

***TOLEDO METROPOLITAN AREA COUNCIL OF  
GOVERNMENTS***

***LUCAS COUNTY***

**Audit Report**

**For the Year Ended June 30, 2017**







# Dave Yost • Auditor of State

Board of Trustees  
Toledo Metropolitan Area Council of Governments  
300 Martin Luther King Jr Drive  
Suite 300  
Toledo, Ohio 43604

We have reviewed the *Independent Auditor's Report* of the Toledo Metropolitan Area Council of Governments, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Toledo Metropolitan Area Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 30, 2018

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**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2017**

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

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## **INDEPENDENT AUDITORS' REPORT**

Toledo Metropolitan Area Council of Governments  
Lucas County  
300 Martin Luther King Jr. Drive, Suite 300  
Toledo, Ohio 43604

To the Board of Trustees:

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

We have audited the accompanying financial statements of the enterprise fund, and the aggregate remaining fund information of the Toledo Metropolitan Area Council of Governments, Lucas County, Ohio (TMACOG) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise TMACOG's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to TMACOG's 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 TMACOG's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and the aggregate remaining fund information of the Toledo Metropolitan Area Council of Governments, Lucas County, Ohio, as of June 30, 2017, and the respective change in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*


Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TMACOG's basic financial statements. The Schedules of Fringe Benefit Cost Rate, Indirect Cost Rate, and Revenue and Expenses for U.S. Department of Transportation Funds present additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of TMACOG's 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 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 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 TMACOG's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
December 15, 2017

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

The discussion and analysis of the Toledo Metropolitan Area Council of Governments' (TMACOG) financial performance provides an overall review of TMACOG's financial activities for the year ended June 30, 2017. This information should be read in conjunction with the basic financial statements included in this report.

**FINANCIAL HIGHLIGHTS**

- Total Net Position decreased by \$124,062.
- Total expenses increased by \$273,532 to \$2,832,243 while total revenue increased by \$133,278 to \$2,708,181.
- Federal and state support increased by \$377,046 to \$1,841,574 while local support decreased by \$243,929 to \$865,545.
- After amortizing net pension expense due to net pension liability, TMACOG's net position on June 30, 2017 is -\$571,555.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to TMACOG's basic financial statements. TMACOG's basic financial statements are the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, the Statement of Cash Flows for the Major Enterprise Fund, the Statement of Net Position – Fiduciary Fund, and the accompanying notes to the financial statements. These statements report information about TMACOG as a whole and about its activities. TMACOG is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. TMACOG also has a small agency fund using fiduciary fund accounting to record restricted funds being held for partners of the Wabash Cannonball Rails-to-Trails project. The statements are presented using economic resources measurement and the accrual basis of accounting.

The Statement of Net Position presents TMACOG's financial position and reports the resources owned by TMACOG (assets and deferred outflows of resources), obligations owed by TMACOG (liabilities and deferred inflows of resources) and TMACOG's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources). The Statement of Revenue, Expenses and Changes in Net Position presents a summary of how TMACOG's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provides information about TMACOG's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing and financing activities. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF TMACOG**

The following tables provide a summary of TMACOG's financial positions and operations for 2017 and 2016, respectively:

**Condensed Statement of Net Position  
June 30,**

	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>Amount</u>	<u>%</u>
<b>Assets</b>				
Current Assets	\$1,867,496	\$1,791,346	\$76,150	4.25%
Noncurrent Assets	<u>665,704</u>	<u>1,254,295</u>	<u>(588,591)</u>	(46.93%)
<b>Total Assets</b>	2,533,200	3,045,641	(512,441)	(16.83%)
<b>Deferred Outflows of Resources</b>				
Pension	<u>651,196</u>	<u>502,003</u>	<u>149,193</u>	29.72%
<b>Total Deferred Outflows of Resources</b>	651,196	502,003	149,193	29.72%
<b>Liabilities</b>				
Current Liabilities	1,111,942	1,041,914	70,028	6.72%
Net Pension Liability	1,845,049	1,434,373	410,676	28.63%
Noncurrent Liabilities	<u>732,669</u>	<u>1,400,705</u>	<u>(668,036)</u>	(47.69%)
<b>Total Liabilities</b>	3,689,660	3,876,992	(187,332)	(4.83%)
<b>Deferred Inflows of Resources</b>				
Pension	<u>66,291</u>	<u>118,145</u>	<u>(51,854)</u>	(43.89%)
<b>Total Deferred Inflows of Resources</b>	66,291	118,145	(51,854)	(43.89%)
<b>Net Position</b>				
Net Investment in Capital Assets	42,175	25,530	16,645	65.20%
Unrestricted	<u>(613,730)</u>	<u>(473,023)</u>	<u>(140,707)</u>	29.75%
<b>Total Net Position</b>	(\$571,555)	(\$447,493)	(\$124,062)	27.72%

During 2017, net position related to operations, including the net pension liability, decreased by \$124,062. The increase was due primarily to the following:

- Cash and cash equivalents increased \$166,360.
- Total receivables decreased by \$117,985. Federal and state receivables decreased by \$66,429 while local receivables decreased by \$51,556. Receivables due from the Ohio Auditor of State for federal and state funded transportation programs and water quality programs were \$82,790 lower at year end. Federal receivable from SEMCOG for the transportation program was \$14,964 higher at year end at the end of 2017. Local receivables are down \$51,556 due mostly to the lack of receivables related to the freight conference (\$45,000) and a \$10,000 receivable on 6/30/16 for a water quality project.
- Noncurrent Assets decreased by \$588,591 mostly due to reduction in the long-term balance due of \$605,236 on Note Receivable from City of Toledo for SIB loan. An increase in the value of

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

depreciable assets totaling \$16,645 accounts for the balance of the change.

- Total liabilities decrease by \$187,332.
- Current liabilities increased by \$11,764. A decrease in general accounts payable of \$20,498 and compensated absences payable of \$7,456 was offset by an increase in deferred dues of \$13,245 and accrued compensation payable of \$8,716. The current portion of the balance due on the note receivable from City of Toledo for their SIB loan increased by \$17,757.
- Noncurrent liabilities decreased by \$199,096 due to reduction in the long-term balance due on Note Receivable from City of Toledo for SIB loan of \$605,236, and increase in the Net Pension Liability balance of \$410,676 and a \$4,536 decrease in the Noncurrent Liability for Compensated Absences.

