UINTAH BASIN TRI-COUNTY MENTAL HEALTH AND SUBSTANCE ABUSE LOCAL AUTHORITY
(Northeastern Counseling Center)

Annual Financial Report

Years Ending June 30, 2005 and 2004

Uintah Basin Tri-County Mental Health And Substance Abuse Local Authority (Northeastern Counseling Center)

Annual Financial Report

For the Years Ended June 30, 2005 and 2004

Uintah Basin Tri-County Mental Health and Substance Abuse Local Authority

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AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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Independent Auditors' Report

To the Board of Directors
Uintah Basin Tri-County Mental Health and Substance Abuse Local Authority (Northeastern Counseling Center)

We have audited the accompanying basic financial statements of the Northeastern Counseling Center as of June 30, 2005 and 2004, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Northeastern Counseling Center. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with *Govenrment Auditing Standards* generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northeastern Counseling Center as of June 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2005 on our consideration of the Center'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.

Aycock, Miles & Associates, CPAs

September 8, 2005

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Management's Discussion and Analysis

As management of the Northeastern Counseling Center (the Center), we offer readers of the Center's financial statements this narrative overview and analysis of financial activities of the Center for the fiscal year ended June 30, 2005.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $6,216,743 - $2,338,368 = $3,878,375. Of this amount, $2,830,228 is unrestricted and available to meet the Center's ongoing obligations.
- Net assets increased $821,863.
- Unrestricted net assets increased $690,848.
- Long-term and current portion of long-term debt decreased $88,751.
- The Center's total assets of $6,216,743 were 59% cash, receivables, and prepaid expenses.
- Current assets increased $1,026,809 or 39%.
- Current assets less current liabilities (current ratio) increased $689,396 or 33%.
- Fixed assets less accumulated depreciation increased $38,299.
- A note receivable from short-term financing for $1,015,219.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Center's basic financial statements. The Center's basic financial statements comprise two components: 1) proprietary fund financial statements, and 2) notes to the financial statements.

Fund financial statements–A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Center, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Three basic fund types are available to governmental entities: governmental funds, proprietary funds, and fiduciary funds. The Center uses only a proprietary fund described below.

Proprietary funds–There are two types of proprietary funds: enterprise and internal service funds. The Center maintains only one enterprise fund. Proprietary funds are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Center's business-type activities are mental health treatment and substance abuse prevention and treatment.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Notes to the financial statements–The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-15 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by $3,878,375 at the close of the most recent fiscal year.

The largest portion of the Center's net assets were unrestricted net assets at 73%. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Capital assets (e.g., machinery, equipment, etc.) comprised 27% of total net assets, less any related debt used to acquire those assets that is still outstanding.

The Center uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Center's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Net Assets	2005	2004
Current and other assets	$ 3,689,183	$ 2,662,374
Net capital assets	2,527,560	2,489,261
Total assets	6,216,743	5,151,635
Curent liabilities	920,036	582,623
Long-term liabilities	1,418,332	1,512,500
Total liabilities	2,338,368	2,095,123
Net assets:		
Invested in capital assets, net of related debt	1,031,311	904,261
Restricted	16,836	12,871
Unrestricted	2,830,228	2,139,380
Total net assets	$ 3,878,375	$ 3,056,512

The Center's net assets increased by $821,863 during the most recent fiscal year. A summary of this increase is on the following page. Key elements of certain changes are described below:

- Fees for services revenue increased $49,072 largely due to increased in private pay fees.
- A $102,216 increase in net medicaid revenues.
- Costs remained similar to prior year with an increase in revenues resulted in a larger increase in net assets than last year.

