

**GREAT LAKES  
COUNCIL OF GOVERNMENTS**  
CUYAHOGA COUNTY, OHIO

**REGULAR AUDIT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**





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Columbus, Ohio 43215  
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(800) 282-0370

Members of the Assembly  
Great Lakes Council of Governments  
390 Fair Street  
Berea, Ohio 44017

We have reviewed the *Independent Auditor's Report* of the Great Lakes Council of Governments, Cuyahoga County, prepared by Julian & Grube, Inc., for the audit period July 1, 2019 through June 30, 2020. 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 Great Lakes Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 12, 2021

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**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

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## Independent Auditor's Report

Great Lakes Council of Governments  
Cuyahoga County  
390 Fair Street  
Berea, Ohio 44017

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Great Lakes Council of Governments, Cuyahoga County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Great Lakes Council of Governments' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Great Lakes Council of Governments' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Great Lakes Council of Governments' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Great Lakes Council of Governments, Cuyahoga County, Ohio, as of June 30, 2020, and the changes in its financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 7 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Great Lakes Council of Governments. Our opinion is not modified with respect to this matter.

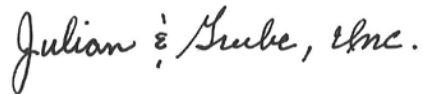
***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *six-year loss development information* listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2020, on our consideration of the Great Lakes Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Great Lakes Council of Governments' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Great Lakes Council of Governments' internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 30, 2020



**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The management's discussion and analysis of the Great Lakes Council of Governments' (the "Council") financial performance provides an overall review of the Council's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- Berea City School District and Strongsville City School District joined the Council as new members in fiscal year 2020.
- In total, net position was \$6,600,745 at June 30, 2020. This represents an increase of \$3,699,388 from June 30, 2019.
- The Council had operating revenues of \$41,202,145, operating expenses of \$37,541,107, and nonoperating revenues of \$38,350 for fiscal year 2020.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council's financial activities. The *statement of net position* and *statement of revenues, expenses, and changes in net position* provide information about the activities of the Council, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about cash provided by or used in various activities of the Council.

**Reporting the Council Financial Activities**

***Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2020?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Council's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Council as a whole, the *financial position* of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Council's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 7-8 of this report.

The statement of cash flows provides information about how the Council finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-15 of this report.

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

***Required Supplementary Information***

Six years of loss development information can be found on pages 16-18 of this report.

**Net Position and Changes in Net Position**

The table below provides a summary of the Council's net position for fiscal year 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
Cash	<u>\$ 10,650,937</u>	<u>\$ 4,466,363</u>
<b><u>Liabilities:</u></b>		
Claims payable	<u>4,050,192</u>	<u>1,565,006</u>
<b><u>Net Position:</u></b>		
Unrestricted	<u>\$ 6,600,745</u>	<u>\$ 2,901,357</u>

The assets of the Council are comprised of cash and cash equivalents. The Council established premiums at a level to build reserves should claims payments fluctuate in a given year. The Council will continue to monitor and assess premiums for their sufficiency to cover claims expenses and continue to support reserve levels.

The liability for claims payable is calculated by the Council's independent actuary and estimates the claims incurred and due at June 30, 2020. This amount is reflected net of stop-loss reimbursements due to the Council at June 30, 2020.

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**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The table below shows the changes in net position for fiscal year 2020 and 2019.

**Change in Net Position**

	<u>2020</u>	<u>2019</u>
<u>Operating revenues:</u>		
Premiums from member districts	\$ 38,474,648	\$ 14,826,844
Stop-loss premium	2,272,162	694,412
Pharmacy rebates	455,335	499,571
Total operating revenues	<u>41,202,145</u>	<u>16,020,827</u>
<u>Operating expenses:</u>		
Claims	35,341,271	14,680,504
Administrative fees	630,845	875,867
Stop-loss premiums	1,368,087	716,687
Wellness services and fees	146,980	105,488
Fiscal agent fees	28,641	16,341
Miscellaneous fees	25,283	20,677
Total operating expenses	<u>37,541,107</u>	<u>16,415,564</u>
Operating income (loss)	3,661,038	(394,737)
<u>Nonoperating revenues:</u>		
Interest	34,330	62,027
Other nonoperating revenues	4,020	4,865
Total nonoperating revenues	<u>38,350</u>	<u>66,892</u>
Change in net position	<u>3,699,388</u>	<u>(327,845)</u>
Net position, July 1	<u>2,901,357</u>	<u>3,229,202</u>
Net position, June 30	<u>\$ 6,600,745</u>	<u>\$ 2,901,357</u>

Operating revenues exceeded operating expenses in fiscal year 2020, and increased from 2019 as a result of Berea City School District and Strongsville City School District joining the council effective July 1, 2019. Sufficient participant contributions are required to ensure that the Council meets increasing claims expenses. The Council reported \$34,330 in interest during fiscal year 2020, as a result of investing in a money market account.