***Net Pension Liability***

During 2015, TMACOG adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain clearer understanding of TMACOG's actual condition by adding deferred inflows, net pension liability, and subtracting deferred outflows related to Governmental Accounting Standards Board standards, which are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals TMACOG's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of TMACOG, part of a bargained-for benefit to the employee, and should accordingly be reported by TMACOG as a liability since they received the benefit of the exchange. However, TMACOG is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of TMACOG. If contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, TMACOG's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Because of implementing GASB 68, TMACOG is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

**Changes in Net Position** – The following table shows the changes in revenues and expenses for TMACOG for 2017 and 2016:

**Condensed Statement of Revenue, Expenses and Changes in Net Position  
June 30,**

	<u>2017</u>	<u>2016</u>	<u>Change Amount</u>	<u>%</u>
Operating Revenue:				
Local Dues & Assessments	\$730,070	\$681,737	\$48,333	7.09%
Other Local Support	<u>135,475</u>	<u>427,737</u>	<u>(292,262)</u>	(68.33%)
<b>Total Operating Revenue</b>	865,545	1,109,474	(243,929)	(21.99%)
Operating Expenses:				
Total Personnel Costs	1,929,137	1,739,009	190,128	10.93%
Consultant/Contractual/Pass-through	238,006	230,169	7,837	3.40%
All Other Operating Expenses	<u>665,099</u>	<u>589,533</u>	<u>75,566</u>	12.82%
<b>Total Operating Expenses</b>	<u>2,832,243</u>	<u>2,558,711</u>	<u>273,531</u>	10.69%
<b>Operating Loss</b>	(1,966,698)	(1,449,237)	(517,460)	35.71%
Non-Operating Revenue:				
Federal	1,630,039	1,170,627	459,412	39.24%
State	211,535	293,901	(82,366)	(28.03%)
Investment Related	<u>1,062</u>	<u>901</u>	<u>161</u>	17.87%
<b>Total Non-Operating Revenue</b>	<u>1,842,636</u>	<u>1,465,429</u>	<u>377,207</u>	25.74%
<b>Change in Net Position</b>	(124,062)	16,192	(140,253)	(866.19%)
<b>Net Position at July 1</b>	<u>(447,493)</u>	<u>(463,685)</u>	<u>16,192</u>	(3.49%)
<b>Net Position at June 30</b>	<u>(\$571,555)</u>	<u>(\$447,493)</u>	<u>(\$124,061)</u>	(27.72%)

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

Some significant factors impacting the Statement of Revenue, Expenses and Changes in Net Position include the following:

- Operating Revenue decreased by \$243,929 due to:
  - A special one-time contribution to support the water quality program totaling \$36,000 was received only in 2016.
  - A one-time contribution for the Clear Choice program generated \$15,470 in 2017
  - Revenue from event sponsorships and registrations decreased by \$202,167 due primarily to the elimination of the Ohio Conference on Freight.
  - The full year of the membership dues increase in 2017 resulting in an increase of \$43,818.
  - Revenue for Stormwater and transportation assessments increased by \$4,514.
  - Other local revenue decreased by \$105,564 due mostly to support provided by the Regional Water Study in 2016.
  
- Personnel costs increased by \$31,175 and fringe benefit costs increased by \$158,953 due mostly to a vacated position. The fringe benefit figure includes a \$209,629 applicable to allocated pension expense per GASB 68 requirements. The actual cost of benefits provided to TMACOG staff decreased from \$426,766 to \$422,590.
  
- Consultant costs decreased by \$192,300 due most significantly to the consultant contracts for the Regional Water Study in 2016 while contractual costs increased by \$167,707 due to two water quality grants that utilized outside contractors in 2017.
  
- A new water quality program offering incentives to farmers to implement best management practices was begun in 2017 and resulted in payments to farmers totaling \$37,600.
  
- Other operating expenses increased by \$75,566. The most significant factors include:
  - A \$37,447 increase in advertising and promotion costs primarily associated with the kickoff of the new statewide rideshare program Gohio.
  - Increased computer/data processing costs of \$29,128 primarily related to the licensing of the Clear Choice Clean Water online stormwater educational program
  - An increase of equipment costs totaling \$20,676 attributable to increased equipment rental costs at the 2016 Ohio Conference on Freight, the purchase of new bike user counters, and the repair and maintenance of some traditional traffic counter used in the transportation program
  - Professional Service costs (for audit and legal) decreased by almost \$6,000.
  - Postage and supplies decreased by almost \$10,000.
  
- Federal Revenue increased by \$459,412 due primarily to:
  - Total transportation funding from the United States Department of Transportation (USDOT) passed through ODOT increased by \$218,664.
    - Transportation funding for planning work increased by \$177,850.
    - Funding for the STP and CMAQ funded projects increased in total by \$43,467.
    - Funding from FHWA/ODOT to provide Regional Transportation Planning Organization (RTPO) mentoring decreased by \$3,357.
    - Funding from the JARC program through TARTA decreased by \$1,066.
    - Planning funds from FHWA/MDOT passed through SEMCOG increased by \$1,770.
  - Funding from USEPA for a variety of projects in support of the water planning program increased by \$239,771 in FY 2017 when compared to the previous year.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of 2017, TMACOG had \$42,175 net of accumulated depreciation invested in furniture, fixtures, equipment and automobiles. This amount represents a net increase of \$16,645 or 65.20% as compared to 2016. The following table shows fiscal year 2017 and 2016 historical cost balances:

<b>Capital Assets at June 30,</b>	<u>2017</u>	<u>2016</u>	<u>Change</u>
Equipment	\$49,406	\$26,589	\$22,817
Computers	58,970	58,970	0
Furniture	172,516	166,148	6,368
Vehicles	<u>12,690</u>	<u>12,690</u>	<u>0</u>
<b>Total Capital Assets</b>	\$293,582	\$264,397	29,185
<b>Less: Accumulated Depreciation</b>	<u>251,407</u>	<u>238,867</u>	<u>12,540</u>
<b>Net Balance</b>	<u>\$42,175</u>	<u>\$25,530</u>	<u>\$16,645</u>

See Note 4 of the financial statements for further information.

*Debt*

TMACOG is party to separate agreements with the City of Toledo and the Ohio Department of Transportation relating to a \$4.505 million loan from the State of Ohio State Infrastructure Bank Loan providing additional funding for the renovation and preservation of the Martin Luther King Jr. Memorial Bridge. The total principal amount due under this agreement also includes amounts paid for fees and unpaid interest. The loan is secured with future TMACOG administered Surface Transportation Program (STP) funds. TMACOG is to repay eighty percent (80%) of the principal amount due on the loan from future City of Toledo Transportation Improvement Program (TIP) allocations. The City of Toledo is to pay the remaining twenty percent (20%) of the principal payment plus the loan interest at 3% on the entire loan balance as the payments become due.

*Operating Lease Commitments*

At June 30, 2017, a lease for TMACOG’s office space, and two copy machines represented future obligations totaling \$761,746. These operating leases expire at various dates between 2017 and 2022. See Notes 7 and 8 of the financial statements for further information of the TMACOG debt.

