

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**





# 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 Weber O'Brien Ltd., for the audit period July 1, 2012 through June 30, 2013. 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 29, 2014

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

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

**BOARD OF TRUSTEES - OFFICERS  
AS OF JUNE 30, 2013**

<u>OFFICER</u>	<u>POSITION</u>	<u>TERM OF OFFICE</u>
Carol A. Contrada	Chair	1/29/13 - 1/29/14
Nelson D. Evans	Vice Chair	1/29/13 - 1/29/14
Don A. Nalley	Second Vice Chair	1/29/13 - 1/29/14



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the major enterprise fund and the aggregate remaining fund information of Toledo Metropolitan Area Council of Governments, Lucas County, ("TMACOG") as of and for the year ended June 30, 2013, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable by financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Toledo Metropolitan Area Council of Governments  
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used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major enterprise fund and the aggregate remaining fund information of TMACOG as of June 30, 2013, and the respective changes 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 on pages 4 - 9 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 opinions on the financial statements that collectively comprise TMACOG's basic financial statements. The schedules of fringe benefit cost rate and of indirect cost rate on pages 30 and 31 and the schedule of revenues and expenses for U.S. Department of Transportation Funds on pages 32 - 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 36 is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Board of Trustees  
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Lucas County

Such information on pages 30 - 36 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, the information is 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 19, 2013, 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.



December 19, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. This information should be read in conjunction with the basic financial statements included in this report.

**FINANCIAL HIGHLIGHTS**

- Total Net Position increased by \$80,350.
- Total expenses increased by \$9,846 to \$2,247,035 while total revenue increased by \$26,162 to \$2,327,385.
- Federal and state support decreased by \$28,757 to \$1,571,488 while local support increased by \$55,196 to \$754,608.

**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), obligations owed by TMACOG (liabilities) and TMACOG's net position (the difference between assets and liabilities). 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.

**FINANCIAL ANALYSIS OF TMACOG**

The following tables provide a summary of TMACOG's financial positions and operations for 2012 and 2013, respectively:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

	<u>Change</u>			
	<u>2013</u>	<u>2012</u>	<u>Amount</u>	<u>%</u>
<b>Assets</b>				
Current Assets	\$1,640,736	\$1,456,784	\$183,952	12.63%
Noncurrent Assets	<u>2,949,043</u>	<u>3,490,553</u>	<u>-541,510</u>	-15.51%
<b>Total Assets</b>	4,589,779	4,947,337	-357,558	-7.23%
<b>Liabilities</b>				
Current Liabilities	1,083,574	979,965	103,609	10.57%
Noncurrent Liabilities	<u>3,013,387</u>	<u>3,554,904</u>	<u>-541,517</u>	-15.23%
<b>Total Liabilities</b>	<u>4,096,961</u>	<u>4,534,869</u>	<u>-437,908</u>	-9.66%
<b>Net Position</b>				
Invested in Capital Assets, Net of Related Debt	9,041	13,277	-4,236	-31.90%
Unrestricted	<u>483,777</u>	<u>399,191</u>	<u>84,586</u>	21.19%
<b>Total Net Position</b>	<u>\$492,818</u>	<u>\$412,468</u>	<u>\$80,350</u>	19.48%

During 2013, net position increased by \$80,350. The increase was due primarily to the following:

- Cash and cash equivalents increased \$26,442.
- Total receivables increased by \$141,040. Federal and state receivables increased by \$40,923 while local receivables increased by \$100,117. Receivables due from the Ohio Department of Transportation (ODOT) for federal and state funded transportation programs were \$34,906 higher on June 30, 2013 than on June 30, 2012. Federal receivable from SEMCOG for the transportation program increased by \$7,933. Federal and state receivables for grants to fund the environmental program increased by \$7,578 during this same period. Other federal receivables for various environmental programs decreased by \$9,494. The main contributors to the increase in local receivables were \$50,000 due from Lucas County for their contribution to the Regional Water Study and \$45,794 due from City of Toledo for their transportation assessments.
- Noncurrent Assets decreased by \$541,510 mostly due to reduction in the long term balance due on Note Receivable from City of Toledo for SIB loan.
- Total liabilities decreased by \$437,908. Current liabilities increased by \$103,609. The vast majority of this increase is attributable to unearned revenue of \$90,843 representing the portion of the contributions made by Lucas County and City of Toledo for the Regional Water Study that were not needed during 2013. The current portion of the balance due on the Note Receivable from City of Toledo for their SIB loan increased by \$15,762. The balance of the increase was the net result of decreases in general accounts payable of \$1,443 and Due to Others of \$6,000 and increases in Accrued Compensation Payable of \$64, Compensated Absences Payable of \$3,380, and Membership Dues of \$1,003.
- Noncurrent liabilities decreased by \$541,517 due to reduction in the long term balance due on the Note Receivable from City of Toledo for SIB loan and reduction in the Noncurrent Liability for Compensated Absences.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Changes in Net Position** – The following table shows the changes in revenues and expenses for TMACOG for 2013 and 2012:

