MID EAST OHIO REGIONAL COUNCIL
KNOX COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

CATHY HENTHORN,
DIRECTOR OF BUSINESS AND
RESIDENTIAL FINANCIAL SERVICES

Mary Taylor, CPA
Auditor of State

Members of the Board
Mid East Ohio Regional Council
160 Columbus Road
Mt. Vernon, Ohio 43050

We have reviewed the *Independent Auditor's Report* of the Mid East Ohio Regional Council, Knox County, prepared by Julian and Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Mid East Ohio Regional Council is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2008

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MID EAST OHIO REGIONAL COUNCIL
KNOX COUNTY, OHIO

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Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Directors
Mid East Ohio Regional Council
160 Columbus Road
Mt. Vernon, OH 43050

We have audited the accompanying financial statements of Mid East Ohio Regional Council, Knox County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise the Mid East Ohio Regional Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mid East Ohio Regional Council'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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mid East Ohio Regional Council, Ohio, as of June 30, 2007, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Council has restated its receivables and payables due to funding modifications.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, on our consideration of Mid East Ohio Regional Council'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 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.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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.

Julian & Grube, Inc.

Julian & Grube, Inc.
November 29, 2007

MID EAST OHIO REGIONAL COUNCIL
KNOX COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

The management's discussion and analysis of Mid East Ohio Regional Council's (the "Council") financial performance provides an overall review of the Council's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Net assets increased $1,009,732, which represents a 7.4% increase from 2006.

- The Council's operating revenues totaled $3,609,707 in fiscal 2007. Expenses amounted to $3,343,670.

Using the Basic Financial Statements

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

This annual report consists of two parts - Management's Discussion and Analysis and the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows. Since the Council only uses one fund for its operations, the entity wide and fund presentation information are the same.

The statement of net assets and statement of revenues, expenses and changes in net assets answers the question, "How did we do financially during 2007?" These statements include all assets and liabilities both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the Council's net assets; however, in evaluating the overall position of the Council's non-financial information such as changes in the condition of the Council's capital assets will also need to be evaluated.

The statement of cash flows provides information about how the Council finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 12-22 of this report.

The table below provides a comparative analysis of the Council's net assets for 2007 and 2006.

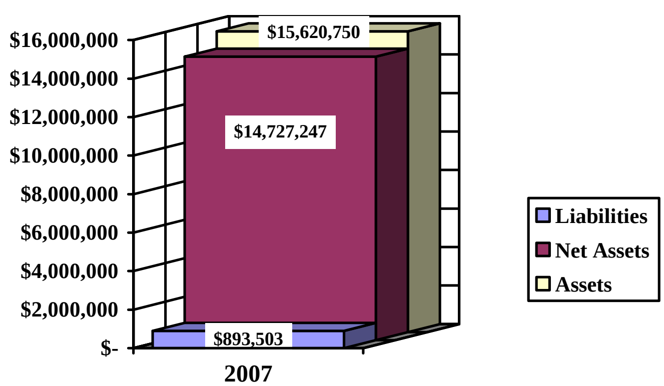
Net Assets

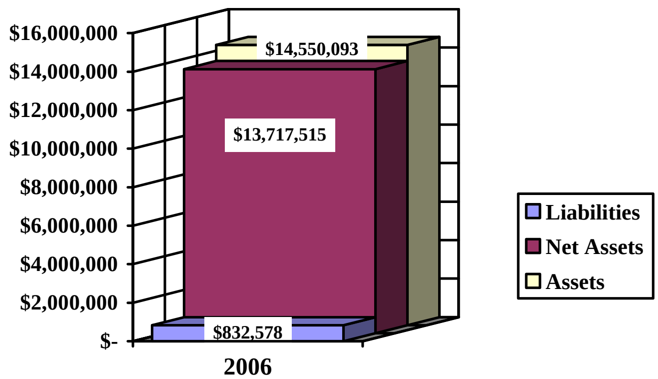
	FY 2007	(Restated) FY 2006
Assets		
Current assets	$ 15,578,328	$ 14,517,123
Capital assets	42,422	32,970
Total assets	15,620,750	14,550,093
Liabilities		
Current liabilities	893,503	832,578
Total liabilities	893,503	832,578
Net Assets		
Invested in capital assets, net of related debt	42,422	32,970
Restricted	277,392	389,205
Unrestricted	14,407,433	13,295,340
Total net assets	$ 14,727,247	$ 13,717,515

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Council's assets exceeded liabilities by $14,727,247.

