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November 14, 2011

Board of Directors  
Tri-City Comprehensive Community  
Mental Health Center, Inc. and Affiliate  
3903 Indianapolis Blvd.  
East Chicago, IN 46312

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2008 to June 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Tri-City Comprehensive Community Mental Health Center, Inc. and Affiliate, as of June 30, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS





Helping. Healing. Building a Strong Community.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL  
HEALTH CENTER, INC.  
AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2009 AND 2008**

*CPAs / ADVISORS*



**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

TABLE OF CONTENTS  
JUNE 30, 2009 AND 2008

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	Page
<b>Report of Independent Auditors .....</b>	<b>1</b>
<b>Financial Statements</b>	
Combined Statements of Financial Position .....	3
Combined Statements of Activities .....	5
Combined Statements of Functional Expenses .....	6
Combined Statements of Changes in Net Assets .....	8
Combined Statements of Cash Flows .....	9
Notes to Combined Financial Statements .....	10
<b>Supplementary Information</b>	
Combining Statement of Financial Position - June 30, 2009 .....	25
Combining Statement of Activities - Year Ended June 30, 2009 .....	27
Schedule of Expenditures of Federal Awards - Year Ended June 30, 2009 .....	28
Schedule of Expenditures of State and Local Awards - Year Ended June 30, 2009 .....	29
<b>Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	<b>30</b>
<b>Report of Independent Auditors on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....</b>	<b>32</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>34</b>



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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Tri-City Comprehensive Community  
Mental Health Center, Inc.  
East Chicago, Indiana

We have audited the accompanying combined statements of financial position of Tri-City Comprehensive Community Mental Health Center, Inc. and Affiliate as of June 30, 2009 and 2008 and the related combined statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the Tri-City Comprehensive Community Mental Health Center, Inc. and Affiliate's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits 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 Guidelines for Examinations of Entities Receiving Financial Assistance from the Governmental Sources, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly in all material respects, the combined financial position of Tri-City Comprehensive Community Mental Health Center, Inc. and Affiliate as of June 30, 2009 and 2008 and the combined results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
Tri-City Comprehensive Community  
Mental Health Center, Inc.  
East Chicago, Indiana

In accordance with *Government Auditing Standards*, we have issued our report dated September 30, 2009, on our consideration of Tri-City Comprehensive Community Mental Health Center, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic combined financial statements of Tri-City Comprehensive Community Mental Health Center, Inc. and Affiliate. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic combined financial statements of Tri-City Comprehensive Community Mental Health Center, Inc. and Affiliate. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

*Blue & Co., LLC*

September 30, 2009

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

COMBINED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008

ASSETS		
	2009	2008
<b>Current assets</b>		
Cash and cash equivalents	\$ 649,114	\$ 955,710
Short-term investments	388,420	614,460
Client accounts receivable, net of allowances of uncollectible accounts of \$271,890 in 2009 and \$218,650 in 2008	1,171,113	1,181,684
Estimated third party settlements	-0-	274,909
Other receivables	212,500	415,477
Accounts receivable - Geminus	4,407	-0-
Prepaid expenses and other assets	642,615	255,947
Total current assets	3,068,169	3,698,187
<b>Property and equipment</b>		
Land and buildings	8,484,245	8,177,434
Moveable equipment	3,932,619	3,904,417
Leasehold improvements	35,903	33,023
	12,452,767	12,114,874
Less accumulated depreciation	9,931,364	9,594,543
Property and equipment, net	2,521,403	2,520,331
<b>Investments and other assets</b>		
Investments held for capital improvements	4,619,374	5,774,132
HUD Residential - cash	18,175	16,662
Equity in joint ventures	4,160,928	4,055,970
Total investments and other assets	8,798,477	9,846,764
 Total assets	 \$ 14,388,049	 \$ 16,065,282

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See accompanying notes to combined financial statements.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

COMBINED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008

LIABILITIES AND NET ASSETS

	2009	2008
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 64,109	\$ 61,079
Accounts payable	177,619	194,060
Accounts payable - Geminus	423,608	541,193
Accrued wages and related liabilities	635,666	955,735
Other accrued expenses	394,922	405,302
Estimated third party liabilities	83,711	-0-
Total current liabilities	1,779,635	2,157,369
<b>Long-term debt</b>	925,333	988,996
Total liabilities	2,704,968	3,146,365
<b>Unrestricted net assets</b>		
General	6,397,335	7,090,995
Board designated for capital improvements	4,952,469	5,481,071
Tri-City Housing Corporation	333,277	346,851
Total net assets	11,683,081	12,918,917
Total liabilities and net assets	\$ 14,388,049	\$ 16,065,282

See accompanying notes to combined financial statements.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