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

	<u>2013</u>	<u>2012</u>	<u>Change Amount</u>	<u>%</u>
Operating Revenue:				
Local Dues & Assessments	\$592,249	\$592,367	\$ 118	0.00%
Other Local Support	<u>162,359</u>	<u>107,045</u>	<u>55,314</u>	51.67%
<b>Total Operating Revenue</b>	754,608	699,412	55,196	7.89%
Operating Expenses:				
Total Personnel Costs	1,699,913	1,703,421	-3,508	-0.21%
Consultant/Contractual/Pass-through	20,432	63,114	-42,682	-67.63%
All Other Operating Expenses	<u>526,690</u>	<u>470,654</u>	<u>56,036</u>	11.91%
<b>Total Operating Expenses</b>	<u>2,247,035</u>	<u>2,237,189</u>	<u>9,846</u>	0.44%
<b>Operating Loss</b>	(1,492,427)	(1,537,777)	45,350	-2.95%
Non-Operating Revenue:				
Federal	1,367,319	1,393,614	-26,295	-1.89%
State	204,169	206,631	-2,462	-1.19%
Investment Related	<u>1,289</u>	<u>1,566</u>	<u>-277</u>	-17.69%
<b>Total Non-Operating Revenue</b>	<u>1,572,777</u>	<u>1,601,811</u>	<u>-29,034</u>	-1.81%
<b>Change in Net Position</b>	80,350	64,034	16,316	25.48%
<b>Net Position at July 1</b>	<u>412,468</u>	<u>348,434</u>	<u>64,034</u>	18.38%
<b>Net Position at June 30</b>	<u>\$492,818</u>	<u>\$412,468</u>	<u>\$80,350</u>	19.48%

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

- Operating Revenue increased by \$55,196 due to:
  - Revenue from event sponsorships and registrations increased by about \$15,808.
  - Local revenue increased by \$39,506 in 2013. Significant components of the increase were:
    - Revenue for administration of the Natural Resource Assistance Council (NRAC) program generated \$12,672.
    - Revenue from Lucas County and City of Toledo for Regional Water expenses totaled \$9,100.
    - Contributions for the annual Student Watershed Watch were \$14,500 higher than the previous year. Part of this is due to the timing of when the project partners were invoiced for the contribution.
- Personnel costs increased by \$22,732.
- Fringe benefit costs decreased by \$26,240.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

- Consultant/contractual/pass-through costs decreased by \$42,681. This significant change is a result of the following:
  - A one-time payment of \$24,000 of contributed grant money to assist with the purchase of the Chessie Circle Trail was spent in 2012.
  - TMACOG spent \$7,867 under a consultant contract with Arcadis to conduct a regional water study for the TMACOG region in FY 2012 that was not repeated in FY 2013.
  - Payments totaling \$5,250 were made under contracts to provide assistance to the Ohio Conference on Freight in 2012. These payments were not repeated in 2013.
  - Consultant and Contract Services expenditures for various projects decreased by \$5,564 from FY 2012 to FY 2013 to account for the balance of the change.
  
- Other operating expenses increased by \$56,036. Significant factors include:
  - Program marketing costs (primarily for Ozone Action Days program) increased by about \$14,000.
  - Payment of \$10,000 rideshare software annual fees for both 2012 and 2013 were posted to the financial records in fiscal 2013.
  - Installation of hardware at a cost of just over \$4,000 was needed to provide fiber cable access for internet connection.
  - Printing and graphics costs increased by about \$12,000 as needs increased.
  - Travel and auto costs increased by about \$18,000.
  - Equipment costs were reduced by about \$11,000.
  
