

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009*





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Mid East Ohio Regional Council of Governments  
1 Avalon Road  
Mount Vernon, Ohio 43050

We have reviewed the *Independent Auditor's Report* of the Mid East Ohio Regional Council of Governments, Knox County, prepared by Dale Saylor and Associates, for the audit period July 1, 2008 through June 30, 2009. 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 of Governments is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 17, 2010

**This Page is Intentionally Left Blank.**

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	2-7
FINANCIAL STATEMENTS	
Statement of Net Assets .....	8
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund .....	9
Statement of Cash Flows – Proprietary Fund .....	10
Notes to the Basic Financial Statements .....	11-21
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	22-23

***Dale Saylor & Associates***

***Certified Public Accountants***

***5640 Frantz Road***

***Dublin, Ohio 43017***

***(614) 766-4224 / FAX (614) 766-4301***

***dsaylor@dalesaylor.com***

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Mid East Ohio Regional Council  
1 Avalon 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 year ended June 30, 2009, 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 financial position of Mid East Ohio Regional Council as of June 30, 2009, and the respective changes in its financial position and cash flows 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 our report dated December 3, 2009, 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 on pages 2 through 7 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.

*Dale Saylor & Associates*  
Dublin, Ohio  
December 3, 2009

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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, 2009. 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 2009 are as follows:

- Net assets decreased \$51,427, which represents a 0.34% decrease from 2008.
- The Council's operating revenues totaled \$5,012,000 in fiscal year 2009. Operating expenses amounted to \$4,456,004.

**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 2009?" 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 resource 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.

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 10 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 11-21 of this report.

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

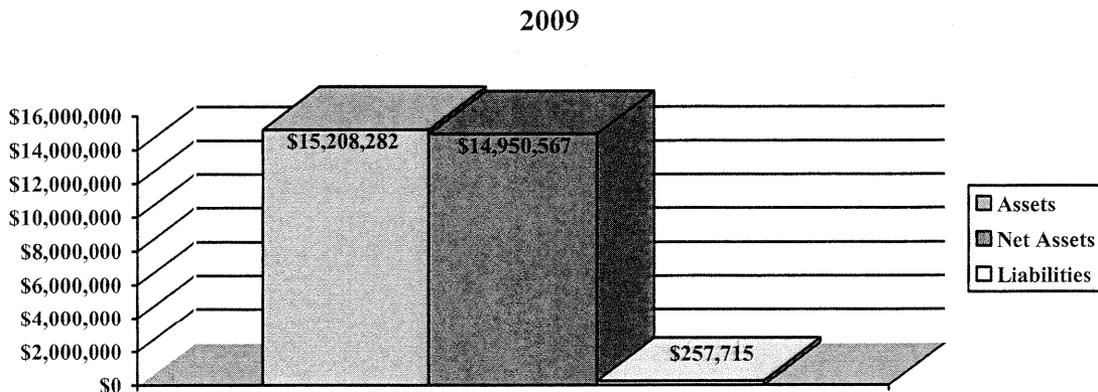
The table below provides a comparative analysis of the Council's net assets for 2009 and 2008.

<b>Net Assets</b>		
	<u>FY 2009</u>	<u>FY 2008</u>
<b><u>Assets</u></b>		
Current assets	\$ 14,972,921	\$ 15,391,263
Capital assets	<u>235,361</u>	<u>50,996</u>
<b>Total assets</b>	<b><u>15,208,282</u></b>	<b><u>15,442,259</u></b>
<b><u>Liabilities</u></b>		
Current liabilities	<u>257,715</u>	<u>440,265</u>
<b>Total liabilities</b>	<b><u>257,715</u></b>	<b><u>440,265</u></b>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	235,361	50,996
Restricted	277,392	277,392
Unrestricted	<u>14,437,814</u>	<u>14,673,606</u>
<b>Total net assets</b>	<b>\$ <u>14,950,567</u></b>	<b>\$ <u>15,001,994</u></b>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Council's assets exceeded liabilities by \$14,950,567.

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 \$235,361 invested in capital assets, which is unavailable for expending. The remaining balance of unrestricted net assets of \$14,437,814 may be used to meet the Council's ongoing activities.