COMBINED STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<b>Net client service revenue</b>	\$ 7,058,736	\$ 6,960,255
<b>Public support and other revenue</b>		
Seriously mentally ill adults	3,299,461	3,336,269
Bed allocation funds	167,400	167,400
Addictions	917,726	956,314
Seriously emotionally disturbed children	590,835	585,793
County tax levies	793,762	827,668
ACT	197,210	197,210
Indiana Funds Recovery Program	1,545,951	850,000
Other	390,322	418,424
Total public support and other revenue	7,902,667	7,339,078
Total revenue	14,961,403	14,299,333
<b>Operating expenses</b>		
Program services		
Inpatient	430,914	378,961
Residential	1,855,011	2,065,805
Partial day care	1,668,863	1,472,408
Outpatient	5,101,257	4,664,210
Community support	3,731,074	3,318,898
Consultation and education	227,851	258,686
Total program services	13,014,970	12,158,967
Support services		
General and administrative	2,628,045	2,559,643
Total operating expenses	15,643,015	14,718,611
<b>Operating loss</b>	(681,612)	(419,278)
<b>Nonoperating revenue</b>		
Investment loss	(659,182)	(211,458)
Gain from joint ventures	104,958	537,468
Total nonoperating revenue	(554,224)	326,010
Change in unrestricted net assets	\$ (1,235,836)	\$ (93,268)

See accompanying notes to combined financial statements.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2009  
(with comparative totals for 2008)**

Expenses	Inpatient	Residential	Partial Day Care	Outpatient	Community Support	Consultation and Education	Total Program Services	General and Administrative	2009 Total Expenses	2008 Total Expenses
Program services										
Salaries and wages	\$ 222,813	\$ 935,715	\$ 913,740	\$ 3,108,744	\$ 2,316,450	\$ 127,680	\$ 7,626,152	\$ 209,140	\$ 7,835,292	\$ 7,793,470
Employee benefits	70,347	275,414	271,475	933,769	681,503	35,178	2,267,686	75,293	2,342,979	2,050,452
Building expenses	91	226,997	114,094	184,698	215,866	1,155	742,901	147,673	890,574	956,959
Purchased services	94,034	20,055	79,262	270,946	52,948	418	517,663	1,795,472	2,313,135	1,806,213
Bad debts	14,410	46,651	95,044	242,807	129,906	2,233	531,051	-0-	531,051	369,109
Administrative supplies	3,028	105,196	49,942	70,847	110,560	17,095	356,668	312,789	669,457	652,220
Travel and staff development	3,046	14,567	10,935	59,116	77,413	8,808	173,885	3,201	177,086	160,290
Other operating expense	22,312	112,867	91,106	155,205	101,253	34,075	516,918	1,515	518,433	544,302
Total program expenses	430,081	1,737,562	1,625,598	5,027,132	3,685,899	226,652	12,732,924	2,545,083	15,278,007	14,343,015
Depreciation and amortization	833	117,449	43,265	74,125	45,175	1,199	282,046	82,962	365,008	375,596
Total expenses	\$ 430,914	\$ 1,855,011	\$ 1,668,863	\$ 5,101,257	\$ 3,731,074	\$ 227,851	\$ 13,014,970	\$ 2,628,045	\$ 15,643,015	\$ 14,718,611

See accompanying notes to combined financial statements.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2008**

Expenses	Inpatient	Residential	Partial Day Care	Outpatient	Community Support	Consultation and Education	Total Program Services	General and Administrative	2008 Total Expenses
<b>Program services</b>									
Salaries and wages	\$ 215,538	\$ 1,070,002	\$ 840,140	\$ 2,958,083	\$ 2,093,653	\$ 156,874	\$ 7,334,289	\$ 459,181	\$ 7,793,470
Employee benefits	58,605	272,397	214,914	794,517	542,748	36,663	1,919,844	140,609	2,060,452
Building expenses	86	242,408	133,877	188,957	208,235	1,032	774,597	182,362	956,959
Purchased services	65,215	31,383	72,355	199,042	55,276	309	423,580	1,382,633	1,806,213
Bad debts	14,757	52,482	30,557	191,202	79,487	613	369,109	-0-	369,109
Administrative supplies	1,891	111,940	49,932	81,476	101,710	21,166	368,114	284,105	652,220
Travel and staff development	1,329	14,088	8,440	43,805	69,414	9,662	146,736	13,553	160,290
Other operating expense	20,730	142,574	80,401	130,177	124,678	30,859	529,419	14,883	544,302
Total program expenses	378,151	1,937,274	1,430,616	4,587,259	3,275,211	257,178	11,865,688	2,477,326	14,343,015
Depreciation and amortization	810	128,531	41,792	76,951	43,687	1,508	293,279	82,317	375,596
Total expenses	\$ 378,961	\$ 2,065,805	\$ 1,472,408	\$ 4,664,210	\$ 3,318,898	\$ 258,686	\$ 12,158,967	\$ 2,559,643	\$ 14,718,611

See accompanying notes to combined financial statements.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**COMBINED STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2009 AND 2008**

