

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

REGULAR AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Directors
Great Lakes Council of Governments
390 Fair Street
Berea, OH 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, 2022 through June 30, 2023. 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, 2024

This page intentionally left blank.

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

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis	4 - 6
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements.....	10 - 16
Required Supplementary Information:	
Nine-Year Loss Development Information	17 - 19
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 <i>Government Auditing Standards</i>	20 - 21

This page intentionally left blank.

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 Audit of the Financial Statements

Opinions

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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Great Lakes Council of Governments, as of June 30, 2023, and the changes in financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Great Lakes Council of Governments and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Great Lakes Council of Governments' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Great Lakes Council of Governments' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *nine-year loss development information* listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 8, 2023 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 8, 2023

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023. 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 2023 are as follows:

- In total, net position was \$3,544,018 at June 30, 2023. This represents an increase of \$2,797,616 from June 30, 2022.
- The Council had operating revenues of \$68,110,869, operating expenses of \$65,447,892, and nonoperating revenues of \$134,639 for fiscal year 2023.
- The Council added the ESC of Northeast Ohio and North Olmsted City School District as participating members during fiscal year 2023. There are currently seven participating members of the Council.

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 2023?" 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 10-16 of this report.

Required Supplementary Information

Nine years of loss development information can be found on pages 17-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net Position and Changes in Net Position

The table below provides a summary of the Council's net position for fiscal year 2023 and 2022.

	Net Position	
	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 4,867,808	\$ 5,843,507
Investments	4,341,024	-
Receivables:		
Accrued interest	<u>12,842</u>	<u>-</u>
Total assets	<u>9,221,674</u>	<u>5,843,507</u>
<u>Liabilities:</u>		
Claims payable	<u>5,677,656</u>	<u>5,097,105</u>
<u>Net Position:</u>		
Unrestricted	<u>\$ 3,544,018</u>	<u>\$ 746,402</u>

The assets of the Council are comprised of cash and cash equivalents, investments, and accrued interest receivable. 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 fiscal year-end. This amount is reflected net of stop-loss reimbursements due to the Council.

The table below shows the changes in net position for fiscal year 2023 and 2022.

	Change in Net Position	
	<u>2023</u>	<u>2022</u>
<u>Operating revenues:</u>		
Premiums from member districts	\$ 59,578,657	\$ 38,072,601
Stop-loss premium	4,222,634	2,704,708
Pharmacy rebates	<u>4,309,578</u>	<u>2,003,620</u>
Total operating revenues	<u>68,110,869</u>	<u>42,780,929</u>
<u>Operating expenses:</u>		
Claims	59,333,360	43,092,893
Stop-loss premiums	3,256,869	1,886,037
Services and fees	<u>2,857,663</u>	<u>2,019,185</u>
Total operating expenses	<u>65,447,892</u>	<u>46,998,115</u>
Operating income (loss)	2,662,977	(4,217,186)
<u>Nonoperating revenues:</u>		
Interest income	144,925	2,815
Change in fair value of investments	<u>(10,286)</u>	<u>-</u>
Total nonoperating revenues	<u>134,639</u>	<u>2,815</u>
Change in net position	<u>2,797,616</u>	<u>(4,214,371)</u>
Net position, July 1	<u>746,402</u>	<u>4,960,773</u>
Net position, June 30	<u>\$ 3,544,018</u>	<u>\$ 746,402</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Operating revenues exceeded operating expenses in fiscal year 2023. Fiscal year 2023 operating revenues and expenses increased with the addition of two new participating members in the Council in fiscal year 2023. Sufficient participant contributions are required to ensure that the Council meets increasing claims expenses. The Council reported \$144,925 in interest during fiscal year 2023 compared to \$2,815 in fiscal year 2022, as a result of investing funds previously held in a money market savings account into a diversified investment portfolio (see Note 3.B to the notes to the financial statements for detail).

Claims expense represents 90.66% and 91.69% of all expenses for fiscal years 2023 and 2022, respectively. The Council aims to maintain premium revenues at a level sufficient to exceed current year claims expense. Claims expense was 87.11% of total fiscal year 2023 operating revenues. The Council uses Medical Mutual and Express Scripts Holding Company as its third-party administrators for the medical, pharmacy and vision plans. Stop-loss premiums for the fiscal year amounted to \$3,256,869. Services and fees include administrative fees, wellness program services and fees, telemedicine services and fees, fiscal agency fees, and miscellaneous fees. Administrative fees, which totaled \$2,444,174 for fiscal year 2023, are paid to the Council's administrative agents and consultants. The Council paid \$54,245 in fiscal agent fees during fiscal year 2023. The expenses of the Council's wellness program were \$119,796 during fiscal year 2023. Telemedicine services and fees were \$212,271 in fiscal year 2023. Miscellaneous fees include audit fees and liability insurance.