- Federal Revenue decreased by \$26,295 as a result of:
  - Transportation funding from the United States Department of Transportation (USDOT) passed through ODOT increased by \$18,825.
  - Transportation funding from the USDOT passed through the Southeast Michigan Council of Governments (SEMCOG) increased by \$9,593.
  - Funding from USEPA for a variety of projects in support of the environmental planning program decreased by \$11,774 in FY 2013 when compared to the previous year.
  - Funding in FY 2012 by the United States Department of Health and Human Services for the Car Buy Program was \$40,337. Likewise, funding in FY 2012 by the United States Department of Transportation for the Car Buy Program was \$5,299. This program ended in 2012 and there was no funding in 2013.
  - New funding from the United States Department of Health and Human Services Administration for Community Living for a Coordinate Transportation Partnership Project being undertaken total \$2,697 in 2013.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of 2013, TMACOG had \$9,041 net of accumulated depreciation invested in furniture, fixtures, equipment and automobiles. This amount represents a net decrease of \$4,236 or 31.90% as compared to 2012. The following table shows fiscal year 2013 and 2012 historical cost balances:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Capital Assets at June 30,</b>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Equipment	\$26,589	\$26,589	\$0
Computers	34,779	34,779	0
Furniture	166,148	166,148	0
Vehicles	<u>20,291</u>	<u>20,291</u>	<u>0</u>
<b>Total Capital Assets</b>	<b>\$247,807</b>	<b>\$247,807</b>	<b>0</b>
<b>Less: Accumulated Depreciation</b>	<u>238,766</u>	<u>234,530</u>	<u>-4,236</u>
<b>Net Balance</b>	<u><b>\$9,041</b></u>	<u><b>\$13,277</b></u>	<u><b>-\$4,236</b></u>

***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, 2013, a lease for TMACOG's office space, an automobile and two copy machines represented future obligations totaling \$469,400. These operating leases expire at various dates between 2014 and 2017.

**ECONOMIC FACTORS**

TMACOG ended fiscal year 2013 in a strong financial position and was able to add funds to its net position. As we look ahead at fiscal year 2014, existing programs are on a solid financial footing.

TMACOG relies heavily on federal, state, and local grants and contracts, along with member dues, to fund its various programs. These revenue sources appear to be secure in our short term projections. However, legislative action and national and state economic conditions can affect all of these revenue streams.

A new federal transportation law (MAP-21) was finally enacted after years without a new bill but it is only for federal fiscal years (FFY) 2013 and 2014. The short life of the bill indicates continuing disagreement in congress over the direction the nation should take in its transportation programs. In the short term, MAP-21 does fund \$105 billion in surface transportation. One area of uncertainty for the future is the source of funding for federal transportation. Currently, the Highway Trust Fund (which is the source of MAP-21 funding) is fed primarily by fuel taxes. A fuel tax alone does not generate enough funds to match infrastructure needs. Monies are regularly transferred from the general fund to make up the shortfall. Better fuel efficiency, fewer miles driven, and rising costs of constructions are some reasons why this funding strategy is not sustainable. With the twin political priorities of deficit reduction and a reluctance to increase taxes or user fees, HTF funding may start to run short. In that case, we could see as much as a third of the expenditures from the HTF reduced. Because the funding TMACOG uses for its transportation funding is from formulas derived from the HTF, TMACOG could see a significant reduction in the future.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

The transportation funds received by TMACOG are allocated by the state of Ohio. Beginning in state fiscal year (SFY) 2012 and continuing into SFY 2013 TMACOG's share of Ohio's transportation planning funding was slightly less than it had received in SFY 2011 because the 2010 Census showed that northwest Ohio is growing more slowly than other parts of the state. Formulas used to distribute planning funds rely on population, so a decreased share of the total population means a decrease in planning funding. This distribution program will continue until the next U.S. Census, subject to changes in federal law.

The environmental program also receives federal funds annually but a relatively small amount. This source of funds has decreased in recent years and future funding will be dictated by available money on the federal level. Working with other planning agencies throughout the state, we have been able to secure state money for ongoing environmental planning. We are optimistic that we will be able to maintain these funds, but they are subject to inclusion in the state's budget every two years. Beyond the budgeted funds, the environmental program relies on competitive grants to fund projects. These grants are becoming scarcer and more competitive. The environmental grants in place at the beginning of 2014 are all scheduled to be complete by year end. Staff members will continue to identify and pursue grant opportunities that match member priorities. We work with our members and partners to obtain funding for projects that fill a need, take advantage of an opportunity, or align with long term goals. We are hopeful that several applications for environmental projects will be submitted during 2014 for potential funding in 2015 and beyond.

Some local governments in northwest Ohio and southeast Michigan continue to experience very tight budgets due to reductions in federal, state, and local income. As a result of financial pressures, four members chose to withdraw from TMACOG membership while another was only able to pay a portion of its invoiced membership dues. This loss was offset by the gain of two new members and the return of a former member. The net result was that the local membership dues revenue for 2013 was .87% higher than was budgeted for the year. We continue to believe that a stable membership is critical for TMACOG's ongoing success and demonstrates that TMACOG members find value in their membership.

