TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS

LUCAS COUNTY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

Auditor of State
Betty Montgomery

Board of Trustees
Toledo Metropolitan Area Council of Governments
Toledo, Ohio

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, 2003 through June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 20, 2005

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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, 2004

OFFICER	POSITION	TERM OF OFFICE
Kenneth Fallows	Chair	1/1/04 - 12/31/04
Barbara Sears	Vice Chair	1/1/04 - 12/31/04
Jody Holbrook	Second Vice Chair	1/1/04 – 12/31/04

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Toledo Metropolitan Area Council of Governments
Lucas County
300 Dr. Martin Luther King Jr. Drive
Toledo, Ohio 43602

We have audited the accompanying financial statements of the Proprietary Fund and the aggregate remaining fund information of the Toledo Metropolitan Area Council of Governments, Lucas County, ("TMACOG") as of and for the year ended June 30, 2004, which collectively comprise TMACOG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of TMACOG's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TMACOG as of June 30, 2004, 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.

As described in Note 3, TMACOG has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of and for the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2005 on our consideration of TMACOG's internal controls over financial reporting and on 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 Board of Trustees
Toledo Metropolitan Area Council of Governments
Lucas County

The management's discussion and analysis on pages 3 - 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of TMACOG taken as a whole. The accompanying schedule of expenditures of federal awards on page 26 is presented for 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 not a required part of the financial statements. Such additional information, which is the responsibility of TMACOG's management, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Weber. O'Brien Ltd.

February 14, 2005

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2004

Unaudited

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, 2004. This information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

The key financial highlights for 2004 are as follows:

- Total Net Assets decreased by approximately $41,000 to $355,600.
- All existing capital leases were fully paid off and there are no long-term obligations remaining.
- Membership fees and transportation assessments remained constant at $492,000.
- Federal and state grant revenue increased by about $427,000 to $2,610,500 while local grant revenue decreased by about $260,000 to $279,200.

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 Assets, the Statement of Revenue, Expenses and Changes in Net Assets, the Statement of Cash Flows 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. The statements are presented using economic resources measurement and the accrual basis of accounting.

The Statement of Net Assets presents TMACOG's financial position and reports the resources owned by TMACOG (assets), obligations owed by TMACOG (liabilities) and TMACOG's net assets (the difference between assets and liabilities). The Statement of Revenue, Expenses and Changes in Net Assets presents a summary of how TMACOG's net assets 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 2004 and 2003, respectively. TMACOG implemented Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* in 2004.

Unaudited

Condensed Statement of Net Assets
June 30,

	2004	2003	Change Amount	Change %
Assets				
Current Assets - Unrestricted	$1,218,922	$1,029,402	$189,520	18.41%
Capital Assets - Net	43,279	74,185	(30,906)	-41.66%
Total Assets	1,262,201	1,103,587	158,614	14.37%
Liabilities				
Current Liabilities - Unrestricted	881,528	629,278	252,250	40.09%
Noncurrent Liabilities - Unrestricted	45,073	97,394	(52,321)	-53.72%
Total Liabilities	$ 926,601	$ 726,672	$199,929	27.51%

During 2004, net assets decreased by $41,000. The majority of this decrease was due to the following:

