

TOLEDO METROPOLITAN AREA
COUNCIL OF GOVERNMENTS
LUCAS COUNTY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Toledo Metropolitan Area Council of Governments, Lucas County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Toledo Metropolitan Area Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 22, 2012

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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, 2011

<u>OFFICER</u>	<u>POSITION</u>	<u>TERM OF OFFICE</u>
Theodore J. Rutherford	Chair	1/26/11 - 1/25/12
Carol A. Contrada	Vice Chair	1/26/11 - 1/25/12
Nelson D. Evans	Second Vice Chair	1/26/11 - 1/25/12



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Major Enterprise 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, 2011, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TMACOG's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 respective financial position of the Major Enterprise Fund and the aggregate remaining fund information of TMACOG as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 a report dated January 9, 2012, on our consideration of TMACOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

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

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Toledo Metropolitan Area Council of Governments' financial statements as a whole. The accompanying schedules of fringe benefit cost rate and of indirect cost rate on pages 29 and 30 and the schedule of revenues and expenses for U.S. Department of Transportation Funds on pages 31 through 34 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 35 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 also not a required part of the financial statements. Such additional information on pages 29 - 34 is the responsibility of TMACOG's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



January 9, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011. This information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

The key financial highlights for 2011 are as follows:

- Total Net Assets decreased by \$43,041
- Total expenses increased by \$138,836 to \$2,567,220 while total revenue decreased by \$46,461 to \$2,524,179
- Federal and state support decreased by \$113,427 to \$1,664,488 while local support increased by \$65,479 to \$858,137

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

The Statement of Net 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 2010 and 2011, respectively:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

	<u>2011</u>	<u>2010</u>	<u>Change</u>	
			<u>Amount</u>	<u>%</u>
Assets				
Current Assets	\$1,489,691	\$1,481,088	\$8,603	0.58%
Noncurrent Assets	<u>4,009,532</u>	<u>4,172,226</u>	<u>-162,694</u>	-3.90%
Total Assets	5,499,223	5,653,314	-154,091	-2.73%
Liabilities				
Current Liabilities	1,052,289	1,006,748	45,541	4.52%
Noncurrent Liabilities	<u>4,098,500</u>	<u>4,255,091</u>	<u>-156,591</u>	-3.68%
Total Liabilities	<u>5,150,789</u>	<u>5,261,839</u>	<u>-111,050</u>	-2.11%
Net Assets				
Invested in Capital Assets, Net of Related Debt	10,744	15,221	-4,477	-29.41%
Unrestricted	<u>337,690</u>	<u>376,254</u>	<u>-38,564</u>	-10.25%
Total Net Assets	<u>\$348,434</u>	<u>\$391,475</u>	<u>-\$43,041</u>	-10.99%

During 2011, net assets decreased by \$43,041. The decrease was due primarily to the following:

- Cash and cash equivalents increased \$65,227
- Total receivables decreased by \$37,269. Federal and state receivables increased by \$40,774 while local receivables decreased by \$78,043. Receivables due from the Ohio Department of Transportation (ODOT) for federal and state funded transportation programs were \$8,027 lower on June 30, 2011 than on June 30, 2010. Federal and state receivables for grants to fund the environmental program increased by \$49,223 during this same period. Other federal receivables for various programs decreased by \$7,269. The local receivable due from the City of Toledo on June 30, 2011 for membership dues and transportation assessments decreased by \$50,105. Unbilled receivables for future Car Buy client payments decreased by \$8,550 from 2010 to 2011. Miscellaneous local receivables decreased by \$19,388. Noncurrent assets decreased by \$162,694 due to a modification in the terms of the Note Receivable from City of Toledo for SIB loan.
- Total liabilities decreased by \$111,050 or 2.11% over 2010. Current liabilities increased by \$45,541. The vast majority of this increase is attributable to a year end payable to the State of Ohio totaling \$63,516 established as the result of an audit conducted by ODOT determined that contributions received to support planning projects should correctly have been identified as program revenue resulting in a decrease in the claim for federal and state reimbursement. The balance of the increase was the net result of an increase in accrued compensation payable of \$7,126, an increase in the current portion of compensated absences payable of \$10,269 and a decrease in deferred membership dues of \$5,807. Noncurrent liabilities decreased by \$156,591 as the result of the recalculation of payments due on Note Payable to ODOT for SIB loan.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Changes in Net Assets – The following table shows the changes in revenues and expenses for TMACOG for 2011 and 2010:

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

	<u>2011</u>	<u>2010</u>	<u>Change Amount</u>	<u>%</u>
Operating Revenue:				
Local Dues & Assessments	\$674,731	\$611,400	\$63,331	10.36%
Other Local Support	<u>183,406</u>	<u>181,258</u>	2,148	1.19%
Total Operating Revenue	858,137	792,658	65,479	8.26%
Operating Expenses:				
Total Personnel Costs	1,770,041	1,709,100	60,941	3.57%
Consultant/Contractual/Pass-through	312,832	246,214	66,618	27.06%
All Other Operating Expenses	<u>484,347</u>	<u>473,070</u>	<u>11,277</u>	2.38%
Total Operating Expenses	<u>2,567,220</u>	<u>2,428,384</u>	<u>138,836</u>	5.72%
Operating Loss	(1,709,083)	(1,635,726)	-73,357	4.48%
Non-Operating Revenue:				
Federal	1,482,299	1,599,606	-117,307	-7.33%
State	182,189	178,309	3,880	2.18%
Investment Related	<u>1,554</u>	<u>67</u>	<u>1,487</u>	2,219.40%
Total Non-Operating Revenue	<u>1,666,042</u>	<u>1,777,982</u>	<u>-111,940</u>	-6.30%
Change in Net Assets	-43,041	142,256	-185,297	-130.26%
Net Assets at July 1	<u>391,475</u>	<u>249,219</u>	<u>142,256</u>	57.08%
Net Assets at June 30	<u>\$348,434</u>	<u>\$391,475</u>	<u>-\$43,041</u>	-10.99%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

- Operating Revenue increased by \$65,479 (8.26%) due to:
 - Revenue from event sponsorships and registrations increased by approximately \$12,000.
 - Revenue from Car Buy clients was virtually unchanged at \$56,939, a reduction of .20% from 2010
 - The total revenue from membership fees, transportation assessments and stormwater assessments was reduced by \$13,669 to \$597,731, a reduction of almost 2.3% from 2010
 - A special assessment for a study of the region's water system was collected this year from interested jurisdictions that totaled \$77,000
 - Miscellaneous decreases in various local revenue categories totaling about \$10,000 account for the balance of the change in Operating Revenue
- Consultant/contractual/pass-through costs increased by \$66,769. This significant change is a result of the following:
 - Pass-through payments made for the Car Buy program, for the purchase of cars from dealers, for car insurance costs and for car repair costs, decreased by \$36,334 from FY 2010 to FY 2011
 - Spent \$76,375 under a consultant contract with Mannik & Smith to conduct a study of crash statistics and produce a Safety and Location Measures Report
 - Spent \$37,133 under a consultant contract with Arcadis to conduct a regional water study for the water systems around the TMACOG region
 - Consultant and Contract Services expenditures for various projects decreased by \$15,404 from FY 2010 to FY 2011 to account for the balance of the change
- Other operating expenses increased by \$11,277 with an increase in computer expense of \$15,000 accounting for the majority of the total increase.
- Federal Revenue decreased by \$117,307 as a result of:
 - Transportation funding from the United States Department of Transportation (USDOT) passed through ODOT increased by \$42,047
 - An additional reduction in federal revenue totaling \$56,718 from the USDOT passed through ODOT was the result of an audit conducted by ODOT that determined that contributions received to support planning projects should correctly have been identified as program revenue resulting in a decrease in the claim for federal reimbursement
 - Funding from USEPA provided through the federal American Recovery and Reinvestment Act (ARRA) stimulus program totaled \$44,450 in 2011, down \$38,100 from FY 2010
 - Funding from USEPA for a variety of projects in support of the environmental planning program decreased by \$47,895 in FY 2011 when compared to the previous year
 - Revenue from Lucas County Department of Jobs & Family Services (LCDJFS) for the Car Buy program was virtually unchanged decreasing by only \$1,666
 - Revenue from USDOT passed through the Toledo Area Regional Transit Authority (TARTA) for the Car Buy program decreased by \$14,853

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, TMACOG had \$10,744 net of accumulated depreciation invested in furniture, fixtures, equipment and automobiles. This amount represents a net decrease of \$4,477 or 29.41% as compared to 2010. The following table shows fiscal year 2011 and 2010 historical cost balances:

Capital Assets at June 30,	<u>2011</u>	<u>2010</u>	<u>Change</u>
Equipment	\$26,589	\$26,589	\$0.00
Computers	26,017	26,017	0.00
Furniture	166,148	166,148	0.00
Vehicles	<u>38,171</u>	<u>38,171</u>	<u>0.00</u>
Total Capital Assets	\$256,925	\$256,925	\$0.00
Less: Accumulated Depreciation	<u>246,181</u>	<u>241,704</u>	<u>4,477</u>
Net Balance	<u>\$10,744</u>	<u>\$15,221</u>	<u>-\$4,477</u>

Debt

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

Operating Lease Commitments

At June 30, 2011, a lease for TMACOG's office space, an automobile and two copy machines represented future obligations totaling \$704,778. These operating leases expire at various dates between 2012 and 2016.