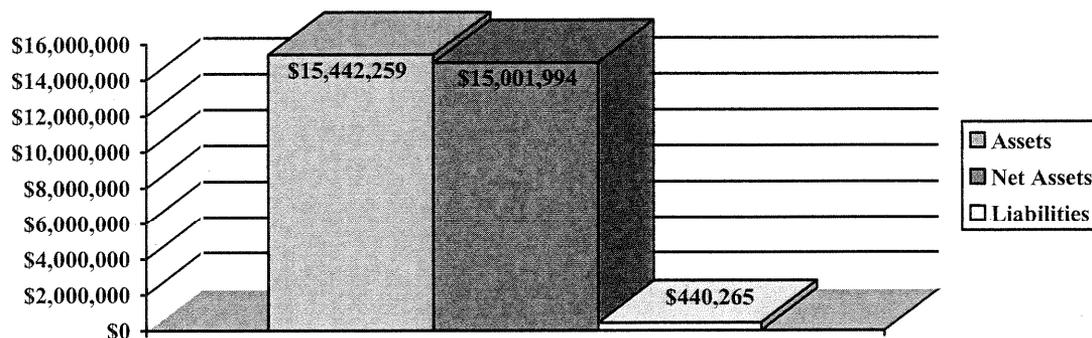
The tables below provide a comparison of the Council's assets, liabilities and net assets for 2009 and 2008.



**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

**2008**



The table below shows a comparison of the change in net assets for fiscal years 2009 and 2008.

**Change in Net Assets**

	<u>2009</u>	<u>2008</u>
<b><u>Operating Revenues</u></b>		
Intergovernmental - Intermediate	\$ 1,431,910	\$ 859,906
Intergovernmental - State	2,652,223	2,462,677
Intergovernmental - Federal	109,941	22,492
Other local revenues	702,433	498,774
Miscellaneous	115,493	7,609
<b><u>Nonoperating Revenues</u></b>		
Earnings on investments	289,042	622,686
Unrealized gain on investments	<u>49,266</u>	<u>-</u>
<b>Total revenues</b>	<b>\$ <u>5,350,308</u></b>	<b>\$ <u>4,474,144</u></b>

Miscellaneous revenue is largely comprised of reimbursements from supported living providers. This figure is substantially higher in 2009 as compared to 2008 due to a \$105,000 repayment from one provider.

Earnings on investments experienced a considerable decline in 2009, which was primarily caused by the lower interest rates that were the result of poor market conditions during this timeframe.

The Council purchased several investments during fiscal year 2009 that are recorded at fair market value. As a result of increasing value from the time of purchase to fiscal year end, the Council recorded an unrealized gain on investments for 2009.

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

~continued~

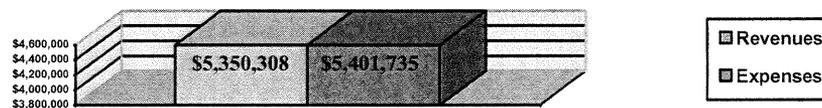
	<u>2009</u>	<u>2008</u>
<b><u>Operating Expenses</u></b>		
Salaries and benefits	\$ 1,373,927	\$ 1,090,131
Provider services	387,022	434,360
Rent	174,856	154,586
County expenses	15,076	-
Other supported living	425,461	227,761
Room and board	111,244	80,817
IO Waiver	1,417,397	1,787,779
Travel and training	161,422	138,043
Professional expense	201,691	193,658
Administrative overhead	146,645	71,605
Equipment	32,641	-
Depreciation	8,622	10,627
Other expenses	-	6,394
 <b><u>Nonoperating Expenses</u></b>		
Investment expenses	35,821	-
Return of equity to counties	909,910	-
Loss on disposal of capital assets	<u>-</u>	<u>3,636</u>
 Total expenses	 <u>5,401,735</u>	 <u>4,199,397</u>
 Changes in net assets	 (51,427)	 274,747
 Net assets beginning of year	 <u>15,001,994</u>	 <u>14,727,247</u>
Net assets end of year	\$ <u>14,950,567</u>	\$ <u>15,001,994</u>

**Activities**

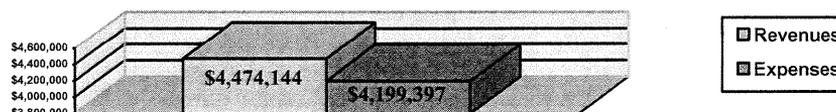
The Council's net assets decreased \$51,427. Expenses of \$5,401,735 exceeded revenues of \$5,350,308.

The graphs below compare the Council's activities revenue and expenses for fiscal years 2009 and 2008.