**ECONOMIC FACTORS**

TMACOG relies on federal, state, and local grants and contracts, along with member dues, to fund its various programs. At present these revenue sources appear to be secure for the foreseeable future. TMACOG experienced positive financial results for the second consecutive year.

The transportation funds received by TMACOG are allocated by the state of Ohio. The funding level rose in 2017 for the second consecutive year. The federal transportation funding law, known as FAST Act, indicates MPOs will continue to see funding growth throughout its 5-year life.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

The federal and state funds received in support of the water quality program remain unchanged from previous years and indications are that they will remain near current levels. TMACOG continues to pursue additional competitive grants whenever possible. Partnering with members on regional projects has proven to be the most effective method to successful grant applications and TMACOG will continue to look for these opportunities

Membership retention was very strong in 2017 as only one member chose not to renew while two new entities were welcomed in to TMACOG membership. Management continues to believe that long-term stable membership demonstrates that TMACOG members find value in their investment.

TMACOG remains committed to its role as the governmental partner of choice to coordinate regional assets, opportunities and challenges in northwest Ohio and southeast Michigan.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, creditors and members with a general overview of TMACOG's finances and to show TMACOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact William E. Best, Vice President of Finance & Administration for the Toledo Metropolitan Area Council of Governments, 300 Martin Luther King Jr. Dr., Suite 300, Toledo, Ohio 43604.



**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**STATEMENT OF NET POSITION - ENTERPRISE FUND  
JUNE 30, 2017**

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$ 790,244
Receivables:	
Federal	260,686
State	24,781
Local	151,625
Current Portion Long Term Note Receivable from City of Toledo	605,236
Prepaid Insurance	19,457
Prepaid Other	<u>15,467</u>
Total Current Assets	1,867,496
Noncurrent Assets	
Long Term Portion of Note Receivable from City of Toledo	623,529
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>42,175</u>
Total Noncurrent Assets	<u>665,704</u>

**TOTAL ASSETS** **2,533,200**

**TOTAL DEFERRED OUTFLOWS OF RESOURCES** **651,196**

**LIABILITIES**

Current Liabilities	
Accounts Payable	72,531
Accrued Compensation Payable	52,177
Matured Compensated Absences Payable	10,005
Compensated Absences Payable	40,803
Membership Dues and Transportation Assessments	331,190
Current Portion Long Term Note Payable to State of Ohio	<u>605,236</u>
Total Current Liabilities	1,111,942
Noncurrent Liabilities	
Long Term Portion of Note Payable to State of Ohio	623,529
Net Pension Liability (See Note 9)	1,845,049
Compensated Absences Payable net of current portion	<u>109,140</u>
Total Noncurrent Liabilities	<u>2,577,718</u>

**TOTAL LIABILITIES** **3,689,660**

**TOTAL DEFERRED INFLOWS OF RESOURCES** **66,291**

**NET POSITION**

Net Investment in Capital Assets	42,175
Unrestricted	<u>(613,730)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u><u>(571,555)</u></u></b>

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

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN NET POSITION - ENTERPRISE FUND  
YEAR ENDED JUNE 30, 2017**

<b>Operating Revenue:</b>	
Membership Fees	\$ 451,389
Transportation Assessments	189,626
Stormwater Assessments	89,054
Event Registrations/Sponsorships	74,565
Other Local Revenue	45,441
Clear Choice Coalition Dues	15,470
<b>Total Operating Revenue</b>	<b><u>865,545</u></b>
 <b>Operating Expenses:</b>	
Personnel Services	1,296,918
Fringe Benefits	632,219
Consultant	5,220
Pass-through farmer subsidies	37,650
Building Rent	146,400
Meetings	105,422
Computer	89,732
Advertising & Promotion	94,061
Printing & Graphics	52,762
Auto & Travel	33,365
Contractual Services	200,356
Postage & Supplies	20,124
Equipment	45,171
Professional Services	13,535
Insurance	13,045
Depreciation	12,540
Association Dues	11,752
Recruitment & Public Notice	2,658
Training & Seminars	3,466
Other	9,737
Telephone	2,671
Publications & Subscriptions	3,439
<b>Total Operating Expenses</b>	<b><u>2,832,243</u></b>
 <b>Operating Loss</b>	 <b>(1,966,698)</b>
 <b>Non-Operating Revenue:</b>	
Federal	1,630,039
State	211,535
Investment Income	1,062
<b>Total Non-Operating Revenue</b>	<b><u>1,842,636</u></b>
 <b>Change in Net Position</b>	 <b>(124,062)</b>
 <b>Net Position at July 1</b>	 <b><u>(447,493)</u></b>
 <b>Net Position at June 30</b>	 <b>\$ <u><u>(571,555)</u></u></b>

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

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**STATEMENT OF CASH FLOWS - ENTERPRISE FUND  
YEAR ENDED JUNE 30, 2017**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 907,082
Cash Paid to Suppliers	(1,313,208)
Cash Paid to Employees	(1,307,394)
Net Cash Used by Operating Activities	<u>(1,713,520)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal/State Grants	1,908,004
Net Cash Received from Noncapital Financing Activities	<u>1,908,004</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(29,186)
Net Cash Used by Capital and Related Financing Activities	<u>(29,186)</u>
Cash Flows from Investing Activities:	
Investment Income	1,062
Net Cash Received from Investing Activities	<u>1,062</u>
Net Increase in Cash and Cash Equivalents	166,360
Cash and Cash Equivalents, July 1	<u>623,884</u>
Cash and Cash Equivalents, June 30	<u>\$ 790,244</u>

**Reconciliation of Operating Loss  
to Net Cash Used by Operating Activities:**

Operating Loss	\$ (1,966,698)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation Expense	12,540
Changes in Assets and Liabilities:	
Decrease in Receivable	51,555
Decrease in Prepaid Insurance	734
(Increase) in Prepaid Others	(10,752)
(Decrease) in Accounts Payable	(20,499)
Increase in Membership Dues	13,246
(Decrease) in Compensated Absences Payable	(11,992)
Increase in Net Pension Liability	209,629
Increase in Accrued Compensation Payable	8,717
Total Adjustments	<u>253,178</u>
Net Cash Used by Operating Activities	<u>\$ (1,713,520)</u>

**Schedule of Non-Cash Capital and related  
Financing Activities**

Payment made on TMACOG's behalf for SIB loan principal	\$ 587,459
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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY

STATEMENT OF NET POSITION - FIDUCIARY FUND  
JUNE 30, 2017

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>3,320</u>
<b>TOTAL ASSETS</b>	<b><u>3,320</u></b>
<b>LIABILITIES</b>	
Due to Others	<u>3,320</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>3,320</u></b>

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

# TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS LUCAS COUNTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 1. DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION

#### A. DESCRIPTION OF THE ENTITY

Pursuant to the provisions of Chapter 167, Ohio Revised Code, the Toledo Metropolitan Area Council of Governments (TMACOG) is a voluntary association of local governments in Lucas, Wood, Ottawa, Fulton, and Sandusky counties in Ohio and Monroe County in Michigan. Local governments representing counties, cities, villages, townships, school districts, and authorities hold membership in TMACOG. The representatives of each unit of government meet once a year as the General Assembly to set general guidelines, approve overall reports, and guide the financial scope of the organization. The Board of Trustees, composed of 45 members elected from the General Assembly, meets quarterly to approve programs, review federal grant applications, develop better intergovernmental arrangements, approve studies, and set policy on new approaches to area wide problems. The Council receives its operating funds from a combination of federal, state, and local sources. Federal, state, and investment income is recorded as non-operating revenue. Local governments pay dues (membership fees) that are used by TMACOG to meet local matching requirements for a number of federal and state programs. The by-laws of the Council stipulate that the budget year would be July 1 through June 30. The budget is adopted by the Board of Trustees annually on or before the first day of the fiscal year. Upon adoption of the budget, the Board of Trustees fixes the membership fees and assessments for all members in amounts sufficient to provide the funds required by the budget. This policy provides the required assurance to grantor agencies as to the availability of local matching funds and local funding for program costs that are non-reimbursable under grantor directives and regulations.

#### B. BASIS OF PRESENTATION

The accounts of TMACOG are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses as appropriate.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

1. DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION – (Continued)

C. FUND ACCOUNTING

TMACOG maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds 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 (expenses, including depreciation) 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, incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activity of TMACOG, with the exception of the Agency Fund, is recorded in the Enterprise Fund.

FIDUCIARY FUNDS

Trust and Agency Funds - Fiduciary fund reporting focuses on net position and changes in net position. TMACOG's only Fiduciary Fund is an Agency Fund that is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. TMACOG's Agency Fund is comprised of the Wabash Cannonball Coordinating Committee funds.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Toledo Metropolitan Area Council of Governments are prepared in conformity with generally accepted accounting principles (GAAP) for local government units as prescribed in statements and interpretations issued by the GASB and other recognized authoritative sources.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 61 is the “primary government.” A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criterion of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. There were no component units of TMACOG for the year ended June 30, 2017.

B. BASIS OF ACCOUNTING

Proprietary Fund and Agency Fund transactions are recorded on the accrual basis of accounting; revenues are recognized when earned and measurable and expenses are recognized as incurred.

C. MEASUREMENT FOCUS

Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about how TMACOG finances and meets the cash flow needs of its enterprise activity.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses) until then. The deferred outflows of resources related to pension is explained in Note 9.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (expense) until that time. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 9).

E. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. CASH AND INVESTMENTS

TMACOG's investment in the State Treasury Asset Reserve of Ohio (STAR 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 and is recognized as an external investment pool by TMACOG. TMACOG 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 a NAV per share that approximates fair value.



**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

For the fiscal year 2017, there were no limitation 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 \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

G. CAPITAL ASSETS AND DEPRECIATION

Capital assets purchased with grant funds are charged directly to the project as reimbursable expenditures. Capital assets not purchased with grants are capitalized and recorded at cost and depreciated using the straight line method over a period of between 5 and 15 years.

H. COMPENSATED ABSENCES

The Council reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the Council will compensate the employees for the benefits through paid time off or other means, such as a cash payment at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination benefits and by those employees who are expected to become eligible in the future.

I. GRANTS

Grant support is recognized at the time reimbursable expenses are made by TMACOG. It is TMACOG’s policy to record all federal and state grant revenue as non-operating revenue and all local grant revenue as operating revenue. Federal, state, and local grant receivables represent the excess of support recognized over cash received from the grantor at the statement of net position date.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. MEMBERSHIP DUES

TMACOG invoices members a general membership fee in accordance with the budget approved by the Board of Trustees to meet the local matching requirements of the budget. Amounts not collected are written off and the non-paying entity is dropped from TMACOG membership rolls.

K. TRANSPORTATION ASSESSMENTS

TMACOG assesses transportation planning members in accordance with the budget approved by the Board of Trustees to meet the local matching requirements of the transportation budget. Amounts not collected are re-billed in the subsequent year or can be billed to other transportation planning members on a pro-rata basis.

If billed to other members and subsequently collected from the owing member, each transportation planning member is credited on a pro-rata basis.

L. PREPAID ASSETS

Prepaid assets account for payments made in the current year for expenses that will occur in a subsequent year.

M. REVENUE AND EXPENSES

Operating revenues consist of income earned to provide services to TMACOG members, operating grants and other income. Operating expenses include the cost of providing services, including administrative expenses and depreciation on capital assets.

Non-operating revenues are government-mandated nonexchange transactions, which occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform).

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. TAX STATUS

TMACOG is qualified by the Internal Revenue Service under Section 501(c)(3) and thus exempted from the payment of income taxes.

O. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

TMACOG has no deposit policy for custodial credit risk beyond the requirements of State statute.

At June 30, 2017, the carrying amount of all TMACOG deposits was \$783,887. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$250,000 of TMACOG’s bank balance of \$836,093 was covered by Federal Deposit Insurance Corporation. The remaining \$586,093 was deposited under an Insured Cash Sweep program to other financial institutions so that the balance in any one financial institution did not exceed the standard maximum deposit insurance amount of \$250,000.

B. Investments

As of June 30, 2017, TMACOG had the following investments:

<u>Investment Type</u>	<u>Amount</u>
STAR Ohio	<u>\$9,677</u>

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

3. DEPOSITS AND INVESTMENTS – (Continued)

TMACOG 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. The above chart identifies the TMACOG’s recurring fair value measurements as of June 30, 2017. All of the TMACOG’s investments measured at fair value are valued using quoted market prices (Level 1 inputs).

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, TMACOG’s investment policy limits investments to STAR Ohio; however, alternate investments with higher interest rates may be utilized as approved by TMACOG’s Finance and Audit Committee.