TMACOG is 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 - MAJOR ENTERPRISE FUND  
JUNE 30, 2013**

**ASSETS**

Current Assets	
Cash and Cash Equivalents	\$ 620,209
Receivables:	
Federal	312,167
State	41,668
Local	105,686
Current Portion Long Term Note Receivable from City of Toledo	537,274
Prepaid Insurance	22,591
Prepaid Other	1,027
Due From Individuals	114
	1,640,736
Total Current Assets	
Noncurrent Assets	
Long Term Portion of Note Receivable from City of Toledo	2,940,002
Depreciable Capital Assets, Net of Accumulated Depreciation	9,041
	2,949,043
Total Noncurrent Assets	
	<b>4,589,779</b>

**LIABILITIES**

Current Liabilities	
Accounts Payable	48,297
Accrued Compensation Payable	24,801
Compensated Absences Payable	110,291
Due to Others	6,500
Unearned Revenue	90,843
Membership Dues	265,568
Current Portion Long Term Note Payable to State of Ohio	537,274
	1,083,574
Total Current Liabilities	
Noncurrent Liabilities	
Long Term Portion of Note Payable to State of Ohio	2,940,003
Compensated Absences Payable	72,384
Due to Others	1,000
	3,013,387
Total Noncurrent Liabilities	
	<b>4,096,961</b>

**NET POSITION**

Invested in Capital Assets, Net of Related Debt	9,041
Unrestricted	483,777
	492,818
<b>TOTAL NET POSITION</b>	<b>\$ 492,818</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 - MAJOR ENTERPRISE FUND  
YEAR ENDED JUNE 30, 2013**

<b>Operating Revenue:</b>	
Membership Fees	\$ 355,756
Transportation Assessments	175,185
Event Registrations/Sponsorships	102,723
Stormwater Assessments	61,308
Other Local Revenue	<u>59,636</u>
<b>Total Operating Revenue</b>	<b>754,608</b>
<b>Operating Expenses:</b>	
Personnel Services	1,271,883
Fringe Benefits	428,030
Building Rent	142,030
Advertising & Promotion	71,694
Computer	57,783
Meetings	46,348
Printing & Graphics	45,178
Auto & Travel	45,163
Postage & Supplies	25,910
Equipment	24,117
Contractual Services	20,432
Other	17,569
Professional Services	12,582
Insurance	9,002
Association Dues	7,042
Publications & Subscriptions	6,998
Telephone	6,338
Training & Seminars	4,700
Depreciation	<u>4,236</u>
<b>Total Operating Expenses</b>	<b><u>2,247,035</u></b>
<b>Operating Loss</b>	<b>(1,492,427)</b>
<b>Non-Operating Revenue:</b>	
Federal	1,367,319
State	204,169
Investment Income	<u>1,289</u>
<b>Total Non-Operating Revenue</b>	<b><u>1,572,777</u></b>
<b>Change in Net Position</b>	<b>80,350</b>
<b>Net Position at July 1</b>	<b><u>412,468</u></b>
<b>Net Position at June 30</b>	<b>\$ <u><u>492,818</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 - MAJOR ENTERPRISE FUND  
YEAR ENDED JUNE 30, 2013**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 653,783
Cash Paid to Suppliers	(886,512)
Cash Paid to Employees	(1,272,683)
Net Cash Used by Operating Activities	<u>(1,505,412)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal/State Grants	<u>1,530,565</u>
Net Cash Received from Noncapital Financing Activities	1,530,565
Cash Flows from Investing Activities:	
Investment Income	<u>1,289</u>
Net Cash Received from Investing Activities	1,289
Net Increase in Cash and Cash Equivalents	26,442
Cash and Cash Equivalents, July 1	<u>593,767</u>
Cash and Cash Equivalents, June 30	<u>\$ 620,209</u>

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

Operating Loss	\$ (1,492,427)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation Expense	4,236
Changes in Assets and Liabilities:	
(Increase) in Receivable	(100,116)
(Increase) in Prepaid Insurance	(1,539)
Decrease in Prepaid Others	28
Decrease in Due From Others	803
(Decrease) in Accounts Payable	(1,443)
Increase in Membership Dues	1,003
(Decrease) in Due to Others	(6,000)
Increase in Unearned Revenue	90,843
(Decrease) in Compensated Absences Payable	(864)
Increase in Accrued Compensation Payable	<u>64</u>
Total Adjustments	<u>(12,985)</u>
Net Cash Used by Operating Activities	<u>\$ (1,505,412)</u>

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, 2013

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>3,408</u>
<b>TOTAL ASSETS</b>	<b>3,408</b>
<b>LIABILITIES</b>	
Due to Others	<u>3,408</u>
<b>TOTAL LIABILITIES</b>	<u>3,408</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u><u>0</u></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  
YEAR ENDED JUNE 30, 2013

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. 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, fund equity, revenues and expenses as appropriate.