	General	Board Designated For Capital Improvements	Tri-City Housing Corporation	Total
Balances, June 30, 2007	\$ 6,884,810	\$ 5,767,487	\$ 359,888	\$ 13,012,185
Change in unrestricted net assets	(87,411)	(6,869)	1,012	(93,268)
Transfer related to capital improvements	451,491	(451,491)	-0-	-0-
Transfer of investment income, net	203,587	(203,587)	-0-	-0-
Transfer to provide funding for capital improvements	(361,482)	375,531	(14,049)	-0-
Change in net assets	206,185	(286,416)	(13,037)	(93,268)
Balances, June 30, 2008	7,090,995	5,481,071	346,851	12,918,917
Change in unrestricted net assets	(1,231,146)	(4,281)	(409)	(1,235,836)
Transfer related to capital improvements	377,694	(377,694)	-0-	-0-
Transfer of investment income, net	525,276	(525,276)	-0-	-0-
Transfer to provide funding for capital improvements	(365,484)	378,649	(13,165)	-0-
Change in net assets	(693,660)	(528,602)	(13,574)	(1,235,836)
Balances, June 30, 2009	\$ 6,397,335	\$ 4,952,469	\$ 333,277	\$ 11,683,081

See accompanying notes to combined financial statements.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
<b>Operating activities</b>		
Change in net assets	\$ (1,235,836)	\$ (93,268)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	365,008	375,596
Loss on disposal of property and equipment	1,715	89,788
Realized and unrealized losses on investments	934,369	647,309
Gain from joint ventures	(104,958)	(537,468)
Bad debts	531,051	369,109
Changes in operating assets and liabilities		
Client accounts receivable	(520,480)	(306,748)
Other receivables	202,977	185,387
Prepaid expenses and other assets	(386,668)	385,326
Accounts payable	(16,441)	18,010
Accounts payable - Geminus	(117,585)	369,535
Accrued wages and related liabilities	(320,069)	(343,541)
Other accrued expenses	(10,380)	(22,721)
Estimated third party liabilities	358,620	(664,828)
Net cash flows from operating activities	(318,677)	471,486
<b>Investing activities</b>		
Purchase of property and equipment	(372,251)	(512,466)
Change in investments, net	444,965	25,072
Net cash flows from investing activities	72,714	(487,394)
<b>Financing activities</b>		
Payments on long-term debt	(60,633)	(57,581)
Net change in cash and cash equivalents	(306,596)	(73,489)
<b>Cash and cash equivalents</b>		
Beginning of year	955,710	1,029,199
End of year	\$ 649,114	\$ 955,710
<b>Supplemental disclosure of cash flows information</b>		
Cash paid for interest	\$ 52,943	\$ 53,292

See accompanying notes to combined financial statements.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Nature of Business

Tri-City Comprehensive Community Mental Health Center, Inc. (the Center) is a not-for-profit corporation organized under the laws of the State of Indiana for providing mental health care to the Lake County community. Tri-City Housing Corporation (Affiliate) was created through the HUD Capital Advance Program for the purpose of providing housing for low-income eligible mental health clients.

Basis of Reporting

The statements of financial position, statements of activities, statements of functional expenses, statements of changes in net assets, and statements of cash flows combine Tri-City Comprehensive Community Mental Health Center, Inc. with its Affiliate, Tri-City Housing Corporation. Accounts between the Center and Affiliate have been eliminated for combined reporting purposes. These organizations have common directors, officers and management.

Revenue Recognition

Client service revenue and client accounts receivable are recorded at the net realizable amounts based on established charges when the client service is rendered. The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges and per diem payments. Charges for services to clients are primarily based on the clients' ability to pay. The allowances offset against client accounts receivable represent management's estimate of the expected losses to be realized, and is based on historical experience, current economic conditions, and other relevant factors.

Charity Care

The Center provides care to clients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, those amounts are not reported as net client service revenue. Charity care for 2009 and 2008 was \$1,521,259 and \$1,817,977, respectively.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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Collective Bargaining Agreement

The Center has a Collective Bargaining Agreement (CBA) with employees that expires September 2010. Approximately 67% of the Center's employees are covered under the CBA.

Income Taxes

The Center and its Affiliate are not-for-profit corporations, as described under Code Section 501(c)(3) of the Internal Revenue Code. As such, the Center and its Affiliate are exempt from federal and state income taxes and federal excise tax on investment income. However, the Center and its Affiliate are subject to income taxes on unrelated business activities.

Accounting for Uncertainty in Income Taxes

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) clarifies accounting principles generally accepted in the United States of America for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FASB ASC related to income tax reporting applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. The Center evaluates uncertain tax positions in accordance with existing accounting principles generally accepted in the United States of America and makes such accruals and disclosures as might be required there under.

Public Support

The Center receives federal and state grants for providing services in specific program areas. Receipt of these funds is subject to the fulfillment of certain obligations by the Center as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency.

Indiana state law stipulates that the counties served by comprehensive community mental health centers provide the centers a minimum designated amount per the county assessed value growth quotient determined by the Department of Local Government Finance. Tax receipts are designated to be remitted to the centers by June and December of each year. The Center recognizes the county tax receipts as income in the period the funds are due from the counties. Accordingly, amounts are recorded as other receivables or deferred revenue based upon the timing of the actual receipts.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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The Center has a contract with the State of Indiana Division of Mental Health to provide community mental health services. The State has a case rate reimbursement system. Under this program, the Center is paid a specific dollar amount for each client enrolled up to a fixed number of eligible clients not already enrolled in another state program.

