



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 12, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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 the accompanying financial statements of Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio (Recovery Services), as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Recovery Services'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, Recovery Services has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Recovery Services larger (i.e. major) funds separately. While Recovery Services does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Recovery Services to reformat their statements. Recovery Services has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2011 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Recovery Services as of December 31, 2011, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio as of December 31, 2011, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2012, on our consideration of the Recovery Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Recovery Services' financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Dave Yost
Auditor of State

April 12, 2012

**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, 2011**

Cash Receipts	
Taxes	\$4,915,803
Intergovernmental	
Federal	4,596,132
State	6,625,471
Grants	62,250
Other Receipts	<u>86,845</u>
<i>Total Cash Receipts</i>	<u>16,286,501</u>
Cash Disbursements	
Current:	
Salaries	440,057
Fringe Benefits	104,239
Supplies & Repairs	19,793
Purchased Services	280,399
Contract Disbursements - Federal	3,688,417
Contract Disbursements - State	5,729,275
Contract Disbursements - Local	6,915,644
Refunds to Funding Sources	104,478
Capital Equipment	6,250
Dues, Fees, Travel & Other	<u>351,387</u>
<i>Total Cash Disbursements</i>	<u>17,639,939</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,353,438)</u>
Other Financing Receipts	
Reimbursements	22,747
Other Sources	279
<i>Total Other Financing Receipts</i>	<u>23,026</u>
<i>Net Change in Fund Cash Balances</i>	(1,330,412)
<i>Fund Cash Balances, January 1, 2011</i>	<u>12,430,570</u>
Fund Cash Balances, December 31, 2011	
Restricted	306,912
Assigned	6,222,542
Unassigned	<u>4,570,704</u>
<i>Fund Cash Balances, December 31, 2011</i>	<u><u>\$11,100,158</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, 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mental Health Recovery Services of Warren & Clinton Counties, Warren County, Ohio (Recovery Services), as a body corporate and politic. An eighteen-member Board is the governing Body. The Board's Director and the legislative authorities of the political subdivisions making up the Board appoint the other Board members. The Board includes members from those legislative authorities as well as citizens of the Board. Those subdivisions are the Ohio Department of Mental Health, the Ohio Department of Alcohol and Drug Addiction Services, and the County Commissioners of both Warren and Clinton Counties.

Recovery Services 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 Recovery Services contracts.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 Auditor of State prescribes or permits.

C. Cash

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

D. Fund Accounting

The Board uses fund accounting to segregate cash and investments that are restricted as to use. The Board classifies its funds into the following type:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires Recovery Services 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. Recovery Services 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 2011 budgetary activity appears in Note 2.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which Recovery Services 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. Recovery Services had no fund balances in this classification at December 31, 2011.

2. Restricted

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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. Recovery Services had no fund balances in this classification at December 31, 2011.

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 Recovery Services 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.

Recovery Services 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.

G. Property, Plant, and Equipment

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

H. 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.

I. Adoption of New Accounting Standard

For fiscal year 2011, Recovery Services has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 did not affect the calculation of Recovery Services' fund balance but it shifted the focus of the fund balance reporting from the availability of fund resources for budgeting to disclosure of the extent to which Recovery Services is bound to honor constraints on the specific purposes for which amounts can be spent.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. Budgetary Activity

Budgetary activity for the year ending December 31, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,334,793	\$16,309,527	\$974,734
Total	\$15,334,793	\$16,309,527	\$974,734

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,591,456	\$19,906,209	\$5,685,247
Total	\$25,591,456	\$19,906,209	\$5,685,247

3. 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 28. If the property owner elects to pay semiannually, the first half is due February 28. The second half payment is due the following July 27.

Public utilities are also taxed on personal and real property located within Warren and Clinton Counties.

Telecommunication companies are assessed tangible personal property tax and must file a list of such property to the County by April 30 each year. The final year for filing tangible personal property tax returns was April 30, 2010 for telecommunication companies and April 30, 2008 for all other filers.

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

4. Retirement Systems

Recovery Services' 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 2011, 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, 2011.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

5. Risk Management

Commercial Insurance

Recovery Services has obtained commercial insurance for the following risks:

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

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

6. Contingent Liabilities

Grants

Amounts grantor agencies pay to Recovery Services 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.

Medicaid Funding

Effective July 1, 2011 the match requirements under the Medicaid program will transition to the State of Ohio. As such, Recovery Services will act only in a vendor capacity. Effective July 1, 2012, the processing of Medicaid services will be elevated to the State of Ohio therefore decreases in both Medicaid receipts and expenditures will result.

7. Lease Revenue

Recovery Services has entered into a lease as lessor with Mental Health & Recovery Centers of Warren County, Inc (MHRWC), a funded agency of Recovery Services for the following locations:

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

Rental Income for the year ended December 31, 2011 totaled \$86,844.