ECONOMIC FACTORS

TMACOG's finances were as expected during 2011. Financial support provided through the American Recovery and Reinvestment Act (ARRA) federal stimulus program and from the State of Ohio provided adequate funds for our environmental program. Additional transportation planning dollars made available during the year provided a higher than anticipated level of funding for the transportation program. Funding from the Lucas County Department of Job and Family Services (LCDJFS) allowed the Car Buy program to continue through the end of the year. All of these factors allowed the organization to effectively operate required programs while continuing to strengthen its net asset balance.

The ongoing economic reality facing businesses and local governments in northwest Ohio and southeast Michigan did force several members to withdraw from TMACOG while others were only able to pay a portion of their invoiced membership dues. This was somewhat mitigated by the addition of four new members. The net result was that the local membership revenue for 2011 was slightly higher than budgeted.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

This continues to demonstrate the value TMACOG's members perceive they receive for their membership with TMACOG.

We anticipate that 2012 will be a financial challenge. The ARRA funds we received for the last two years have been fully utilized. A four year grant for one of our environmental programs has now come to an end. And funding from the LCDJFS for the Car Buy program has been eliminated as a result of state budget cuts. Without this funding, TMACOG was forced to terminate the program at the end of 2011. As a result, TMACOG has reduced staff by three positions as we enter 2012. Limited state and federal funds are available to continue our water quality planning program. We continue to wait for Congress to take action on a new federal transportation bill. Until that happens, continuing resolutions will keep funding for transportation planning work at nearly constant levels. But there is much uncertainty with what the new bill will bring.

TMACOG has been quick to recognize the financial questions that it faces and is taking steps to avoid financial difficulties. Staff members continue to look for grant opportunities that will fund our programs. Several applications will be submitted during 2012 for potential funding in 2012 or 2013. The organization will continue to look for ways to reduce costs without minimizing the service it provides to northwest Ohio and southeast Michigan.

REQUESTS FOR INFORMATION

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

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

STATEMENT OF NET ASSETS - MAJOR ENTERPRISE FUND
JUNE 30, 2011

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 453,848
Receivables:	
Federal	335,485
State	84,389
Local	81,223
Current of Portion of Long Term Note Receivable from City of Toledo	506,212
Prepaid Insurance	22,306
Prepaid Other	5,691
Due From Individuals	537
Total Current Assets	1,489,691
Noncurrent Assets	
Long Term Portion of Note Receivable from City of Toledo	3,998,788
Depreciable Capital Assets, Net of Accumulated Depreciation	10,744
Total Noncurrent Assets	4,009,532
TOTAL ASSETS	5,499,223

LIABILITIES

Current Liabilities	
Accounts Payable	145,096
Accrued Compensation Payable	21,732
Compensated Absences Payable	113,755
Deferred Membership Dues	265,494
Current Portion of Long Term Note Payable to State of Ohio	506,212
Total Current Liabilities	1,052,289
Noncurrent Liabilities	
Long Term Portion of Note Payable to State of Ohio	3,998,788
Compensated Absences Payable	98,712
Due to Others	1,000
Total Noncurrent Liabilities	4,098,500
TOTAL LIABILITIES	5,150,789

NET ASSETS

Invested in Capital Assets, Net of Related Debt	10,744
Unrestricted	337,690
TOTAL NET ASSETS	\$ 348,434