Current Financial Related Activities

The Council is owned and operated by 7 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 2,992 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, 2023

Assets:

Current assets

Cash and cash equivalents	\$ 4,867,808
Investments	4,341,024
Receivables:	
Accrued interest	<u>12,842</u>
Total assets	<u>9,221,674</u>

Liabilities:

Current liabilities

Claims payable	<u>5,677,656</u>
--------------------------	------------------

Net position:

Unrestricted	<u><u>\$ 3,544,018</u></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, 2023

Operating revenues:	
Premiums from member districts	\$ 59,578,657
Stop-loss premium.	4,222,634
Pharmacy rebates	4,309,578
Total operating revenues	<u>68,110,869</u>
Operating expenses:	
Claims	59,333,360
Administrative fees	2,444,174
Stop-loss premiums	3,256,869
Wellness services and fees.	119,796
Telemedicine services and fees	212,271
Fiscal agent fees	54,245
Miscellaneous fees	27,177
Total operating expenses	<u>65,447,892</u>
Operating income.	<u>2,662,977</u>
Nonoperating revenues:	
Interest income	144,925
Change in fair value of investments	(10,286)
Total nonoperating revenues	<u>134,639</u>
Change in net position	2,797,616
Net position at beginning of year	<u>746,402</u>
Net position at end of year	<u>\$ 3,544,018</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, 2023

Cash flows from operating activities:	
Cash received from premiums from member districts.	\$ 59,578,657
Cash received from stop-loss premium	4,222,634
Cash received from pharmacy rebates	4,309,578
Cash payments for claims.	(58,752,809)
Cash payments for administrative fees	(2,444,174)
Cash payments for stop-loss premiums	(3,256,869)
Cash payments for wellness services and fees	(119,796)
Cash payments for telemedicine services and fees	(212,271)
Cash payments for fiscal agent fees	(54,245)
Cash payments for miscellaneous fees	(27,177)
	<hr/>
Net cash provided by operating activities.	3,243,528
 Cash flows from investing activities:	
Investments purchased	(6,456,840)
Investments sold.	2,105,511
Interest income	132,102
	<hr/>
Net cash (used in) investing activities	(4,219,227)
 Net decrease in cash.	 (975,699)
 Cash and cash equivalents at beginning of year	 <u>5,843,507</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,867,808</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,662,977
Changes in assets and liabilities:	
Increase in claims payable	580,551
	<hr/>
Net cash provided by operating activities	<u><u>\$ 3,243,528</u></u>

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, 2023

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, 2023, there were seven participating members of the Council, which include: Avon Local School District, Berea City School District, Educational Service Center of Northeast Ohio, Fairview Park City School District, North Olmsted 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, 2023

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 2023, investments purchased Council were limited to Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, negotiable certificates of deposit (negotiable CDs), commercial paper, and U.S. government money market mutual fund. Investments are reported at fair value which is based on quoted market prices.

The fluctuation in the fair values of investments of \$10,286 is reported as a nonoperating expense in the financial statements.

For purposes of the statement of net position and the statement of cash flows, investments with original maturities of three months or less at the time they are purchased are considered to be “cash equivalents”. Investments with original maturities of more than three months at the time they are purchased are considered to be “investments”.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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.

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 generally accepted accounting principles. 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

At June 30, 2023, the Council's carrying amount of deposits was \$4,500,042. Of the \$4,466,443 bank balance, \$250,000 was covered by the FDIC, \$2,108,222 was covered by the Ohio Pooled Collateral System (OPCS) and \$2,108,221 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 2023, 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, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

At June 30, 2023, the Council had the following investments outstanding:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
<i>Fair Value:</i>						
FHLMC	\$ 98,885	\$ -	\$ -	\$ 98,885	\$ -	\$ -
FFCB	148,575	-	-	-	-	148,575
FHLB	619,475	124,683	346,509	-	-	148,283
Negotiable CD's	2,398,297	-	545,170	739,316	628,495	485,316
Commercial paper	1,075,792	596,641	479,151	-	-	-
U.S. Government money market mutual fund	367,766	367,766	-	-	-	-
Total	\$ 4,708,790	\$ 1,089,090	\$ 1,370,830	\$ 838,201	\$ 628,495	\$ 782,174

The weighted average maturity of investments is 1.28 years.