A portion of the Council's net assets, $277,392, represents resources that are subject to external restriction on how they may be used. The Council has $42,422 invested in capital assets, which is unavailable for expending. The remaining balance of unrestricted net assets of $14,407,433 may be used to meet the Council's ongoing activities.

The tables below provide a comparison of the Council's assets, liabilities and net assets for 2007 and 2006.





The table below shows a comparison of the change in net assets for fiscal years 2007 and 2006.

Change in Net Assets

	2007	2006
Operating Revenues		
Intergovernmental-intermediate	$ 855,748	$ 451,801
Intergovernmental-state	2,585,820	2,902,706
Intergovernmental-federal	137,398	436,480
Other local revenues	30,741	126,790
Nonoperating Revenues		
Earnings on investments	743,695	552,636
Total revenues	4,353,402	4,470,413

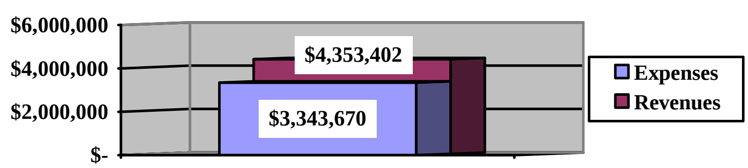
Operating Expenses	2007	2006
Salaries and benefits	$ 980,396	$ 948,123
Provider services	432,934	310,837
Rent	133,438	113,083
County expense	10,346	35,000
Other supported living	108,760	69,178
Specialized residential services	19,717	30,594
Room and board	118,307	111,331
IO waiver	1,257,764	983,481
Travel and training	110,157	89,937
Professional expense	94,382	101,165
Administrative overhead	63,000	61,018
Depreciation	9,769	8,514
Other expenses	4,700	13,842
Nonoperating Expenses		
Return of equity to county	-	454,059
Total expenses	3,343,670	3,330,162
Changes in net assets	1,009,732	1,140,251
Net Assets beginning of year (restated)	13,717,515	12,577,264
Net Assets end of year	$ 14,727,247	$ 13,717,515

Activities

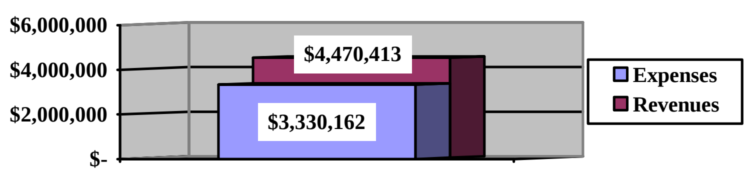
The Council's net assets increased $1,009,732. Total expenses of $3,343,670 were offset by revenues of $4,353,402.

The graphs below compare the Council's activities revenues and expenses for fiscal year 2007 and 2006.

Revenues and Expenses 2007



Revenues and Expenses 2006



Budgeting Highlights

Although the Council is not required to prepare a budget according to Ohio law, an annual budget is completed for management purposes. Budget information is reported to the Council members.

Capital Assets

At the end of fiscal 2007, the Council had $42,422 invested in furniture and equipment. This total amount was reported on the statement of net assets. The following table shows fiscal 2007 balances compared to 2006:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2007	2006
Furniture and equipment	$ 42,422	$ 32,970

The overall increase in capital assets of $9,452 is due to capital outlay expense of $19,221 exceeding depreciation of $9,769 in the fiscal year.

See Note 6 to the basic financial statements for additional information on the Council's capital assets.

Current Financial Related Activities

On April 26, 2007 the MEORC Board approved significant revisions to their bylaws. In essence, the revisions redefined the budgetary process utilized in operating MEORC. The changes were designed to streamline the organizational governance structure and increase the agility of the agency to better meet the needs of member boards. The most significant change was collapsing the three advisory councils and their budgets into one agency budget. Previously the three advisory councils were managed independent of each other with separate budgets. The effect of these changes resulted in the development of one central agency-wide budget segmented into four separate departments. The four departmental structures are Office of Business, Office of Quality, Office of Investigative Services and Administrative Overhead Specific council-defined functions and services were assigned to each department. The Accreditation Readiness Advisory Council (also known as ARAC) functions were assigned to the Office of Quality. The Supported Living Advisory Council (also know as SLAC) functions were divided in two ways. Those functions dealing with quality assurance related activities were assigned to the Office of Quality and financial waiver management functions were assigned to the Office of Business. The Major Unusual Incidents Advisory Council (also known as MUI) functions were assigned to the Office of Investigative Services. All identified administrative operational overhead costs supporting the separate departments resulted in the creation of an administrative budget category. The agency budget approved by the MEORC board on May 31, 2007 reflects this new structure. All identifiable expenses and revenues associated with each department were reflected in distinct department budgets. All administrative overhead costs reflected in the prior council budgets were assigned to the administrative portion of the budget. The departmental structures are monitored through monthly budget reports submitted to each Director who uses the data to closely review expenses.