Change in Net Assets	2005	2004
Program revenues:		
Medicaid	$ 2,283,638	$ 2,181,422
State & local contracts	1,384,900	1,435,011
Fees for services	367,489	318,417
Gains	16,832	1,635
Earnings on investments	54,978	21,181
Total revenues	4,107,837	3,957,666
Expenses:		
Wages & benefits	2,400,564	2,380,071
Other operating expenses	806,187	809,604
Depreciation	79,223	85,241
Total expenses	3,285,974	3,274,916
Increases in net assets	$ 821,863	$ 682,750

Expenses by Function	2005	2004
Mental health	$ 2,503,299	$ 2,487,723
Substance Abuse	782,675	787,193
Total expenses	$ 3,285,974	$ 3,274,916

Fund Budgetary Highlights

Budgets	Original	Amended	Actual
Revenues	$ 3,696,910	$ 3,696,910	$ 4,107,837
Expenses	(3,548,053)	(3,548,053)	(3,285,974)
Net income	$ 148,857	$ 148,857	$ 821,863

Capital Asset and Debt Administration

Capital assets–The Center's investment in capital assets for its governmental activities as of June 30, 2005 amounts to $2,527,560 (net of accumulated depreciation). These capital assets are transportation, equipment, vehicles, and land. Net capital assets increased $38,299. Net capital assets increased because construction in progress and land purchases exceeded depreciation of $79,223 and land sale of land within the District.

Net Capital Assets	2005	2004
Buildings	$ 2,066,031	$ 1,987,359
Land	363,301	377,681
Transportation equipment	88,056	104,533
Office equipment	10,172	19,688
Total (net of depreciation)	$ 2,527,560	$ 2,489,261

Long-term debt–The Center had minimal long-term debt activity during the year. Utah inter-local agencies may issue revenue bonds without limit, but general obligation bonds are not authorized.

Long-term Debt	2005	2004
Capital lease, Uintah County	$ 536,249	$ 585,000
Capital lease, Duchesne County	960,000	1,000,000
Total	$ 1,496,249	$ 1,585,000

Economic Factors and Next Year's Budgets and Rates

The Center has budgeted total revenues for approximately $3.8 million and total expenses for approximately $3.5 million for fiscal year end 2006. Budgeted revenues and expenses are expected to be similar to the most recent fiscal year end. There are some differences and similarities between the fiscal year 2006 budget and the fiscal year 2005 actual revenue and expenditures:

- State medicaid funding expected to be similar to last year.
- State and Federal contracts and grants expected to be similar to last year.
- Increase in wages and benefits of about 5%.
- Rental expense to be much less as the Center now owns its own residential buildings.
- A significant increase in client services. Client services include hospitalization costs and are typically budgeted very high to protect the Center from incurring negative cash flows in years of unusually high hospitalizations. The most recent year end had an very low hospitalization cost.
- Other revenue and expense accounts had minor changes only.
- There is no property tax levy.

Requests for Information

This financial report is designed to provide a general overview of the Center's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Northeastern Counseling Center, Kyle Snow (CFO), 1140 West 500 South, P.O. Box 1908, Vernal, Utah 84078.

Uintah Basin Tri-County Mental Health and Substance Abuse Local Authority
(Northeastern Counseling Center)
Statement of Net Assets--Proprietary Fund Type
June 30, 2005 and 2004

	Business-type Activities	
	June 30, 2005	June 30, 2004
Assets		
Current Assets		
Cash & cash equivalents	$ 874,578	$ 2,407,578
Investments	1,511,342	-
Restricted cash & cash equivalents:		
Friends' and Club House	3,663	3,831
Client trust fund	16,836	12,871
Total Cash	2,406,419	2,424,280
Accounts Receivable:		
Clients & insurance companies, net	16,185	13,447
Local governments (match)	-	3,541
From state & federal governments	175,500	153,022
Total Accounts Receivables	191,685	170,010
Other Assets:		
Note receivable (TLC; short-term financing)	1,015,219	-
Prepaid expenses	74,285	68,084
Total Other Assets	1,089,504	68,084
Total Current Assets	3,687,608	2,662,374
Non Current Assets		
Property & Equipment:		
Land	363,301	377,681
Buildings	2,280,858	2,148,955
Equipment	47,678	47,678
Vehicles	115,336	115,336
Computer software	-	22,000
Less accumulated depreciation	(279,613)	(222,389)
Total Property and Equipment	2,527,560	2,489,261
Other Investments:		
Stock	1,575	-
Total Non Current Assets	2,529,135	2,489,261
Total Assets	6,216,743	5,151,635
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	272,724	135,953
Accrued payable (Medicaid)	343,753	152,364
Payroll and benefits payable	208,806	208,935
Client trust funds	16,836	12,871
Current portion of long-term obligations	77,917	72,500
Total Current Liabilities	920,036	582,623
Long-term Liabilities		
Mortgage and capital leases	1,418,332	1,512,500
Total Liabilities	2,338,368	2,095,123
Net Assets		
Invested in capital assets, net of related debt	1,031,311	904,261
Restricted	16,836	12,871
Unrestricted	2,830,228	2,139,380
Total Net Assets (Assets less Liabilities)	$ 3,878,375	$ 3,056,512