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 - MAJOR ENTERPRISE FUND
YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Membership Fees	\$ 368,542
Transportation Assessments	168,253
Event Registrations/Sponsorships	98,205
Special Assessment	77,000
Stormwater Assessments	60,936
Car Buy Revenue	56,939
Other Local Revenue	<u>28,262</u>
Total Operating Revenue	858,137
 Operating Expenses:	
Personnel Services	1,333,286
Fringe Benefits	436,755
Car Buy Direct Program Expenses	161,996
Contractual Services	150,836
Building Rent	133,875
Advertising & Promotion	51,261
Computer	49,321
Equipment	47,985
Meetings	47,794
Auto & Travel	30,394
Printing & Graphics	23,017
Postage & Supplies	21,706
Professional Services	16,478
Insurance	13,209
Contract Personnel	11,011
Association Dues	10,161
Telephone	9,148
Other	8,748
Depreciation	4,477
Publications & Subscriptions	4,376
Training & Seminars	<u>1,386</u>
Total Operating Expenses	2,567,220
 Operating Loss	 (1,709,083)
 Non-Operating Revenue:	
Federal	1,482,299
State	182,189
Investment Income	<u>1,554</u>
Total Non-Operating Revenue	1,666,042
 Change in Net Assets	 (43,041)
 Net Assets at July 1	 391,475
 Net Assets at June 30	 \$ <u>348,434</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 - MAJOR ENTERPRISE FUND
YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 935,032
Cash Paid to Suppliers	(1,179,917)
Cash Paid to Employees	(1,315,155)
Net Cash Used by Operating Activities	<u>(1,560,040)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Federal/State Grants	<u>1,623,713</u>
Net Cash Received from Noncapital Financing Activities	1,623,713
Cash Flows from Investing Activities:	
Investment Income	<u>1,554</u>
Net Cash Received from Investing Activities	1,554
Net Increase in Cash and Cash Equivalents	65,227
Cash and Cash Equivalents, July 1	<u>388,621</u>
Cash and Cash Equivalents, June 30	<u>\$ 453,848</u>
 Reconciliation of Operating Loss	
to Net Cash Used in Operating Activities:	
Operating Loss	\$ (1,709,083)
Adjustments to Reconcile Operating Loss	
to Net Cash Used in Operating Activities	
Depreciation Expense	4,477
Changes in Assets and Liabilities:	
Decrease in Receivable	78,043
(Increase) in Prepaid Insurance	(142)
(Increase) in Prepaid Others	(468)
(Increase) in Due From Others	(537)
Increase in Accounts Payable	54,455
(Decrease) in Deferred Membership Dues	(5,807)
Increase in Compensated Absences	11,896
Increase in Accrued Compensation	<u>7,126</u>
Total Adjustments	<u>149,043</u>
Net Cash Used by Operating Activities	<u>\$ (1,560,040)</u>

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

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

STATEMENT OF NET ASSETS - FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>3,427</u>
TOTAL ASSETS	3,427
LIABILITIES	
Due to Others	<u>3,427</u>
TOTAL LIABILITIES	<u>3,427</u>
TOTAL NET ASSETS	\$ <u><u>0</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 FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

1. DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION

A. DESCRIPTION OF THE ENTITY

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

B. BASIS OF PRESENTATION

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

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
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NOTES TO THE FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2011

C. FUND ACCOUNTING

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

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activity of TMACOG, with the exception of the Agency Fund, is recorded in the Enterprise Fund.

FIDUCIARY FUNDS

Trust and Agency Funds - Fiduciary fund reporting focuses on net 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.

**TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
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The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. TMACOG applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989 unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements, in which case GASB prevails. TMACOG has elected not to apply FASB Standards and Interpretations issued after November 30, 1989. Governmental Accounting Standards Board (GASB) pronouncements are applied after this date.

A. REPORTING ENTITY

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criterion of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. There were no component units of TMACOG for the year ended June 30, 2011.

B. BASIS OF ACCOUNTING

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

C. MEASUREMENT FOCUS

Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net 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.

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NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
YEAR ENDED JUNE 30, 2011

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. CASH AND INVESTMENTS

Investments are made in accordance with the policies of the Board of Trustees. TMACOG maintains a written investment policy that designates STAROhio as the primary depository for excess funds. Income derived from investments is returned to the agency'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, 2011.

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.

F. CAPITAL ASSETS AND DEPRECIATION

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

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NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

YEAR ENDED JUNE 30, 2011

G. COMPENSATED ABSENCES

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

H. GRANTS

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

I. TRANSPORTATION ASSESSMENTS

TMACOG assesses transportation planning members in accordance with the budget approved by the Board of Trustees to meet the local matching requirements of the budget. Amounts not collected are re-billed in the subsequent year or can be billed to other transportation planning members on a pro-rata basis. If billed to other members and subsequently collected from the owing member, each transportation planning member is credited on a pro-rata basis.

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(CONTINUED)
YEAR ENDED JUNE 30, 2011

J. 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).

K. TAX STATUS

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

3. DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

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

At June 30, 2011 the carrying amount of all TMACOG deposits was \$208,122. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, all of TMACOG's bank balance of \$277,935 was covered by Federal Deposit Insurance Corporation.