**Revenues and Expenses 2009**



**Revenues and Expenses 2008**



**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

***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 year 2009, the Council had \$235,361 invested in capital assets, net of accumulated depreciation. This amount consisted of \$216,461 of net depreciable capital assets and \$18,900 of land, which were reported on the statement of net assets. The following table shows fiscal year 2009 balances compared to 2008:

**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Business-Type Activities</u>	
	<u>2009</u>	<u>2008</u>
Building	\$ 170,237	\$ -
Land	18,900	-
Furniture and equipment	46,224	50,996
	\$ 235,361	\$ 50,996

The overall increase in capital assets of \$184,365 is due to a capital outlay expense of \$196,161 exceeding depreciation of \$8,622 and disposals of \$14,172 exceeding accumulated depreciation related to disposals of \$10,998 in the fiscal year.

The capital outlay expense of \$196,161 consists primarily of the purchase of the building and land that will serve as the new offices for the Council starting on December 28, 2009.

See Note 5 to the basic financial statements for additional information on the Council's capital assets.

**Current Financial Related Activities**

The Council's budgetary process consisted of one central agency-wide budget segmented into four separate departments. This served to streamline the organizational governance structure and increase the agility of the agency to better meet the needs of member boards. Department budgets were monitored through monthly reports submitted to each responsible Director who used the data to closely review expenses.

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

The adoption of this costing philosophy enhanced the Council's ability to develop sound pricing and ensured members great value when outsourcing a mandated service to the Council. It is in the best interest of the member boards, participating in the development of a new service, that the Council recovers its cost in order to sustain the agility of the agency to continue to provide the needed service. The Council's services to member boards have continued to expand in FY09 as the result of these concepts.

The Council will continue to seek opportunities to improve and enhance the ability to generate additional revenue to offset expenses in the provision of services. The Council continues to seek offsets from available reimbursement vehicles such as Medicaid Administrative Claiming (MAC) despite the admonition that these funds may not be readily available. The Council also benefits from utilizing Targeted Case Management (TCM) funding.

The current fiscal position of the Council is healthy; however, leadership is mindful of the current environment impacting all governmental entities. Regardless of embracing innovative costing methodologies and being customer focused, the Council has been impacted by the recent recession. There have been some unexpected losses of customers, budgetary restraints of customers, and state driven changes to customer requirements in the developmental disabilities field that are a threat to the Council's fiscal stability. The Council is undergoing a reorganization to be better positioned for the future. The result of this reorganization is a reduction of two positions on the table of organization that will result in over \$100,000 in savings in the FY10 budget. Redeployment of existing staff will result in more efficient operations. Despite these external threats the Council remains a viable option for our customers and several new services are being developed to meet new needs in FY10. These new services will be launched with well defined plans for recouping costs that ensure the fiscal viability of the Council for the future.

**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 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 Financial Operations, Mid East Ohio Regional Council, 1 Avalon Road, Mt. Vernon, Ohio 43050.

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

<b>Assets:</b>	
Equity in cash and cash equivalents	\$ 11,523,768
Receivables:	
Due from other governments	305,405
Prepayments	13,407
Investments	3,130,341
Capital assets:	
Depreciable capital assets, net	216,461
Land	<u>18,900</u>
<b>Total assets</b>	\$ <u>15,208,282</u>
<b>Liabilities:</b>	
Accounts payable	\$ 163,552
Accrued payroll and benefits	<u>94,163</u>
<b>Total liabilities</b>	<u>257,715</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	235,361
Restricted for:	
Supported living	277,392
Unrestricted	<u>14,437,814</u>
<b>Total net assets</b>	<u>14,950,567</u>
<b>Total liabilities and net assets</b>	\$ <u>15,208,282</u>

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, 2009

**Operating Revenues:**

Intergovernmental - Intermediate	\$ 1,431,910
Intergovernmental - State	2,652,223
Intergovernmental - Federal	109,941
Other local revenues	702,433
Miscellaneous	<u>115,493</u>
<b>Total revenues</b>	<u>5,012,000</u>

**Operating Expenses:**

Salaries and benefits	1,373,927
Provider services	387,022
Rent	174,856
County expense	15,076
Other supported living	425,461
Room and board	111,244
IO waiver	1,417,397
Travel and training	161,422
Professional expense	201,691
Administrative overhead	146,645
Equipment	32,641
Depreciation	<u>8,622</u>
<b>Total expenses</b>	<u>4,456,004</u>

Operating income 555,996

**Nonoperating revenues and (expenses):**

Investment earnings	289,042
Unrealized gain on investments	49,266
Investment expenses	(35,821)
Return of equity to counties	<u>(909,910)</u>
<b>Total nonoperating revenues and (expenses)</b>	<u>(607,423)</u>