**Credit Risk:** STAR Ohio must maintain the highest letter or municipal rating provided by at least one recognized standard service. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

**Concentration of Credit Risk:** TMACOG’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 TMACOG at June 30, 2017.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$9,677</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported above to cash and investments as reported on the Statement of Net Position as of June 30, 2017:

<u>Cash and Investments per Sections A and B above</u>	
Carrying amount of deposits	\$ 783,887
Investments	<u>9,677</u>
Total	<u>\$ 793,564</u>

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

3. DEPOSITS AND INVESTMENTS – (Continued)

Cash and Investments per Statements of Net Position

Proprietary Fund	\$ 790,244
Agency fund	<u>3,320</u>
Total	<u>\$ 793,564</u>

4. CAPITAL ASSETS

Capital Assets consist of the following:

*Cost*

<u>Class</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Computer equipment and software	\$58,970	\$0	0	\$58,970
Furniture and fixtures	166,148	6,368	0	172,516
Machinery and equipment	26,589	22,817	0	49,406
Vehicles	<u>12,690</u>	<u>0</u>	<u>0</u>	<u>12,690</u>
Total	<u>\$264,397</u>	<u>\$29,185</u>	<u>\$0</u>	<u>\$293,582</u>

*Accumulated Depreciation*

<u>Class</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Computer equipment and software	(\$44,317)	(\$6,831)	\$0	(\$51,148)
Furniture and fixtures	(166,148)	(637)	0	(166,785)
Machinery and equipment	(26,589)	(3,260)	0	(29,849)
Vehicles	<u>(1,813)</u>	<u>(1,812)</u>	<u>0</u>	<u>(3,625)</u>
Total	<u>(\$238,867)</u>	<u>(\$12,540)</u>	<u>\$</u>	<u>(\$254,407)</u>

Net Value	<u>\$25,530</u>	<u>\$16,645</u>	<u>\$0</u>	<u>\$42,175</u>
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Depreciation Expense Charged to Operating Expense	<u>\$12,540</u>
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**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

5. LONG TERM NOTE RECEIVABLE

TMACOG has entered into an agreement with the City of Toledo wherein the City will repay the \$4.50 million loan received from the State of Ohio State Infrastructure Bank Loan as discussed in Footnote #6. Eighty percent (80%) of the principal payment due will be deducted from future City of Toledo Transportation Improvement Program (TIP) allocations administered by TMACOG. Toledo will pay the remaining twenty percent (20%) of the principal plus interest directly to ODOT as invoiced.

6. LOAN AGREEMENTS

TMACOG is party to separate agreements with the City of Toledo and the Ohio Department of Transportation relating to a \$4.505 million loan from the State of Ohio State Infrastructure Bank providing additional funding for renovation and preservation of the Martin Luther King Jr. Memorial Bridge. The total principal amount due under this agreement also includes amounts paid for fees and unpaid interest. The loan is secured with future TMACOG administered Surface Transportation Program (STP) funds. The funds were to be made available to the City of Toledo on a reimbursement basis as needed upon request and submittal of properly executed documentation. TMACOG is to repay eighty percent (80%) of the principal payment due on the loan from future City of Toledo Transportation Improvement Program (TIP) allocations. The City of Toledo is to pay the remaining twenty percent (20%) of the principal payment plus the loan interest at 3% on the entire loan balance as the payments become due. The first payment was not due until thirty (30) months after the first draw from the loan. In fiscal year 2009, the full amount of the loan was borrowed and transferred to the City of Toledo under the terms of the agreements. At June 30, 2017, scheduled principal and interest loan payments are as follows:

Year Ending	TMACOG	Toledo		Total	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30					
2018	\$484,189	\$121,047	\$443,391	\$605,236	\$43,391
2019	498,823	124,706	25,098	623,529	25,098
Total	<u>\$983,012</u>	<u>\$245,753</u>	<u>\$68,489</u>	<u>\$1,228,765</u>	<u>\$68,489</u>

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

7. CHANGES IN LONG TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Amount Outstanding June 30, 2016	Additions	(Reductions)	Amount Outstanding June 30, 2017	Due Within One Year
<u>Governmental Activities</u>					
Net Pension Liabilities	\$1,434,373	\$410,676	\$0	\$1,845,049	\$0
Loan Agreement	1,816,224	0	(587,459)	1,228,765	605,236
Compensated Absences	<u>171,940</u>	<u>132,891</u>	<u>(154,888)</u>	<u>149,943</u>	<u>40,803</u>
<b>Total Government</b>	<b><u>\$3,422,537</u></b>	<b><u>\$543,567</u></b>	<b><u>(\$742,347)</u></b>	<b><u>\$3,223,757</u></b>	<b><u>\$646,039</u></b>

8. LEASES

Based on the inclusion of a fiscal funding clause in each lease agreement, TMACOG does not record otherwise non-cancelable leases as capital assets. The fiscal funding clause generally provides that the lease is cancelable if the funding authority does not appropriate the funds necessary for the entity to fulfill its obligation under the lease agreements.

TMACOG currently leases the building it occupies and two copy machines under agreements expiring at various dates through 2022. At June 30, 2017, scheduled lease payments were as follows:

Years Ending <u>June 30</u>	<u>Amount</u>
2018	\$163,499
2019	163,499
2020	163,498
2021	149,250
2022	<u>122,000</u>
Total	<u>\$761,746</u>

Lease expense under these agreements amounted to \$146,400 for the building, \$17,099 for the copiers and \$2,994 for the automobile for the year ended June 30, 2017.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

9. DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION – Ohio Public Employees Retirement System (OPERS)

**NET PENSION LIABILITY:** The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents TMACOG’s proportionate share of the pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits TMACOG’s obligation for this liability to annually required payments. TMACOG cannot control benefit terms or the manner in which pensions are financed; however, TMACOG does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.



**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

9. DEFINED BENEFIT PENSION PLAN – (Continued)

The proportionate share of the plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued comensation payable* on the accrual basis of accounting.

Plan Description – TMACOG employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (TMACOG employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

9. DEFINED BENEFIT PENSION PLAN – (Continued)

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 3, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b>	<b>Formula:</b>	<b>Formula:</b>
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

9. DEFINED BENEFIT PENSION PLAN – (Continued)

		State and Local						
<b>2016 Statutory Maximum Contribution Rates</b>								
Employer		14.0	%					
Employee		10.0	%					
<b>2016 Actual Contribution Rates</b>								
Employer:								
	Pension	12.0	%					
	Post-employment Health Care Benefits	2.0						
	<b>Total Employer</b>	<b>14.0</b>	<b>%</b>					
	Employee	10.0	%					

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. TMACOG’s contractually required contribution was \$166,474 for the year ending June 30, 2017. Of this amount, \$20,124 is reported as an accrued compensation payable.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TMACOG's proportion of the net pension liability was based on TMACOG’S share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
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9. DEFINED BENEFIT PENSION PLAN – (Continued)

	OPERS
	2017
Proportionate Share of the Net Pension Liability	\$1,845,049
Proportion of the Net Pension Liability - 2017	0.008125%
Proportion of the Net Pension Liability - 2016	0.008281%
Change in Proportionate Share	-0.000156%
Pension Expense	\$391,708

