



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Mental Health Recovery Services of Warren and Clinton Counties
Warren County
107 Oregonia Road
Lebanon, OH 45036

To Members of the Board:

We have audited the accompanying financial statement of the Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio (the Recovery Services), as of and for the year ended December 31, 2003. This financial statement is the responsibility of the Recovery Services' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Recovery Services prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund cash balance and reserves for encumbrances of the Recovery Services as of December 31, 2003, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2004 on our consideration of the Recovery Service's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statement of Recovery Services, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by 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 statement. We subjected this information to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

August 30, 2004

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2003**

Cash Receipts:	
Taxes	\$4,344,560
Intergovernmental:	
State	3,000,485
Federal	4,886,721
Grants	116,079
Gifts and Donations	170
Other Receipts	<u>387,675</u>
 Total Cash Receipts	 <u>12,735,690</u>
Cash Disbursements:	
Salaries	456,037
Supplies	14,148
Equipment	3,913
Contracts - Repair	8,910
Contracts - Services	3,268,424
Rentals	3,472
Advertising and Printing	44,926
Travel	14,152
Public Employee's Retirement	58,894
Federal- Project Fund Disbursements	2,670,993
State- Project Fund Disbursements	4,077,308
Refunds to Funding Sources	90,933
Other	<u>198,678</u>
 Total Cash Disbursements	 <u>10,910,788</u>
 Total Receipts Over Disbursements	 <u>1,824,902</u>
Other Financing Receipts	
Refunds	8,574
Reimbursements	360,650
Other Sources	<u>2,430</u>
 Total Other Financing Receipts	 <u>371,654</u>
 Total Receipts and Other Financing Receipts Over Disbursements	 <u>2,196,556</u>
 Fund Cash Balance, January 1	 <u>3,349,966</u>
 Fund Cash Balance, December 31	 <u><u>\$5,546,522</u></u>
 Reserves for Encumbrances, December 31	 <u><u>\$2,801,835</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Recovery Services of Warren and Clinton County, Warren County, Ohio (the Recovery Services), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Recovery Services is directed by an eighteen-member Board. Board members are appointed by the Director of Mental Health, the Director of Alcohol and Drug Addiction Services, and the County Commissioners of both Warren and Clinton Counties. The Board is responsible for appointing the Executive Director, governing activities, and setting policies for Recovery Services. Recovery Services funds alcohol, drug addiction and mental health services and programs to citizens of Warren and Clinton Counties. These services are provided primarily through contracts with private and public agencies.

Recovery Services' management believes this financial statement presents all activities for which Recovery Services is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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).

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

As required by Ohio Revised Code, the County Treasurer is custodian for Recovery Services' cash. Recovery Services' cash is held in the County's cash and investment pool, and is valued at the County Treasurer's carrying amount.

D. Budgetary Process

The Ohio Revised Code requires Recovery Services to adopt an annual budget.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board 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.

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

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires Recovery Services to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2003 budgetary activity appears in Note 2.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under Recovery Services' basis of accounting.

2. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$12,659,616	\$13,107,344	\$447,728

2003 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation	Budgetary	
Authority	Expenditures	Variance
\$14,364,454	\$13,712,623	\$651,831

3. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Recovery Services. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statement as Intergovernmental Receipts. Payments are due to the County by February 25. If the property owner elects to make semiannual payment, the first half is due February 25. The second half payment is due the following July 28.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2003
(Continued)**

3. PROPERTY TAX (Continued)

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

4. RETIREMENT SYSTEMS

Recovery Services' employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, PERS members contributed 8.5% of their gross salaries. Recovery Services contributed an amount equal to 13.55% of participants' gross salaries. Recovery Services' has paid all contributions required through December 31, 2003.

5. RISK MANAGEMENT

Commercial Insurance

Recovery Services has obtained commercial insurance for the following risks

- Comprehensive property and general liability;
- Errors and omissions.

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

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Health:</i>			
Projects for Assistance in Transition from Homelessness	N/A	93.150	\$ 69,541
<i>Passed Through Ohio Department of Mental Health:</i>			
Social Services Block Grant (Title XX)	N/A	93.667	123,770
<i>Passed Through Ohio Department of Mental Health:</i>			
Block Grant for Community Mental Health Services	N/A	93.958	79,846
<i>Passed Through Ohio Department of Mental Health:</i>			
Medical Assistance Program (Title XIX)	N/A	93.778	1,620,718
PASARR	N/A	93.778	12,731
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services:</i>			
Medical Assistance Program (Title XIX)	N/A	93.778	<u>224,732</u>
Total Medical Assistance Program (Title XIX)			1,858,181
<i>Passed Through Ohio Department of Alcohol & Drug Addiction Services:</i>			
Block Grants for Prevention & Treatment of Substance Abuse	N/A	93.959	<u>568,733</u>
Total U.S. Department of Health and Human Services			<u>2,700,071</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,700,071</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching expenditures. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

Recovery Services passes through certain Federal assistance received from the U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, Recovery Services records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, Recovery Services is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Mental Health Recovery Services of Warren and Clinton Counties
Warren County
107 Oregonia Road
Lebanon, Ohio 45036

To Members of the Board:

We have audited the accompanying financial statement of the Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio (the Recovery Services), as of and for the year ended December 31, 2003, and have issued our report thereon dated August 30, 2004. We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Recovery Services' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*. We noted no instances of noncompliance that we have reported to management of Recovery Services.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Recovery Services' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 30, 2004.

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

This report is intended solely for the information and use of the audit committee, management, the Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

August 30, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mental Health Recovery Services of Warren and Clinton Counties
Warren County
107 Oregonia Road
Lebanon, Ohio 45036

To Members of the Board:

Compliance

We have audited the compliance of the Mental Health Recovery Services of Warren and Clinton Counties, Warren County, Ohio (the 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 are applicable to each of its major federal programs for the year ended December 31, 2003. The Recovery Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Recovery Services' management. Our responsibility is to express an opinion on the Recovery Services' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Recovery Services' compliance with those requirements.

In our opinion, the Recovery Services complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Recovery Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Recovery Services' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 30, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions 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 weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #93.778 Medical Assistance Program; CFDA #93.667 Social Services Block Grant (Title XX)
<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



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MENTAL HEALTH RECOVERY SERVICES OF WARREN & 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 21, 2004**