Claims expense represents 94.14% and 89.43% of all expenses for fiscal years 2020 and 2019, respectively. The Council aims to maintain premium revenues at a level sufficient to exceed current year claims expense. Claims expense was 85.78% of total fiscal year 2020 operating revenues. The Council uses Medical Mutual and Express Scripts Holding Company as its third-party administrators for the medical, pharmacy and vision plans. Administrative fees are paid to the Council's administrative agent. The Council paid \$28,641 in fiscal agent fees during fiscal year 2020. The expenses of the Council's wellness program increased \$41,492 during fiscal year 2020. The wellness program began in fiscal year 2018. Miscellaneous fees include audit fees and liability insurance.

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Current Financial Related Activities**

The Council is owned and operated by 5 school districts in Ohio. The Council's main source of revenue is premiums paid by the member school districts. The Council is committed to providing its member districts with the advantages of a large buying cooperative, while maintaining control by the local district leadership. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Council is committed to protecting the long-term financial interests of its core members, and will not admit a new member that will adversely impact premiums and claims payments. The Council Trustees and its third party administrator, Medical Mutual of Ohio, continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for Council members. Establishing premiums that satisfy all claims, administration fees, and other expenses for the Council, in addition to enhancing the net position is important for the short-term and long-term interests of the Council. The most significant challenge facing the Board of Directors is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These two programs were the impetus that brought the participating districts together in an attempt to benefit from the economies of scale that could be reaped from a group of approximately 2,120 covered employees, in lieu of each individual district independently entering the insurance marketplace. As the claims costs for medical and prescription drug continue to escalate, the Board of Directors are faced with the unviable task of attempting to balance a quality benefits offering within the financial constraints facing Ohio's public school districts. This is much the same as the dilemma facing American business today, and is complicated by the fact that most of the School Districts in the Council must collectively bargain levels with the respective employee unions. Member school districts may also have more than one plan design, depending on negotiated agreements. The challenge is set before the Council and its Board of Directors, and the future looks better from the collective, as opposed to individual, view of the participating districts.

**Contacting the Council's Financial Management**

This financial report is designed to provide our member districts, citizens, and other interested parties with a general review of the Council's finances and to show the Council's accountability for the money it receives. If you have any questions about this report or need additional financial information contact: Ms. Jill Rowe, Fiscal Officer, Great Lakes Council of Governments, 390 Fair Street, Berea, Ohio 44017.

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2020

<b>Assets:</b>	
Cash and cash equivalents . . . . .	\$ 10,650,937
Total assets . . . . .	<u>10,650,937</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>4,050,192</u>
Total current liabilities . . . . .	<u>4,050,192</u>
<b>Net position:</b>	
Unrestricted . . . . .	<u>6,600,745</u>
Total net position . . . . .	<u>\$ 6,600,745</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Operating revenues:</b>	
Premiums from member districts . . . . .	\$ 38,474,648
Stop-loss premium. . . . .	2,272,162
Pharmacy rebates . . . . .	455,335
Total operating revenues . . . . .	<u>41,202,145</u>
<b>Operating expenses:</b>	
Claims . . . . .	35,341,271
Administrative fees . . . . .	630,845
Stop-loss premiums . . . . .	1,368,087
Wellness services and fees . . . . .	146,980
Fiscal agent fees . . . . .	28,641
Miscellaneous fees . . . . .	25,283
Total operating expenses . . . . .	<u>37,541,107</u>
Operating income. . . . .	<u>3,661,038</u>
<b>Nonoperating revenues:</b>	
Investment income . . . . .	34,330
Other nonoperating revenues. . . . .	4,020
Total nonoperating revenues . . . . .	<u>38,350</u>
Change in net position . . . . .	3,699,388
<b>Net position at beginning of year . . . . .</b>	<u>2,901,357</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 6,600,745</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Cash flows from operating activities:</b>	
Cash received from premiums from member districts. . . . .	\$ 38,474,648
Cash received from stop-loss premium . . . . .	2,272,162
Cash received from pharmacy rebates . . . . .	455,335
Cash payments for claims. . . . .	(32,856,085)
Cash payments for administrative fees . . . . .	(630,845)
Cash payments for stop-loss premiums . . . . .	(1,368,087)
Cash payments for wellness services and fees . . . . .	(146,980)
Cash payments for fiscal agent fees . . . . .	(28,641)
Cash payments for miscellaneous fees . . . . .	(25,283)
	6,146,224
<b>Cash flows from non-capital financing activities:</b>	
Other nonoperating income . . . . .	4,020
	4,020
<b>Cash flows from investing activities:</b>	
Interest income . . . . .	34,330
	34,330
Net increase in cash . . . . .	6,184,574
<b>Cash and cash equivalents at beginning of year. . . . .</b>	<b>4,466,363</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 10,650,937</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 3,661,038
Changes in assets and liabilities:	
Increase in claims payable . . . . .	2,485,186
	6,146,224
<b>Net cash provided by operating activities . . . . .</b>	<b>\$ 6,146,224</b>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Great Lakes Council of Governments, (the Council) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code.

