PINAL GILA
BEHAVIORAL HEALTH ASSOCIATION

Annual Financial Statements
and
Independent Auditors' Report

June 30, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pinal Gila Behavioral Health Association
Apache Junction, Arizona

We have audited the accompanying statement of financial position of Pinal Gila Behavioral Health Association (a nonprofit corporation) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinal Gila Behavioral Health Association as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental annual statement of activities and changes in net assets on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2005, on our consideration of Pinal Gila Behavioral Health Association'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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations,*" and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Colby & Company

November 2, 2005

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Statement of Financial Position
June 30, 2005

ASSETS

Current Assets	
Cash	$ 4,111,974
Contracts receivable	337,848
Interest and other receivables	21,397
Investments	1,580,000
Prepaid expenses	94,072
Other current assets	3,858
Total current assets	6,149,149
Property and equipment, net	970,273
Performance bond	2,874,410
TOTAL ASSETS	$ 9,993,832

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 30,795
Accrued expenses	93,485
Other current liabilities	1,361
Contracts payable	3,582,234
Total current liabilities	3,707,875
Net Assets	
Net assets - unrestricted	6,285,957
TOTAL LIABILITIES AND NET ASSETS	$ 9,993,832

The accompanying notes are an integral part of these financial statements.

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Statement of Activities
For the Year Ended June 30, 2005

Unrestricted Net Assets

Support and Revenue	
Governmental grants and contracts	$ 46,342,080
Rental income	136,538
Investment income	93,921
Other revenue	29,592
Total support and revenue	46,602,131
Expenses	
Program services	41,963,629
Supporting activities	2,644,305
Total expenses	44,607,934
Increase in net assets	1,994,197
Net assets - Beginning of year	4,291,760
NET ASSETS - END OF YEAR	$ 6,285,957

The accompanying notes are an integral part of these financial statements.

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Statement of Functional Expenses
For the Year Ended June 30, 2005

	Program Services								Supporting Activities	
	Children	Seriously Mentally Ill	MHAD	Mental Health	Substance Abuse	Prevention and Intervention	Other Programs	Total	Management and General	Total Expenses
Counseling	$ 3,476,168	$ 1,217,992	$ 3,835,900	$ 13,360	$ 826,845		$ -	$ 9,370,265	$ -	$ 9,370,265
Rehabilitation services	158,783	837,613	255,644	88	79,658	-	-	1,331,786	-	1,331,786
Medical services	348,775	565,230	397,180	1,230	33,598	-	-	1,346,013	-	1,346,013
Support services	7,728,782	2,932,164	2,205,405	19,195	242,559	-	-	13,128,105	-	13,128,105
Crisis intervention	90,533	272,963	210,589	74,700	38,699	-	-	687,484	-	687,484
Inpatient services	941,468	1,400,993	857,261	11,824	134,884	-	-	3,346,430	-	3,346,430
Residential services	293,146	1,788,131	533,905	-	157,616	-	-	2,772,798	-	2,772,798
Behavioral health day programs	527,632	693,439	124,035	-	13,489	-	-	1,358,595	-	1,358,595
Prevention services	-	-	-	-	-	549,983	-	549,983	-	549,983
Medications	1,525,323	3,954,383	1,854,950	52,830	78,662	-	-	7,466,147	-	7,466,147
Employee related expenses	-	-	-	-	-	-	-	-	1,555,572	1,555,572
Professional and outside services	-	-	-	-	-	-	-	-	356,356	356,356
Travel	-	-	-	-	-	-	-	-	23,706	23,706
Occupancy	-	-	-	-	-	-	-	-	148,417	148,417
Depreciation	-	-	-	-	-	-	-	-	305,274	305,274
Other	134,272	221,236	91,096	1,548	11,641	-	146,230	606,023	254,980	861,003
Total	$ 15,224,881	$ 13,884,144	$ 10,365,965	$ 174,775	$ 1,617,651	$ 549,983	$ 146,230	$ 41,963,629	$ 2,644,305	$ 44,607,934

The accompanying notes are an integral part of these financial statements.