8. Long-Term Obligations

Recovery Services has entered into three non-interest bearing mortgage agreements with the Ohio Department of Mental Health. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

8. Long-Term Obligations (Continued)

As of December 31, 2011, these obligations consist of:

Mortgage, ODMH, original loan balance of \$245,450, non-interest bearing note, forgiven by ODMH in monthly installments of \$511, Term expiring January 2020. Location: 204 Cook Road, Lebanon, Ohio	\$49,510
Mortgage, ODMH, original loan balance of \$230,000, non-interest bearing note, forgiven by ODMH in monthly installments of \$483, Term expiring January 2028. Location: 201 Reading Road, Mason, Ohio	\$92,509
Total Outstanding Obligation	\$142,019

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

Year Ending:	
12/31/12	\$11,928
12/31/13	\$11,928
12/31/14	\$11,928
12/31/15	\$11,928
12/31/16	\$11,928
2017-2021	\$47,830
2022-2026	\$28,980
2027-2028	<u>\$5,569</u>
	\$142,019

Principal forgiven by ODMH during the year ended December 31, 2011 totaled \$11,880

In 2010, Recovery Services notified the Ohio Department of Mental Health(ODMH) that the property at 210 W. Main St, Lebanon, Ohio was no longer being used for the purpose originally intended. During 2011, Recovery Services agreed to reimburse ODMH for the unearned portion of the outstanding loan balance as calculated by ODMH. The amount repaid to ODMH in 2011 totaled \$182,676.

On November 29, 2011, Recovery Services transferred the ownership of the property at 210 W. Main St, Lebanon, Ohio to the Warren County Commissioners for \$1. At the same time, the Warren County Commissioners transferred ownership of the land at 204/212 Cook Road, Lebanon, Ohio to Recovery Services for \$1.

9. Fund Balance Classification

Fund balance is classified as nonspendable, 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:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

9. Fund Balance Classification (Continued)

Fund Balance	<u>General Fund</u>
Restricted by:	
Grants	\$2,011
Mental Health, drug and alcohol programs and related administration	\$310,918
Medical Assistance Programs (Title XIX)	<u>(\$6,017)</u>
Total Restricted	\$306,912
Assigned by:	
Encumbrances	\$2,266,270
Reserve	<u>\$3,956,272</u>
Total Assigned	\$6,222,542
Unassigned	<u>\$4,570,704</u>
Total Fund Balance	\$11,100,158

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services</i>			
Rehabilitation Services: Vocational Rehabilitation Grants to States	N/A	84.126	\$ 80,165
Substance Abuse and Mental Health Services Projects of Regional and National Significance	N/A	93.243	53,452
Block Grants for Prevention & Treatment of Substance Abuse	N/A	93.959	441,061
<i>Passed Through Ohio Department of Mental Health</i>			
Childcare Mandatory and Matching Funds of the Childcare and Development Fund	N/A	93.596	20,427
Block Grant for Community Mental Health Services	N/A	93.958	105,199
Social Services Block Grant (Title XX)	N/A	93.667	101,119
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services</i>			
Medical Assistance Program (Title XIX)	N/A	93.778	322,705
Medical Assistance Program (Title XIX) ARRA EFMAP	N/A	93.778	21,531
<i>Passed Through Ohio Department of Mental Health</i>			
Medical Assistance Program (Title XIX)	N/A	93.778	2,197,142
Medical Assistance Program (Title XIX) ARRA EFMAP	N/A	93.778	<u>160,538</u>
Total Medical Assistance Program (Title XIX)			2,701,916
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services</i>			
State Childrens Insurance Program (SCHIP-Title XIX)	N/A	93.767	59,956
<i>Passed Through Ohio Department of Mental Health</i>			
State Childrens Insurance Program (SCHIP-Title XIX)	N/A	93.767	<u>178,561</u>
Total Medical Assistance Program for Kids (SCHIP-Title XIX)			238,517
Total U.S. Department of Health and Human Services			<u>3,741,856</u>
Total			<u>\$ 3,741,856</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports Recovery Services' federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require Recovery Services to contribute non-Federal funds (matching funds) to support the Federally-funded programs. Recovery Services has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio (Recovery Services), as of and for the year ended December 31, 2011, and have issued our report thereon dated April 12, 2012 wherein we noted that Recovery Services presented financial information on accounting basis the Auditor of State permits. We also noted that Recover Services adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Recovery Service's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Recovery Service's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Recovery Service's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the Recovery Service's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Recovery Services' 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, providing an opinion 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*.

Mental Health Recovery Services of Warren and Clinton Counties
Warren County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the audit committee, and federal awarding agencies and pass-through entities, and others within Recovery Services. We intend it for no one other than these specified parties.

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

April 12, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Directors:

Compliance

We have audited the compliance of Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio (Recovery Services), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Mental Health Recovery Services of Warren and Clinton Counties' major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies Recovery Service's major federal programs. Recovery Service's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on Recovery Service's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Recovery Service's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Recovery Service's compliance with these requirements.

In our opinion, Mental Health Recovery Services of Warren and Clinton Counties complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The Recovery Service's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Recovery Service's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Recovery Service's internal control over compliance.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.auditor.state.oh.us

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

April 12, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse: GAAP Unqualified: Regulatory basis
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Medicaid Assistance Program Title XIX, CFDA #93.778 Block Grants for Prevention & Treatment of Substance Abuse, CFDA #93.959
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**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
MAY 1, 2012