



Dave Yost • Auditor of State



**MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES  
WARREN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mental Health Recovery Services of Warren and Clinton Counties  
Warren County  
212 Cook Road  
Lebanon, OH 45036

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Mental Health Recovery Services of Warren and Clinton Counties, Warren County, (MHRS) as of and for the year ended December 31, 2016.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to MHRS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of MHRS's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, MHRS prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though MHRS does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of MHRS as of December 31, 2016, or changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Mental Health Recovery Services of Warren and Clinton Counties, Warren County, as of December 31, 2016, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Matters***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017, on our consideration of MHRS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MHRS's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 21, 2017

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**MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES  
WARREN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Cash Receipts:</b>	
Property Taxes	\$5,334,248
Intergovernmental:	
Federal	945,360
State	4,883,742
Grants	73,640
Other Receipts	<u>94,081</u>
<i>Total Cash Receipts</i>	<u>11,331,071</u>
<b>Cash Disbursements:</b>	
Current:	
Salaries & Fringe Benefits	921,824
Supplies & Materials	6,097
Purchased Services	132,114
Contract Disbursements - Federal	847,079
Contract Disbursements - State	3,800,753
Contract Disbursements - Local	5,500,388
Capital Equipment	47,983
Dues, Fees, Travel & Other	<u>124,753</u>
<i>Total Cash Disbursements</i>	<u>11,380,991</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(49,920)</u>
<b>Other Financing Receipts:</b>	
Reimbursements	<u>6,873</u>
<i>Total Other Financing Receipts</i>	<u>6,873</u>
<i>Net Change in Fund Cash Balances</i>	(43,047)
<i>Fund Cash Balances, January 1, 2016</i>	<u>12,003,006</u>
<b>Fund Cash Balances, December 31, 2016</b>	
Restricted	329,709
Assigned	9,456,141
Unassigned	<u>2,174,109</u>
<i>Fund Cash Balances, December 31, 2016</i>	<u><u>\$11,959,959</u></u>

*The notes to the financial statements are an integral part of this statement.*

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**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Mental Health Recovery Services of Warren & Clinton Counties, Warren County, (MHRS) as a body corporate and politic. MHRS is governed by a fourteen member board whereby six members are appointed by the Ohio Department of Mental Health and Addiction Services (OhioMHAS) and the remaining eight members are appointed by the Warren County Commissioners and the Clinton County Commissioners. MHRS's main sources of revenue are grants and other allocations from the OhioMHAS and a property tax levy in both counties.

MHRS provides alcohol, drug addiction and mental health services and programs to citizens of Warren and Clinton Counties. Private and public agencies are the primary service providers, through MHRS contracts.

MHRS management believes these financial statements present all activities for which MHRS is financially accountable.

**2. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

MHRS's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types organized on a fund type basis.

**B. Fund Accounting**

MHRS uses funds 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. The funds of MHRS are presented below:

**General Fund** - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to MHRS for any purpose provided it is expended or transferred according to the general laws of Ohio.

**C. Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. MHRS recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process**

The Ohio Revised Code requires MHRS to adopt a budget for each fund annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. MHRS must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Board to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

**E. Capital Assets**

MHRS records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**G. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which MHRS must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. MHRS had no fund balances in this classification at December 31, 2016.

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions by the Board members. Those committed amounts cannot be used for any other purpose unless the Board members remove the specified use by taking the same type of action imposing the commitment. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. MHRS had no fund balances in this classification at December 31, 2016.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by MHRS or a Board official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications.

MHRS policy is to apply restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,639,931	\$11,337,943	\$698,012
Total	\$10,639,931	\$11,337,943	\$698,012

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**3. Budgetary Activity (Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$20,650,836	\$14,837,131	\$5,813,705
Total	\$20,650,836	\$14,837,131	\$5,813,705

**4. Deposits and Investments**

As required by the Ohio Revised Code, the Warren County Treasurer is custodian for MHRS deposits. The County's deposit and investment pool holds MHRS assets, valued at the Treasurer's reported carrying amount.

**5. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by February 24. If the property owner elects to pay semiannually, the first half is due February 24. The second half payment is due the following July 27.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

**6. Retirement Systems**

MHRS' employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016 OPERS members contributed 10% of their gross salaries and the Board contributed an amount equaling 14% of participants' gross salaries. The Board has paid all contributions required as of December 31, 2016.

**7. Risk Management**

**Commercial Insurance**

MHRS has obtained commercial insurance for the following risks:

- Directors and Officers insurance;
- Comprehensive property and general liability;
- Bond Insurance and
- Errors and omissions.

MHRS also provides health insurance and dental coverage to its employees through a private carrier which is provided through its fiscal agency, Warren County.

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**8. Contingent Liabilities**

**Grants**

Amounts grantor agencies pay to MHRS are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**9. Lease Revenue**

MHRS has entered into a lease as lessor with Solutions Community Counseling and Recovery Centers, Inc. (SRC) , a funded agency of MHRS for the following locations:

- 204 Cook Road, Lebanon, Ohio
- 201 Reading Road, Mason, Ohio

Rental Income for the year ended December 31, 2016 totaled \$94,081.

