



OHIO AUDITOR OF STATE  
**KEITH FABER**





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

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio (the MHRS) as of and for the year ended December 31, 2018.

### ***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 the 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 the MHRS's internal control. Accordingly, we express no such 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, the 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.

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 the 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 the MHRS as of December 31, 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Mental Health Recovery Services of Warren and Clinton Counties, Warren County as of December 31, 2018, 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 June 4, 2019, on our consideration of the 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 the MHRS's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, stylized "K" and "F".

Keith Faber  
Auditor of State

Columbus, Ohio

June 4, 2019

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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, 2018**

<b>Cash Receipts:</b>	
Property Taxes	5,600,910
Intergovernmental	
Federal	1,419,394
State	5,513,945
Grants	135,681
Other Receipts	86,844
<i>Total Cash Receipts</i>	12,756,774
<b>Cash Disbursements:</b>	
Current:	
Salaries & Fringe Benefits	968,370
Supplies & Materials	9,512
Purchased Services	199,544
Contract Disbursements - Federal	1,363,899
Contract Disbursements - State	4,191,532
Contract Disbursements - Local	5,951,815
Capital Equipment	22,808
Dues, Fees, Travel & Other	132,053
<i>Total Cash Disbursements</i>	12,839,533
<i>Excess of Receipts Over(Under) Disbursements</i>	(82,759)
<b>Other Financing Receipts:</b>	
Reimbursements	1,994
Other Sources	5
<i>Total Other Financing Receipts</i>	1,999
<i>Net Change in Fund Cash Balances</i>	(80,760)
Fund Cash Balance, January 1, 2018	11,261,329
Fund Cash Balance, December 31, 2018	
Nonspendable	0
Restricted	591,623
Committed	0
Assigned	9,277,406
Unassigned	1,311,540
<b>Fund Cash Balance, December 31, 2018</b>	<b>11,180,569</b>

*See accompanying notes to the basic financial statements*

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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), six members are appointed by the Warren County Commissioners and two members are appointed by 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)

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

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

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.

**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. 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 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 2018 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. Non-spendable**

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, 2018.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(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, 2018.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,720,856	\$12,758,772	\$1,037,916
Total	\$11,720,856	\$12,758,772	\$1,037,916

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$21,641,763	\$14,472,222	\$7,169,541
Total	\$21,641,763	\$14,472,222	\$7,169,541

**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 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 25.

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

**6. Defined Benefit Pension Plans**

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 2018 OPERS members contributed 10 percent of their gross salaries and the Board contributed an amount equaling 14 percent of participants' gross salaries. The Board has paid all contributions required as of December 31, 2018.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

**7. Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

**8. 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 and life insurance and dental and vision coverage to its employees through a private carrier which is provided through its fiscal agent, Warren County.

**9. Contingent Liabilities**

MHRS was not a party to any lawsuits as of December 31, 2018.

**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.

**10. 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, 2018 totaled \$86,844.

**11. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

**11. Long-Term Obligations (continued)**

As of December 31, 2018, 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	\$6,548
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Mortgage, OhioMHAS, revised loan balance \$125,108, non-interest bearing note, forgiven by OhioMHAS in monthly installments of \$479, term expiring January 2028. Location: 201 Reading Road, Mason, Ohio	\$52,236
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Total Outstanding Obligation	\$58,784
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Principal amounts of long-term obligations are expected to be forgiven for the following periods:

Year Ending:	
12/31/19	\$11,880
12/31/20	\$ 6,164
12/31/21	\$ 5,748
12/31/22	\$ 5,748
2023-2027	\$28,740
12/31/28	<u>\$ 504</u>
Total	\$58,784

Principal forgiven by OhioMHAS during the year ended December 31, 2018 totaled \$11,682.

**12. 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	\$ 24,997
Mental Health, drug and alcohol programs and related administration	<u>\$ 566,626</u>
Total Restricted	\$ 591,623
Assigned by:	
Encumbrances	\$ 1,632,689
2018 Appropriation Variance	\$ 1,644,717
Reserve	<u>\$ 6,000,000</u>
Total Assigned	\$ 9,277,406
Unassigned	<u>\$ 1,311,540</u>
Total Fund Balance	\$11,180,569



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>FEDERAL GRANTOR</b>				
<i>Pass Through Grantor</i>	Federal	Pass-Through	Pass	
Program Title	CFDA	Entity Identifying	Through to	Disbursements
	Number	Number	Subrecipients	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION</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	149,299	149,299
Forensic	93.958	N/A	0	2,200
Total Block Grants for Community Mental Health Services				<u>151,499</u>
Block Grants for Prevention and Treatment of Substance Abuse				
Per Capita/Youth Led Prevention	93.959	N/A	24	4,790
Per Capita/Prevention	93.959	N/A	150,236	150,236
Per Capita/Community Investments - Treatment	93.959	N/A	320,872	409,686
Total Block Grants for Prevention and Treatment of Substance Abuse				<u>564,712</u>
Social Services Block Grant (Title XX)	93.667	N/A	131,448	131,448
State Targeted Response to the Opioid Crisis Grants				
21st Century CURES Act	93.788	N/A	450,675	461,090
Community Collective Impact Model for Change	93.788	N/A	0	22,000
Total State Targeted Response to the Opioid Crisis Grants				<u>483,090</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance - Strategic Prevention Framework - Partnerships for Success	93.243	N/A	0	77,849
<i>Passed Through the Butler County Educational Services Center (BCESC)</i>				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances(SED) - Engage 2.0	93.104	N/A	35,253	72,004
<b>Total U.S. Department of Health and Human Services</b>				<u>1,480,602</u>
Total Expenditures of Federal Awards				<u>1,480,602</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, 2018**

**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 & Clinton Counties, Warren County (MHRS) under programs of the federal government for the year ended December 31, 2018. 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 assets, 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 to not 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 the 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.

# OHIO AUDITOR OF STATE KEITH FABER



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## 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 cash balances, receipts, and disbursements by fund type of the Mental Health Recovery Services of Warren and Clinton Counties, Warren County, (the MHRS) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated June 4, 2019, wherein we noted the Government 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 the 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 the 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 the 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 the MHRS's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the MHRS's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

June 4, 2019

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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 each Major Federal Program***

We have audited Mental Health Recovery Services of Warren and Clinton Counties' (the 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 each of Warren and Clinton Counties' major federal programs for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the MHRS's major federal programs.

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

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

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

Our responsibility is to opine on the MHRS's compliance for each of the MHRS's major federal programs 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 the 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 each of the MHRS's major programs. However, our audit does not provide a legal determination of the MHRS's compliance.

### ***Opinion on each Major Federal Program***

In our opinion, 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 each of its major federal programs for the year ended December 31, 2018.

***Report on Internal Control Over Compliance***

The 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 the 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 the 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.



Keith Faber  
Auditor of State

Columbus, Ohio

June 4, 2019

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2018**

**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 Grant for Preventive & Treatment of Substance Abuse CFDA #93.959 State Targeted Response to the Opioid Crisis Grants CFDA #93.788
<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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# OHIO AUDITOR OF STATE KEITH FABER



**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  
JUNE 25, 2019**