- Significant effort was made on the Regional Transit Study. This study focused on looking at the current transit system and identifying those areas where the system could be improved. Local contributions from participating member jurisdictions received in FY 2003 in excess of expenses totaled approximately $90,000. This was then offset by expenses incurred in FY 2004 reported in excess of revenue by a similar figure of approximately $90,000. Thus the money paid in the previous fiscal year and recorded as cash on the 6/30/03 statements was spent in FY 2004 reducing our cash balance. This resulted in a reduction in current assets;
- Our CommuterLINK and Car Buy programs were awarded a new Job Access/Reverse Commute (JARC) grant from the Federal Transit Administration. This new grant provided more revenue than was originally anticipated. This allowed the program to serve additional clients and earn additional revenue reflected in the cash and accounts receivable line items. This transaction resulted in a slight increase in current assets;
- Efforts to solicit sponsorships for various TMACOG activities were much more successful than anticipated yielding almost $22,000 compared to a budgeted amount of $10,000 resulting in an increase in current assets of about $12,000 reported in the cash account;
- Actual participation and revenue from members in the Stormwater Coalition fell about 12% below budget leaving a shortfall and requiring additional unanticipated cash outlays. This leads to a corresponding decrease in current assets of approximately $5,500;
- Liability insurance costs increased 75% to over $15,500 resulting in additional cash outlays and a decrease in current assets of $6,600. This increase was a result of changes in the insurance industry and similar increases in the future are not anticipated;
- Depreciation expense of $36,000 along with minimal expenditures for fixed assets reduced capital assets by $31,000;
- The value of the total liability for accrued leave for staff increased by $27,000;
- Current liabilities increased significantly due to one time payments owed to consultants, program participants and service providers at year end. These liabilities are offset by increased current assets in the form of grants receivable.

Unaudited

Changes in Net Assets – The following table shows the changes in revenues and expenses for TMACOG for 2004 and 2003:

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

	2004	2003	Change Amount	Change %
Operating Revenue:				
Local Dues & Assessments	$ 532,113	$ 532,722	($ 609)	-0.11%
Other Local Support	847,891	1,247,906	(400,015)	-32.05%
Total Operating Revenue	1,380,004	1,780,628	(400,624)	-22.50%
Operating Expenses:				
Total Personnel Costs	1,727,203	1,560,655	166,548	10.67%
Consultant/Contractual/Pass-through	1,414,661	1,294,625	120,036	9.27%
All other operating expenses	891,073	1,005,861	(114,788)	-11.41%
Total Operating Expenses	4,032,937	3,861,141	171,796	4.45%
Operating Loss	(2,652,933)	(2,080,513)	(572,420)	27.51%
Non-Operating Revenue:				
Federal Grants	2,377,222	1,954,567	422,655	21.62%
State Grants	233,264	228,301	4,963	2.17%
Investment related	1,132	(1,223)	2,355	-192.56%
Total Non-Operating Revenue	2,611,618	2,181,645	429,973	19.71%
Change in Net Assets	(41,315)	101,132	(142,447)	-140.85%
Net Assets at July 1	376,915	275,783	101,132	36.67%
Net Assets at June 30	$ 335,600	$376,915	($ 41,315)	-10.96%

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

- Local operating support decreased due to:
  - A $150,000 reduction in funding from the Lucas County Department of Jobs & Family Services for the CommuterLINK and Car Buy programs.
  - A $100,000 grant from the Stranahan Foundation for the Car Buy Program in FY 2003 that was not repeated in FY 2004.
  - Subcontracted programs operated locally provided $25,000 in local fund for the CommuterLINK program in FY 2003. These programs did not exist in FY 2004.
  - Income for the Regional Transit study from participants totaling about $90,000 was prepaid in FY 2003. This prepaid revenue was then spent during FY 2004.
- Total personnel costs increased due to our ability to fully staff all of our programs in FY 2004. During FY 2003, there were two positions that were vacant for a portion of the year, and a new position was created and filled in the transportation department in FY 2004.