The ability of MEORC to identify the actual cost for services and corresponding overhead expense tied to those services affords the agency the ability to analyze cost of current services. It also enhances the agency's ability to develop pricing structures for future services. The administrative portion of the budget allows MEORC the ability to determine the necessary overhead costs that must be captured in pricing services to maintain the organization's sustainability.

MEORC adopted a costing philosophy that ensures members great value when outsourcing a mandated service to their council of government. A product development protocol involves the members in the design of the service and the development of the costing structure for the service. If the cost of the service is not less costly through collaborating and sharing the cost among participating members then the new service is not added to the MEORC product directory. It is in the best interest of member boards, participating in the development of a new service, that MEORC recovers its cost in order to sustain the ability of the agency to continue to provide the needed service.

The new structure resulted in the cash reserves of the three separate councils to be blended into one. The former SLAC council's reserves were more substantial than the ARAC and MUI council reserves. This creates more sustainability for the entire organization. The philosophy of the cash reserves and their application to cost of services were also evaluated. The reserves that could be attributed to a member county have always been identified. The new structure allows a member county board to make fiscal decisions related to paying for MEORC services out of those reserves, with local money, or through a blended approach. The reserves attributed to MEORC are used for offsetting the cost of member board's services or for future investment of needed services through "pilots". The use of reserves and "piloting" a new service allows flexibility for the MEORC board to invest in a potential needed service which allows time to generate business and eventually fully recovery the expenses of the service. Previous practices would have resulted in member boards investing start up cost for the service.

MEORC will continue to seek opportunities to improve and enhance the ability to generate additional revenue to offset expenses in the provision of services. MEORC continues to seek offsets in available reimbursement vehicles such as Medicaid Administrative Claiming (MAC) despite the assurance that these funds will be available.

The current fiscal position of MEORC is healthy and the recent decisions of the Board have enhanced the organizations ability to remain a viable resource for member county boards in the future. MEORC relies heavily upon Federal, State, and County Board of Mental Retardation and Developmental Disabilities funds for its operations. Regardless of the environment of uncertainty in relation to government funding MEORC has positioned itself to be a valued resource for member county boards facing those same uncertainties. The fruits of these changes have already resulted in increased participation in the purchase of services by member county boards. A greater understanding of operational costs and creation of flexible systems for members to access needed services has resulted in new products, purchased at lower costs, which benefit member boards and ultimately improve services for persons with disabilities.

Contacting the Council's Financial Management

This financial report is designed to provide our Council members with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Cathy Henthorn, Director of Business and Residential Financial Services, Mid East Ohio Regional Council, 160 Columbus Road, Mt. Vernon, Ohio 43050.

MID EAST OHIO REGIONAL COUNCIL
KNOX COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets:	
Equity in cash and cash equivalents	$ 15,149,953
Receivables:	
Due from other governments	414,134
Prepayments	14,241
Capital assets:	
Depreciable capital assets, net	42,422
Total assets	15,620,750
Liabilities:	
Accounts payable	167,271
Knox county board payable	726,232
Total liabilities	893,503
Net Assets:	
Invested in capital assets, net of related debt	42,422
Restricted for:	
Restricted for supported living	277,392
Unrestricted	14,407,433
Total net assets	$ 14,727,247

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

MID EAST OHIO REGIONAL COUNCIL
KNOX COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Operating Revenues:	
Intergovernmental - Intermediate	$ 855,748
Intergovernmental - State	2,585,820
Intergovernmental - Federal	137,398
Other local revenues	30,741
Total revenues	3,609,707
Operating Expenses:	
Salaries and benefits	980,396
Provider services	432,934
Rent	133,438
County expense	10,346
Other supported living	108,760
Specialized residential services	19,717
Room and board	118,307
IO waiver	1,257,764
Travel and training	110,157
Professional expense	94,382
Administrative overhead	63,000
Depreciation	9,769
Other expenses	4,700
Total expenses	3,343,670
Operating income	266,037
Nonoperating revenues:	
Investment earnings	743,695
Total nonoperating revenues	743,695
Change in net assets	1,009,732
Net assets at beginning of year (restated)	13,717,515
Net assets at end of year	$ 14,727,247