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

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

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 fund 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

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. 14 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, 2013.

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 and all liabilities 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 total 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  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

D. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

For the year ended June 30, 2013, TMACOG implemented GASB Statement No. 61, "*Omnibus an amendment of GASB Statements No. 14 and No. 34*", GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The implementations of GASB Statements No. 61, No. 62 and No. 65 did not have a material effect on the financial statements of TMACOG. The implementation of GASB Statement No. 63 resulted in changes in the presentation of financial statement information.

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 and liabilities and disclosure of contingent assets and liabilities 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

Investments are made in accordance with the policies of the Board of Trustees. TMACOG maintains a written investment policy that designates STAR Ohio as the primary depository for excess funds. Income derived from investments is returned to the agency's operating fund, a proprietary fund type.

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, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments with STAR Ohio are valued at STAR Ohio's share price that is the price the investment could be sold for on June 30, 2013.

For purposes of the statement of cash flows and for presentation of the statement of net position, investments with an original maturity of three months or less at the time they are purchased by TMACOG are considered cash equivalents.

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

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

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 expenditures 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 balance sheet date.

J. 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

K. 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).

L. TAX STATUS

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

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, 2013, the carrying amount of all TMACOG deposits was \$614,049. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$250,000 of TMACOG's bank balance of \$658,671 was covered by Federal Deposit Insurance Corporation and the remaining \$408,671 was exposed to custodial risk.

B. Investments

As of June 30, 2013, TMACOG had the following investments:

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

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

<u>Investment Type</u>	<u>Amount</u>
STAR Ohio	<u>\$9,568</u>
Total	<u>\$9,568</u>

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 nationally 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, 2013.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$9,568</u>	<u>100.00%</u>
Total	<u>\$9,568</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, 2013:

<u>Cash and Investments per Sections A and B above</u>	
Carrying amount of deposits	\$ 614,049
Investments	<u>9,568</u>
Total	<u>\$ 623,617</u>

<u>Cash and Investments per Statements of Net Position</u>	
Proprietary Fund	\$ 620,209
Agency fund	<u>3,408</u>
Total	<u>\$ 623,617</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

4. CAPITAL ASSETS

Capital Assets consist of the following:

*Cost*

<u>Class</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Computer equipment and software	\$34,779	\$0	\$0	\$34,779
Furniture and fixtures	166,148	0	0	166,148
Machinery and equipment	26,589	0	0	26,589
Vehicles	<u>20,291</u>	<u>0</u>	<u>0</u>	<u>20,291</u>
Total	<u>\$247,807</u>	<u>\$0</u>	<u>\$0</u>	<u>\$247,807</u>

*Accumulated Depreciation*

<u>Class</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Computer equipment and software	(\$25,398)	(\$2,938)	\$0	(\$28,336)
Furniture and fixtures	(166,148)	0	0	(166,148)
Machinery and equipment	(26,589)	0	0	(26,589)
Vehicles	<u>(16,395)</u>	<u>(1,298)</u>	<u>0</u>	<u>(17,693)</u>
Total	<u>(\$234,530)</u>	<u>(\$4,236)</u>	<u>\$0</u>	<u>(\$238,766)</u>

Net Value	<u>\$13,277</u>	<u>(\$4,236)</u>	<u>\$0</u>	<u>\$9,041</u>
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Depreciation Expense Charged to Operating Expense	<u>\$4,236</u>
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**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

5. LONG TERM NOTE RECEIVABLE

TMACOG has entered into an agreement with the City of Toledo wherein the City will repay the \$4.505 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, 2013, 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						
2014	429,820		107,455	111,352	537,275	111,352
2015	442,811		110,703	95,113	553,514	95,113
2016	456,195		114,049	78,383	570,244	78,383
2017	469,983		117,496	61,148	587,479	61,148
2018	484,189		121,047	43,391	605,236	43,391
2019	<u>498,823</u>		<u>124,706</u>	<u>25,098</u>	<u>623,529</u>	<u>25,098</u>
Total	<u>\$2,781,821</u>		<u>\$695,456</u>	<u>\$414,485</u>	<u>\$3,477,277</u>	<u>\$414,485</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

7. 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, two copy machines and an automobile under agreements expiring at various dates through 2017. At June 30, 2013, scheduled lease payments were as follows:

Years Ending <u>June 30</u>	<u>Amount</u>
2014	\$165,099
2015	161,934
2016	137,914
2017	<u>4,453</u>
Total	<u>\$469,400</u>

Lease expense under these agreements amounted to \$142,030 for the building, \$17,814 for the copiers and \$4,748 for the automobile for the year ended June 30, 2013.