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NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
YEAR ENDED JUNE 30, 2011

B. Investments

As of June 30, 2011, TMACOG had the following investments:

<u>Investment type</u>	<u>Amount</u>
Money Market Mutual Fund	\$239,597
STAR Ohio	<u>9,556</u>
Total	<u>\$249,153</u>

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

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

Concentration of Credit Risk: TMACOG's investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by TMACOG at June 30, 2011.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Money Market Mutual Fund	\$239,597	96.16%
STAR Ohio	<u>9,556</u>	<u>3.84%</u>
Total	<u>\$249,153</u>	100.00%

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported above to cash and investments as reported on the Statement of Net Assets as of June 30, 2011:

<u>Cash and Investments per Sections A and B above</u>	
Carrying amount of deposits	\$ 208,122
Investments	<u>249,153</u>
Total	<u>\$ 457,275</u>

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Cash and Investments per Statements of Net Assets

Proprietary Fund	\$ 453,848
Agency fund	<u>3,427</u>
Total	<u>\$ 457,275</u>

4. CAPITAL ASSETS

Capital Assets consist of the following:

Cost

<u>Class</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Computer equipment and software	\$26,017	\$0	\$0	\$26,017
Furniture and fixtures	166,148	0	0	166,148
Machinery and equipment	26,589	0	0	26,589
Vehicles	<u>38,171</u>	<u>0</u>	<u>0</u>	<u>38,171</u>
Total	<u>\$256,925</u>	<u>\$0</u>	<u>\$0</u>	<u>\$256,925</u>

Accumulated Depreciation

<u>Class</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Computer equipment and software	(\$17,289)	(\$3,178)	\$0	(\$20,467)
Furniture and fixtures	(166,148)	0	0	(166,148)
Machinery and equipment	(26,589)	0	0	(26,589)
Vehicles	<u>(31,678)</u>	<u>(1,299)</u>	<u>0</u>	<u>(32,977)</u>
Total	<u>(\$241,704)</u>	<u>(\$4,477)</u>	<u>\$0</u>	<u>(\$246,181)</u>

Net Value	<u>\$15,221</u>	<u>(\$4,477)</u>	<u>\$0</u>	<u>\$10,744</u>
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Depreciation Expense Charged to Operating Expense	<u>\$4,477</u>
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NOTES TO THE FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2011

5. LONG TERM NOTE RECEIVABLE

TMACOG is party to an agreement with the City of Toledo wherein the City will repay the \$4.505 million loan received from the State of Ohio State Infrastructure Bank Loan as discussed in Footnote #6. Eighty percent (80%) of the principal payment due will be deducted from future City of Toledo Transportation Improvement Program (TIP) allocations administered by TMACOG. Toledo will pay the remaining twenty percent (20%) of the principal plus interest directly to ODOT as invoiced. During fiscal year 2011, the terms of the note agreement were modified (Note 6).

6. LOAN AGREEMENTS

TMACOG is party to separate agreements with the City of Toledo and the Ohio Department of Transportation relating a \$4.505 million loan from the State of Ohio State Infrastructure Bank Loan providing additional funding for renovation and preservation of the Martin Luther King Jr. Memorial Bridge. The total principal amount due under this agreement also includes amounts paid for fees and unpaid interest. The loan is secured with future TMACOG administered Surface Transportation Program (STP) funds. The funds were to be made available to the City of Toledo on a reimbursement basis as needed upon request and submittal of properly executed documentation. TMACOG is to repay eighty percent (80%) of the principal payment due on the loan from future City of Toledo Transportation Improvement Program (TIP) allocations. The City of Toledo is to pay the remaining twenty percent (20%) of the principal payment plus the loan interest at 3% on the entire loan balance as the payments become due. The first payment was not due until thirty (30) months after the first draw from the loan. In fiscal year 2009, the full amount of the loan was borrowed and transferred to the City of Toledo under the terms of the agreements. The terms of the loan agreement was modified during FY2011 to reflect actual closing costs, revised interest calculations, and changes in the repayment schedule. At June 30, 2011, scheduled principal and interest loan payments are as follows:

Years Ending	TMACOG		Toledo		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2012	\$ 404,969	\$ 84,751	\$101,243	\$ 84,751	\$ 506,212	\$ 84,751
2013	417,209	127,115	104,303	127,115	521,512	127,115
2014	429,820	111,352	107,454	111,352	537,274	111,352
2015	442,811	95,113	110,703	95,113	553,514	95,113
2016	456,195	78,383	114,049	78,383	570,244	78,383
2017-2019	1,452,996	129,637	363,248	129,637	1,816,244	129,637
Total	<u>\$3,604,000</u>	<u>\$626,351</u>	<u>\$901,000</u>	<u>\$626,351</u>	<u>\$4,505,000</u>	<u>\$626,351</u>

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7. LEASES

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

TMACOG currently leases the building it occupies, two copy machines and an automobile under agreements expiring at various dates through 2016. At June 30, 2011, scheduled lease payments were as follows:

Years Ending <u>June 30</u>	
2012	154,811
2013	154,811
2014	146,117
2015	135,840
2016	<u>113,200</u>
Total	<u>\$704,779</u>

Lease expense under these agreements amounted to \$133,875 for the building, \$14,223 for the copiers and \$5,382 for the automobile for the year ended June 30, 2011.

