration	40,574	28,747	18,022
Cost savings-sharing expense	31,198	-	-
TOTAL OPERATING EXPENSES	9,266,431	9,813,343	8,313,613
NET CHANGE IN FUND EQUITY BEFORE OTHER REVENUE	(250,365)	(288,157)	(137,982)
OTHER REVENUE			
Investment income	42,795	40,662	39,255
NET CHANGE IN FUND EQUITY	(207,570)	(247,495)	(98,727)
FUND EQUITY - BEGINNING OF YEAR	247,274	494,769	593,496
FUND EQUITY - END OF YEAR	$ 39,704	$ 247,274	$ 494,769

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, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 256,182	$ 292,255
Investments, at fair value	912,420	1,166,914
Due from Medical Mutual of Ohio	22,530	58,889
Prepaid expenses	68,057	-
TOTAL CURRENT ASSETS	$ 1,259,189	$ 1,518,058
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 189,735	$ 220,282
Cost savings - sharing payable	88,750	57,552
Liability for claims incurred but not reported	941,000	992,950
TOTAL CURRENT LIABILITIES	1,219,485	1,270,784
FUND EQUITY		
Restricted	2,147,000	1,843,000
Unrestricted	(2,107,296)	(1,595,726)
TOTAL FUND EQUITY	39,704	247,274
TOTAL LIABILITIES AND FUND EQUITY	$ 1,259,189	$ 1,518,058

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, 2006 and 2005

	2006	2005
REVENUES		
Contributions:		
Employer	$ 8,052,996	$ 7,007,772
Participant	930,823	923,989
Cost-sharing savings from 2003 contributed to 2005	-	1,551,474
COBRA	32,247	41,951
TOTAL REVENUE	9,016,066	9,525,186
EXPENSES		
Medical claims	5,719,659	6,237,758
Dental claims	430,028	510,517
Vision claims	137,959	141,155
Prescription claims	1,885,832	1,862,966
Stop-loss	308,691	258,143
Access fee	109,303	96,346
Dispensing fee - National Prescription Administrators, Inc.	-	31,419
Accounting	10,800	10,100
Actuarial	80,616	96,911
Trust management	50,442	51,702
Legal fees	49,417	75,081
Bank fees	10,102	15,325
Insurance	4,498	4,498
Miscellaneous	431	870
Medical administration	367,743	352,919
Vision administration	23,605	24,221
Prescription administration	5,533	14,666
Dental administration	40,574	28,747
Cost savings-sharing expense	31,198	-
TOTAL OPERATING EXPENSES	9,266,431	9,813,344
NET CHANGE IN FUND EQUITY BEFORE OTHER REVENUE	(250,365)	(288,158)
OTHER REVENUE		
Investment income	42,795	40,663
NET CHANGE IN FUND EQUITY	(207,570)	(247,495)
FUND EQUITY - BEGINNING OF YEAR	247,274	494,769
FUND EQUITY - END OF YEAR	$ 39,704	$ 247,274

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, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash contributions received from employer	$ 8,052,996	$ 7,079,888
Cash contributions received from employees	930,823	923,989
Cash received for COBRA premiums	32,247	41,951
Cash received for refund of deposit	-	65,000
Cash payments for benefit plan claims	(8,586,638)	(8,682,973)
Cash payments for benefit providers' administration fees	(563,812)	(539,181)
Cash payments for plan administration and operating expenses	(198,978)	(264,480)
Interest and dividends received	42,455	69,545
NET CASH USED FOR OPERATING ACTIVITIES	(290,907)	(1,306,261)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loss on bond maturity	-	181
Proceeds from bond maturity	254,834	65,000
Transfer to investment account	-	(129,990)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	254,834	(64,809)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,073)	(1,371,070)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	292,255	1,663,325
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 256,182	$ 292,255
RECONCILIATION OF NET CHANGE IN FUND EQUITY TO NET CASH USED FOR OPERATING ACTIVITIES:		
Net change in fund equity	$ (207,570)	$ (247,495)
Adjustments to reconcile net change in fund equity to net cash (used for) provided by operating activities:		
Net (appreciation) depreciation in fair value of investments	(340)	29,064
Changes in operating assets and liabilities:		
Due from Medical Mutual of Ohio	36,359	(58,889)
Due from Lorain City School District	-	72,116
Prepaid expenses	(68,057)	48,461
Deposit - Express Scripts, Inc.	-	65,000
Accounts payable	(30,547)	87,506
Cost savings - sharing payable	31,198	(1,551,474)
Liability for claims incurred but not reported	(51,950)	249,450
NET CASH USED FOR OPERATING ACTIVITIES	$ (290,907)	$ (1,306,261)

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

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.