At June 30, 2017, TMACOG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	OPERS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$2,501
Changes of assumptions	292,647
Net difference between projected and actual earnings on pension plan investments	\$270,419
TMACOG contributions subsequent to the measurement date	85,629
<b>Total Deferred Outflows of Resources</b>	<b>\$651,196</b>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$10,502
Changes in proportionate and differences	55,789
<b>Total Deferred Inflows of Resources</b>	<b>\$66,291</b>

\$85,629 reported as deferred outflows of resources related to pension resulting from TMACOG contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

9. DEFINED BENEFIT PENSION PLAN – (Continued)

	OPERS
Fiscal Year Ending June 30:	
2018	\$184,234
2019	226,193
2020	96,904
2021	(8,055)
Total	\$499,276

Actuarial Methods and Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

9. DEFINED BENEFIT PENSION PLAN – (Continued)

Wage Inflation	3.25 percent
Projected Salary Increases	3.25 percent to 10.75 percent (Includes wage inflation %)
COLA or Ad Hoc COLA	Pre 1/7/2013 Retirees: 3 percent Simple Post 1/7/13 Retirees: 3% simple through 2018, then 2.15% simple
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age

The most recent experience study was completed for the five-year period ended December 31, 2015.

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

9. DEFINED BENEFIT PENSION PLAN – (Continued)

June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target		Weighted Average	
	Allocation		Long-Term Expected	
			Real Rate of Return	
Fixed Income	23.00	%	2.75	%
Domestic Equities	20.70		6.34	
Real Estate	10.00		4.75	
Private Equity	10.00		8.97	
International Equities	18.30		7.95	
Other Investments	18.00		4.92	
Total	100.00	%	5.66%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was

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9. DEFINED BENEFIT PENSION PLAN – (Continued)

applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of TMACOG's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the TMACOG’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the TMACOG’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
TMACOG's proportionate share of the net pension liability	\$2,872,845	\$1,845,049	\$1,033,663

OTHER POST – EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional



**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

9. DEFINED BENEFIT PENSION PLAN – (Continued)

Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

9. DEFINED BENEFIT PENSION PLAN – (Continued)

Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

TMACOG’s contributions allocated to fund post-employment health care benefits for the years ended June 30, 2017, 2016 and 2015 were \$20,061, \$24,969, and \$25,570 respectively; 88 percent has been contributed for 2017 and 100 percent has been contributed for 2016 and 2015.

10. COMPENSATED ABSENCES

TMACOG has five forms of compensated absences: holidays (11 days each year), annual leave, personal (1 day each year), compensatory time, and sick leave.

Annual leave accrues to each regular full-time employee per the following schedule:

Employees hired before January 1, 2009

Years of Service	Hours Accrued per Pay Period	Maximum Accrued per Year
0 up through 4	3.07	10 days
5 up through 8	4.60	15 days
9 up through 25	6.13	20 days
25 +	7.66	25 days

Employees hired on or after January 1, 2009

Years of Service	Hours Accrued per Pay Period	Maximum Accrued per Year
0 up through 8	3.07	10 days
9 up through 15	4.60	15 days
16 up through 25	6.13	20 days
25 +	7.66	25 days

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NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

10. COMPENSATED ABSENCES – (Continued)

Annual leave may accrue to an amount equal to three times the employee's annual accrual amount. Upon leaving TMACOG, employees receive unused annual leave at their current rate of pay, if they have completed 6 months of continuous employment. An additional 3 days accrues if no more than 5 sick days are taken within the previous calendar year. These 3 days are subtracted from the current fiscal year's sick leave and added to the next fiscal year's annual leave.

Certain non-supervisory employees of TMACOG qualify for compensatory time or trade time. No employees receive payment for overtime hours worked; rather, overtime hours are traded on a one-for-one basis in trade time off with certain limitations when the trade time is taken within the same work week. Overtime hours are traded on a one-to-one and one-half basis in trade time when the trade time is taken in a subsequent work week. Eligible employees are permitted to accumulate a maximum of 40 hours of trade time to be used at any time, subject to approval by the President. Compensatory time on the books at the end of the fiscal year is paid to the employee at their current rate of pay.

Sick leave accumulates at the rate of 3.7 hours per pay period for each full-time employee, to a maximum of 12 days per year, and to part-time employees on a pro-rated basis. Sick leave may be taken by employees up to the full amounts on their sick leave records, but employees may not develop negative sick leave or use sick leave that has not yet been accumulated. Employees with more than five years of service with TMACOG are entitled to receive compensation for one-quarter of their accrued sick leave up to 480 hours and one-half of their accrued sick leave between 480 and 960 hours when they terminate employment with TMACOG. Sick leave may be accrued to an unlimited amount and is payable at the employee's current rate of pay.

The mature compensated absences payable balance at June 30, 2017 was \$10,005. The current portion of compensated balances payable was \$40,803 and the balance of the liability net of the current portion was \$109,141. This results in a total liability for compensated absences of \$159,948. The following table provides detail in support of this liability:

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

10. COMPENSATED ABSENCES – (Continued)

Accrued Leave Liability:

	<u>Annual</u>	<u>Total Liability</u> <u>Sick</u>	<u>Total</u>
June 30, 2016	<u>\$94,283</u>	<u>\$77,657</u>	<u>\$171,940</u>
Additions	94,645	48,251	142,896
Deletions	<u>(101,442)</u>	<u>(53,446)</u>	<u>(154,888)</u>
June 30, 2017	<u>\$87,486</u>	<u>\$72,462</u>	<u>\$159,948</u>

11. RISK MANAGEMENT

TMACOG maintains commercial insurance coverage against most normal hazards and there has been no significant reduction in coverage from the prior year. Settlement claims have not exceeded coverage for any of the last three fiscal years.

TMACOG participates in the State of Ohio's Workers' Compensation program under which premiums paid are based on a rate per \$100 of payroll. The rate is determined based on accident history.

TMACOG has a premium based PPO for employee health insurance coverage. TMACOG pays a portion of the employees' deductible. Premium expense for 2017 was \$163,695.

12. CONTINGENT LIABILITIES

TMACOG receives substantial financial assistance from federal, state and local agencies in the form of grants. Grants are generally awarded on an annual basis, and there is no assurance as to their future continuance or the amounts to be awarded. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Proprietary Fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the Proprietary Fund included herein or on the overall financial position of TMACOG at June 30, 2017.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(CONTINUED)

13. FRINGE BENEFIT AND INDIRECT COST RATE CALCULATION

Indirect costs and fringe benefits are charged to individual programs based on provisional rates. Differences in amounts billed and actual costs incurred are adjusted to actual costs at year end and a resulting receivable or payable is recorded as appropriate. Indirect costs and fringe benefits in the Statement of Revenues, Expenses, and Changes in Net Position represent the application of actual indirect and fringe benefit rates.