The Center derives a significant portion of its revenue from third-party payors and federal and state funding programs. The receipt of future revenues by the Center is subject to among other factors, federal and state policies affecting the health care industry, economic conditions that may include an inability to control expenses in periods of inflation, increased competition, market pressures on premium rates and other conditions which are impossible to predict.

Financial Statement Presentation

Under FASB ASC, the Center is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Operating Indicator

The combined statements of activities include an operating indicator, change in unrestricted net assets. Items excluded from the operating indicator include unrealized gains and losses from other than trading securities and contributions of long-lived assets.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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Investment Securities

Under FASB ASC, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in unrestricted net assets.

Short-term investments include investments available for general operating purposes. Investments held for capital improvements are board designated for property and equipment replacement and expansion.

The Center holds Level 1 investments, in which fair market values are determined by unadjusted quoted prices for identical assets in an active market as defined by the fair value hierarchy. The fair market value of Level 2 investments are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Areas where significant estimates that are sensitive to change in the near term are used in the accompanying combined financial statements include allowance for doubtful accounts, estimated third party contractual allowances and contractual adjustments and self-funded medical claims incurred but unpaid. Actual results could differ from those estimates.

Concentration of Credit Risk

As of June 30, 2009 and 2008, the Center had deposits in excess of insurable limits at financial institutions. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk related to cash and cash equivalents.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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Cash Equivalents

Cash equivalents are carried at cost, which approximates market value. The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Provisions for depreciation and amortization are computed principally using the straight-line method over the estimated useful lives of the assets. The Center annually transfers to the replacement and expansion fund amounts approximately equivalent to its depreciation expense for the future purchase and replacement of property and equipment.

Subsequent Events

The Center evaluated events or transactions occurring subsequent to the balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued which is September 30, 2009.

Reclassification

Certain amounts in the 2008 financial statements have been reclassified herein to conform to the current year presentation

**2. JOINT VENTURES**

The Center is an equal owner in a joint venture with Southlake Community Mental Health Center, Inc. (Southlake) in Geminus Corporation (Geminus). Geminus provides certain clerical, administrative, and other services to the Center and Southlake. The Center incurred \$1,636,775 and \$1,239,530 for these services for 2009 and 2008, respectively. In addition, the Center was a subrecipient, of substance abuse, seriously emotionally disturbed children and seriously mentally ill adults contracts from Geminus for \$2,416,452 and \$2,132,885 for 2009 and 2008, respectively. The Center was also a recipient of other grants from Geminus of \$601,470 for 2009 and 2008. As of June 30, 2009 and 2008, the Center owed Geminus \$423,608 and \$541,193, respectively for management fees.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

A condensed summary of the operation results and financial position of Geminus is as follows:

	<u>2009</u>	<u>2008</u>
Total revenues	\$ 36,409,846	\$ 32,453,678
Total expenses	<u>(36,553,338)</u>	<u>(31,491,031)</u>
Change in net assets	<u>\$ (143,492)</u>	<u>\$ 962,647</u>
Current assets	\$ 6,362,627	\$ 5,560,924
Property and equipment	6,744,996	6,135,264
Investments	216,242	177,236
Total assets	<u>\$ 13,323,865</u>	<u>\$ 11,873,424</u>
Current liabilities	\$ 5,054,736	\$ 3,173,929
Long-term debt	1,095,010	1,381,884
Unrestricted net assets	7,174,119	7,317,611
Total liabilities and net assets	<u>\$ 13,323,865</u>	<u>\$ 11,873,424</u>

A summary of the Center's equity in the Geminus joint venture follows:

	<u>2009</u>	<u>2008</u>
Equity in Geminus joint venture		
Beginning of year	\$ 3,658,806	\$ 3,172,061
Income (loss) allocated to Tri-City	<u>(71,746)</u>	<u>486,745</u>
End of year	<u>\$ 3,587,060</u>	<u>\$ 3,658,806</u>

The Center is an equal owner in a joint venture, Southlake/Tri-City RBA, Inc. (RBA). RBA operates a residential care facility for certain or low-income disabled individuals.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

A condensed summary of the operation results and financial position of RBA is as follows:

	<u>2009</u>	<u>2008</u>
Total revenues	\$ 2,223,033	\$ 1,899,112
Total expenses	1,869,620	1,797,667
Change in net assets	<u>\$ 353,413</u>	<u>\$ 101,445</u>
Current assets	\$ 290,994	\$ 1,391,213
Property and equipment	3,636,737	2,037,638
Investments	109,378	116,452
Total assets	<u>\$ 4,037,109</u>	<u>\$ 3,545,303</u>
Current liabilities	\$ 467,171	\$ 246,160
Long-term debt	2,422,198	2,504,816
Unrestricted net assets	1,147,740	794,327
Total liabilities and net assets	<u>\$ 4,037,109</u>	<u>\$ 3,545,303</u>

A summary of the Center's equity in the RBA joint venture follows:

	<u>2009</u>	<u>2008</u>
Equity in RBA joint venture		
Beginning of year	\$ 397,164	\$ 346,441
Income allocated to Tri-City	176,704	50,723
End of year	<u>\$ 573,868</u>	<u>\$ 397,164</u>

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

**3. INVESTMENTS**

Investments are summarized as follows:

	2009	2008
Unrestricted		
General		
Cash and money market	\$ 70,383	\$ 336,057
Mutual funds	198,531	163,196
Certificates of deposit	119,506	115,207
Total unrestricted investments	\$ 388,420	\$ 614,460
Board designated		
Cash and money market	\$ 130,534	\$ 46,999
Equities	197,353	194,696
Taxable bonds	60,436	560,754
Mutual funds	4,231,051	4,871,683
Certificates of deposit	-0-	100,000
Total board designated investments	\$ 4,619,374	\$ 5,774,132

The fair values of investments are based on quoted market prices for these investments.

Investment loss amounted to \$659,182 and \$211,458 for 2009 and 2008, respectively. Investment loss includes realized and unrealized losses of \$934,369 and \$647,309 for 2009 and 2008, respectively.

**4. FAIR VALUE MEASUREMENTS**

The Fair Value Measurement and Disclosure Topic of the FASB ASC requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by the Center impacted include the Center's investments which are measured using quoted prices in active markets and other significant other observable inputs.

The Center partially adopted the provisions of the Topic for fiscal year 2009, but will delay adoption of non-financial assets and non-financial liabilities covered by the Topic.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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The Topic permits entities to partially defer the effective date of its provisions for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal year 2010.

When fully adopted, the Center will apply the provisions to certain non-financial assets and liabilities and is currently evaluating the impact of the full adoption of this statement on the activities, changes in net assets and financial position. Using the provisions related to fair value measurements, the Center has characterized its investments in securities, based on the priority of the inputs used to value the investments, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1], and the lowest priority to unobservable inputs [Level 3]. If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

Investments recorded in the combined statement of financial position are categorized based on the inputs to valuation techniques as follows:

*Level 1* - These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Center has the ability to access. Investments include mutual funds and corporate equity securities.

*Level 2* - These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. These investments are comprised of corporate and municipal bonds that trade infrequently and certificates of deposit.

*Level 3* - These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

Based upon the levels as defined above the Center's selected assets as of June 30, 2009 are classified as follows:

	Fair value measurements at reporting date using:			
	Total	Quoted market prices for identical assets	Significant other observable inputs	Significant unobservable inputs
		Level 1	Level 2	Level 3
Investments				
General and board designated				
Mutual funds and equities	\$ 4,626,935	\$ 4,626,935	\$ -0-	\$ -0-
Certificates of deposit	119,506	-0-	119,506	-0-
Taxable bonds	60,436	-0-	60,436	-0-
	\$ 4,806,877	\$ 4,626,935	\$ 179,942	\$ -0-

The following methods and assumptions were used by the Center in estimating the fair value of its other financial instruments:

*Cash and cash equivalents, accounts payable, accrued expenses and estimated third party settlements:* The carrying amount reported in the combined statements of financial position for cash and cash equivalents, accounts payable, accrued expenses and estimated third party settlements approximate fair value.

*Long-term debt:* The fair value of the Center's long-term debt approximates carrying value.

## 5. LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	2009	2008
Indiana Health and Educational Facility Financing Authority Health Care Facilities Revenue Bonds Series 2007; fixed rate (4.85%), payable in monthly amounts of principal and interest through 2022, secured by real estate.	\$ 989,442	\$ 1,050,075
Less current portion	64,109	61,079
	\$ 925,333	\$ 988,996

Interest expense for 2009 and 2008 was \$52,943 and \$53,292, respectively.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

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Maturities of long-term debt are as follows:

Year Ending June 30,	
2010	\$ 64,109
2011	67,285
2012	70,623
2013	74,125
2014	77,803
Thereafter	635,497
	<u>\$ 989,442</u>

**6. RESIDENTIAL PROPERTIES**

Tri-City Housing Corporation was awarded a grant of approximately \$400,000 under a HUD section 811 Capital Advance program. According to the regulatory agreement, this capital advance will bear no interest and is not required to be repaid so long as the residential unit remains available for low-income eligible mental health clients for a period of forty years. It is management's intention to comply with the requirements of this program. Management considers the contingent repayment of these grant proceeds to be remote.

**7. CLIENT SERVICE REVENUE**

The components of client service revenue are as follows:

	2009	2008
Client service revenue		
Inpatient	\$ 160,342	\$ 179,788
Residential	2,097,362	2,476,895
Partial day care	2,135,163	2,297,513
Outpatient	4,127,225	4,034,219
Community support	4,680,774	4,508,668
Consultation and education	178,723	154,399
	13,379,589	13,651,482
Service fee and contractual allowances	(4,296,294)	(4,341,637)
MRO match	(2,024,559)	(2,349,590)
	\$ 7,058,736	\$ 6,960,255

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**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

The Center provides care to clients under reimbursement agreements with Medicare, Medicaid, and other third-party payors. These agreements provide for payment for covered services at prospectively determined rates that are different from established rates. Provision has been made in the financial statements for the estimated contractual adjustments, representing the difference between charges for services and estimated reimbursable cost.