- Consultant/Contractual/Pass-through costs increased due to:
  - Consultant expenditures made in FY 2004 toward the Regional Transit Study against revenues received in FY 2003.
  - Payments made to land-owners at the conclusion of the Toussaint River Improvement Program for participation in the conservation efforts endorsed by the program.
- Federal Revenue increased as a result of:
  - A new federally funded program to update the TMACOG Transportation model that provided an additional $63,000.
  - Additional funds from the Federal Transit Administration (FTA) totaling $285,000 for the CommuterLINK and Car Buy programs.
  - A reduction of FTA funds for the Downtown Circulator Study of $230,000 as work on the project decreased.
  - New funding from USEPA to conduct a study of the Ottawa River totaling $142,000.
  - Final year funding from USEPA for the Toussaint River Improvement Project as it came to an end providing an additional $125,000.
  - New funding from the Corp of Engineers to conduct a study of the Maumee River Area of Concern totaling $15,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, TMACOG had $43,279 net of accumulated depreciation invested in furniture, fixtures, equipment and automobiles. This amount represents a net decrease of $30,906, or 41.7% as compared to 2003. The following table shows fiscal year 2004 and 2003 historical cost balances:

Capital Assets at June 30,

	2004	2003	Change
Cost:			
Equipment	$119,474	$116,379	$ 3,095
Computers	147,959	145,812	2,147
Furniture	176,321	176,321	0
Vehicles	32,500	32,500	0
Total Cost	476,254	471,012	5,242
Less Accumulated Depreciation	(432,975)	(396,827)	(36,148)
Net Value	$ 43,279	$ 74,185	$(30,906)

Debt

During 2004, TMACOG paid off the remaining balance on the last of its long-term capital leases. There were no additional capital leases entered into during the year. This results in the financial statements showing a zero balance for long-term debt liabilities.

At June 30, 2004, leases for TMACOG's office space and an automobile represented future obligations totaling $204,970. These leases expire at various dates during 2005 and 2006.

ECONOMIC FACTORS

The economic situation in northwest Ohio provided challenges to TMACOG and its members during 2004. TMACOG worked very closely with its members to continue to provide valuable services to its membership. Reduced tax revenue resulting from the current economic conditions did force a couple of members to drop out of TMACOG during 2004. But continuing efforts at membership recruitment allowed TMACOG to increase its total number of members by year end. Transportation activities continue to be well funded at the federal level. And with passage of an increased gasoline tax by the State of Ohio, funds for TMACOG's Transportation Planning Program continue to increase. The environmental program continues to struggle to find an ongoing and consistent source of funding. The program continues to rely on competitive grants. There has been significant success in securing some of these grants, but a reliable source of federal or state funds would allow TMACOG's staff to perform more environmental planning activities needed for the region.

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 Dr. Martin Luther King Jr. Dr., Toledo, Ohio 43602.

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2004

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	330,104
Receivables:		
Federal		747,260
State		49,033
Local		86,416
Due From Others		15
Prepaid Insurance		395
Prepaid Other		5,699
Total Current Assets		1,218,922
Noncurrent Assets		
Depreciable Capital Assets, Net of Accumulated Depreciation		43,279
Total Noncurrent Assets		43,279
TOTAL ASSETS		**1,262,201**
LIABILITIES		
Current Liabilities		
Accounts Payable		447,306
Accrued Compensation Payable		39,743
Compensated Absences Payable		79,463
Due to Others		27,635
Deferred Project Support		43,694
Deferred Membership Dues		243,687
Total Current Liabilities		881,528
Noncurrent Liabilities		
Compensated Absences Payable		45,073
Total Noncurrent Liabilities		45,073
TOTAL LIABILITIES		**926,601**
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		43,279
Unrestricted		292,321
TOTAL NET ASSETS	$	**335,600**

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 ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

Operating Revenue:		
Membership Fees	$	358,830
Local Grants		279,206
Internal Cost Centers		232,960
Project Contributions		142,185
Transportation Assessments		133,127
Car Buy Revenue		113,996
Miscellaneous		57,179
Special Dues & Assessments		40,156
Registrations		21,645
ISC/Directory Sales		720
Total Operating Revenue		**1,380,004**
Operating Expenses:		
Personnel Services		1,323,420
Consultants		594,875
Fringe Benefits		403,783
Car Buy Program		273,665
CommuterLink Transportation Providers		273,368
Graphics		171,172
Pass Through		167,032
Printing		137,046
Advertising & Promotion		125,461
Building Rent & Utilities		113,189
Contractual Services		82,418
Postage & Supplies		60,830
Other		49,675
Meetings		45,113