8. DEFINED BENEFIT PENSION PLANS

A. Pension Benefit Obligation

The following information was provided by the Ohio Public Employees Retirement System (OPERS) to assist TMACOG in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

All employees of TMACOG participate in one of three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

(employer contributions vest over five years at 20% per year). Under the MD Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. The employee contribution rate was 10.0%. The 2012 employer contribution rate for local government employer units was 14.00% of covered payroll. The contribution requirements of plan members and TMACOG are established and may be amended by the Public Employees Retirement Board. TMACOG's contributions to OPERS for the years ending June 30, 2013, 2012 and 2011 were \$177,149, \$186,234 and \$196,029, respectively. 91.914 percent has been contributed for 2013 and 100 percent has been contributed for 2012 and 2011. The unpaid balance for 2013, in the amount of \$14,325 is recorded as a liability within the proprietary fund.

**B. Other Postemployment Benefits**

OPERS has provided the following information pertaining to other postemployment benefits for health care costs in order to assist TMACOG in complying with GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits (Statement No. 45)."

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

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.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided 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/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

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

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

TMACOG Contributions

The portion of the TMACOG's contribution used to fund OPEB for 2013, 2012, and 2011 was \$50,612, \$53,207, and \$70,002, respectively.

OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

9. 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.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

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

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.

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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

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 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 current liability for these compensated absences at June 30, 2013 was \$110,291 and the total liability was \$182,675. The following table provides detail in support of this liability:

Accrued Leave Liability:

	<u>Total Liability</u>			<u>Current Liability</u>		
	<u>Annual</u>	<u>Sick</u>	<u>Total</u>	<u>Annual</u>	<u>Sick</u>	<u>Total</u>
June 30, 2012	\$118,941	\$64,598	\$183,539	\$72,641	\$34,270	\$106,911
Additions	102,233	40,784	143,017	107,111	40,150	147,261
Deletions	<u>(105,738)</u>	<u>(38,143)</u>	<u>(143,881)</u>	<u>(105,738)</u>	<u>(38,143)</u>	<u>(143,881)</u>
June 30, 2013	<u>\$115,436</u>	<u>\$67,239</u>	<u>\$182,675</u>	<u>\$74,014</u>	<u>\$36,277</u>	<u>\$110,291</u>

10. 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.

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

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)  
YEAR ENDED JUNE 30, 2013

TMACOG has a premium based PPO for employee health insurance coverage. TMACOG pays a portion of the employees' deductible. Premium expense for 2013 was \$196,337.

11. 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, 2013.

12. 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.

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY

SCHEDULE OF FRINGE BENEFIT COST RATE  
YEAR ENDED JUNE 30, 2013

<b>Fringe Benefit Costs:</b>	<b>Budget</b>	<b>Actual</b>
Annual Leave	\$ 96,097	\$ 105,738
Sick Leave	57,936	38,143
Holiday Leave	53,108	52,348
Bereavement Leave	0	2,157
Civil Leave	0	113
Administrative Leave	0	2,413
Personal Time	4,828	4,790
Medicare Tax	17,205	16,180
Health Insurance	210,342	196,337
Worker's Comp Insurance	11,140	399
Life Insurance	581	188
Dental Insurance	16,305	16,976
Vision Insurance	2,944	2,605
HSA Contribution	11,700	7,328
PERS Contributions	189,819	177,149
Employee Assistance Program	1,275	1,220
Education Reimbursement	2,500	0
Unemployment Compensation	9,490	9,650
<b>Total Fringe Benefit Costs</b>	<b>\$ 685,270</b>	<b>\$ 633,734</b>
<b>Allocation Base: Direct and Indirect Personnel</b>	<b>\$ 1,057,707</b>	<b>\$ 1,066,006</b>
<b>Fringe Benefit Cost Rate:</b>	<b>64.79%</b>	<b>59.45%</b>