Uintah Basin Tri-County Mental Health and Substance Abuse Local Authority
(Northeastern Counseling Center)
Statement of Revenues, Expenses, and in Changes in Fund Assets–Proprietary Fund Type
Years-ending June 30, 2005 and 2004

	June 30, 2005	June 30, 2004
Operating Revenues		
Fees for services	$ 367,489	$ 318,417
Medicaid	2,987,581	2,846,030
Federal contracts/grants	361,837	369,302
State contracts/grants	838,004	862,008
Medicaid match	(703,943)	(664,608)
Local match	172,493	192,000
Other income	12,566	11,701
Total Income	4,036,027	3,934,850
Operating Expenses		
Salaries and wages	1,749,851	1,752,802
Employee benefits	650,713	627,269
Client services	69,526	156,952
Communications	33,326	44,270
Dues, subscriptions, licenses	44,888	1,474
Professional development	111,367	87,023
Professional and technical services	102,996	88,054
Occupancy	139,757	122,880
Contract labor	39,481	56,749
Other operating expenses	22,870	27,945
Transportation	53,588	55,017
Insurance	67,158	66,991
Board expenses	5,152	8,642
Supplies (includes small equipment)	107,146	70,314
Interest expense	-	-
Depreciation	79,223	85,241
Other expenses	8,932	23,293
Total Expenses	3,285,974	3,274,916
Operating Income	750,053	659,934
Nonoperating Revenues (Expenses)		
Interest earnings	54,978	21,181
Capital grant	-	-
Gain/(loss) on disposition of assets	16,832	1,635
Total Nonoperating Revenues (Expenses)	71,810	22,816
Change in Net Assets	**821,863**	**682,750**
Net Assets–beginning of year	3,056,512	2,373,762
Net Assets–end of year	$ 3,878,375	$ 3,056,512

Uintah Basin Tri-County Mental Health and Substance Abuse Local Authority
(Northeastern Counseling Center)
Statement of Cash Flows–Proprietary Fund Type
Years-ending June 30, 2005 and 2004

	June 30, 2005	June 30, 2004
Cash flows from operating activities:		
Cash received from client services	$ 364,751	$ 320,301
Cash received from grants and contracts	3,828,424	4,268,098
Other cash received	12,566	11,701
Cash payments to employees for services	(2,400,693)	(2,371,024)
Cash payments to suppliers for goods and services	(675,617)	(831,338)
Net cash provided by operating activities	1,129,431	1,397,738
Cash flows from investment activities:		
Sale of building and assets	46,048	1,635
Purchase of land & stock	(16,410)	(211,016)
Construction of building	(131,903)	(179,051)
Purchase of equipment & vehicles	-	(67,790)
Cash invested in investments (C.D.s)	(1,511,342)	-
Note receivables	(1,015,219)	-
Interest income	54,978	21,181
Net cash provided by investment activities	(2,573,848)	(435,041)
Cash flows from noncapital financing activities:		
Grant	-	-
Net increase (decrease) in client trust funds	3,965	(1,296)
Net cash provided by noncapital financing activities	3,965	(1,296)
Cash flows from capital related financing activities:		
Cash proceeds from long-term debt	-	-
Cash payments to retire long-term debt	(88,751)	(32,500)
Net cash used for capital related financing activities	(88,751)	(32,500)
Net increase (decrease) in cash	**(1,529,203)**	**928,901**
Cash at beginning of year	2,424,280	1,495,379
Cash at end of year	$ 895,077	$ 2,424,280
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ 750,053	$ 659,934
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	79,223	85,241
(Increase) decrease in accounts receivable	(21,675)	665,250
(Increase) decrease in prepaid expenses	(6,201)	(6,542)
Increase (decrease) in accounts payable	328,160	(15,192)
Increase (decrease) in payroll & benefits payable	(129)	9,047
Net cash provided by operating activities	$ 1,129,431	$ 1,397,738