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS - PROPRIETARY FUND, CONTINUED
YEAR ENDED JUNE 30, 2004

Depreciation		36,148
Auto & Travel		31,688
Equipment		30,271
Legal		24,917
Computer		20,415
Contract Personnel		19,094
Audit		17,338
Insurance		15,619
Telephone		10,880
CommuterLink Bus Passes		4,209
Lease Interest & Bank Fees		1,311
Total Operating Expenses		**4,032,937**
Operating Loss		**(2,652,933)**
Non-Operating Revenue:		
Federal Grants		2,377,222
State Grants		233,264
Investment Income		1,132
Total Non-Operating Revenue		**2,611,618**
Change in Net Assets		**(41,315)**
Unrestricted Net Assets at July 1		376,915
Unrestricted Net Assets at June 30	$	**335,600**

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, 2004

Cash Flows from Operating Activities:		
Cash Received from Customers	$	1,258,179
Cash Paid to Suppliers		(2,256,995)
Cash Paid to Employees		(1,287,079)
Net Cash Used by Operating Activities		(2,285,895)
Cash Flows from Noncapital Financing Activities:		
Cash Received from Federal/State Grants		2,376,272
Cash Flows from (used by) Capital and Related Financing Activities:		
Purchase of Fixed Assets		(7,554)
Cash Flows from Investing Activities:		
Investment Income		1,132
Net Increase in Cash and Cash Equivalents		83,955
Cash and Cash Equivalents at Beginning of Year		246,149
Cash and Cash Equivalents at End of Year	$	330,104

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:

Operating Loss	$	(2,652,933)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation expense		36,148
Changes in Assets and Liabilities:		
Decrease in Receivables		117,666
Decrease in Prepaid Insurance		15,506
Decrease in Prepaid Lease Payment		641
(Increase) in Prepaid Others		(5,699)
Decrease in Due From Others		535
Increase in Accounts Payable		162,072
Increase in Accrued Leave Expenses		27,142
Increase in Accrued Compensation		13,027
Total Adjustments		367,038
Net Cash Used by Operating Activities	$	(2,285,895)

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

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

STATEMENT OF NET ASSETS - FIDUCIARY FUND
JUNE 30, 2004

ASSETS		
Cash and Cash Equivalents	$	3,033
TOTAL ASSETS		**3,033**
LIABILITIES		
Due to Others		3,033
TOTAL LIABILITIES		**3,033**
TOTAL NET ASSETS	$	0

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, 2004

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, 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.

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 - Fiduciary fund reporting focuses on net assets and changes in net assets. 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.

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 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's accounting policies are described below.

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 criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. TMACOG does not have financial accountability over any entities.

B. BASIS OF ACCOUNTING

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

C. MEASUREMENT FOCUS

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

D. 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.

E. SHORT TERM INVESTMENTS

TMACOG maintains a written investment policy that designates STAROhio as the primary depository for excess funds. Income derived from investments is returned to TMACOG's operating fund, a proprietary fund type. STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price that is the price the investment could be sold for on June 30, 2004.

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

F. CAPITAL ASSETS AND DEPRECIATION

Capital assets purchased with grant funds are charged directly to the project as reimbursable expenditures. Capital 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. Capital assets purchased after June 30, 1996 are recorded at cost and depreciated over a period of between five and fifteen years.

G. GRANTS

Grant support is recognized as revenue 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.

H. 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.

I. 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).

J. 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. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements were adopted by TMACOG effective July 1, 2003.

GASB 34 creates new basic financial statements for reporting on TMACOG's financial activities. The financial statements now include statements of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows all prepared on the accrual basis of accounting.