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

MID EAST OHIO REGIONAL COUNCIL
KNOX COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:	
Cash received from other governments.	$ 3,821,267
Cash received from other operations	30,741
Cash payments for supported living	(3,264,965)
Net cash provided by operating activities	587,043
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(19,221)
Net cash used in capital and related financing activities	(19,221)
Cash flows from investing activities:	
Cash received from interest earned	743,695
Net cash provided by investing activities	743,695
Net increase in cash and cash equivalents	1,311,517
Cash and cash equivalents at beginning of year	13,838,436
Cash and cash equivalents at end of year.	$ 15,149,953
Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	$ 266,037
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	9,769
Changes in assets and liabilities:	
Decrease in due from other governments	242,301
Decrease in prepayments	8,011
Increase in accounts payable	37,545
Increase in intergovernmental payable	23,380
Net cash provided by operating activities	$ 587,043

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

NOTE 1 - DESCRIPTION OF THE REGIONAL COUNCIL

Mid East Ohio Regional Council (the "Council") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by law. The Council is made up of the Boards of Mental Retardation and Developmental Disabilities of 17 counties pursuant to Chapter 167 of the Ohio Revised Code. The Council may not exceed the scope of the authority possessed by its member organizations.

Management believes the basic financial statements included in this report represent all of the activities of the Council over which it has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Council also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Council has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 subject to this same limitation. The Council has elected not to apply these FASB Statements and Interpretations. The Council's significant accounting policies are described below.

A. Reporting Entity

The Council's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB 39 "Determining Whether Certain Organizations are Component Units". The financial statements include all operations for which the Council is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Council itself are included in the financial reporting entity.

Based on the foregoing criteria, there were no potential component units for the fiscal year reported on in the basic financial statements in accordance with GASB Statement Nos. 14 and 39.

B. Fund Accounting

The Council uses a single fund to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Council activities or functions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUNDS

A proprietary fund is used to account for the Council's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of enterprise funds and internal service funds. The Council does not have internal service funds.

Enterprise Funds - The enterprise fund is used to 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, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Council's only enterprise fund is the following:

Operations Fund - This fund accounts for the administration of supported living services, accreditation readiness services and major unusual investigative services.

C. Basis of Presentation and Measurement Focus

The Council's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

The Council uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this 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 fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Council finances and meets the cash flow needs of its proprietary activities.

D. Cash and Cash Equivalents

To improve cash management, cash received by the Council is pooled. The pool is presented as "Equity in pooled cash and cash equivalents" on the Statement of Net Assets.

During fiscal year 2007, investments were limited to STAR Ohio, money market and federal securities. Investments are reported at fair value which is based on quoted market prices.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007. Interest earned during the year was $743,695.

For presentation on the statement of net assets and statement of cash flows, investments with original maturities of three months or less at the time they are purchased by the Council are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Council's investment accounts at year end is provided in Note 4.

E. Prepayments

Prepayments represent expenses which have occurred and are therefore not current expendable resources. These items are reported as an asset on the statement of net assets using the consumption method.

F. Capital Assets

Capital assets utilized by the Council are reported on the statement of net assets.

All capital assets are capitalized at cost and updated for additions and retirements during the year. The Council maintains a capitalization threshold of $500. Donated capital assets are recorded at their fair market values as of the date received. The Council does not possess any infrastructure. The Council's assets consist of furniture and equipment only.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Furniture/equipment	7 years

G. Payroll and Related Fringe Benefits

The Council contracts with the Knox County Board of Mental Retardation and Developmental Disabilities (MRDD) for payroll services and fringe benefits, including contributing to the Ohio Public Employees Retirement System of Ohio (OPERS), consistent with Knox County policies and practices. The Council determines the salary, fringe benefits, and other options it elects to provide and notifies the Board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets are restricted for supported living.

The Council applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

K. Budgetary Process

The Council is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Council does pass an annual budget for the fiscal year. Modifications to the budget are approved by the Board when necessary.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Council. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Council. All revenues and expenditures not meeting these definitions are reported as non-operating.