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2005

Cash Flows from Operating Activities	
Increase in net assets	$ 1,994,197
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	305,274
(Increase) Decrease in current assets:	
Contracts receivable	9,149,123
Interest and other receivables	(19,268)
Prepaid expenses	(28,202)
Increase (Decrease) in current liabilities:	
Accounts payable	(65,007)
Accrued expenses	(131,828)
Contracts payable	(6,181,079)
Deferred revenue	(106,473)
Net cash provided by operating activities	4,916,737
Cash Flows from Investing Activities	
Purchase of property and equipment	(27,418)
Proceeds from sale of investments	39,061
Purchase of investments	(1,580,000)
Proceeds from sale of performance bond investments	858,600
Purchase of performance bond investments	(454,041)
Net cash used by investing activities	(1,163,798)
Increase in cash	3,752,939
Cash - Beginning of year	359,035
CASH - END OF YEAR	$ 4,111,974

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Pinal Gila Behavioral Health Association is an Arizona nonprofit corporation. The purpose of the Organization is to plan, implement, and administer a comprehensive, coordinated behavioral health service system for the citizens of Pinal County and Gila County, Arizona. These programs are funded primarily through grants from other governmental organizations.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Grant and Contract Support – The Organization recognizes grant revenue as services are rendered under unit-of-service contracts and as expenses are incurred under cost reimbursement contracts. A receivable is recognized to the extent that grant revenue earned exceeds cash advances. Conversely, deferred revenue is recorded when cash advances exceed grant and contract revenue earned. Grantors may, at their discretion, request reimbursement for expenses or return of funds, or both, by the Organization as a result of noncompliance with the terms of grants or contracts. In addition, if the Organization terminates its activities, all unexpended funds are to be returned to the funding sources.

Public Support - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and / or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Contributions are recorded as income in the period received. Unconditional promises to give are recorded when the "promise" is received or made, not when the gift is transferred. Conditional promises to give or receive are recorded when the specified future and uncertain event occurs or when the conditions outlined by the donor are substantially met. At June 30, 2005, the Organization had no promises to give which were required to be reported in the financial statements.

Support and investment income that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted support and investment income are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2005, the Organization did not have any restricted net assets.

Contributed Services – During the year ended June 30, 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Income Taxes – Income taxes are not provided for in the financial statements since the Pinal Gila Behavioral Health Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under A.R.S. 43-1201(4). Furthermore, the Organization has been classified by the Internal Revenue Service as a publicly supported organization, and not as a private foundation.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment – Property and equipment are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for additions and betterments are capitalized and depreciated over the estimated remaining or useful life of the related asset. Gains and losses on sales and retirements are reflected in income during the year of actual sale or retirement.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Investments – Investments consist of Bank Certificates of Deposit with a maturity date in excess of 90 days. Investments are reported at fair value in the statement of financial position. Gains and losses are included in the change in net assets.

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.

Functional Allocation of Expenses – The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 – CONTRACTS RECEIVABLE

Contracts receivable at June 30, 2005, consisted of funds receivable from grantor agencies for client services and incentives. All contract receivables are deemed collectible and no allowance for uncollectible accounts has been recorded.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2005:

Building	$ 793,916
Leasehold improvements	828
Land	100,000
Computer equipment and software	1,653,288
Furniture and fixtures	354,008
Vehicles	55,631
	2,957,671
Less accumulated depreciation	(1,987,398)
	$ 970,273

Depreciation expense for the year ended June 30, 2005, was $305,274.

NOTE 4 – PERFORMANCE BOND

The Arizona Department of Health Services requires the Organization to maintain a bond to indemnify the payment of claims and to help ensure financial stability. In compliance, Pinal Gila Behavioral Health Association has funded a performance bond by purchasing a U.S. Treasury Money Market Investment with a cost and fair value at June 30, 2005, of $2,874,410. The investment has been assigned to the Arizona Department of Health Services in the event that claims against the contingency should arise.

NOTE 5 – CONTRACTS PAYABLE

Contracts payable at June 30, 2005, consisted of amounts due to sub-recipient behavioral health organizations for services performed in accordance with contracts, amounts payable to service providers, payment of incentives earned, and anticipated prescription costs.

NOTE 6 – CONCENTRATIONS

For the year ended June 30, 2005, the Organization received a majority of its support under a contract administered by the Arizona Department of Health Services and the Arizona Health Care Cost Containment System. The contract term ended on June 30, 2005, and was not renewed. The discontinuance of this major program may have a significant effect upon the size and nature of the future operations of the Organization.

The Organization maintains its cash balances in financial institutions located in Arizona. Balances are insured up to $100,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization regularly maintains balances in excess of FDIC limits.

NOTE 7– CONTINGENT LIABILITIES

The Organization participates in federally funded programs administered by a state agency. The programs included in these financial statements may be subject to program compliance and/or financial monitoring by the granting agency or its representatives. The amount, if any, of expenditures that may be disallowed by the granting agency cannot be determined at this time.

