

**LAKE ERIE REGIONAL
COUNCIL OF GOVERNMENTS**

LORAIN COUNTY, OHIO

REGULAR AUDIT

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



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Council Members
Lake Erie Regional Council of Governments
1885 Lake Ave
Elyria, Ohio 44035

We have reviewed the *Independent Auditor's Report* of the Lake Erie Regional Council of Governments, Lorain 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 Lake Erie Regional 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

March 04, 2021

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**LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO**

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Independent Auditor's Report

Lake Erie Regional Council of Governments
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the business-type activities of the Lake Erie Regional Council of Governments, Lorain 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 Lake Erie Regional 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 the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 opinions 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 Lake Erie Regional 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 Lake Erie Regional 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities of the Lake Erie Regional Council of Governments, Lorain County, Ohio, as of June 30, 2020, and the respective changes in cash basis financial position thereof for the fiscal year then ended in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

Ohio Administrative Code Section 117-2-03(B) requires the Lake Erie Regional Council of Governments to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As described in Note 9 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Lake Erie Regional Council of Governments. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Lake Erie Regional Council of Governments' basic financial statements. The *management's discussion and analysis* and the *Claims Development Information* listed in the table of contents, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of the Lake Erie Regional 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 Lake Erie Regional 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 Lake Erie Regional Council of Governments' internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 16, 2020

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

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

The discussion and analysis of the Lake Erie Regional 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 cash basis financial statements and notes to those respective statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position was \$ 25,135,158 at June 30, 2020.
- Program cash receipts totaled \$ 41,101,708 in 2020 and program cash disbursements were \$ 38,683,763 for fiscal year 2020. The Council also received \$ 399,657 in interest and \$ 45,053 other receipts during the year. Total change in cash net position for fiscal year 2020 was an increase of \$ 2,862,655.

Using this Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Council's cash basis of accounting. The report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on the cash basis of accounting.

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Council, presenting an aggregate view of the Council's finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the Board as a Whole

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

These documents look at all financial transactions and asks the question, "How did we do financially during 2020?" The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year receipts and disbursements if the cash is actually received or paid.

These two statements report the Council's net position and changes in net position on a cash basis. 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.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as claims payable) and deferred inflows/outflows of resources are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

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

Reporting the Council's Fund Financial Statements

Fund Financial Statements

Fund financial statements provide detailed information about the Council. The Council's activities are reported in the fund financial statements, which focus on how money flows and the balance left at year end available for spending in future periods. These fund financial statements are reported on a cash basis of accounting. The fund financial statements provide a detailed short-term view of the Council's operations and the services they provide.

The Council as a Whole

The table below provides a summary of the Council's cash net position at June 30, 2020 and June 30, 2019.

Table 1 - Net Cash Position

	2020	2019
Assets		
Cash and investments with fiscal agent	\$ 25,135,158	\$ 22,272,503
Total assets	<u>25,135,158</u>	<u>22,272,503</u>
Net position		
Unrestricted	25,135,158	22,272,503
Total net position	<u>\$ 25,135,158</u>	<u>\$ 22,272,503</u>

Net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the Council's net position totaled \$ 25,135,158, an increase of \$ 2,862,655 from fiscal year 2019.

Table 2 shows the changes in net position from fiscal year 2019 to fiscal year 2020:

Table 2 - Change in Net Position

	2020	2019	Change
Cash receipts			
Health benefit premium deposits	\$ 41,101,708	\$ 41,432,842	(331,134)
Other	45,053	-	45,053
Interest	399,657	376,047	23,610
Total cash receipts	<u>41,546,418</u>	<u>41,808,889</u>	<u>(262,471)</u>
Cash disbursements			
Salaries	35,734	31,724	4,010
Fringe benefits	21,774	13,789	7,985
Claims	34,771,543	34,134,364	637,179
Insurance premiums	1,949,279	1,769,785	179,494
Purchased services	1,874,628	1,958,323	(83,695)
Materials and supplies	30,073	29,508	565
Capital outlay	732	-	732
Total cash disbursements	<u>38,683,763</u>	<u>37,937,493</u>	<u>746,270</u>
Increase in net cash position	<u>\$ 2,862,655</u>	<u>\$ 3,871,396</u>	<u>\$ (1,008,741)</u>

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating cash receipts in 2020 were \$ 331,134 lower than in 2019 and operating cash disbursements increased by \$ 746,270. Operating cash receipts were lower than in 2019 as a result of a premium holiday in December 2019. Operating cash disbursements increased due to increased claims.