14. CHANGE IN ACCOUNTING PRINCIPLE

TMACOG implemented the following GASB statements during fiscal year 2017:

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment to GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS**  
**LUCAS COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF TMACOG'S PROPORTIONATE SHARE OF NET PENSION**  
**LIABILITY**  
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST FOUR FISCAL YEARS (1)**

	Traditional Plan <u>2016</u>	Traditional Plan <u>2015</u>	Traditional Plan <u>2014</u>	Traditional Plan <u>2013</u>
TMACOG's Proportion of the Net Pension Liability	0.008125%	0.008281%	0.009525%	0.009525%
TMACOG's Proportionate Share of Net Pension Liability	\$1,845,049	\$1,434,373	\$1,123,762	\$1,143,722
TMACOG's Covered- Employee Payroll	\$1,296,918	\$1,265,743	\$1,276,579	\$1,332,698
TMACOG's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	142.26%	113.32%	88.03%	85.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS**  
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**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF TMACOG'S CONTRIBUTIONS**  
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013
Contractually Required Contribution	\$166,474	\$149,886	\$153,489	\$171,722	\$126,538
Contributions in Relation to the Contractually Required Contribution	\$166,474	\$149,886	\$153,489	\$171,722	\$126,538
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 TMACOG Covered-Employee Payroll	 \$1,296,918	 \$1,265,743	 \$1,276,579	 \$1,332,698	 \$1,271,883
 Contributions as a Percentage of Covered-Employee Payroll	 12.00%	 12.00%	 12.00%	 12.00%	 10.00%
	2012	2011	2010	2009	2008
Contractually Required Contribution	\$133,027	\$126,027	\$114,652	\$93,500	\$126,833
Contributions in Relation to the Contractually Required Contribution	\$133,027	\$126,027	\$114,652	\$93,500	\$126,833
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 TMACOG Covered-Employee Payroll	 \$1,249,151	 \$1,333,286	 \$1,290,067	 \$1,268,576	 \$1,359,467
 Contributions as a Percentage of Covered-Employee Payroll	 10.00%	 9.00%	 8.00%	 7.00%	 7.00%

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
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**SCHEDULE OF FRINGE BENEFIT COST RATE  
YEAR ENDED JUNE 30, 2017**

<b>Fringe Benefit Costs:</b>	<b>Budget</b>	<b>Actual</b>
Annual Leave	\$ 96,930	\$ 101,442
Sick Leave	59,124	53,447
Holiday Leave	54,240	52,862
Bereavement Leave	0	2,265
Civil Leave	0	189
Administrative Leave	0	4,203
Personal Time	5,397	4,608
Medicare Tax	18,030	16,671
Unemployment Compensation	0	0
Education Reimbursement	2,500	0
Health Insurance	202,786	163,695
Worker's Comp Insurance	11,892	9,470
Life Insurance	557	536
PERS Contributions	181,912	186,536
Employee Assistance Program	1,164	1,164
HSA Contribution	23,400	20,325
Vision Insurance	2,731	2,454
Dental Insurance	18,321	14,539
Auto Allowance	0	6,000
Cell Phone Allowance	0	1,200
<b>Total Fringe Benefit Costs</b>	<b>\$ <u>678,984</u></b>	<b>\$ <u>641,606</u></b>
<b>Allocation Base: Direct and Indirect Personnel</b>	<b>\$ <u>1,080,089</u></b>	<b>\$ <u>1,077,904</u></b>
<b>Fringe Benefit Cost Rate:</b>	<b><u>62.86%</u></b>	<b><u>59.52%</u></b>



**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**SCHEDULE OF INDIRECT COST RATE  
YEAR ENDED JUNE 30, 2017**

<b>Indirect Costs:</b>	<b>Budget</b>	<b>Actual</b>
<b>Revenues</b>		
Registration Fees	\$ 6,000	\$ 8,180
Display Table Rental	0	1,250
Sponsorship	2,000	9,350
<b>Total Revenues</b>	<b>8,000</b>	<b>18,780</b>
<b>Expenses</b>		
Personnel Services	383,357	382,738
Fringe Benefits	240,993	227,818
Consultant/Contractual Services	1,500	3,602
Audit	18,000	13,385
Legal	1,000	150
Advertising/Marketing	500	50
Insurance	13,500	13,044
Depreciation	10,000	12,540
Postage	2,500	2,888
Rent	151,342	145,200
Telephone	4,000	2,332
Automobiles	5,500	225
Mileage & Travel	4,000	426
Conferences Expenses	2,500	0
Meetings	5,500	9,596
Printing	12,000	10,439
Graphics	0	473
Office Supplies	4,000	3,682
Other Supplies	500	546
Equipment	8,000	16,469
Training	500	625
Periodicals	4,000	3,439
Recruitment	500	728
Dues	5,000	1,057
Data Processing	30,000	40,383
Other Expenses	750	919
<b>Total Operating Expenses</b>	<b>909,441</b>	<b>892,755</b>
<b>Total Indirect Costs</b>	<b>\$ 901,441</b>	<b>\$ 873,975</b>
<b>Allocation Base: Direct Personnel plus Fringe Benefits</b>	<b>\$ 1,134,722</b>	<b>\$ 1,108,951</b>
<b>Indirect Cost Rate Applied</b>	<b>79.44%</b>	<b>78.81%</b>

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
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**SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2017**

	Federal Highway Administration/Ohio Department of Transportation PID 99476 Consolidated Planning Grant FY 16	Federal Highway Administration/Ohio Department of Transportation PID 102056 Consolidated Planning Grant FY 17
Revenues:		
Federal	\$ 142,208	\$ 835,928
State	17,776	104,491
Local	<u>17,776</u>	<u>104,491</u>
TOTAL REVENUES	<u>\$ 177,760</u>	<u>\$ 1,044,910</u>
Expenditures		
Salaries	\$ 63,358	\$ 308,175
Benefits	39,827	181,322
Other Direct	(7,394)	170,286
Indirect Costs	<u>81,969</u>	<u>385,127</u>
TOTAL EXPENSES	<u>\$ 177,760</u>	<u>\$ 1,044,910</u>

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY

SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2017

Federal Highway  
Administration/Ohio  
Department of Transportation  
PID 99772  
TIP Management FY 17

Revenues:		
Federal	\$	80,000
State		-
Local		<u>20,002</u>
TOTAL REVENUES	\$	<u>100,002</u>
Expenditures		
Salaries	\$	34,421
Benefits		20,489
Other Direct		1,817
Indirect Costs		<u>43,275</u>
TOTAL EXPENSES	\$	<u>100,002</u>

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2017**

Federal Highway  
Administration/Ohio  
Department of Transportation  
PID 98937  
Rideshare Program FY 17