The Center's main office is located in East Chicago, Indiana. The Center grants credit without collateral to its clients, most of whom are local residents and are insured under third-party agreements. Accounts receivable and gross patient service revenue from patients and third-party payors were composed as follows as of June 30:

	Receivable		Revenue	
	2009	2008	2009	2008
Medicaid	33%	36%	63%	62%
Medicare	4%	8%	2%	2%
Other third-party payors	24%	12%	16%	15%
Self-pay	39%	44%	19%	21%
	100%	100%	100%	100%

**8. PROGRAM REVENUE AND COUNTY TAX SUPPORT**

The Center receives program revenue from both federal and state agencies. Receipt of these funds is subject to the fulfillment of certain obligations by the Center, as prescribed by these programs. The Center also receives tax support from Lake County, Indiana. Such tax support is designated by resolution of the County Council for general operations or is restricted for specified purposes.

**9. PENSION PLAN**

Substantially all full-time employees of the Center who have one year of service and are age 21 or older are covered under a noncontributory defined-contribution pension plan. For each eligible employee, the Center contributes 5% of the employee's total compensation. Employee contributions are not permitted under the terms of the plan. Certain bargained employees have made a one-time election to continue participation in a Simplified Employee Pension under prior arrangements. This election continued through June 30, 2003. Pension expense charged to operations amounted to \$331,601 and \$279,722 for 2009 and 2008, respectively.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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The Center sponsors defined contribution profit sharing and 401(k) plans for all qualified, full-time employees. The Center contributed \$110,209 and \$107,329 to the plans in 2009 and 2008, respectively. The plans (one each for bargained and non-bargained) cover employees who are at least 21 years of age and who have completed one year of service. Participants may make voluntary contributions of a percentage of their salary, not to exceed the maximum allowed under the Internal Revenue Code. The Center contributes matching amounts up to 3% for the bargained plan and 4% for the non-bargained plan based on length of service and level of participation in the plan.

**10. LEASES**

The Center leases office space under various operating leases and other space and equipment on a month-to-month basis in 2009 and 2008. Certain leases require the payment of all or a portion of maintenance and insurance costs. Rent expense was \$266,394 and \$245,134 for 2009 and 2008, respectively.

**11. EMPLOYEE HEALTH COSTS**

The Center entered into a self-insurance plan with Mennonite Mutual Aid (MMA), whereby MMA provides certain administrative services and SAFECO provides specific and aggregate stop loss coverage. The Center pays a reduced monthly premium. However, it is responsible for the funding of all claims up to \$50,000 per individual per policy year and up to approximately \$1,128,000 per year on the group as a whole. A liability of \$165,796 and \$197,773 has been recorded as of June 30, 2009 and 2008, respectively, to estimate payment of claims pending on the date. Group health insurance expense for 2009 and 2008 totaled \$1,261,765 and \$1,001,129, respectively.

**12. INDIANA FUNDS RECOVERY PROGRAM**

The Center participates in a program with the State of Indiana whereby administrative actions performed by the Center that support the proper and efficient operation of the Indiana State Medicaid plan are reimbursed by the federal government, subject to the Center providing matching funds. In 2009 and 2008, the Center recorded revenue of \$1,545,951 and \$850,000, respectively.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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**13. ESTIMATED THIRD PARTY LIABILITIES**

Estimated third party liabilities for Medicare, Medicaid, Medicaid Rehabilitation Option (MRO), grants and other programs reflect the difference between interim reimbursement and reimbursement as determined by contractual agreements and third-party audits.

Based upon payments received from Medicare, Medicaid, MRO, grants and other programs, the Center has estimated and recorded a liability of \$83,711 and an asset of \$274,909, respectively, as of June 30, 2009 and 2008.

**14. COMMITMENTS AND CONTINGENCIES**

The Center is involved in various legal proceedings and litigation arising in the ordinary course of business. Although the eventual outcome of these matters is not presently determinable, in the opinion of the Center's management, the resolution of such proceedings and litigation will not have a material adverse effect on the financial position of the Center.

**15. MEDICAL MALPRACTICE CLAIMS**

The Center purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to clients. The State of Indiana puts a judgment cap of \$1,250,000 on malpractice claims for those institutions and individual physicians willing to participate in the state funded insurance "pool." The "pool" requires that an institution/physician be responsible for the first \$250,000 of every claim and the State will fund the remaining balance of each claim.

**16. SUBSEQUENT EVENT**

On July 1, 2009, the Center entered into an agreement with Southlake whereby Southlake purchased the net assets of the Center and continued ordinary operations as Southlake Community Mental Health Center, Inc d/b/a Regional Mental Health Center. The purchase price approximated the net book value of the Center's net assets which approximated fair value.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

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The results of operations of the Center will be included with the results of Southlake from July 1, 2009. Assuming the acquisition had occurred on July 1, 2008, the Center's and Southlake's total revenue would have been approximately \$33,000,000 and change in net assets would have been approximately \$(3,200,000).