The Council is a claims-servicing pool as defined by Government Accounting Standards Board (GASB) Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" as amended by GASB Statement No. 30. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees in accordance with the Council-by-laws.

The Council is directed by a Governing Board, consisting of the Superintendents or designee of the participating school districts. As of June 30, 2020, there were five participating members of the Council, which include: Avon Local School District, Berea City School District, Fairview Park City School District, Olmstead Falls City School District, and Strongsville City School District.

The Council is committed to providing its member districts with the advantages of a large buying cooperative, while maintaining control by the local district leadership. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Council is committed to protecting the long-term financial interests of its core members, and will not admit a new member that will adversely impact premiums and claims payments.

Members pay monthly premiums (program costs) that are placed in a common fund from which eligible claims are paid for member employees and their covered dependents. Claims are paid for all participants regardless of claims flow, resulting in a transfer of all risk. The Board of Directors annually estimate and set the amount of funds necessary in order to have funds available to pay all claims which could be made Under the Health Benefits Plan by covered persons which would not be paid aggregate and specific stop-loss insurance coverage, and said amounts will be placed in a reserve fund.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Council's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Council are not misleading. On this basis, no governmental organizations other than the Council itself are included in the financial reporting entity.



**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The Council maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Council uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

**C. Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Council utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The Council’s activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Council’s operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The Council distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from participants’ contributions for insurance coverage and stop loss insurance premiums. Operating expenses for the Council include the payment of claims, administrative fees, stop-loss premiums, professional fees, wellness services and fees, fiscal agent fees, and miscellaneous fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Cash and Investments**

Cash received by the Council is reflected as “cash and cash equivalents” on the statement of net position. Unless otherwise noted, all monies received by the Council are pooled as demand deposits. During fiscal year 2020, the Council had investments in a money market account.

An analysis of the Council’s deposits and investments at fiscal year-end is provided in Note 3.

**E. Budgetary Process**

Each member school district of the Council is required by Ohio law to adopt an annual budget. The Council itself is not required to follow the budgetary process and, therefore, no budgetary information is provided in these basic financial statements.

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Council had no restricted net position at fiscal year-end.

**G. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**H. Fair Value Measurements**

The Council categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**A. Deposits Held in Financial Institutions**

At June 30, 2020, the carrying amount and the bank value of the Council's deposits was \$6,069,566. Of the bank balance, \$250,000 was covered by the FDIC and \$2,909,783 was covered by the Ohio Pooled Collateral System (OPCS), and \$2,909,783 was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Council has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Council and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the Council's financial institution was approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the FDIC.

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

The Council had the following investment outstanding at June 30, 2020.

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 months or less</u>
<i>Fair Value:</i>		
Money Market Account	<u>\$ 4,581,371</u>	<u>\$ 4,581,371</u>

The Council's investment in the money market account is valued using quoted market prices in active markets (Level 1 inputs).

Disclosures regarding investments of the Council are as follows:

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Council limits investment portfolio maturities to five years or less.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Council has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Credit Risk:* The Council's investment in the money market account were not rated but are fully insured by the FDIC. The Council's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**NOTE 4 - RISK MANAGEMENT**

The Council contracted with a third-party administrator, Medical Mutual of Ohio, Inc. for the fiscal year ended June 30, 2020, to process and pay health benefit claims incurred by its members. Similarly, the Council has contracted with Express Scripts Holding Company for processing claims for prescription drug benefits. Payments are made by members to the Council for monthly health insurance premiums, monthly stop-loss premiums, prescription drug premiums, vision premiums, and administrative charges. The Treasurer approves monthly payments to the third-party administrators for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of the Council members. If the members' aggregate contributions less expenses cause it to have a negative cash balance, the Council shall direct the Fiscal Agent to promptly notify in writing each member of any additional funds necessary to correct the deficiency. Whereupon each Member shall appropriate (pursuant to Chapter 5705 of the Revised Code) the amount stated in that notice and remit the same to the Fiscal Agent within the time periods determined by the Council.