Current Financial Related Activities

The Council currently consists of a self-funded health insurance program with an emphasis on health and well-being. Health insurance rates are set through an annual calculation process. The members pay a monthly contribution which is placed into a pooled fund from which claims payments are made for all participating members. The Council receives an actuarial opinion statement annually assessing the claims liability of the claims servicing pool.

The Council promotes wellness by providing funds to use for wellness activities and awareness and also pays for an employee assistance program for use with employees and their family members at no extra cost to the employee.

The Council's assembly consists of a superintendent and treasurer, or designated representative, from each participating district. The Council is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board.

Contacting the Council's Financial Management

This financial report is designed to provide our clients and creditors with a general overview 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 Angela Dotson, Treasurer, at the Educational Service Center of Lorain County, 1885 Lake Ave., Lorain, Ohio 44035 or by calling 440-324-5777.

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LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

STATEMENT OF NET POSITION – CASH BASIS
PROPRIETARY FUND

JUNE 30, 2020

	<u>Business-type Activities</u>
Assets	
Cash and investments with fiscal agent	<u>\$ 25,135,158</u>
Total assets	<u><u>25,135,158</u></u>
Net position	
Unrestricted	<u>25,135,158</u>
Total net position	<u><u>\$ 25,135,158</u></u>

See accompanying notes to the basic financial statements.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

STATEMENT OF ACTIVITIES – CASH BASIS
PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Cash Disbursements</u>	<u>Program Cash Receipts Charges for Services and Sales</u>	<u>Net (Disbursements) Receipts and Changes in Net Position</u>
Business-type activities			
Insurance purchasing pool	\$ 38,683,763	\$ 41,101,708	\$ 2,417,945
Total business-type activities	<u>\$ 38,683,763</u>	<u>\$ 41,101,708</u>	<u>2,417,945</u>
General receipts			
Other			45,053
Interest			<u>399,657</u>
Total general receipts			<u>444,710</u>
Change in net position			2,862,655
Net position at beginning of year			<u>22,272,503</u>
Net position at end of year			<u>\$ 25,135,158</u>

See accompanying notes to the basic financial statements.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUND

JUNE 30, 2020

	<u>Insurance Purchasing Pool</u>
Assets	
Cash and investments with fiscal agent	<u>\$ 25,135,158</u>
Total assets	<u><u>25,135,158</u></u>
Net position	
Unrestricted	<u>25,135,158</u>
Total net position	<u><u>\$ 25,135,158</u></u>

See accompanying notes to the basic financial statements.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET POSITION –
CASH BASIS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Insurance Purchasing Pool
Operating cash receipts	
Health benefit premium deposits	\$ 41,101,708
Total operating cash receipts	41,101,708
Operating cash disbursements	
Salaries	35,734
Fringe benefits	21,774
Claims	34,771,543
Insurance premiums	1,949,279
Purchased services	1,874,628
Materials and supplies	30,073
Capital outlay	732
Total operating cash disbursements	38,683,763
Excess of operating receipts over operating cash disbursements	2,417,945
Non-operating cash receipts	
Interest	399,657
Refunds of prior year disbursements	45,053
Total non-operating cash receipts	444,710
Increase in net cash position	2,862,655
Net position at beginning of year	22,272,503
Net position at end of year	\$ 25,135,158

See accompanying notes to the basic financial statements.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

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

NOTE 1 DESCRIPTION OF THE ENTITY

Lake Erie Regional Council of Governments (the "Council"), Lorain County, Ohio is a body corporate and politic established to exercise 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 promotes cooperative agreements to its members in dealing with problems of mutual concerns. During the fiscal year ended June 30, 2020, the Council offered a claims servicing health insurance program. The Council is constantly assessing needs of its members and acting to provide these services cost effectively. Services provided by the cooperative are approved by the Council's Board of Directors.

