



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet - All Fund Types	3
Statement of Support and Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type	5
Statement of Cash Flows - Proprietary Fund Type.....	7
Notes to the General-Purpose Financial Statements.....	9
Schedule of Federal Awards Expenditures	19
Notes to the Schedule of Federal Awards Expenditures	20
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	21
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	23
Schedule of Findings	25

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Toledo Metropolitan Area Council of Governments
Lucas County
300 Martin Luther King Jr. Plaza
P.O. Box 9508
Toledo, Ohio 43697-9508

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of the Toledo Metropolitan Area Council of Governments, Lucas County, (TMACOG) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the TMACOG's management. Our responsibility is to express an opinion on these general-purpose 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of TMACOG as of June 30, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2004 on our consideration of TMACOG's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for 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 not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 26, 2004

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

COMBINED BALANCE SHEET - ALL FUND TYPES
JUNE 30, 2003

	Proprietary Fund	Fiduciary Fund	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u>Only</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 246,149	\$ 3,023	\$ 249,172
Receivables:			
Federal	495,738	-	495,738
State	66,341	-	66,341
Local	204,082	-	204,082
Due From Others	550	-	550
Prepaid Insurance	15,901	-	15,901
Prepaid Lease Payment	641	-	641
Total current assets	1,029,402	3,023	1,032,425
Fixed assets:			
Furniture and equipment, at cost	471,012	-	471,012
Accumulated depreciation	(396,827)	-	(396,827)
Fixed assets (net of accumulated depreciation)	74,185	-	74,185
Total assets	\$ 1,103,587	\$ 3,023	\$ 1,106,610

(Continued)

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

COMBINED BALANCE SHEET - ALL FUND TYPES
JUNE 30, 2003
(Continued)

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u>Only</u>
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Accounts payable	\$ 285,234	\$ -	\$ 285,234
Accrued compensation payable	26,716	-	26,716
Due to Others	27,635	3,023	30,658
Deferred project support	43,694	-	43,694
Capital lease payable	2,312	-	2,312
Deferred membership dues	243,687	-	243,687
	<hr/>	<hr/>	<hr/>
Total current liabilities	629,278	3,023	632,301
Non-current liabilities			
Compensated Absences payable	97,394	-	97,394
	<hr/>	<hr/>	<hr/>
Total non-current liabilities	97,394	-	97,394
	<hr/>	<hr/>	<hr/>
Total liabilities	726,672	3,023	729,695
Retained earnings	376,915	-	376,915
	<hr/>	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 1,103,587</u>	<u>\$ 3,023</u>	<u>\$ 1,106,610</u>

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

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

**STATEMENT OF SUPPORT AND REVENUE AND EXPENSES AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND
YEAR ENDING JUNE 30, 2003**

	<u>Enterprise Fund</u>
Operating Support and Revenue	
Operating Support:	
Local	\$ 538,435
Membership Fees	360,850
Transportation Assessments	132,943
Special Dues and Assessments	38,929
Project Contributions	225,613
Operating Revenue:	
ISC/Directory Sales	1,896
Registrations	23,668
Car Buy Revenue	91,955
Internal Cost Centers	332,637
Miscellaneous	33,702
Total Operating Support and Revenue	<u>1,780,628</u>
Operating Expenses	
Personnel services	1,202,042
Fringe benefits	358,613
Contract Personnel	40,802
Consultants	648,262
Contractual services	27,302
Pass Through	35,295
Legal	5,991
Audit	14,522
Building rent and utilities	108,412
Postage and supplies	67,187
Depreciation expense	51,137
Printing	112,613
Computer	35,859
Telephone	12,109

(Continued)

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

STATEMENT OF SUPPORT AND REVENUE AND EXPENSES AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND
YEAR ENDING JUNE 30, 2003
(Continued)