Revenues:		
Federal	\$	79,891
State		-
Local		-
		-
TOTAL REVENUES	\$	79,891
Expenditures		
Salaries	\$	14,142
Benefits		8,417
Other Direct		39,553
Indirect Costs		17,779
		17,779
TOTAL EXPENSES	\$	79,891

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2017**

Federal Highway  
Administration/Ohio  
Department of Transportation  
PID 98938  
Air Quality Planning Grant FY 17

Revenues:		
Federal	\$	81,400
State		-
Local		-
		<hr/>
TOTAL REVENUES	\$	<u>81,400</u>
Expenditures		
Salaries	\$	8,756
Benefits		5,212
Other Direct		56,424
Indirect Costs		11,008
		<hr/>
TOTAL EXPENSES	\$	<u>81,400</u>

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2017**

Federal Highway  
Administration/Ohio  
Department of Transportation  
PID 99720  
Rural Transportation Planning  
Program FY 16

Revenues:			
Federal		\$	2,654
State			664
Local			-
TOTAL REVENUES		\$	<u>3,318</u>
Expenditures			
Salaries		\$	305
Benefits			182
Other Direct			2,447
Indirect Costs			384
TOTAL EXPENSES		\$	<u>3,318</u>

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY

SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2017

Federal Highway  
Administration/Ohio  
Department of Transportation  
PID 103462  
Ohio Conference on Freight Support  
FY 17

Revenues:		
Federal	\$	8,000
State		2,000
Local		-
		<hr/>
TOTAL REVENUES	\$	<u>10,000</u>
Expenditures		
Salaries		-
Benefits		-
Other Direct		10,000
Indirect Costs		-
		<hr/>
TOTAL EXPENSES	\$	<u>10,000</u>

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2017**

Federal Highway  
Administration/Ohio  
Department of Transportation  
PID 98010  
ITS Architecture Update FY 2015

Revenues:		
Federal	\$	3,674
State		-
Local		918
		<hr/>
TOTAL REVENUES	\$	<u>4,592</u>
Expenditures		
Salaries		-
Benefits		-
Other Direct		4,592
Indirect Costs		-
		<hr/>
TOTAL EXPENSES	\$	<u>4,592</u>



**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>FEDERAL GRANTOR</u>	Federal	Pass Through	Disbursements
<i>Pass Through Grantor</i>	CFDA	Entity Identifying	
<u>Program Title</u>	<u>Number</u>	<u>Number</u>	
 <b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through Ohio Department of Transportation:</i>			
<b>Highway Planning and Construction</b>	<b>20.205</b>		
Transportation Planning		99476/102056	\$978,136
Share-A-Ride		98937	\$79,891
TIP Monitoring		99772	\$80,000
Transportation Air Quality		98938	\$81,400
Ohio Conference of Freight		103462	\$8,000
Regional Transportation Planning Mentorship		99720	\$2,654
Intelligent Transportation System (ITS) Architecture Update		98010	\$3,674
			<u>\$1,233,755</u>
<i>Passed Through Michigan Department of Transportation and SEMCOG:</i>			
<b>Highway Planning and Construction</b>	<b>20.205</b>		
Transportation Planning		17003	\$59,483
			<u>\$59,483</u>
<b>Total all Highway Planning and Construction</b>			\$1,293,238
<i>Passed Through Toledo Area Regional Transit Authority:</i>			
<b>Job Access - Reverse Commute</b>	<b>20.516</b>		
Car Buy Program		N/A	\$8,865
			<u>\$8,865</u>
Total United States Department of Transportation			<b>\$1,302,103</b>
 <b><u>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<i>Direct Program</i>			
<b>Urban Waters Small Grant</b>	<b>66.440</b>		
Working with Residents to Plan for Green Infrastructure		N/A	\$49,200
			<u>\$49,200</u>
<i>Passed Through Ohio Environmental Protection Agency:</i>			
<b>Water Quality Management Planning</b>	<b>66.454</b>		
TMACOG Areawide Water Quality Management Plan		TMACOG-FD60414	\$20,150
TMACOG Areawide Water Quality Management Plan		TMACOG-FD60415	\$52,867
			<u>\$73,017</u>
<i>Passed Through Ohio Environmental Protection Agency:</i>			
<b>Great Lakes Program</b>	<b>66.469</b>		
Belmont-Forest Urban Stormwater Bioretention		TMACOG-FDSedm14	\$186,110
			<u>\$186,110</u>
Total United States Environmental Protection Agency			<b>\$308,327</b>
 <b><u>United States Department of Commerce</u></b>			
<i>Passed Through Ohio Department of Natural Resources Office of Coastal Management:</i>			
<b>Coastal Zone Management Administration Awards</b>	<b>11.419</b>		
Watershed Septic System Education		DNRFH017 306-12	\$19,609
			<u>\$19,609</u>
Total United States Department of Commerce			<b>\$19,609</b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$1,630,039</u></b>

The accompanying notes are an integral part of this schedule.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)**

**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Toledo Metropolitan Area Council of Governments (TMACOG) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of TMACOG, it is not intended to and does not present the financial position, changes in net position, or cash flows of TMACOG.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. TMACOG has an approved Indirect Cost Plan with the Ohio Department of Transportation for the fiscal year ended June 30, 2017 and the Indirect Cost Rate was 78.81%.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require TMACOG to contribute non-Federal funds (matching funds) to support the Federally-funded programs. TMACOG has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Toledo Metropolitan Area Council of Governments  
Lucas County  
300 Martin Luther King Jr. Drive, Suite 300  
Toledo, Ohio 43604

To the Board of Trustees:

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 enterprise fund and the aggregate remaining fund information of the Toledo Metropolitan Area Council of Governments, Lucas County, Ohio (TMACOG), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise TMACOG's basic financial statements, and have issued our report thereon dated December 15, 2017.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered TMACOG's internal control over financial reporting (internal control) to determine the 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 TMACOG's internal control. Accordingly, we do not express an opinion on the effectiveness of TMACOG's 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 entity's 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 TMACOG's 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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 TMACOG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TMACOG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
December 15, 2017

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***Charles E. Harris & Associates, Inc.***  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Toledo Metropolitan Area Council of Governments  
Lucas County  
300 Martin Luther King Jr. Drive, Suite 300  
Toledo, Ohio 43604

To the Board of Trustees:

***Report on Compliance for Major Federal Program***

We have audited the Toledo Metropolitan Area Council of Governments' Lucas County, Ohio's (TMACOG) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Compliance Supplement*) that could have a direct and material effect on TMACOG's major federal program for the year ended June 30, 2017. TMACOG's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for TMACOG's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TMACOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of TMACOG's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Toledo Metropolitan Area Council of Governments, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2017.


***Report on Internal Control over Compliance***

Management of TMACOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TMACOG's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TMACOG's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
December 15, 2017

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction - CFDA # 20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENT

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 13, 2018