The Council employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows the Council to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability.

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 4 - RISK MANAGEMENT - (Continued)**

The claims liability of \$4,050,192 reported at June 30, 2020, reported net of stop-loss reimbursements due to the Council of \$448,192, is based on an actuarial estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the fiscal years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Claims payable at beginning of fiscal year	\$ 1,565,006	\$ 1,277,957
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	34,063,250	14,807,315
Increase (Decrease) in claims expenses for insured events of the prior years	1,278,021	(126,811)
Total claims expenses	35,341,271	14,680,504
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	29,179,379	12,408,630
Claims expenses paid attributable to insured events of prior years	3,676,706	1,984,825
Total claims payments	32,856,085	14,393,455
Claims payable at end of fiscal year	\$ 4,050,192	\$ 1,565,006

**NOTE 5 - LITIGATION**

The Council is not party to legal proceedings which, in the opinion of Council management, would have a material effect, if any, on the financial condition of the Council.

**NOTE 6 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2020, the Council has implemented GASB Statement No. 84, "Fiduciary Activities" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Council.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Council.

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 7 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. The Council's investment portfolio and investments of the pension and other employee benefit plan in which the Council participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Council's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

**SIX-YEAR LOSS DEVELOPMENT INFORMATION**

The following table illustrates how the Council's earned revenue and investment income compares to related costs of loss and other expenses assumed by the Council as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the Council including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Council's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).
- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information prior to fiscal year 2015 is not available.



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**GREAT LAKES COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

**SIX-YEAR LOSS DEVELOPMENT INFORMATION <sup>(1)</sup> (CONTINUED)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>1. Premiums and investment income <sup>(2)</sup></b>	\$ 11,535,764	\$ 12,423,230	\$ 13,509,656	\$ 14,014,513	\$ 14,888,871
<b>2. Unallocated expenses <sup>(2)</sup></b>	1,643,331	1,361,764	1,445,536	1,705,920	1,735,060
<b>3. Estimated losses incurred and expense, end of year</b>	12,855,719	12,284,397	13,159,649	12,480,980	14,807,315
<b>4. Paid, cumulative as of:</b>					
End of accident year	11,078,540	10,094,214	11,066,518	10,369,344	12,408,630
One year later	12,028,919	11,074,964	12,094,719	12,354,169	16,085,336
Two years later	12,028,919	11,074,964	12,094,719	12,354,169	-
Three years later	12,028,919	11,074,964	12,094,719	-	-
Four years later	12,028,919	11,074,464	-	-	-
Five years later	12,028,919	-	-	-	-
<b>5. Re-estimated incurred losses and expense:</b>					
End of accident year	12,855,719	12,284,397	13,159,649	12,480,980	14,807,315
One year later	12,028,919	11,074,964	12,094,719	12,354,169	16,085,336
Two years later	12,028,919	11,074,964	12,094,719	12,354,169	-
Three years later	12,028,919	11,074,964	12,094,719	-	-
Four years later	12,028,919	11,074,964	-	-	-
Five years later	12,028,919	-	-	-	-
<b>6. Increase (decrease) in estimated incurred losses and expenses from end of accident year</b>	(826,800)	(1,209,433)	(1,064,930)	(126,811)	1,278,021

Notes:

<sup>(1)</sup> Information prior to fiscal year 2015 is not available. This schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

<sup>(2)</sup> Information for 2015 and 2016 presented on the cash-basis of accounting.

**2020**

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\$ 38,508,978

2,199,836

34,063,250

29,179,379

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34,063,250

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**Independent Auditor's 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***

Great Lakes Council of Governments  
Cuyahoga County  
390 Fair Street  
Berea, Ohio 44017

To the Board of Directors:

We have audited, in accordance with the 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, the financial statements of the Great Lakes Council of Governments, Cuyahoga County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Great Lakes Council of Governments' basic financial statements, and have issued our report thereon dated December 30, 2020, wherein we noted as described in Note 7 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Great Lakes Council of Governments' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Great Lakes Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of the Great Lakes Council of Governments' internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Great Lakes Council of Governments' financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Great Lakes Council of Governments' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Great Lakes Council of Governments' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Great Lakes Council of Governments' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
December 30, 2020

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# OHIO AUDITOR OF STATE KEITH FABER



**GREAT LAKES COUNCIL OF GOVERNMENTS**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/25/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)