SUPPLEMENTARY INFORMATION

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**COMBINING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009**  
(with comparative totals as of June 30, 2008)

	Tri-City Community Mental Health Center, Inc.	Tri-City Housing Corporation	Eliminations	2009 Combined	2008 Combined
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 641,344	\$ 7,770	\$ -0-	\$ 649,114	\$ 955,710
Short-term investments	388,420	-0-	-0-	388,420	614,460
Client accounts receivable, net	1,171,113	-0-	-0-	1,171,113	1,181,684
Estimated third party settlements	-0-	-0-	-0-	-0-	274,909
Other receivables	212,500	-0-	-0-	212,500	415,477
Accounts receivable - Geminus	4,407	-0-	-0-	4,407	-0-
Prepaid expenses and other assets	638,662	3,953	-0-	642,615	255,947
Due from affiliates and other funds	791,344	-0-	(791,344)	-0-	-0-
Total current assets	<u>3,847,790</u>	<u>11,723</u>	<u>(791,344)</u>	<u>3,068,169</u>	<u>3,698,187</u>
<b>Property and equipment</b>					
Land and buildings	7,999,752	484,493	-0-	8,484,245	8,177,434
Moveable equipment	3,932,619	-0-	-0-	3,932,619	3,904,417
Leasehold improvements	35,903	-0-	-0-	35,903	33,023
	<u>11,968,274</u>	<u>484,493</u>	<u>-0-</u>	<u>12,452,767</u>	<u>12,114,874</u>
Less accumulated depreciation	9,783,694	147,670	-0-	9,931,364	9,594,543
Property and equipment, net	<u>2,184,580</u>	<u>336,823</u>	<u>-0-</u>	<u>2,521,403</u>	<u>2,520,331</u>
<b>Investments and other assets</b>					
Investments held for capital improvements	4,619,374	-0-	-0-	4,619,374	5,774,132
HUD Residential - cash	-0-	18,175	-0-	18,175	16,662
Equity in joint venture	4,160,928	-0-	-0-	4,160,928	4,055,970
Total investments and other assets	<u>8,780,302</u>	<u>18,175</u>	<u>-0-</u>	<u>8,798,477</u>	<u>9,846,764</u>
Total assets	<u>\$ 14,812,672</u>	<u>\$ 366,721</u>	<u>\$ (791,344)</u>	<u>\$ 14,388,049</u>	<u>\$ 16,065,282</u>

See report of independent auditors on pages 1 and 2.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**COMBINING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009  
(with comparative totals as of June 30, 2008)**

	Tri-City Community Mental Health Center, Inc.	Tri-City Housing Corporation	Eliminations	2009 Combined	2008 Combined
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Current portion of long-term debt	\$ 64,109	\$ -0-	\$ -0-	\$ 64,109	\$ 61,079
Accounts payable	176,114	1,505	-0-	177,619	194,060
Accounts payable - Geminus	423,608	-0-	-0-	423,608	541,193
Accrued wages and related liabilities	635,666	-0-	-0-	635,666	955,735
Other accrued expenses	394,922	-0-	-0-	394,922	405,302
Estimated third party liabilities	83,711	-0-	-0-	83,711	-0-
Due to affiliates and other funds	759,405	31,939	(791,344)	-0-	-0-
Total current liabilities	<u>2,537,535</u>	<u>33,444</u>	<u>(791,344)</u>	<u>1,779,635</u>	<u>2,157,369</u>
<b>Long-term debt</b>	<u>925,333</u>	<u>-0-</u>	<u>-0-</u>	<u>925,333</u>	<u>988,996</u>
Total liabilities	<u>3,462,868</u>	<u>33,444</u>	<u>(791,344)</u>	<u>2,704,968</u>	<u>3,146,365</u>
<b>Unrestricted net assets</b>					
General	6,397,335	-0-	-0-	6,397,335	7,090,995
Board designated for capital improvements	4,952,469	-0-	-0-	4,952,469	5,481,071
Tri-City Housing Corporation	-0-	333,277	-0-	333,277	346,851
Total net assets	<u>11,349,804</u>	<u>333,277</u>	<u>-0-</u>	<u>11,683,081</u>	<u>12,918,917</u>
Total liabilities and net assets	<u>\$ 14,812,672</u>	<u>\$ 366,721</u>	<u>\$ (791,344)</u>	<u>\$ 14,388,049</u>	<u>\$ 16,065,282</u>

See report of independent auditors on pages 1 and 2.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**COMBINING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009  
(with comparative totals for 2008)**