8. DEFINED BENEFIT PENSION PLANS

A. Pension Benefit Obligation

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

All employees of TMACOG participate in one of three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan, members accumulate retirement assets equal to the value of

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS at 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 employee and employer contributions. The employee contribution rate is 10.0%. The 2010 employer contribution rate for local government employer units was 14.00% of covered payroll, 7.00% to fund the pension and 7.00% to fund health care from January 1 through February 28 and 8.50% to fund pension and 5.50% to fund health care from March 1 through December 31. The contribution requirements of plan members and TMACOG are established and may be amended by the Public Employees Retirement Board. TMACOG's contributions to OPERS for the years ending June 30, 2011, 2010 and 2009 were \$196,029, \$188,851 and \$187,000, respectively. 91.687 percent has been contributed for 2011 and 100 percent has been contributed for 2010 and 2009. The unpaid balance for 2011, in the amount of \$16,319 is recorded as a liability within the proprietary fund.

B. Other Postemployment Benefits

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

Plan Description

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

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YEAR ENDED JUNE 30, 2011

Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.87%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

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YEAR ENDED JUNE 30, 2011

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.50% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

TMACOG Contributions

The portion of the TMACOG's contribution used to fund OPEB for 2011, 2010, and 2009 was \$70,002, \$74,200, and \$93,500, respectively.

OPERS Board implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. The rate increases allowed additional funds to be allocated to the health care plan.

There are no postemployment benefits provided by TMACOG other than those provided through OPERS.

9. COMPENSATED ABSENCES

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

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

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Employees hired before January 1, 2009

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

Employees hired on or after January 1, 2009

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

Annual leave may accrue to an amount equal to three times the employee's annual accrual amount. Upon leaving TMACOG, employees receive unused annual leave at their current rate of 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.

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 President. Compensatory time on the books at the end of the fiscal year is paid to the employee at their current rate of pay.

Sick leave accumulates at the rate of 3.7 hours per pay period for each full-time employee, to a maximum of 12 days per year, and to part-time employees on a pro-rated basis. Sick leave may be taken by employees up to the full amounts on their sick leave records, but employees may not develop negative sick leave or use sick leave that has not yet been accumulated. Employees with more than five years 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

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YEAR ENDED JUNE 30, 2011

TMACOG. Sick leave may be accrued to an unlimited amount and is payable at the employee's current rate of pay.

The current liability for these compensated absences at June 30, 2011 was \$113,755 and the total liability was \$212,467. The following table provides detail in support of this liability:

Accrued Leave Liability:

	<u>Total Liability</u>			<u>Current Liability</u>		
	<u>Annual</u>	<u>Sick</u>	<u>Total</u>	<u>Annual</u>	<u>Sick</u>	<u>Total</u>
June 30, 2010	\$133,457	\$67,115	\$200,572	\$74,184	\$29,302	\$103,486
Additions	103,949	52,527	156,476	109,129	45,721	154,850
Deletions	<u>(102,046)</u>	<u>(42,535)</u>	<u>(144,581)</u>	<u>(102,046)</u>	<u>(42,535)</u>	<u>(144,581)</u>
June 30, 2011	<u>\$135,360</u>	<u>\$77,107</u>	<u>\$212,467</u>	<u>\$81,267</u>	<u>\$32,488</u>	<u>\$113,755</u>

10. RISK MANAGEMENT

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

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

TMACOG has a premium based PPO for employee health insurance coverage. TMACOG pays a portion of the employees' deductible. Premium expense for 2011 was \$200,093.

11. CONTINGENT LIABILITIES

TMACOG receives substantial financial assistance from federal, state and local agencies in the form of grants. Grants are generally awarded on an annual basis, and there is no assurance as to their future continuance or the amounts to be awarded. The disbursement of funds received under these programs generally requires compliance with terms and

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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, 2011.

12. FRINGE BENEFIT AND INDIRECT COST RATE CALCULATION

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

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SCHEDULE OF FRINGE BENEFIT COST RATE
YEAR ENDED JUNE 30, 2011

Fringe Benefit Costs:	Budget	Actual
Annual Leave	\$ 95,480	\$ 102,046
Sick Leave	58,351	42,535
Holiday Leave	53,489	54,643
Bereavement Leave	0	5,558
Civil Leave	0	728
Administrative Leave	0	1,607
Personal Time	4,863	4,970
Medicare Tax	17,257	16,999
Health Insurance	216,378	213,117
Worker's Comp Insurance	2,975	4,209
Life Insurance	0	1,148
PERS Contributions	189,657	196,029
Employee Assistance Program	1,331	1,331
Education Reimbursement	2,500	2,196
Unemployment Compensation	0	1,727
Total Fringe Benefit Costs	\$ 642,281	\$ 648,843
Allocation Base: Direct and Indirect Personnel	\$ 1,057,447	\$ 1,121,198
Fringe Benefit Cost Rate:	60.74%	57.87%