	<u>Enterprise Fund</u>
Operating Expenses (Continued)	
Auto and Travel	32,195
Meetings and Conferences	42,241
Equipment	95,132
Insurance	8,820
Lease Interest	2,460
Advertising and Promotion	106,936
Graphics	201,707
Car Buy Vehicle Purchases and Insurance	301,956
CommuterLink Bus Passes	1,105
CommuterLink Transportation Providers	239,903
Other expenses	108,540
	<hr/>
Total Operating Expenses	3,861,141
	<hr/>
Operating Loss	(2,080,513)
	<hr/>
Non-Operating Support and Revenue	
Non-Operating Support:	
Federal	1,904,028
State	278,840
Non-Operating Revenue:	
Investment Income	(1,223)
	<hr/>
Total Non-Operating Support and Revenue	2,181,645
Net Gain	101,132
Retained Earnings, July 1	275,783
	<hr/>
Retained Earnings, June 30	<u>\$ 376,915</u>

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 - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2003**

	<u>Enterprise Fund</u>
Cash Flows used by Operating Activities:	
Cash Received from Customers	\$ 1,486,464
Cash Paid to Suppliers	(2,214,757)
Cash Paid to Employees	<u>(1,168,719)</u>
Net Cash Used by Operating Activities	(1,897,012)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal/State Grants	2,041,438
Cash Flows from Capital and Related Financing Activities:	
Purchase of Fixed Assets	(26,002)
Sale of Fixed Assets	<u>11,537</u>
Net Cash Flows Used by Capital and Related Financing Activities	(14,465)
Cash Flows from Investing Activities:	
Investment Income	<u>(1,222)</u>
Net Increase in Cash and Cash Equivalents	128,739
Cash and Cash Equivalents, July 1	<u>117,410</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 246,149</u></u>

(Continued)

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 - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2003
(Continued)

	<u>Enterprise Fund</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ (2,080,513)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation expense	51,137
Loss on Disposal of Fixed Assets	(1,170)
Decrease in Accounts Receivable	(5,976)
(Increase) in Prepaid Insurance	(15,901)
(Increase) in Prepaid Lease Payment	(641)
(Increase) in Due From Others	(550)
Increase in Accounts Payable	140,075
Increase in Accrued Compensation	3,670
Increase in Accrued Compensated Absences	12,817
Increase in Due to Others	40
Total Adjustments	<u>183,501</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,897,012)</u></u>

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION
(As Required by Various Statutes)

A. Description of the Entity

Pursuant to the provisions of Chapter 167, Revised Code, the Toledo Metropolitan Area Council of Governments (TMACOG) is a voluntary association of local governments in Lucas, Wood, Ottawa, Erie, 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 twice 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 General Assembly annually on or before the first day of the fiscal year. Upon adoption of the budget, the General Assembly 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. The various funds are summarized by type in the combined financial statements.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(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.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Those included in this report are Agency Funds and are comprised of the Wabash Cannonball Coordinating Committee.

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. TMACOG also applies Financial Accounting Standards Board (FASB) statements and

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the TMACOG accounting policies are described below.

A. Basis of Accounting

All financial transactions for Agency Funds are reported on a modified accrual basis of accounting. Under this accounting method, revenues are recognized in the accounting period in which they become susceptible to accrual - that is when they become both measurable and available to finance expenditures of the current period. Proprietary Fund transactions are recorded on the accrual basis of accounting: revenues are recognized when earned and measurable: expenses are recognized as incurred.

B. Measurement Focus

Proprietary Funds are accounted for on a cost of services, or "capital maintenance", measurable focus. Proprietary Fund Type income statements represent increases and decreases in net total assets.

C. Grants

Grant support is recognized at the time reimbursable expenditures are made by TMACOG. Federal, state, and local grant receivables represent the excess of support recognized over cash received from the grantor at the balance sheet date.

D. Transportation Assessments

TMACOG assesses transportation planning members in accordance with the budget approved by the General Assembly 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.

E. Short Term Investments

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

managed by the State Treasurers 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, 2003.

TMACOG also maintains an interest bearing checking account that makes automatic overnight deposits to an interest bearing account for all funds in excess of required balances.

F. Fixed Assets And Depreciation

Fixed assets purchased with grant funds are charged directly to the project as reimbursable expenditures. Fixed assets purchased from local funds prior to July 1, 1996 are recorded at cost, and depreciated over a period of between three and seven years using the straight line method. Fixed assets purchased after June 30, 1996 are recorded at cost and depreciated over a period of between five and fifteen years. Depreciation expense of \$51,137 for the twelve months ended June 30, 2003, was allocated to projects as a component of indirect costs.