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

**SCHEDULE OF INDIRECT COST RATE  
YEAR ENDED JUNE 30, 2013**

<b>Indirect Costs:</b>	<b>Budget</b>	<b>Actual</b>
<b>Revenues</b>		
Sponsorship	\$ 15,000	\$ 9,846
<b>Total Revenues</b>	<b>15,000</b>	<b>9,846</b>
<b>Expenses</b>		
Personnel Services	364,803	380,426
Fringe Benefits	236,349	226,161
Consultant/Contractual Services	4,000	3,620
Audit	17,000	17,512
Legal	2,500	56
Advertising/Marketing	2,000	350
Insurance	14,000	12,582
Depreciation	5,000	4,237
Bank fees	1,500	856
Postage	6,000	3,623
Rent	142,019	140,830
Telephone	6,000	4,486
Automobiles	0	4,041
Mileage & Travel	10,000	1,295
Conferences	2,000	5,093
Meetings	4,000	9,199
Printing	2,000	(4,454)
Graphics	1,500	(698)
Office Supplies	6,000	3,817
Other Supplies	500	491
Equipment	19,500	10,133
Equipment Maintenance	25,000	5,020
Training	2,000	374
Periodicals	4,000	4,347
Recruitment	500	88
Dues	6,000	3,712
Data Processing	8,000	20,174
Other Expenses	1,000	270
<b>Total Operating Expenses</b>	<b>893,171</b>	<b>857,641</b>
<b>Total Indirect Costs</b>	<b>\$ 878,171</b>	<b>\$ 847,795</b>
<b>Allocation Base: Direct Personnel plus Fringe Benefits</b>	<b>\$ 1,141,824</b>	<b>\$ 1,093,153</b>
<b>Indirect Cost Rate Applied</b>	<b>76.91%</b>	<b>77.56%</b>

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

**SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2013**

	Federal Highway Administration/Ohio Department of Transportation PID 90319 Consolidated Planning Grant FY 12	Federal Highway Administration/Ohio Department of Transportation PID 92736 Consolidated Planning Grant FY 13
Revenues:		
Federal	\$ 184,108	\$ 779,260
State	\$ 23,014	\$ 97,407
Local	\$ <u>23,014</u>	\$ <u>97,407</u>
TOTAL REVENUES	\$ <u>230,136</u>	\$ <u>974,074</u>
Expenditures		
Salaries	\$ 71,706	\$ 337,918
Benefits	\$ 46,458	\$ 197,060
Other Direct	\$ 21,092	\$ 23,433
Indirect Costs	\$ <u>90,880</u>	\$ <u>415,663</u>
TOTAL EXPENDITURES	\$ <u>230,136</u>	\$ <u>974,074</u>

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

**SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2013**

	Federal Highway Administration/Ohio Department of Transportation PID 90605 TIP Management FY 12	Federal Highway Administration/Ohio Department of Transportation PID 90608 TIP Management FY 13
Revenues:		
Federal	\$ 55,049	\$ 10,848
State	\$ -	\$ -
Local	\$ <u>13,762</u>	\$ <u>2,712</u>
TOTAL REVENUES	\$ <u>68,811</u>	\$ <u>13,560</u>
Expenditures		
Salaries	\$ 22,999	\$ 4,719
Benefits	\$ 14,901	\$ 1,577
Other Direct	\$ 1,762	\$ 2,138
Indirect Costs	\$ <u>29,149</u>	\$ <u>5,126</u>
TOTAL EXPENDITURES	\$ <u>68,811</u>	\$ <u>13,560</u>

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS  
LUCAS COUNTY

SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2013

Federal Highway  
Administration/Ohio  
Department of Transportation  
PID 84326  
Rideshare Program FY 11

Revenues:		
Federal	\$	28,234
State	\$	-
Local	\$	-
		<hr/>
TOTAL REVENUES	\$	<u>28,234</u>
Expenditures		
Salaries	\$	2,563
Benefits	\$	1,524
Other Direct	\$	20,978
Indirect Costs	\$	3,169
		<hr/>
TOTAL EXPENDITURES	\$	<u>28,234</u>