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF INDIRECT COST RATE
YEAR ENDED JUNE 30, 2011

Indirect Costs:	Budget	Actual
Revenues		
Registration Fees	\$ 0	\$ 13,155
Dinner Table Sponsor-Registration	0	0
Advertisement	0	0
Trade Show Display Table	0	450
Sponsorship	0	3,450
Miscellaneous	0	0
Total Revenues	<u>0</u>	<u>17,055</u>
Expenses		
Personnel Services	354,565	386,327
Fringe Benefits	215,359	223,569
Advertising	2,000	858
Audit	17,000	16,478
Automobiles	15,000	10,258
Comp Time	0	0
Conferences	8,000	4,374
Contractual Services	5,000	1,814
Data Processing	8,000	23,013
Depreciation	5,000	4,477
Dues	7,500	4,882
Equipment	19,500	17,827
Equipment Maintenance	25,000	25,262
Graphics	1,500	(1,247)
Insurance	15,000	13,209
Legal	3,000	0
Meetings	8,000	16,263
Office Supplies	5,000	5,501
Other Expenses	3,000	1,483
Other Supplies	500	136
Periodicals	4,000	3,830
Postage	6,000	4,371
Printing	2,000	(12,520)
Recruitment	500	93
Rent	142,042	132,675
Telephone	6,000	6,596
Training	2,000	937
Travel	1,000	0
Prior Year Rate Adjustment	0	(29,878)
Total Operating Expenses	<u>881,466</u>	<u>860,588</u>
Total Indirect Costs	\$ 881,466	\$ 843,533
Allocation Base: Direct Personnel plus Fringe Benefits	\$ <u>1,129,805</u>	\$ <u>1,160,145</u>
Indirect Cost Rate Applied	<u>78.02%</u>	<u>72.71%</u>

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS
YEAR ENDED JUNE 30, 2011

	Federal Highway Administration/Ohio Department of Transportation PID 85248 Consolidated Planning Grant FY 10	Federal Highway Administration/Ohio Department of Transportation PID 87637 Consolidated Planning Grant FY 11
Revenues:		
Federal	\$ 163,294	\$ 748,603
State	\$ 20,411	\$ 93,575
Local	\$ 20,412	\$ 93,575
 TOTAL REVENUES	 \$ 204,117	 \$ 935,753
Expenditures:		
Salaries	\$ 66,739	\$ 304,002
Benefits	\$ 40,537	\$ 174,012
Other Direct	\$ 13,144	\$ 115,876
Indirect Costs	\$ 83,697	\$ 341,863
 TOTAL EXPENDITURES	 \$ 204,117	 \$ 935,753

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS
YEAR ENDED JUNE 30, 2011

	Federal Highway Administration/Ohio Department of Transportation PID 84329 TIP Management FY 10	Federal Highway Administration/Ohio Department of Transportation PID 84330 TIP Management FY 11
Revenues:		
Federal	\$ 45,912	\$ 27,001
State	\$ -	\$ -
Local	\$ 11,478	\$ 6,750
TOTAL REVENUES	<u>\$ 57,390</u>	<u>\$ 33,751</u>
Expenditures		
Salaries	\$ 19,510	\$ 13,124
Benefits	\$ 11,851	\$ 7,036
Other Direct	\$ 1,562	\$ 599
Indirect Costs	\$ 24,467	\$ 12,992
TOTAL EXPENDITURES	<u>\$ 57,390</u>	<u>\$ 33,751</u>

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS
YEAR ENDED JUNE 30, 2011

	Federal Highway Administration/Ohio Department of Transportation PID 84324 Rideshare Program FY 10	Federal Highway Administration/Ohio Department of Transportation PID 84326 Rideshare Program FY 11
Revenues:		
Federal	\$ 57,955	\$ (1,603)
State	\$ -	\$ -
Local	\$ -	\$ -
	<u>57,955</u>	<u>(1,603)</u>
TOTAL REVENUES	<u>\$ 57,955</u>	<u>\$ (1,603)</u>
Expenditures		
Salaries	\$ 13,304	\$ 134
Benefits	\$ 8,081	\$ (304)
Other Direct	\$ 19,886	\$ (174)
Indirect Costs	\$ 16,684	\$ (1,259)
	<u>57,955</u>	<u>(1,603)</u>
TOTAL EXPENDITURES	<u>\$ 57,955</u>	<u>\$ (1,603)</u>