The Council's investment in the U.S. Government money market mutual fund is valued using quoted market prices in active markets (Level 1 inputs). The Council's investments in federal agency securities (FHLMC, FFCB, FHLB), commercial paper, and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Council's investments in federal agency securities were rated Aaa by Moody's Investor Services and AA+ by Standard & Poor's. The commercial paper was rated P-1 and between A-1 and A-1+ by Moody's and Standard & Poor's, respectively. The negotiable CDs 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.

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 investment or collateral securities that are in the possession of an outside party. The Council's investments in federal agency securities and commercial paper are exposed to custodial credit 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's investment policy does not deal with investment custodial credit risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The Council's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Council at June 30, 2023:

<u>Measurement/ Investment Type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
FHLMC	\$ 98,885	2.10
FFCB	148,575	3.15
FHLB	619,475	13.16
Negotiable CDs	2,398,297	50.93
Commercial paper	1,075,792	22.85
U.S. Government money market mutual fund	<u>367,766</u>	<u>7.81</u>
Total	<u>\$ 4,708,790</u>	<u>100.00</u>

C. Reconciliation of Deposits and Investments to the Statement of Net Position

The following is a reconciliation of deposits and investments as reported in the note above to cash and cash equivalents and investments reported on the statement of net position as of June 30, 2023:

Deposits and investments per note

Carrying amount of deposits	\$ 4,500,042
Investments	<u>4,708,790</u>
Total	<u>\$ 9,208,832</u>

Cash and cash equivalents and investments per financial statements

Cash and cash equivalents	\$ 4,867,808
Investments	<u>4,341,024</u>
Total	<u>\$ 9,208,832</u>

NOTE 4 - RECEIVABLES

At June 30, 2023, the Council reported a \$12,842 accrued interest receivable for accrued earnings on investments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 - RISK MANAGEMENT

The Council contracted with a third-party administrator, Medical Mutual of Ohio, Inc. for the fiscal year ended June 30, 2023, 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.

The claims liability of \$5,677,656 reported at June 30, 2023, reported net of stop-loss reimbursements and prescription rebates due to the Council of \$1,272,281, 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, 2023 and 2022 were as follows:

	2023	2022
Claims payable at beginning of fiscal year	\$ 5,097,105	\$ 4,774,139
<u>Claims expenses:</u>		
Claims expenses for insured events of the current period	56,452,495	44,057,611
Increase in claims expenses for insured events of the prior years	2,880,865	(964,718)
Total claims expenses	59,333,360	43,092,893
<u>Payments:</u>		
Claims expenses paid attributable to insured events of the current year	49,941,160	38,126,827
Claims expenses paid attributable to insured events of prior years	8,811,649	4,643,100
Total claims payments	58,752,809	42,769,927
Claims payable at end of fiscal year	\$ 5,677,656	\$ 5,097,105

NOTE 6 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2023, the Council has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Council.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the Council.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Council.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the Council.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Council.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

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

NINE-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.

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

NINE-YEAR LOSS DEVELOPMENT INFORMATION ⁽¹⁾ (CONTINUED)

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

Notes:

⁽¹⁾ 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.

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

2020	2021	2022	2023
\$ 38,508,978	\$ 37,767,905	\$ 38,075,416	\$ 59,713,296
2,199,836	3,465,359	3,905,222	6,114,532
34,063,250	39,349,748	43,092,893	59,333,360
29,179,379	33,741,930	38,126,827	49,941,160
35,043,812	38,385,030	46,938,476	-
35,043,812	38,385,030	-	-
35,043,812	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
34,063,250	39,349,748	44,057,611	56,452,495
35,043,812	38,385,030	46,938,476	-
35,043,812	38,385,030	-	-
35,043,812	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
980,562	(964,718)	2,880,865	-

THIS PAGE IS INTENTIONALLY LEFT BLANK

**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 of the Great Lakes Council of Governments, Cuyahoga County, Ohio, as of and for the fiscal year ended June 30, 2023, 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 8, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Great Lakes Council of Governments

Cuyahoga County

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*

Report on 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 8, 2023

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 2/22/2024

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