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

**SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS  
JUNE 30, 2013**

	Federal Highway Administration/Ohio Department of Transportation PID 84328 Air Quality Planning Grant FY 12	Federal Highway Administration/Ohio Department of Transportation PID 90603 Air Quality Planning Grant FY 13
Revenues:		
Federal	\$ 14,810	\$ 80,296
State	\$ -	\$ -
Local	\$ -	\$ -
	<u>14,810</u>	<u>80,296</u>
TOTAL REVENUES	<u>\$ 14,810</u>	<u>\$ 80,296</u>
Expenditures		
Salaries	\$ 976	\$ 10,493
Benefits	\$ 610	\$ 6,208
Other Direct	\$ 11,966	\$ 50,671
Indirect Costs	\$ 1,258	\$ 12,924
	<u>14,810</u>	<u>80,296</u>
TOTAL EXPENDITURES	<u>\$ 14,810</u>	<u>\$ 80,296</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<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	721832/722190/723447		\$963,368
Share-A-Ride	719952		28,234
TIP Monitoring	721809/723432		65,897
Transportation Air Quality	719951/721810		95,106
Ohio Conference of Freight	309463		8,000
 <i>Passed Through Michigan Department of Transportation and SEMCOG:</i>			
<b>Highway Planning and Construction</b>		<b>20.205</b>	
Transportation Planning	96-0956		60,890
			1,221,495
Total United States Department of Transportation- Highway Planning and Construction			<b>1,221,495</b>
<b><u>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<i>Passed Through Ohio Environmental Protection Agency:</i>			
<b>Nonpoint Source Implementation Grants</b>		<b>66.460</b>	
Swan Creek River and Floodplain Implementation Program	C9975500012		2,731
 <i>Passed Through Ohio Environmental Protection Agency to Toledo Botanical Gardens</i>			
<b>Nonpoint Source Implementation Grants</b>		<b>66.460</b>	
Hill Ditch Stream Restoration & Dam Removal at Toledo Botanical Gardens	11(h)EPA-21		18,246
 <i>Passed Through Ohio Environmental Protection Agency to University of Toledo</i>			
<b>Nonpoint Source Implementation Grants</b>		<b>66.460</b>	
Multifaceted Urban Stream Restoration Project for the Ottawa River at the University of Toledo	C9975500009		14,645
			35,622
 <i>Passed Through City of Toledo</i>			
<b>Great Lakes Program</b>		<b>66.469</b>	
Ottawa River Watershed Scrap Yard Program	4500009424		32,327
 <i>Passed Through University of Toledo</i>			
<b>Great Lakes Program</b>		<b>66.469</b>	
Maumee AOC-Wolf Creek: Passive Treatment Wetland to Improve Nearshore Health and Reduce NPS	GL-00E00823-0		11,145
			43,472
 <i>Passed Through Ohio Environmental Protection Agency</i>			
<b>Water Quality Management Planning</b>		<b>66.454</b>	
TMACOG Areawide Water Quality Management Plan	TMACOG60410		8,033
TMACOG Areawide Water Quality Management Plan	TMACOG-FD60411		56,000
			64,033
Total United States Environmental Protection Agency			<b>143,127</b>
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Community Transportation Association of America</i>			
<b>Special Programs for the Aging Title IV and Title II Discretionary Projects</b>		<b>93.048</b>	
Inclusive Coordinated Transportation Partnership Project	CTAA/ACL 90TC0001/01		2,697
Total United States Department of Health and Human Services			<b>2,697</b>
<b>Total</b>			<b>\$1,367,319</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  
YEAR ENDED JUNE 30, 2013**

NOTE A – General

The accompanying schedule of expenditures of federal awards presents expenditures of all federal financial assistance programs of TMACOG. All expenditures relating to federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

NOTE B - Basis of Accounting

The accompanying schedule of expenditures of federal awards has been prepared in conformity with the accrual basis of accounting.



**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**

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

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 major enterprise fund and the aggregate remaining fund information of Toledo Metropolitan Area Council of Governments, Lucas County, ("TMACOG") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise TMACOG's basic financial statements and have issued our report thereon dated December 19, 2013.

**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 opinions 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 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.

The Board of Trustees  
Toledo Metropolitan Area Council of Governments  
Lucas County

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



December 19, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

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

We have audited Toledo Metropolitan Area Council of Governments, Lucas County, ("TMACOG") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of TMACOG's major federal program for the year ended June 30, 2013. TMACOG's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of TMACOG's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

The Board of Trustees  
Toledo Metropolitan Area Council of Governments  
Lucas County

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

### **Opinion on Each Major Federal Program**

In our opinion, TMACOG, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

### **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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

The Board of Trustees  
Toledo Metropolitan Area Council of Governments  
Lucas County

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Weber O'Brien Ltd.", is written in a cursive style.

December 19, 2013

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		<u>Unmodified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___X___no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	___X___no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low risk auditee?	___X___yes	_____no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2013**

NONE



# Dave Yost • Auditor of State

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS**

**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 11, 2014**