Summary of Significant Accounting Policies

Reporting Entity–Uintah Basin Tri-County Mental Health and Substance Abuse Local Authority (Northeastern Counseling Center) was created June 7, 1995 by three Counties in the State of Utah, Daggett, Duchesne, and Uintah under provisions of the Interlocal Cooperation Act. Prior to July 1, 1997 the Local Authority's operations were conducted by contract through the State of Utah. Beginning July 1, 1997 the Local Authority began operating as a separate entity. A board of 12 directors governs the Local Authority. Three of the twelve members are from their respective County Commissions, one from each County. The remaining directors are citizens of their respective counties, three residing in Daggett County, three residing in Duchesne County and three residing in Uintah County.

Utah State Law requires each County to provide certain specified mental health and substance abuse services to its citizens. The Counties may join together to provide the required services jointly. Uintah Basin Tri-County Mental Health and Substance Abuse Local Authority provides mental health and substance abuse services to its three sponsoring Counties. The Local Authority operates under the name Northeastern Counseling Center. Uintah Basin Tri-County Mental Health and Substance Abuse Local Authority is considered to be a component unit of Uintah County. These financial statements present all of the fund types of the Local Authority. The Local Authority has no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation–The Center reports as proprietary enterprise fund. These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Center are operating contracts from State and Federal government and medicaid funding for the eligible population.

Application of Accounting Pronouncements–Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Center has elected not to follow subsequent private-sector guidance.

Deposits and Investments–The Center's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables–All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property Taxes–The Center does not assess a property tax.

Inventories and Prepaid Items–All inventories are valued at cost using the first-in/first-out method. Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets–At times, the Center may have funds set aside that are legally restricted or their use is limited by certain contracts. Restricted funds are expended first when there are eligible expenses.

Capital Assets–Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Equipment	8
Vehicles	5
Office equipment	5
Computer equipment	3

Compensated Absences–The Center's policy is to permit employees to accumulate earned but unused personal leave and sick leave benefits. There is no liability for unpaid accumulated sick leave since it is the Center's policy to record the cost of sick leave only when it is used. Vacation time is accrued when incurred and reported as a liability at that time.

Long-term Obligations–In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets–In the fund financial statements, proprietary funds report equity in a manner similar to the government-wide statements.

Comparative Data/Reclassifications–Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates–The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Data–Budgets are presented on the modified accrual basis of accounting for all governmental funds of the District. The following procedures are used in establishing the budgetary data:

- During May and June of each year, the manager prepares the budget for general and capital improvement funds. The manager submits this budget to the Board of Directors.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget by resolution.

Certain Revenues–The Center's revenue from medicaid and from certain State and Federal contracts are subject to audit and review by those agencies. The findings of those reviews may result in a payback of revenues, or in some cases in additional cost reimbursement from the agencies. The reports of those reviews or audits are frequently not available for a year after the reporting period.

Note A – Cash Deposits & Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Center follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Center funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk-Custodial credit risk is the risk that, in the event of a bank failure, the Center's deposits may not be returned to it. The Center does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, Center's cash balances were $895,077 and bank balances were $1,272,882. Of the bank balances, $1,243,492 were uninsured but collateralized by U.S. government securities held in the name of Zions Bank.