	Tri-City Community Mental Health Center, Inc.	Tri-City Housing Corporation	2009 Combined	2008 Combined
<b>Net client service revenue</b>	\$ 7,058,736	\$ -0-	\$ 7,058,736	\$ 6,960,255
<b>Public support and other revenue</b>				
Seriously mentally ill adults	3,299,461	-0-	3,299,461	3,336,269
Bed allocation funds	167,400	-0-	167,400	167,400
Additions	917,726	-0-	917,726	956,314
Seriously emotionally disturbed children	590,835	-0-	590,835	585,793
County tax levies	793,762	-0-	793,762	827,668
ACT	197,210	-0-	197,210	197,210
Indiana Funds Recovery Program	1,545,951	-0-	1,545,951	850,000
Other	372,413	17,909	390,322	418,424
Total public support and other revenue	<u>7,884,758</u>	<u>17,909</u>	<u>7,902,667</u>	<u>7,339,078</u>
Total revenue	14,943,494	17,909	14,961,403	14,299,333
<b>Operating expenses</b>				
Program services				
Inpatient	430,914	-0-	430,914	378,961
Residential	1,836,603	18,408	1,855,011	2,065,805
Partial day care	1,668,863	-0-	1,668,863	1,472,408
Outpatient	5,101,257	-0-	5,101,257	4,664,210
Community support	3,731,074	-0-	3,731,074	3,318,898
Consultation and education	227,851	-0-	227,851	258,686
Total program services	<u>12,996,562</u>	<u>18,408</u>	<u>13,014,970</u>	<u>12,158,967</u>
Support services				
General and administrative	2,628,045		2,628,045	2,559,643
Total operating expenses	<u>15,624,607</u>	<u>18,408</u>	<u>15,643,015</u>	<u>14,718,611</u>
<b>Operating loss</b>	(681,113)	(499)	(681,612)	(419,278)
<b>Nonoperating revenue</b>				
Investment income (loss)	(659,272)	90	(659,182)	(211,458)
Gain from joint ventures	104,958	-0-	104,958	537,468
Total nonoperating revenue	<u>(554,314)</u>	<u>90</u>	<u>(554,224)</u>	<u>326,010</u>
Change in unrestricted net assets	\$ (1,235,427)	\$ (409)	\$ (1,235,836)	\$ (93,268)

See report of independent auditors on pages 1 and 2.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009**

Program	Grant ID #	CFDA Number	Federal Expenditures
<b>Major program</b>			
Substance Abuse Prevention and Treatment (SAPT) Block Grant - DHHS - Indiana Division of Mental Health - Geminus			
	45-09-HO-2706	93.959	\$ 739,515
<b>Nonmajor programs</b>			
Social Services Block Grant - DHHS - Indiana Division of Mental Health - Geminus			
	45-09-HO-2706	93.667	99,434
Block Grant for Community Mental Health Services - DHHS - Indiana Division of Mental Health - Geminus			
	45-09-HO-2706	93.958	182,431
Shelter Plus - DHHS - Indiana Division of Mental Health			
	NA	14.238	94,499
Projects for Assistance in Transition from Homeless - DHHS - Indiana Division of Mental Health			
	45-09-HO-2706	93.150	75,095
Total non-major programs			<u>451,459</u>
Total federal expenditures			<u><u>\$ 1,190,974</u></u>

Note - The accompanying schedule of expenditures of federal awards for the year ended June 30, 2009 includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements.

See report of independent auditors on pages 1 and 2.

**TRI-CITY COMPREHENSIVE COMMUNITY MENTAL HEALTH CENTER, INC.  
AND AFFILIATE**

**SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS  
YEAR ENDED JUNE 30, 2009**

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<u>Grantor</u>	<u>Expenditures</u>
<b>State</b>	
Indiana Division of Mental Health and Addiction Managed Care Provider Agreement 7/1/08 - 6/30/09	\$ 2,068,543
<b>Local</b>	
Lake County Tax Levy	<u>793,762</u>
Total state and local awards	<u>\$ 2,862,305</u>

Note - The accompanying schedule of expenditures of state and local awards for the year ended June 30, 2009 includes the state and local award activity of the Center and is presented on the accrual basis of accounting. The basic combined financial statements classifications may include other financial activity for reporting purposes. Therefore, some of the amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic combined financial statements.



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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Directors  
Tri-City Comprehensive Community  
Mental Health Center, Inc.  
East Chicago, Indiana

We have audited the financial statements of Tri-City Comprehensive Community Mental Health Center, Inc. (the Center) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources issued by the Indiana State Board of Accounts.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Board of Directors  
Tri-City Comprehensive Community  
Mental Health Center, Inc.  
East Chicago, Indiana

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the Center in a separate letter dated September 30, 2009.

This report is intended solely for the information of the board of directors, management, the cognizant audit agencies, the Indiana Division of Mental Health and Addiction and other 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.

*Blue & Co., LLC*

September 30, 2009



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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Tri-City Comprehensive Community  
Mental Health Center, Inc.  
East Chicago, Indiana

Compliance

We have audited the compliance of Tri-City Comprehensive Community Mental Health Center, Inc. (the Center) 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 June 30, 2009. The Center's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center'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 of the Center's compliance with those requirements.

In our opinion, the Center 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 June 30, 2009.

Board of Directors  
Tri-City Comprehensive Community  
Mental Health Center, Inc.  
East Chicago, Indiana

### Internal Control Over Compliance

The management of the Center 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 Center's 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 that might be 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.

This report is intended solely for the information and use of the Board of Directors, management, the cognizant audit agencies, the Indiana Division of Mental Health and Addiction and other 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.

*Blue & Co., LLC*

September 30, 2009