The following is a summary of proprietary fund type fixed assets at cost for TMACOG at June 30, 2003:

	Enterprise Funds
Computer equipment and software	\$ 145,812
Furniture and fixtures	176,321
Machinery and equipment	116,379
Vehicles	32,500
Less Accumulated Depreciation	(396,827)
Totals	\$ 74,185

G. Tax Status

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

H. Financial Statement Totals

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the financial statements line items of the fund types. These amounts are presented for analytical purposes only. The summation includes fund types that use different bases of accounting. Amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenses of TMACOG.

3. POOLED CASH AND INVESTMENTS

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

Legal Requirements

There are no statutory requirements for the classification of monies held by TMACOG that apply. However, TMACOG maintains an investment policy that states that funds will normally be invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). When funds may be available for extended periods of time, investment opportunities with higher interest rates may be investigated. For Fiscal Year ending June 30, 2003, investments were made in repurchase agreements.

Deposits

At June 30, 2003, the carrying amount of TMACOG's deposits was \$241,166 and the bank balance was \$334,096. Of the bank balance, \$100,000 was covered by federal depository insurance and \$234,096 was covered by collateral held by the pledging financial institution in the name of TMACOG.

Investments

TMACOG investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by TMACOG. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the TMACOG name. Category 3 includes uninsured

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

or unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the TMACOG name.

	Category	Carrying Value	Fair Value
Not Subject to Categorization:			
Investment in State Treasurer's Investment Pool	N/A	\$ 8,006	\$ 8,006

(a) TMACOG's investment in the State Treasurer's Investment Pool is not categorized because they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statement is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows":

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 249,172	\$ -
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(8,006)	8,006
GASB Statement No. 3	\$ 241,166	\$ 8,006

4. 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.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

TMACOG currently leases the building it occupies and an automobile under agreements expiring at various dates through 2006. At June 30, 2003, scheduled lease payments were as follows:

2004	\$ 114,693
2005	113,470
2006	<u>91,500</u>
Total	<u><u>\$ 319,663</u></u>

Lease expense under these agreements amounted to \$108,126 for the building and \$4,893 for the automobile for the twelve months ended 6/30/03.

TMACOG has previously entered into five capital leases for the purchase of a printing press, new furniture, and a new telephone system. All of these leases have been recorded as capital leases on the financial records. The final payment for the lease on the phone system was made during 2001 and final payments on the printing press and the original furniture leases were made during 2002 leaving only two leases still active on June 30, 2003

At June 30, 2003 minimum future lease payments under these agreements were as follows:

2004	\$ 2,350
Less: Amount Representing Interest	<u>(38)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 2,312</u></u>

Lease expense under these agreements amounted to \$9,470 and interest expenses amounted to \$780 for the twelve months ended 6/30/03.

5. DEFINED BENEFIT PENSION PLANS

Pension Benefit Obligation

All employees of TMACOG participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)**

Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. For 2002 the employer contribution rate for local government employer units was 13.55 percent of covered payroll, 8.55 percent to fund pension benefit obligation and 5.00 percent to fund health care. The contribution requirements of plan members and TMACOG are established and may be amended by the Public Employees retirement Board. TMACOG's contribution to OPERS for the years ending June 30, 2003, 2002 and 2001 were \$165,225, \$174,656 and \$163,259 respectively. 91.06 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid balance for 2003, in the amount of \$14,762 is recorded as a liability within the proprietary fund.

Other Postemployment Benefits

In addition to the pension benefit obligation described above, OPERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 4.30 percent of covered payroll that amounted to \$57,834.

Other Postemployment Benefits (OPEBs) are advance funded on an actuarially determined basis. The number of active contributing participants was 402,041. The contribution rates are the actuarially determined contribution requirement for OPERS. OPEBs are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. As of December 31, 2001, the un-audited estimated net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfounded actuarially accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

(Continued)

6. COMPENSATED ABSENCES

TMACOG has four forms of compensated absences: holidays (10 days each year), annual leave, compensatory time, and sick leave.