Change in net assets (51,427)

**Net assets at beginning of year** 15,001,994  
**Net assets at end of year** \$ 14,950,567

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, 2009

<b>Cash flows from operating activities:</b>	
Cash received from other governments	\$ 4,064,117
Cash received from other operations	992,311
Cash payments for supported living	(2,302,334)
Cash payments for administration	<u>(2,236,956)</u>
Net cash provided by operating activities	<u>517,138</u>
<b>Cash flows from investing activities:</b>	
Acquisition of capital assets	(196,161)
Investment earnings	289,042
Transfer to investments	(3,081,075)
Investment expenses	<u>(35,821)</u>
Net cash used by investing activities	<u>(3,024,015)</u>
<b>Cash flows from financing activities:</b>	
Cash payments for counties' equity interest	<u>(909,910)</u>
Net cash used in financing activities	<u>(909,910)</u>
Net decrease in cash and cash equivalents	(3,416,787)
<b>Cash and cash equivalents at beginning of year</b>	<u>14,940,555</u>
<b>Cash and cash equivalents at end of year</b>	\$ <u>11,523,768</u>
<b>Reconciliation of operating gain to net cash used in operating activities:</b>	
Operating income	\$ 555,996
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	8,622
Net book value of capital asset disposed	3,174
Changes in assets and liabilities:	
Decrease in amounts due from other governments	135,998
Increase in prepayments	(4,102)
Decrease in accounts payable	(13,018)
Decrease in accrued payroll and benefits	<u>(169,532)</u>
<b>Net cash provided by operating activities</b>	\$ <u>517,138</u>

See accompanying notes to the basic financial statements.

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 - DESCRIPTION OF THE REGIONAL COUNCIL**

Mid East Ohio Regional Council (the "Council") is a council of governments created under the authority of Chapter 167 of the Ohio Revised Code. Eighteen county Boards of Developmental Disabilities are participants in an agreement that creates and governs the Council. 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.

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**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 operation and administration of services provided by the Council's departments including business, quality, investigative services and administrative overhead.

**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**

Cash received by the Council is presented as "Equity in cash and cash equivalents" on the statement of net assets.

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The Council has invested funds in STAR Ohio. Investments are reported at fair value which is based on quoted market prices. 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 shares price which is the price the investment could be sold for on June 30, 2009.

The Council also has invested funds in Merrill Lynch. These investments consist of Federal National Mortgage Association notes and Federal Home Loan Bank bonds and are stated at fair value. Merrill Lynch is registered with the SEC as a broker-dealer and investment advisor.

Interest earned during the year from STAR Ohio and Merrill Lynch was \$289,042.

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 3.

**E. Prepayments**

Prepayments represent expenses which have been paid but not yet incurred under GAAP. These items are reported as an asset on the statement of net assets.

**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 implemented a capitalization threshold of \$5,000 as of January 1, 2008, an increase from \$500 prior to that date. Donated capital assets are recorded at their fair market values as of the date received.

The Council purchased a building and land on May 26, 2009 and is currently in the process of renovation with an expected move-in date of December 28, 2009. As it was not placed in service as of June 30, 2009, the building is not yet being depreciated. All other reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Depreciation</u>	<u>Estimated Lives</u>
Furniture/equipment	7 years

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**G. Payroll and Related Fringe Benefits**

Through December 31, 2008, the Council contracted with the Knox County Board of Developmental Disabilities for payroll services and fringe benefits, including contributing to the Ohio Public Employees Retirement System (OPERS), consistent with Knox County policies and practices. The Council determined the salary, fringe benefits, and other options it elected to provide and notified the Board.

Beginning January 1, 2009, the Council transitioned into preparing its own payroll, fringe benefits, and OPERS contributions through the use of myPay Solutions payroll services. The only benefit still provided by the Knox County Board of Developmental Disabilities is employee health insurance.

**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 of \$277,392 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 2009.

**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.

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**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 nonoperating.

**NOTE 3 - 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;
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;

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - DEPOSITS AND INVESTMENTS - continued**

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, 2009, the carrying amount of the Council's deposits was \$24,250. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$24,250 of the Council's bank balance was covered by the 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.