The Council is a jointly governed organization. As of June 30, 2020, there were twelve members of the Council. The Council's Board of Directors is the legislative decision making body of the Council and is comprised of the superintendent or designated representative from each participating district, and the fiscal agent.

The Council offers an insurance purchasing pool to its members as defined by Governmental Accounting Standards Board Statement No. 10. The health insurance claims servicing pool is comprised of eleven Lorain County school districts, as well as the Educational Service Center. The pool was formed to carry out a cooperative program for the provision and administration of health care benefits. 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. The pool premiums are billed to each participating school district based on actuarially determined rates. Claims are paid for all participants regardless of claims flow or individual account balance. The Council receives an actuarial opinion statement annually assessing the claims liability of the insurance purchasing pool.

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

A. BASIS OF ACCOUNTING

The financial statements follow the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, accrued expenses and liabilities) and deferred inflows/outflows of resources are not recorded in these financial statements.

Operating receipts are those receipts that are generated directly from the primary activity of the Council. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Council. All receipts and disbursements not meeting these definitions are reported as non-operating.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN 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 the 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 capital maintenance, public policy, management control, accountability or other purposes. As of June 30, 2020, the Council’s major enterprise fund was as follows:

Insurance Purchasing Pool – This enterprise fund is used to account for revenues collected from the participating members to pay all related insurance claims incurred during the year.

C. BUDGETARY PROCESS

The Council is not required to follow the budgetary process, but has decided to adopt a formal budget annually.

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level and appropriations may not exceed estimated resources. The Board annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1.

Encumbrances - The Council reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

D. CASH AND INVESTMENTS WITH FISCAL AGENT

The Educational Service Center of Lorain County (the “Service Center”) serves as the fiscal agent for the Council. The Service Center maintains the Council’s financial activity on the Service Center’s books under a specific fund designed for Council activity. The Treasurer of the Service Center, acting as custodian of Council funds, invests monies on behalf of the Council. Investments maintained by the Service Center as fiscal agent are limited to certificates of deposit, STAR Ohio (the State Treasurer’s Investment Pool), treasury notes, commercial paper, municipal bonds and federal agencies. In accordance with the cost basis of accounting, with the exception of STAR Ohio, these investments are reported at cost.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. CASH AND INVESTMENTS WITH FISCAL AGENT (continued)

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Council measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$ 100 million. STAR Ohio reserves the right to limit the transaction to \$ 100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$ 100 million limit. All accounts of the participant will be combined for these purposes.

An analysis of the Council's cash and investments with its fiscal agent at fiscal year-end is provided in Note 3.

E. NET CASH POSITION

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

NOTE 3 CASH AND INVESTMENTS WITH FISCAL AGENT

Fiscal Agent - The Educational Service Center of Lorain County serves as the fiscal agent for the Council.

A. LEGAL REQUIREMENTS

State statutes classify monies held by the Council into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Council's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

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

NOTE 3 CASH AND INVESTMENTS WITH FISCAL AGENT (continued)

A. LEGAL REQUIREMENTS (continued)

Protection of the Council's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements are met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

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

NOTE 3 CASH AND INVESTMENTS WITH FISCAL AGENT (continued)

B. DEPOSITS

Custodial credit risk for deposits 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. Protection of the Council's cash and deposit is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Council's policy is to place deposits with major local banks approved by the Council's Board.

At year end, \$ 9,094,062 of the Council's bank balance of \$ 13,279,373 was covered by Federal Depository Insurance and \$ 4,185,311 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Council's name. The Council's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System resulting in the uninsured and uncollateralized balance.