4. POOLED CASH AND INVESTMENTS

For purposes of the statement of cash flows and for presentation of the statement of net assets, 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 (STAROhio). 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, 2004, investments were made in overnight repurchase agreements.

Deposits

At June 30, 2004, the carrying amount of TMACOG's deposits was $325,050 and the bank balance was $352,831. Of the bank balance, $100,000 was covered by federal depository insurance and $252,831 was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being 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 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 of Risk			Fair
	1	2	3	Value
Total Investments:				
Investment in State Treasurer's Investment Pool	N/A	N/A	N/A	$8,087

(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 financial statements is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust 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	$ 333,137	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(8,087)	$ 8,087
GASB Statement No. 3	$ 325,050	$ 8,087

Included in the statements of net assets as follows:

Proprietary	$ 330,104
Fiduciary	3,033
	$ 333,137

5. CAPITAL ASSETS

Capital Assets consist of the following:

Cost

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Computer equipment and software	$145,812	$2,147	$0	$147,959
Furniture and fixtures	176,321	0	0	176,321
Machinery and equipment	116,379	3,095	0	119,474
Vehicles	32,500	0	0	32,500
Total	$471,012	$5,242	$0	$476,254

Accumulated Depreciation

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Computer equipment and software	($108,096)	($23,485)	$0	($131,581)
Furniture and fixtures	(170,857)	(1,173)	0	(172,030)
Machinery and equipment	(94,974)	(9,890)	0	(104,864)
Vehicles	(22,900)	(1,600)	0	(24,500)
Total	($396,827)	($36,148)	$0	($432,975)
Net Value	$74,185	($30,906)	$0	$43,279
Depreciation Expense Charged to Operating Expense		$36,148		

6. LEASES

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

TMACOG currently leases the building it occupies and an automobile under agreements expiring at various dates through 2006. At June 30, 2004, scheduled lease payments were as follows:

	2005	$ 113,470
	2006	91,500
Total		$ 204,970

Lease expense under these agreements amounted to $109,800 for the building and $4,893 for the automobile for the twelve months ended June 30, 2004.

TMACOG had two capital leases that matured in fiscal 2004. Final payments under these agreements amounted to $2,312 and interest expenses amounted to $38 for the year ended June 30, 2004.

7. DEFINED BENEFIT PENSION PLANS

A. Pension Benefit Obligation

All employees of TMACOG participate in the Public Employees Retirement System of Ohio (PERS of Ohio), a cost-sharing multiple-employer defined benefit pension plan. The PERS of Ohio 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 Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. The 2004 member contribution rate is 8.5 percent. For 2004 the employer contribution rate for local government employer units was 13.55 percent 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 contribution to the PERS of Ohio for the years ending June 30, 2004, 2003 and 2002 were $183,058, $165,225 and $174,656 respectively. 91.68 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid balance for 2004, in the amount of $15,230, is recorded as a liability within the proprietary fund.

B. Other Postemployment Benefits

In addition to the pension benefit obligation described above, the PERS of Ohio provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is also available. A portion of each employer's contribution to Ohio PERS 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 the PERS of Ohio. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.00 percent of covered payroll that amounted to $51,483.

Other Postemployment Benefits (OPEBs) are advance funded on an actuarially determined basis. The number of active contributing participants was 369,885. The contribution rates are the actuarially determined contribution requirement for PERS. 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, 2003, the date of the most recent information available, the unaudited estimated net assets available for future OPEB payments were $10.5 billion. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively.

8. COMPENSATED ABSENCES

TMACOG has five forms of compensated absences: holidays (10 days each year), annual leave, personal (1 day each year), 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 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.