As mentioned in Note 6, the Organization's contract with the Arizona Department of Health Services ended on June 30, 2005. Subsequent to that date certain service providers have filed claim with the Organization requesting reimbursement for services provided in excess of their contracted amounts. Management and counsel believe that the service providers have no claim to amounts in excess of their contract and have informed the providers that they will not issue payment for the excess amounts. Management intends to vigorously defend this position. It is not possible to estimate the amount of these claims at this time.

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Supplemental Annual Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2005

		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PRVNTN INTRVNTN	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
REVENUES																							
	Revenue Under ADHS																						
401	**Contract**																						
a	ADHS Revenue	10,372,168	5,010,859	356,370	570,194	722,154	2,028	10,181,413	371,457	3,660,248	1,173	9,587	104,445	12,050,545	16,151	200,400	1,828,158	615,110	154,875	-	46,227,334	-	46,227,334
b	ADHS Revenue - Qualifying Incentive Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
402	Specialty & Other Grants*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
403	Client Fees (Co-pays)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
404	**Third Party Recoveries**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a	Medicare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b	Other Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
405	Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,278	75,277
406	Other Funding Sources - Non ADHS*	-	-	-	35,450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,450	127,532	162,982
407	Unrelated Business Activities*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	136,538	136,538
408	**TOTAL REVENUE**	10,372,168	5,010,859	356,370	605,644	722,154	2,028	10,181,413	371,457	3,660,248	1,173	9,587	104,445	12,050,545	16,151	200,400	1,828,158	615,110	154,875	-	46,262,784	339,348	46,602,131
EXPENSES																							
Service Expenses:																							
501	**Treatment Services**																						
a	Counseling																						
1	Counseling, Individual	1,112,871	311,309	30,100	69,550	121,604	-	387,237	37,436	260,258	201	117	-	1,876,110	2,078	9,200	254,585	-	-	-	4,472,655	-	4,472,655
2	Counseling, Family	705,613	162,648	21,684	56,778	63,874	-	22,922	8,657	23,921	-	-	-	243,280	-	525	32,329	-	-	-	1,342,231	-	1,342,231
3	Counseling, Group	129,833	44,320	2,521	16,277	9,353	-	122,965	936	50,521	-	-	-	640,559	-	1,605	329,138	-	-	-	1,348,027	-	1,348,027
b	Consultation, Assessment & Specialized Testing	426,323	99,499	13,880	34,164	43,970	-	181,260	30,851	90,556	153	-	-	1,073,707	166	2,029	210,793	-	-	-	2,207,352	-	2,207,352