During the year ended June 30, 2005, the Center used an overnight sweep agreement (uninsured and unregistered, with securities held by the bank in the Center's name) to transact funds in a government money market portfolio that primarily invests in obligations of the United States Treasury, agencies or instrumentalities of the United States that meet allowable investments of the Utah Money Management Act. This sweep account's balances which are included in the totals above had carrying balance of $874,577 and a bank balance of $1,243,492.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Center and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Center to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

As of June 30, 2005, the Center had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Certificate of Deposit	1,511,342	-	1,511,342	-	-

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Center's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

Credit Risk- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2005, the Center had the following investments and quality ratings:

		Quality Rating			
Investment Type	Fair Value	AAA	AA	A	Unrated
Certificate of Deposit	1,511,342	-	-	-	1,511,342

Custodial Credit Risk-Custodial credit risk is the risk that, in the event of a bank failure, the Center's deposits may not be returned to it. The Center does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, Center's investment balances were $1,511,342. Of the investment balance, $1,411,342 was uninsured and uncollateralized.

Concentration of Credit Risk- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Note B – Fixed Assets

The following is a schedule of beginning and ending fixed assets net of depreciation. Depreciation adjustments, if applicable, are the removal of accumulated depreciation upon the disposition of assets.

Asset Activity	June 30, 2004	Additions	Disposals	June 30, 2005
Land	$ 377,681	$ 14,835	$ (29,215)	$ 363,301
Buildings	2,148,955	131,903	-	2,280,858
Equipment	47,678	-	-	47,678
Vehicles	115,336	-	-	115,336
Software	22,000	-	(22,000)	-
Total before depreciation	2,711,650	146,738	(51,215)	2,807,173
Accumulated depreciation	(222,389)	(79,224)	22,000	(279,613)
Net capital assets after depreciation	$ 2,489,261	$ 67,514	$ (29,215)	$ 2,527,560

Note C – Long-term Obligations

The following is a description of each obligation and a schedule of long-term obligation activity pertaining to the Center. Amortization of these buildings under capital lease are included in depreciation expense.

Capital Lease U.C.—A capital lease to Uintah County Municipal Building Authority to pay a Utah Division of Finance lease revenue bond, matures year 2021, 0%, $32,500/year plus reserve payments if required.

Capital Lease D.C.—A capital lease to Duchesne County Municipal Building Authority to pay a Utah Division of Finance lease revenue bond, matures year 2028, 0%, $40,000/year plus reserve payments if required.

Long-term Obligations	June 30, 2004	Increases	Decreases	June 30, 2005	Current Portion
Capital lease U.C.	$ 585,000	$ -	$ (48,751)	$ 536,249	$ 37,917
Capital lease D.C.	1,000,000	-	(40,000)	960,000	40,000
Total	$ 1,585,000	$ -	$ (88,751)	$ 1,496,249	$ 77,917

Debt Service Schedule	Prinicipal	Interest	Total
2006	$ 77,917	$ -	$ 77,917
2007	77,916	-	77,916
2008	77,916	-	77,916
2009	72,500	-	72,500
2010	72,500	-	72,500
2011-2015	362,500	-	362,500
2016-2020	362,500	-	362,500
2021-2025	232,500	-	232,500
2026-2030	160,000	-	160,000
Total	$ 1,496,249	$ -	$ 1,496,249

Note D – Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

Note E – Pension Plans

Plan Description. The Center contributes to the Local Governmental non-contributory Retirement System which is a cost sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plan. Chapter 49 places the Systems, the Office, and related programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Non-contributory Retirement System, the Center was required to contribute 11.09% of its annual covered salaries for the year ended June 30, 2005. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Center contributions to the Local Governmental Non-contributory Retirement System for the years ended June 30, 2005, 2004, 2003 respectively were $175,737, $149,840 and $129,876 based on covered salaries and wages of $1,584,643, $1,557,586 and $1,494,543. The contributions were equal to the required contributions for each year.