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF REVENUES AND EXPENSES FOR US DEPARTMENT OF TRANSPORTATION FUNDS
YEAR ENDED JUNE 30, 2011

	Federal Highway Administration/Ohio Department of Transportation PID 79418 Air Quality Planning Grant FY 09	Federal Highway Administration/Ohio Department of Transportation PID 84327 Air Quality Planning Grant FY 10	Federal Highway Administration/Ohio Department of Transportation PID 84328 Air Quality Planning Grant FY 11
Revenues:			
Federal	\$ 21,232	\$ 45,522	\$ 5,737
State	\$ -	\$ -	\$ -
Local	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ 21,232	\$ 45,522	\$ 5,737
Expenditures			
Salaries	\$ 1,155	\$ 9,872	\$ 1,148
Benefits	\$ 702	\$ 5,647	\$ 697
Other Direct	\$ 17,927	\$ 18,916	\$ 2,453
Indirect Costs	\$ 1,448	\$ 11,087	\$ 1,439
TOTAL EXPENDITURES	\$ 21,232	\$ 45,522	\$ 5,737

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction		20.205	
Transportation Planning	718642/719074/719969		\$911,897
Share-A-Ride	718661/719957		56,352
TIP Monitoring	718659/719950		72,913
Transportation Air Quality	717657/718660/719951		72,491
<i>Passed Through Michigan Department of Transportation and SEMCOG:</i>			
Highway Planning and Construction		20.205	
Transportation Planning	96-0956		54,388
			<u>1,168,041</u>
<i>Passed Through Toledo Area Regional Transit Authority:</i>			
Job Access - Reverse Commute		20.516	
Car Buy Program			87,312
			<u>87,312</u>
Total United States Department of Transportation			<u>1,255,353</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE NATURAL RESOURCES CONSERVATION SERVICES</u>			
<i>Passed Through University of Toledo</i>			
Cooperative State Research, Education, and Extension Services		10.200	
Lake Erie Wetlands & Shoreline Restoration Project			29,672
			<u>29,672</u>
Total Natural Resources Conservation Service			<u>29,672</u>
<u>NATIONAL ATMOSPHERIC AND OCEANOGRAPHIC ASSOCIATION</u>			
<i>Passed Through Ohio Department of Natural Resources and City of Oregon Ohio</i>			
Coastal Program		15.630	
Wolf Creek Riparian Corridor Project	116-2009		13,028
			<u>13,028</u>
Total National Atmospheric and Oceanographic Association			<u>13,028</u>
<u>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed Through City of Toledo</i>			
Great Lakes Program		66.469	
Ottawa River Watershed Scrap Yard Program	4500009424		8,139
<i>Passed Through Ohio Environmental Protection Agency</i>			
Water Quality Management Planning		66.454	
TMACOG Areawide Water Quality Management Plan	TMACOG60410		3,115
Water Quality Management Planning - ARRA		66.454	
TMACOG Areawide Water Quality Management Plan - ARRA	TMACOGSTM9		44,450
			<u>47,565</u>
Total United States Environmental Protection Agency			<u>55,704</u>
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Lucas County Department of Jobs and Family Services</i>			
Temporary Assistance for Needy Families		93.558	
Car Buy Program	48-11-TANF-05		197,264
			<u>197,264</u>
Total United States Department of Health and Human Services			<u>197,264</u>
Total			<u><u>\$1,551,021</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

NOTE A – General

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

NOTE B - Basis of Accounting

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



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

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

We have audited the financial statements of the Major Enterprise 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, 2011, which collectively comprise TMACOG's basic financial statements and have issued our report thereon dated January 9, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered TMACOG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TMACOG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TMACOG's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TMACOG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the 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.



January 9, 2012



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON 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 Martin Luther King Jr. Drive Suite 300
Toledo, Ohio 43604

Compliance

We have audited Toledo Metropolitan Area Council of Governments, Lucas County, ("TMACOG") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of TMACOG's major federal programs for the year ended June 30, 2011. 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TMACOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TMACOG's internal control over compliance.

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

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

This report is intended solely for the information and use of the 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.



January 9, 2012

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_X_ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_X_ none reported
Noncompliance material to financial statements noted?	_____ yes	_X_ no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____ yes	_X_ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_X_ none reported

Type of auditors' report issued on compliance for major programs:		<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	_X_ no
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Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low risk auditee?	_X_ yes	_____ no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS
LUCAS COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

NONE



Dave Yost • Auditor of State

TOLEDO METROPOLITAN AREA COUNCIL OF GOVERNMENTS

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 3, 2012