c	Other Professional	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d	**Total Treatment Services**	2,374,640	617,776	68,185	176,769	238,801	-	714,384	77,880	425,256	355	117	-	3,833,656	2,244	13,360	826,845	-	-	-	9,370,265	-	9,370,265
502	**Rehabilitation Services**																						
a	Living Skills Training	60,666	12,584	4,111	6,427	6,013	-	345,566	2,903	149,770	-	-	-	11,739	-	47	482	-	-	-	600,307	-	600,307
b	Cognitive Rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c	Health Promotion	41,230	21,277	1,324	1,454	3,279	-	58,052	13	37,432	-	-	-	160,989	-	40	77,486	-	-	-	402,576	-	402,576
d	Supported Employment Services	418	-	-	-	-	-	161,907	2,045	79,926	-	-	-	82,916	-	-	1,690	-	-	-	328,903	-	328,903
e	**Total Rehabilitation Services**	102,314	33,861	5,435	7,881	9,292	-	565,525	4,961	267,127	-	-	-	255,644	-	88	79,658	-	-	-	1,331,786	-	1,331,786
503	**Medical Services**																						
a	Medication Services	-	-	-	-	-	-	1,946	-	62	-	-	-	8,618	-	-	5,902	-	-	-	16,528	-	16,528
b	Medical Management	246,369	37,597	30,204	5,128	29,150	-	305,360	33,118	145,872	64	-	-	387,285	875	1,230	27,623	-	-	-	1,249,874	-	1,249,874
c	Laboratory, Radiology & Medical Imaging	185	91	25	-	25	-	77,358	112	169	-	-	-	402	-	-	73	-	-	-	78,441	-	78,441
d	Electro-Convulsive Therapy	-	-	-	-	-	-	1,170	-	-	-	-	-	-	-	-	-	-	-	-	1,170	-	1,170
e	**Total Medical Services**	246,554	37,688	30,230	5,128	29,175	-	385,833	33,229	146,104	64	-	-	396,305	875	1,230	33,598	-	-	-	1,346,013	-	1,346,013
504	**Support Services**																						
a	Case Management	2,003,391	843,062	129,217	119,402	183,892	-	1,555,879	120,679	557,281	174	-	-	1,813,369	1,629	19,046	203,795	-	-	-	7,550,813	-	7,550,813
b	Personal Assistance	112,455	50,484	17,006	3,628	21,964	-	111,699	4,182	33,289	-	-	-	26,083	-	-	3,268	-	-	-	384,057	-	384,057
c	Family Support	66,424	10,117	1,006	1,072	2,116	-	3,272	3,274	1,130	-	-	-	5,112	-	-	1,844	-	-	-	95,367	-	95,367
d	Peer Support	2,875	540	872	-	-	-	15,644	147	3,464	-	-	-	302	-	-	-	-	-	-	23,845	-	23,845
e	Therapeutic Foster Care Services	199,199	1,877,691	-	5,411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,082,301	-	2,082,301
f	Respite Care	806,921	163,033	19,387	28,847	65,056	-	37,050	286	12,171	-	-	-	24,417	-	-	556	-	-	-	1,157,725	-	1,157,725
g	Housing Support	-	-	-	-	-	-	1,999	-	1,253	-	-	790	2,583	-	-	-	-	-	-	6,624	-	6,624
h	Interpreter Services	2,383	-	1,088	-	354	-	107	2,966	42	-	-	-	807	-	-	-	-	-	-	7,747	-	7,747
I	Flex Fund Services	-	-	-	13,724	-	-	-	-	3,114	-	-	-	-	-	-	-	-	-	-	16,837	-	16,837
j	Transportation	718,198	151,470	24,323	19,512	62,662	-	340,926	4,309	117,040	-	-	-	331,104	-	149	33,097	-	-	-	1,802,789	-	1,802,789
k	Block Purchase NTXIX Consumer Drop In Center	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
l	**Total Support Services**	3,911,848	3,096,397	192,898	191,595	336,043	-	2,066,575	135,841	728,784	174	-	790	2,203,776	1,629	19,195	242,559	-	-	-	13,128,105	-	13,128,105