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
YEAR ENDED JUNE 30, 2004

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 current liability for these compensated absences at June 30, 2004 was $79,463 and the total value was $124,536. Included in this balance is sick leave accrued for using the vesting method under GASB 16. The following table provides detail in support of this liability:

Accrued Leave Liability

	Total Liability			Current Liability		
	Annual	Sick	Total	Annual	Sick	Total
June 30, 2003	$66,771	$30,654	$97,425	$48,810	$14,976	$63,786
Additions	107,051	47,268	154,319	98,966	43,919	142,885
Deletions	(87,595)	(39,613)	(127,208)	(87,595)	(39,613)	(127,208)
June 30, 2004	$86,227	$38,309	$124,536	$60,181	$19,282	$79,463

9. 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.

10. CONTINGENT LIABILITIES

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 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, 2004.

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES HIGHWAY ADMINISTRATION			
Passed Through Ohio Department of Transportation:			
Highway Planning and Construction		**20.205**	
Transportation Planning	712985		$675,021
Share-A-Ride	713131		118,236
TIP Monitoring	713106		55,709
TMACOG Model Improvement	553228		62,825
Ozone Action Days	713105		93,637
US 24 Study	713240		28,331
Passed Through Michigan Department of Transportation and SEMCOG:			
Highway Planning and Construction		**20.205**	
Transportation Planning	96-0956		63,043
Total United States Highway Administration			**1,096,802**
UNITED STATES TRANSPORTATION ADMINISTRATION			
Job Access - Reverse Commute		**20.516**	
Commuter Link	OH-37-X025		326,499
Commuter Link	OH-37-X032		273,567
Federal Transit - Capital Investment Grants		**20.500**	
Downtown Circulator Study	OH-03-0181		266,439
Total United States Transportation Administration			**866,505**
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			
Great Lakes Program		**66.469**	
Ottawa River Sediment Remediation Priorities	GL97577001-0		142,565
Passed Through Ohio Environmental Protection Agency:			
Nonpoint Source Implementation Grants		**66.460**	
Toussaint River Improvement Incentive Program	00(h) E-24		141,715
RAP Coordinator	02(h)EPA-16		34,000
Portage River Improvement Incentive Program	99 (h) I-15		30,000
Water Quality Management Planning		**66.454**	
TMACOG Areawide Water Quality Management Plan			50,210
Total United States Environmental Protection Agency			**398,490**
CORP OF ENGINEERS			
Passed Through Black & Veatch, Ltd. Consultants:			
Planning Assistance to States		**12.110**	
Maumee River Area of Concern Study	41304		15,425
Total Corp of Engineers			**15,425**
Total			**$2,377,222**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

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 on the accrual basis of accounting.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 Dr. Martin Luther King Jr. Drive
Toledo, Ohio 43602

We have audited the accompanying financial statements of the Proprietary Fund and the aggregate remaining fund information of the Toledo Metropolitan Area Council of Governments, Lucas County, ("TMACOG") as of and for the year ended June 30, 2004, which collectively comprise TMACOG's basic financial statements, and have issued our report thereon dated February 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of TMACOG in a separate letter dated February 14, 2005.

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

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

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 we have reported to management of TMACOG in a separate letter dated February 14, 2005.

This report is intended solely for the information of and use of the Board of Trustees, management, 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.

Weber·O'Brien Ltd.

February 14, 2005

Certified Public Accountants • Strategic Business Advisors

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Trustees
Toledo Metropolitan Area Council of Governments
Lucas County
300 Dr. Martin Luther King Jr. Drive
Toledo, Ohio 43602

Compliance

We have audited the compliance of 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, 2004. TMACOG's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. 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; 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. 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.

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, 2004.

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Lucas County

Internal Control Over Compliance

The management of TMACOG 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 solely for the information of and use of TMACOG's Board of Trustees, management, and 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.

Weber O'Brien Ltd.

February 14, 2005

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	____yes	X no
Reportable condition(s) 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
Reportable conditions(s) identified not considered to be material weaknesses?	____yes	X none reported
Type of auditors' report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____yes	X no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:		$300,000
Auditee qualified as low risk auditee?	X yes	____no

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, 2004

NONE

Auditor of State
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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
MAY 5, 2005