The center also contributed to a defined contribution 401(k) plan. The Center's contributions to this plan for the years ended June 30, 2005, 2004, 2003 respectively were $41,241, $38,712 and $35,247. Employee contributions to this plan for the years ended June 30, 2005, 2004, 2003 respectively were $44,701, $39,581 and $36,463.

Note F – Charity Care

The Uintah Basin Tri-County Mental Health and Substance Abuse Center provides significant amounts of services at no cost or in accordance with a sliding fee schedule based on client ability to pay. These services are considered to be charity care. The Center does not record the amounts of charity care given in its financial records.

Note G – Related Party Transactions

The three Counties that created the Uintah Basin Tri-County Mental Health and Substance Abuse Center contribute operating funds to the Center as required by State grant contracts. For the year ended June 30, 2004, the Counties' matching contributions were as follows: Uintah $106,000, Duchesne $62,528, and Daggett $3,964. At June 30, 2005, $0 was receivable from the three Counties combined.

For the year ended June 30, 2004 the County matching contributions were as follows: Uintah $114,010, Duchesne $74,449, and Daggett $3,541. At June 30, 2004, $3,541 was receivable from the three Counties combined.

Note H – Economic Dependency

Medicaid revenues received from the State of Utah are 57% of the Center's total revenues. State and Federal mental health and substance abuse grants comprise 30%. Local government matching revenues and fees for services make up the balance of the revenue totals.

Note I – Construction Commitment

The Center is projected to finish some residential buildings for monitored mental health care in the fall of 2005. A large portion of the cost of these buildings is being shared by a third party investor.

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Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Uintah Basin Tri-County Mental Health and Substance Abuse Center
Vernal, Utah

We have audited the general purpose financial statements of Uintah Basin Tri-County Mental Health and Substance Abuse Center as of and for the year ended June 30, 2005, and have issued our report thereon dated September 8, 2005. We conducted our audit in accordance with generally accepted auditing standards 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 Center's financial statements are 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 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.*

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Uintah Basin Tri-County Mental Health and Substance Abuse Center's 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.

This report is intended for the information and use of the Board of Directors, audit committee, management and 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.

Aycock, Miles & Associates, CPAs

September 8, 2005

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Independent Auditors' Report on Compliance with Utah State Requirements

To the Board of Directors
Uintah Basin Tri-County Mental Health and Substance Abuse Center
Vernal, Utah

We have audited the general purpose financial statements of Uintah Basin Tri-County Mental Health and Substance Abuse Center, a component unit of Uintah County, for the year ended June 30, 2005 and have issued our report thereon dated September 8, 2005. As part of our audit, we have audited the Uintah Basin Tri-County Mental Health and Substance Abuse Center's compliance with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Uintah Basin Tri-County Mental Health and Substance Abuse Center received the following major State assistance programs from the State of Utah:

Mental Health General (Department of Human Services)
Substances Abuse State Treatment (Department of Human Services)

Uintah Basin Tri-County Mental Health and Substance Abuse Center also received the following non-major grants, which are not required to be audited for specific compliance requirements. However, these programs were subject to test-work as part of the audit of the Uintah Basin Tri-County Mental Health and Substance Abuse Center's financial statements:

Mental Health Children (Department of Human Services)
Mental Health Children at Risk (Department of Human Services)
Substance Abuse State Prevention (Department of Human Services)

Our audit also included test work on the Center's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management	Purchasing Requirements
Budgetary Compliance	Other General Issues

The management of Uintah Basin Tri-County Mental Health and Substance Abuse Center is responsible for the Center's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial reporting contained in *Government Audit Standards,* issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Uintah Basin Tri-County Mental Health and Substance Abuse Center's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Uintah Basin Tri-County Mental Health and Substance Abuse Center complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Aycock, Miles & Associates, CPAs

September 8, 2005