**10. Long-Term Obligations**

MHRS has entered into two non-interest bearing mortgage agreements with the OhioMHAS. In accordance with the mortgage agreements, the loans are forgiven by the State of Ohio over a period of 40 years, under the condition that the facilities are used exclusively for the purpose of providing mental health services.

As of December 31, 2016, these obligations consist of:

Mortgage, OhioMHAS, original loan balance of \$245,450, non-interest Bearing note, forgiven by OhioMHAS in monthly installments of \$511, Term expiring January 2020. Location: 204 Cook Road, Lebanon, Ohio	\$18,833
Mortgage, OhioMHAS, original loan balance of \$230,000, non-interest Bearing note, forgiven by OhioMHAS in monthly installments of \$483, Term expiring January 2028. Location: 201 Reading Road, Mason, Ohio	<u>\$63,561</u>
Total Outstanding Obligation	\$82,394

Principal amounts of long-term obligations are expected to be forgiven for the following periods:

<b>Year Ending:</b>	
12/31/17	\$11,928
12/31/18	\$11,928
12/31/19	\$11,928
12/31/20	\$6,283
2021-2025	\$28,980
2026-2028	<u>\$11,397</u>
	\$82,114

Principal forgiven by OhioMHAS during the year ended December 31, 2016 totaled \$11,928.

**MENTAL HEALTH RECOVERY SERVICES OF WARREN & CLINTON COUNTIES  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**11. Fund Balance Classification**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	<u>General Fund</u>
Restricted by:	
Grants	\$14,506
Mental Health, drug and alcohol programs and related administration	<u>\$315,203</u>
Total Restricted	\$329,709
Assigned by:	
Encumbrances	\$3,456,141
Reserve	<u>\$6,000,000</u>
Total Assigned	\$9,456,141
Unassigned	<u>\$2,174,109</u>
Total Fund Balance	\$11,959,959



**MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES  
WARREN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Pass Through to Subrecipients	Disbursements
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Mental Health and Addiction Services (OhioMHAS)</i>				
Block Grants for Community Mental Health Services				
Community Plan	93.958	N/A	141,122	141,122
Forensic	93.958	N/A	0	2,200
Respite Services for Youth	93.958	N/A	0	8,000
Total Block Grants for Community Mental Health Services				<u>151,322</u>
Block Grants for Prevention & Treatment of Substance Abuse				
Per Capita/Youth Led Prevention	93.959	N/A	4,801	4,801
Per Capita/Prevention	93.959	N/A	137,909	137,909
Per Capita/Community Investments - Treatment	93.959	N/A	394,887	455,695
Total Block Grants for Prevention & Treatment of Substance Abuse				<u>598,405</u>
Social Services Block Grant (Title XX)	93.667	N/A	149,370	<u>149,370</u>
Total U.S. Department of Health and Human Services				<u><b>899,097</b></u>
Total Expenditures of Federal Awards				<u><b>\$ 899,097</b></u>

*The accompanying notes are an integral part of this schedule.*

**MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES  
WARREN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Mental Health Recovery Services of Warren and Clinton Counties (MHRS) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MHRS, it is not intended to and does not present the financial position, changes in net position, or cash flows of MHRS.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. MHRS has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - SUBRECIPIENTS**

MHRS passes certain federal awards received from Ohio Department of Mental Health and Addiction Services (OhioMHAS) to other governments or not-for-profit agencies (subrecipients). As Note B describes, MHRS reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, MHRS has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Mental Health Recovery Services of Warren and Clinton Counties  
Warren County  
212 Cook Road  
Lebanon, Ohio 45036

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Mental Health Recovery Services of Warren and Clinton Counties, Warren County, (MHRS) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated August 21, 2017 wherein we noted MHRS followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered MHRS's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of MHRS's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of MHRS's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether MHRS's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of MHRS's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering MHRS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 21, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mental Health Recovery Services of Warren and Clinton Counties  
Warren County  
212 Cook Road  
Lebanon, Ohio 45036

To the Board of Directors:

### ***Report on Compliance for the Major Federal Program***

We have audited the Mental Health Recovery Services of Warren and Clinton Counties' (MHRS) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Mental Health Recovery Services of Warren and Clinton Counties' major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies MHRS's major federal program.

### ***Management's Responsibility***

MHRS's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on MHRS's compliance for MHRS's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about MHRS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on MHRS's major program. However, our audit does not provide a legal determination of MHRS's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Mental Health Recovery Services of Warren and Clinton Counties complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

**Report on Internal Control Over Compliance**

MHRS's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered MHRS's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of MHRS's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 21, 2017

**MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse: GAAP Unmodified: Regulatory Basis
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Block Grants for Prevention & Treatment of Substance Abuse CFDA# 93.959
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**MENTAL HEALTH RECOVERY SERVICES OF WARREN AND CLINTON COUNTIES**

**WARREN 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  
SEPTEMBER 5, 2017**