NOTE 3 - PRIOR PERIOD ADJUSTMENT

The Council has presented a prior period adjustment for intergovernmental receivables and payables due to funding modifications. These adjustments had the following affect on the net assets of the proprietary fund:

	Enterprise
Net assets, June 30, 2006	$ 13,944,461
Adjustment	(226,946)
Restricted net assets, July 1, 2006	$ 13,717,515

NOTE 4 - DEPOSITS AND INVESTMENTS

Statutes require the classification of monies held by the Council into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Council treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the Council’s deposits are provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of the Council's deposits was $1,392,200. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, all of the Council's bank balance of $2,034,911 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Council's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Council.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2007, the Council had the following investments and maturities:

Investment type	Fair Value	6 months or less	24 to 30 months
STAR Ohio	$ 516,666	$ 377,099	$ -
Money Market	12,091,087	12,091,087	
FNMA	1,150,000	1,150,000	-
Total	$ 13,757,753	$ 13,618,186	$ -

The weighted average maturity of investments is .47 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Council's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Council's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency security is exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Council's name. The Council has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The Council 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 the Council at June 30, 2007:

Investment type	Fair Value	% of Total
STAR Ohio	$ 516,666	3.76
Money Market	12,091,087	87.89
FNMA	1,150,000	8.36
Total	$ 13,757,753	100.00

NOTE 5 - RECEIVABLES

Receivables at June 30, 2007 consisted of intergovernmental grants and entitlements. A summary of the receivables reported on the statement of net assets follows:

Due from other governments	$ 414,134

All receivables are expected to be collected within subsequent years.

NOTE 6 - CAPITAL ASSETS

A summary of the changes in the capital assets during the fiscal year follows:

	Balance 06/30/06	Additions	Disposals	Balance 06/30/07
Capital assets, being depreciated:				
Furniture and equipment	$ 112,814	$ 19,221	$ -	$ 132,035
Less: accumulated depreciation	(79,844)	(9,769)	-	(89,613)
Capital assets, net	$ 32,970	$ 9,452	$ -	$ 42,422

NOTE 7 - RISK MANAGEMENT

A. Comprehensive

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2007, the Council retained property insurance and liability coverage.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the previous year.

B. Employee Dishonesty Bonds

The Council carries employee dishonesty bonds for the employees and Board Members in the amount of $100,000.

NOTE 8 - CONTINGENCIES

A. Grants

The Council receives significant financial assistance from numerous 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 the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the basic financial statements of the individual fund types included herein or on the overall financial position of the Council at June 30, 2007.

B. Litigation

The Council is not party to any legal preceding.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS' administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed 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 member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS' provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

NOTE 9 - DEFINED BENEFIT PENSION PLAN - (Continued)

For the year ended June 30, 2007, the members of all three plans were required to contribute 9.5% of their annual covered salaries. The Council's contribution rate for pension benefits for 2007 was 13.85%. The Ohio Revised Code provides statutory authority for member and employer contributions. The Council's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2007, 2006, and 2005 were $105,114, $100,668, and $111,134, respectively; 100% has been contributed for 2007, 2006 and 2005.

NOTE 10 - POSTRETIREMENT BENEFIT PLAN

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll; 4.50% of covered payroll was the portion used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The Council's actual employer contributions for fiscal 2007 which were used to fund postemployment benefits were $34,152. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were $11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

NOTE 10 - POSTRETIREMENT BENEFIT PLAN - (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

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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*

Board of Directors
Mid East Ohio Regional Council
160 Columbus Road
Mt. Vernon, OH 43050

We have audited the financial statements of the Mid East Ohio Regional Council, Knox County, Ohio as of and for the fiscal year ended June 30, 2007, which collectively comprise Mid East Ohio Regional Council's basic financial statements and have issued our report thereon dated November 29, 2007. As disclosed in Note 3, the Mid East Ohio Regional Council has presented a prior period adjustment to its receivables and payables due to funding modifications. 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 Mid East Ohio Regional Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid East Ohio Regional Council's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Mid East Ohio Regional Council's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mid East Ohio Regional Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Mid East Ohio Regional Council's financial statements that is more than inconsequential will not be prevented or detected by Mid East Ohio Regional Council's internal control.

Board of Directors
Mid East Ohio Regional Council

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Mid East Ohio Regional Council's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid East Ohio Regional Council'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 management and Board of Directors of Mid East Ohio Regional Council and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
November 29, 2007

Mary Taylor, CPA
Auditor of State

MID EAST OHIO REGIONAL COUNCIL

KNOX 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
JANUARY 17, 2008

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