The Council has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the Council and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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 market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

C. INVESTMENTS

As of June 30, 2020, the Council has a formal investment policy. The Council records all its investments at measurement value. At June 30, 2020, measurement value of investments was \$ 12,136,347. STAR Ohio is measured at net asset value per share while all other investments are measured at cost.

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

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

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

D. INTEREST RATE RISK

As a means of limiting its exposure to fair market value losses arising from rising interest rates and according to state law, the Council's investment policy limits investment portfolio maturities to five years or less. The Council's investment portfolio is structured so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

E. CREDIT RISK

The credit risk of the Council's investments is identified in the table below. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Council has no investment policy that would further limit its investment choices.

F. 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 U.S. Agency notes are exposed to custodial risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Council's name. 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.

Concentration of Credit Risk. The Council places no limit on the amount that may be invested to any one issuer. Investments at June 30, 2020 were as follows:

	Carrying Value	Percent of Total	Credit Rating	Investment Maturities		
				< 1 Year	1 - 2 Years	3 - 5 Years
STAR Ohio	\$ 6,582,291	54.3%	AAAm	\$ 6,582,291	\$ -	\$ -
Commercial Paper	498,598	4.1%	A1 +	498,598	-	-
Commercial Paper	620,869	5.1%	A1	620,869	-	-
Municipal Bonds	373,265	3.1%	AA	373,265	-	-
U.S. Agencies	149,712	1.2%	A-1+	149,712	-	-
U.S. Agencies	3,911,612	32.2%	AA+	-	989,500	2,922,112
Total	<u>\$ 12,136,347</u>	<u>100.0%</u>		<u>\$ 8,224,735</u>	<u>\$ 989,500</u>	<u>\$ 2,922,112</u>

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

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

NOTE 4 BUDGETARY ACTIVITY

Budgetary activity for the fiscal year ended June 30, 2020 is as follows:

2020 Budgeted vs. Actual			
	Budget	Actual	Variance
<u>Enterprise Fund Type</u>			
Receipts	\$ 41,700,000	\$ 41,546,418	\$ (153,582)
Disbursements	\$ 38,683,763	\$ 38,683,763	\$ -

NOTE 5 RELATED PARTY TRANSACTIONS

In consideration for its services, the Educational Service Center of Lorain County, as fiscal agent, receives a fee from the Council in such an amount as approved by the Council's Board of Directors. During the fiscal year ended June 30, 2020, the Council paid \$ 122,136 to the Educational Service Center.

NOTE 6 RISK MANAGEMENT

A. INSURANCE PURCHASING POOL

The Council contracts with Medical Mutual of Ohio as a third-party administrator to process and pay health benefit claims for in-hospital services, outpatient services, physician charges as well as vision services. Delta Dental is a third-party administrator to process and pay all dental claims and Caremark administers prescription drug services. All entities invoice the Council fiscal agent weekly for paid claims by member districts. The health insurance servicing pool is comprised of twelve Lorain County School Districts, including the Educational Service Center. Payments are made monthly for premiums by the twelve member districts as established and approved by the Board of Directors. During fiscal year 2020, the Council purchased specific stop-loss coverage of \$ 250,000 per individual. The fiscal agent treasurer makes monthly payments to the third-party administrators for administrative charges as per their agreements. Administrative costs are contracted annually and may vary from month to month based on the number of enrollees in the plan and the number of single and family plans.

The Council reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities at June 30, 2020:

	2020	2019
Cash and Investments	\$ 25,135,158	\$ 22,272,503
Actuarial Liabilities	\$ 3,961,743	\$ 4,863,000

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO

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

NOTE 6 RISK MANAGEMENT (continued)

B. COMMERCIAL INSURANCE

The Council obtained commercial insurance for the following risks:

- Commercial Property and General Liability
- Commercial Inland Marine
- Professional Liability
- Commercial Auto
- Commercial Crime

Claims have not exceeded coverage in any of the past three years. There has not been significant reduction in coverage from the prior year.

NOTE 7 COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the Council to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Council prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit certain assets, liabilities, deferred outflows/inflows of resources, net position and disclosures that, while material, cannot be determined at this time. The Council can be fined and various other administrative remedies may be taken against the Council.