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.

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.

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.

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, 2006 and 2005 based on historical trends. As of December 31, 2006, it was noted that the liability for claims incurred but not reported (IBNR) was not fully funded. It is the intention of the school district to provide sufficient funding within the District's resources as of July 1, 2007 to fully fund the estimated liability as of June 30, 2007. As of December 31, 2005, during the Trust administrator's testing of the liability for claims incurred but not reported, it was noted from the review of the actuarial opinion that the liability was not 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 2006 and 2003 shortfalls with advances from the insurance reserve account in the amount of $250,000 and $241,127, respectively. For the year ended December 31, 2006, the cost-savings calculation resulted in revenue being greater than expenses in the amount of $31,198. This amount, and the remaining excess from 2003 of $57,552, is reflected as a liability on the balance sheet in the amount of $88,750 and will be used to offset future trust expense and will not be distributed to the employees or the Board of Education. For the year ended December 31, 2005, the cost-savings calculation resulted in expenses being greater than revenue, therefore a portion of the amount distributable from 2003, that was escrowed for future use and reflected as a liability, was used to cover the deficit in funding. $1,551,474 was reclassified to revenue in 2005 from this liability.

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, 2006 and 2005, the carrying amount of the Trust's cash deposits were $256,182 and $292,255, 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 following table presents investments at market value as of December 31, 2006 and 2005. 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.

	2006	2005
U.S. Treasury Notes:		
5.000%, due 2/15/2011	$ 151,875	$ 154,453
5.000%, due 8/15/2011	101,406	103,219
3.000% due 11/15/2007	171,966	194,968
3.375% due 11/15/2008	194,844	194,594
3.500% due 11/15/2009	193,438	193,844
2.875% due 11/30/2006	-	197,218
4.125% due 8/15/2008	98,891	99,438
3.625% due 1/15/2010	-	29,180
Total Investments	$ 912,420	$ 1,166,914

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, 2006 and 2005 this calculated reserve amount was $2,147,000 and $1,843,000 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.

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.

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.

	2006	2005
Unpaid claims and claim adjustment expenses at beginning of year	$ 1,186,740	$ 846,360
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	9,114,478	9,745,345
Total incurred claims and claim adjustment expenses	10,301,218	10,591,705
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	8,004,059	8,558,605
Claims and claim adjustment expenses attributable to insured events of prior years	1,186,740	846,360
Total payments	9,190,799	9,404,965
Total unpaid claims and claim adjustment expenses at end of year (see schedule below)	$ 1,110,419	$ 1,186,740
Schedule of unpaid claims and claim adjustment expenses at end of year:		
Portion of accounts payable that relates to claims expenses	$ 169,419	$ 193,790
Liability for incurred but not reported claims	941,000	992,950
	$ 1,110,419	$ 1,186,740

NOTE 6 - SUBSEQUENT EVENT

During June, 2007, the District announced staffing layoffs of approximately 300 persons. These layoffs were made necessary by significant operating budget shortfalls faced by the District. Health benefits for these persons shall be provided through August, 2007.

NOTE 7 - CONSIDERATION OF GOING CONCERN

The Trust has incurred deficits in funding of claims over the last several years and the District has had ongoing financial difficulties, all of which raise concerns as to the ability of the Trust to continue as a going concern. As the District has taken significant action to stabilize their budget situation, Trust management believes these actions, along with expected funding changes both from the District and from the participants, will permit continued operations of the Trust. Much of this will be subject to negotiations with the bargaining unit and, until that is complete, there is no assurance that sufficient funding will be available.

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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, 2006 and have issued our report thereon dated June 29, 2007. 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

BOBER, MARKEY, FEDOROVICH & COMPANY

June 29, 2007

Mary Taylor, CPA
Auditor of State

LORAIN CITY SCHOOL DISTRICT HEALTH TRUST

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 4, 2007

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