Annual leave accrues to each permanent full-time employee with fewer than 4 years of service at the rate of 3.1 hours per pay period, to a maximum of 10 days per year, and to part-time employees on a pro-rated basis. After 4 years of service, the rate for permanent full-time employees is 4.6 hours per pay period, to a maximum of 15 days per year and after 8 years of service, the rate is 6.2 hours per pay period to a maximum of 20 days per year. 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 compensation, 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 December 31 fiscal 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 workweek. 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 Executive Director. 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 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 a maximum of 960 hours and is payable at the employee's current rate of pay.

The total liability for these compensated absences at June 30, 2003 was approximately \$97,394.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

(Continued)

7. CONTINGENT LIABILITIES

Grants

TMACOG receives financial assistance from federal, state and local agencies in the form of grants. 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 Enterprise 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 enterprise fund included herein or on the overall financial position of TMACOG at June 30, 2003.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES HIGHWAY ADMINISTRATION			
<i>Passed Through Ohio Department of Transportation</i>			
Federal Highway Planning and Construction Program		20.205	
Transportation Planning FY 03	712467		\$ 713,475
Share-A-Ride FY 03	712458		112,715
TIP Monitoring	712446		51,065
Expressway Needs Study	548030		(22,393)
Ozone Action Days	712498		88,579
<i>Passed Through Michigan Department of of Transportation and SEMCOG</i>			
Federal Highway Planning and Construction Program		20.205	
Transportation Planning FY 03	96-0956		<u>65,210</u>
Total United States Highway Administration			<u>1,008,651</u>
UNITED STATES TRANSPORTATION ADMINISTRATION			
Job Access Reverse Commute	OH-37-X025	20.516	314,913
Federal Transit - Capital Investment Grants	OH-03-0181	20.500	<u>497,010</u>
Total Federal Transit Administration			811,923
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Ohio Environmental Protection Agency</i>			
Non Point Source Implementation Grants		66.460	
Tousaint River Improvement Incentive Program	00(H) E-24		15,197
Portage River Improvement Program	99(H) I-15		<u>68,525</u>
Water Pollution Control		66.419	
Great Lakes National Program Office	GL97508001-0		<u>(268)</u>
Total Environmental Protection Agency			<u>83,454</u>
Total Federal Assistance			<u>\$ 1,904,028</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - General

The accompany schedule of federal awards expenditures 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 governmental agencies are included in the schedule.

NOTE B - Basis of Accounting

The accompany schedule of federal financial assistance has been prepared on the accrual basis of accounting.

NOTE C - Allocation of Expenditures

The amounts in the Schedule of Federal Awards expenditures has been included in TMACOG's Statement of Support, Revenues and expenses and changes in retained earnings for the twelve months ended June 30, 2003 as follows:

Salary	\$ 341,252
Fringe Benefits	184,989
Contractual Services and Other Direct Costs	1,037,813
Indirect Costs	339,974
	<u>\$ 1,904,028</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Toledo Metropolitan Area Council of Governments
Lucas County
300 Martin Luther King Jr. Plaza
P.O. Box 9508
Toledo, Ohio 43697-9508

To the Board of Trustees:

We have audited the financial statements of the Toledo Metropolitan Area Council of Governments, Lucas County, (TMACOG) as of and for the year ended June 30, 2003, and have issued our report thereon dated May 26, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered TMACOG's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial

reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to TMACOG's management in a separate letter dated May 26, 2004.

This report is intended for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 26, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

Toledo Metropolitan Area Council of Governments
Lucas County
300 Martin Luther King Jr. Plaza
P.O. Box 9508
Toledo, Ohio 43697-9508

To the Board of Trustees:

Compliance

We have audited the compliance of the Toledo Metropolitan Area Council of Governments, Lucas County, (TMACOG) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. TMACOG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of TMACOG's management. Our responsibility is to express an opinion on TMACOG's compliance based on our audit.

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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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. Our audit does not provide a legal determination on TMACOG's compliance with those requirements.

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In our opinion, TMACOG complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

TMACOG's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered TMACOG's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 26, 2004

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> • CFDA #20.500 – Federal Transit Capital Investment Grants • CFDA #20.516 – Job Access Reverse Commute
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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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
JUNE 29, 2004**