NOTE 8 SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued.

NOTE 9 – 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 is subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of the individual investments fluctuate with market conditions, the amount of 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.

OTHER INFORMATION

LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO
OTHER INFORMATION
CLAIMS DEVELOPMENT INFORMATION

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
1. Premium and investment income	\$ 41,501,365	\$ 41,808,889	\$ 31,440,378	\$ 26,291,977
2. Unallocated cash disbursements	3,912,220	3,803,129	3,260,139	2,492,967
3. Claims disbursements	34,771,543	34,134,364	25,130,658	21,464,157
4. Claims paid, cumulative as of:				
End of policy year	N/Av	N/Av	N/Av	N/Av
One year later		N/Av	N/Av	N/Av
Two years later			N/Av	N/Av
Three years later				N/Av
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				

1. This line shows the total of each fiscal year's gross premiums received and interest income.
2. This line shows non-claim related cash disbursements for each fiscal year.
3. This line shows claim disbursements for each fiscal year.
4. This section shows the cumulative net amount of claims paid as of the end of the fiscal year.

N/Av - Data not available as of June 30 of each period

The Council reports on the cash basis of accounting. Premium and investment income are recorded when received and unallocated cash disbursements and claim disbursements are recorded when paid by the Council. A claims liability is not recorded under the Council's cash basis of accounting.

<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
\$ 27,954,559	\$ 25,573,396	\$ 25,142,074	\$ 20,390,499	\$ 20,066,985	\$ 18,874,038
2,380,382	2,419,485	2,072,572	1,604,984	1,568,014	1,468,825
22,501,965	24,052,850	23,122,726	18,771,598	18,133,439	18,000,942
N/Av	N/Av	N/Av	N/Av	N/Av	N/Av
N/Av	N/Av	N/Av	N/Av	N/Av	N/Av
N/Av	N/Av	N/Av	N/Av	N/Av	N/Av
N/Av	N/Av	N/Av	N/Av	N/Av	N/Av
N/Av	N/Av	N/Av	N/Av	N/Av	N/Av
	N/Av	N/Av	N/Av	N/Av	N/Av
		N/Av	N/Av	N/Av	N/Av
			N/Av	N/Av	N/Av
				N/Av	N/Av
					N/Av

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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 the Financial Statement Performed in Accordance with
*Government Auditing Standards***

Lake Erie Regional Council of Governments
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

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 business-type activities of the Lake Erie Regional Council of Governments, Lorain 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 Lake Erie Regional Council of Governments' basic financial statements, and have issued our report thereon dated December 16, 2020, wherein we noted the Lake Erie Regional Council of Governments uses a special purpose framework other than accounting principles generally accepted in the United States of America. Also, we noted, as described in Note 9 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 Lake Erie Regional 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Erie Regional Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Erie Regional 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 Lake Erie Regional 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 Lake Erie Regional 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-001.

Lake Erie Regional Council of Governments' Response to Finding

The Lake Erie Regional Council of Governments' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Lake Erie Regional Council of Governments' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Lake Erie Regional 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 Lake Erie Regional Council of Governments' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 16, 2020

**LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-001

Noncompliance – Annual Financial Report:

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office that submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the Council to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the Council prepares its financial statements and notes following the cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles.

The accompanying financial statements and footnotes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to the Ohio Revised Code Section 117.38, the Council may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

We recommend the Council take the necessary steps to ensure the annual report is prepared in accordance with accounting principles generally accepted in the United States of America, in order to comply with the Ohio Administrative Code.

Client Response: Client believed it would not be cost beneficial to file on a GAAP basis.

**LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS
LORAIN COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	Status	Additional Information
2019-001	2017	<u>Noncompliance</u> - Ohio Admin. Code § 117-2-03(B) requires the Council to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the Council prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.	Not Corrected	Repeated as finding 2020-001 as financial statements were prepared on a cash basis.

OHIO AUDITOR OF STATE KEITH FABER



LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS

LORAIN 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 3/16/2021

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