**B. Investments**

As of June 30, 2009, the Council had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>Greater than 6 months</u>
Merrill Lynch	\$ 12,811,599	\$ 9,681,258	\$ 3,130,341
STAR Ohio	<u>1,818,260</u>	<u>1,818,260</u>	<u>-</u>
Total	\$ <u>14,629,859</u>	\$ <u>11,499,518</u>	\$ <u>3,130,341</u>

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - DEPOSITS AND INVESTMENTS - continued**

The weighted average maturity of investments is 134 days. During the current year, the Council invested in Federal Home Loan Bank bonds and Federal National Mortgage Association notes which had maturities between 20 months and 26 months. During the year ended June 30, 2009, investments from all sources earned \$289,042 in interest and increased in value by \$49,266.

*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:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Standard & Poor's has assigned Merrill Lynch an A credit 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.

While the value of any investment may lose value, a mechanism is set up to protect the Council from losing its investments in the instance that the counterparty fails. The Securities Investor Protection Corporation will cover up to \$500,000 (including up to \$100,000 for "cash") in the event that an investment firm collapses. In addition, a portion of the Council's investments in excess of the SIPC coverage are also insured through an additional insurance plan through the investment broker. Of the \$14,629,859 the Council has invested, \$7,256,789 is insured by the SIPC and \$7,373,070 is covered by additional insurance.

*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, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Merrill Lynch	\$ 12,811,599	87.57
STAR Ohio	<u>1,818,260</u>	<u>12.43</u>
Total	\$ <u>14,629,859</u>	<u>100.00</u>

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2009 consisted of intergovernmental grants and entitlements. A summary of the receivables reported on the statement of net assets follows:

Due from other governments                      \$ 305,405

All receivables are expected to be collected in subsequent years.

**NOTE 5 - CAPITAL ASSETS**

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

	<u>Balance 6/30/2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2009</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 139,494	\$ 7,024	\$ (14,172)	\$ 132,346
Building	<u>          -</u>	<u>170,237</u>	<u>          -</u>	<u>170,237</u>
	139,494	177,261	(14,172)	302,583
Less: accumulated depreciation	<u>(88,498)</u>	<u>(8,622)</u>	<u>10,998</u>	<u>(86,122)</u>
	50,996	168,639	(3,174)	216,461
Land	<u>          -</u>	<u>18,900</u>	<u>          -</u>	<u>18,900</u>
Capital assets, net	\$ <u>50,996</u>	\$ <u>187,539</u>	\$ <u>(3,174)</u>	\$ <u>235,361</u>

**NOTE 6 - 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 2009, 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.

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 7 - 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, 2009.

**B. Litigation**

The Council is not party to any legal proceeding.

**NOTE 8 - PENSION PLANS**

**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 establish 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 (800) 222-7377.

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - PENSION PLANS - continued**

For the year ended June 30, 2009, the members of all three plans were required to contribute 10% of their annual covered salaries. The Council's contribution rate for pension benefits for the year ended June 30, 2009 was 7% of the total 14% retirement benefit contribution. 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, 2009, 2008 and 2007 were \$74,208, \$65,145, and \$62,803, respectively; 100% has been contributed for 2009, 2008, and 2007.

**NOTE 9 - 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 2009 local government employer contribution rate was 14% of covered payroll; 7% 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, 2007, 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 an additional factor ranging from .50% to 4.00% for the next seven years. In subsequent years (8 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 approximately 367,000 as of December 31, 2008. The Council's actual employer contributions used to fund postemployment benefits for the years ended June 30, 2009, 2008, and 2007 were \$74,208, \$57,007, and \$42,311, respectively. The actual contributions and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007 (the latest information available) were \$12.8 billion. At December 31, 2007 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17 billion, respectively.

~continued~

**MID EAST OHIO REGIONAL COUNCIL  
KNOX COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 9 - 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. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allows additional funds to be allocated to the health care plan.

***Dale Saylor & Associates***

***Certified Public Accountants***

***5640 Frantz Road***

***Dublin, Ohio 43017***

***(614) 766-4224 / FAX (614) 766-4301***

***dsaylor@dalesaylor.com***

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  
1 Avalon Road  
Mt. Vernon, OH 43050

We have audited the financial statements of the Mid East Ohio Regional Council as of and for the year ended June 30, 2009, which collectively comprise Mid East Ohio Regional Council's basic financial statements and have issued our report thereon dated December 3, 2009. 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.

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 Mid East Ohio Regional Council's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first 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.

~continued~

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*,  
Continued

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.

*John Taylor & Associates*

Dublin, Ohio

December 3, 2009



**Mary Taylor, CPA**  
Auditor of State

**MID EAST OHIO REGIONAL COUNCIL OF GOVERNMENTS**

**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  
MARCH 30, 2010**