See accompanying notes to financial statements

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Supplemental Annual Statement of Activities and Changes in Net Assets, Continued
For the Year Ended June 30, 2005

		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PRVNTN INTRVNTN	ADHS DCC	OTHER	SUB TOTAL	PROG ADMIN & MGMT/GEN	TOTAL
505	**Crisis Intervention Services**																						
a	Crisis Intervention - Mobile	52,780	6,792	2,288	24,711	3,962	-	83,678	9,934	42,533	-	-	-	204,971	-	74,700	37,164	-	-	-	543,513	-	543,513
b	Crisis Services	-	-	-	-	-	-	558	-	-	-	-	-	5,617	-	-	1,535	-	-	-	7,710	-	7,710
c	Crisis Phones	-	-	-	-	-	-	136,261	-	-	-	-	-	-	-	-	-	-	-	-	136,261	-	136,261
d	**Total Crisis Intervention Services**	52,780	6,792	2,288	24,711	3,962	-	220,496	9,934	42,533	-	-	-	210,589	-	74,700	38,699	-	-	-	687,484	-	687,484
506	**Inpatient Services**																						
a	Hospital																						
1	Psychiatric (Provider Types 02 & 71)	405,543	114,654	7,680	17,663	17,113	-	297,622	-	34,552	-	-	-	223,262	-	-	14,433	-	-	-	1,132,521	-	1,132,521
2	Detoxification (Provider Types 02 & 71)	29,510	1,836	-	-	-	-	2,784	-	1,121	-	-	-	7,183	-	-	6,016	-	-	-	48,449	-	48,449
b	Sub acute Facility																						
1	Psychiatric (Provider Types B5 & B6)	-	601	-	-	-	-	648,518	1,013	261,920	-	-	-	369,978	-	10,295	-	-	-	-	1,292,325	-	1,292,325
2	Detoxification (Provider Types B5 & B6)	9,034	1,951	-	988	-	-	17,090	3,141	4,717	-	-	-	138,195	-	714	94,016	-	-	-	269,847	-	269,847
c	Residential Treatment Center (RTC)																						
1	Psychiatric - Secure & Non-Secure Provider Types 78,B1,B2,B3)	91,027	217,605	1,584	10,071	-	-	-	-	-	-	-	-	30,418	-	-	-	-	-	-	350,704	-	350,704
2	Detoxification - Secure & Non-Secure (Provider Types (78,B1,B2,B3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d	Inpatient Services, Professional	8,130	4,248	-	795	1,434	-	98,149	-	30,357	-	-	-	88,226	-	815	20,420	-	-	-	252,584	-	252,584
e	**Total Inpatient Services**	543,244	340,896	9,264	29,517	18,547	-	1,064,162	4,154	332,677	-	-	-	857,261	-	11,824	134,884	-	-	-	3,346,430	-	3,346,430
507	**Residential Services**																						
a	Level II Behavioral Health Residential Facilities	129,019	112,808	-	16,971	15,932	-	1,200,274	-	410,919	-	-	-	501,349	-	-	148,880	-	-	-	2,536,153	-	2,536,153
b	Level III Behavioral Health Residential Facilities	-	-	-	-	-	-	44,685	-	-	-	-	-	-	-	-	-	-	-	-	44,685	-	44,685
c	Room and Board	11,397	4,635	-	1,309	1,075	-	97,633	-	34,619	-	-	-	32,566	-	-	8,736	-	-	-	191,960	-	191,960
d	**Total Residential Services**	140,416	117,443	-	18,280	17,007	-	1,342,592	-	445,538	-	-	-	533,905	-	-	157,616	-	-	-	2,772,798	-	2,772,798
508	**Behavioral Health Day Program**																						
a	Supervised Day Program	2,291	-	-	1,394	120	-	2,957	-	1,329	-	-	-	-	-	-	-	-	-	-	8,090	-	8,090
b	Therapeutic Day Program	399,767	48,144	16,510	26,051	33,356	-	505,641	5,722	177,789	-	-	-	124,035	-	-	13,489	-	-	-	1,350,505	-	1,350,505
c	Medical Day Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d	**Total Behavioral Health Day Program**	402,058	48,144	16,510	27,444	33,476	-	508,598	5,722	179,118	-	-	-	124,035	-	-	13,489	-	-	-	1,358,595	-	1,358,595
509	**Prevention Services**																						
a	Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	549,983	-	-	549,983	-	549,983
b	HIV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c	**Total Prevention Services**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	549,983	-	-	549,983	-	549,983
510	**Medication**																						
a	Medication Expense	1,473,212	-	-	55,759	14,056	-	3,226,669	-	778,373	-	-	-	1,892,073	1,013	53,505	80,347	-	-	-	7,575,007	-	7,575,007
b	Less Pharmacy Rebate Received	(16,352)	-	-	(402)	(950)	-	(40,642)	-	(10,018)	-	-	-	(38,136)	-	(675)	(1,685)	-	-	-	(108,860)	-	(108,860)
c	Pharmacy Rebate Related Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d	**Total Medication Services**	1,456,860	-	-	55,357	13,106	-	3,186,026	-	768,355	-	-	-	1,853,937	1,013	52,830	78,662	-	-	-	7,466,147	-	7,466,147
	Other ADHS Service Expenses																						
511	Not Rpt'd Above*	73,093	45,262	-	4,448	9,440	2,028	92,339	-	25,521	59	-	103,317	91,084	32	1,548	11,641	-	-	-	459,793	-	459,793
512	ADHS/DCC CCCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	146,230	-	146,230	-	146,230
513	**Subtotal ADHS Service Expenses**	9,303,807	4,344,259	324,810	541,131	708,849	2,028	10,146,530	271,721	3,361,013	652	117	104,107	10,360,172	5,793	174,775	1,617,651	549,983	146,230	-	41,963,629	-	41,963,629
	Service Expenses from Non ADHS Sources*																				-		-
525	**Total Service Expense**	9,303,807	4,344,259	324,810	541,131	708,849	2,028	10,146,530	271,721	3,361,013	652	117	104,107	10,360,172	5,793	174,775	1,617,651	549,983	146,230	-	41,963,629	-	41,963,629

See accompanying notes to financial statements

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Supplemental Annual Statement of Activities and Changes in Net Assets, Continued
For the Year Ended June 30, 2005

		TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE	PRVNTN INTRVNTN	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
Administrative Expenses:																							
601	Salaries	292,760	120,462	9,919	16,632	21,652	-	309,211	8,301	102,501	21	4	-	316,073	179	5,338	49,096	16,801	4,465	-	1,273,415	-	1,273,415
602	Employee Benefits	64,868	26,692	2,198	3,685	4,798	-	68,513	1,839	22,712	5	1	-	70,034	40	1,183	10,878	3,723	989	-	282,157	-	282,157
603	Professional & Outside Services	81,927	33,711	2,776	4,654	6,059	-	86,530	2,323	28,684	6	1	-	88,451	50	1,494	13,739	4,702	1,250	-	356,356	-	356,356
604	Travel	5,450	2,243	185	310	403	-	5,756	155	1,908	0	0	-	5,884	3	99	914	313	83	-	23,706	-	23,706
605	Occupancy	34,121	14,040	1,156	1,938	2,524	-	36,039	967	11,946	2	0	-	36,838	21	622	5,722	1,958	520	-	148,417	-	148,417
606	Depreciation	42,144	17,341	1,428	2,394	3,117	-	44,512	1,195	14,755	3	1	-	45,500	26	768	7,068	2,419	643	-	183,314	121,960	305,274
607	All Other Operating	29,604	12,181	1,003	1,682	2,701	-	101,501	839	15,365	2	0	-	31,961	18	540	55,433	1,699	452	-	254,980	-	254,980
	Subtotal ADHS	550,874	226,669	18,664	31,296	41,253	-	652,062	15,619	197,872	39	7	-	594,742	336	10,045	142,850	31,613	8,402	-	2,522,345	121,960	2,644,305
608	**Administrative Expenses**																						
650	Non ADHS Administrative Expenses*																						
651	Unrelated Admin. Expense*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
652	**Subtotal Administrative Expense**	550,874	226,669	18,664	31,296	41,253	-	652,062	15,619	197,872	39	7	-	594,742	336	10,045	142,850	31,613	8,402	-	2,522,345	121,960	2,644,305
701	Unrelated Business Expenses*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
790	**Income Tax Provisions**																						
a	ADHS Income Tax Provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b	Non ADHS Income Tax Provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
799	**Subtotal Income Tax Provision**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
800	**TOTAL EXPENSES**	9,854,681	4,570,928	343,474	572,427	750,102	2,028	10,798,592	287,340	3,558,885	691	124	104,107	10,954,914	6,129	184,820	1,760,501	581,596	154,632	-	44,485,974	121,960	44,607,934
801	**INCR(DEC) IN NET ASSETS/EQUITY**	517,487	439,931	12,896	33,217	(27,948)	-	(617,179)	84,117	101,363	482	9,463	338	1,095,631	10,022	15,580	67,657	33,514	243	-	1,776,810	217,388	1,994,197

See accompanying notes to financial statements

SINGLE AUDIT ACT REPORTS SECTION

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Health Services			
State Children's Insurance Program	93.767	03-2034	$ 654,919
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	03-2034	30,944,938
Block Grants for Community Mental Health Services	93.958	03-2034	371,326
Block Grants for Prevention and Treatment of Substance Abuse	93.959	03-2034	1,357,274
Total U.S. Department of Health and Human Services			33,328,457
Federal Emergency Management Agency			
Passed through the Arizona Department of Economic Security			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	E5344532	33,610
Total Federal Awards			$ 33,362,067

The accompanying notes are an integral part of this schedule

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Notes to Schedule of Expenditures of Federal Awards
June 30, 2005

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pinal Gila Behavioral Health Association and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OBM Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Pinal Gila Behavioral Health Association provided $32,017,019 of federal awards to subrecipients.

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REPORT 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*

To the Board of Directors
Pinal Gila Behavioral Health Association
Apache Junction, Arizona

We have audited the financial statements of Pinal Gila Behavioral Health Association (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pinal Gila Behavioral Health Association'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.

Compliance

As part of obtaining reasonable assurance about whether Pinal Gila Behavioral Health Association'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*.

This report is intended solely for the information and use of management, others within the organization, the Board of Directors, 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.

Colby & Company

November 2, 2005

COLBY & COMPANY, CPA's, PLC CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Pinal Gila Behavioral Health Association
Apache Junction, Arizona

Compliance

We have audited the compliance of Pinal Gila Behavioral Health Association (a nonprofit organization) 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, 2005. Pinal Gila Behavioral Health Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Pinal Gila Behavioral Health Association's management. Our responsibility is to express an opinion on Pinal Gila Behavioral Health Association'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 Pinal Gila Behavioral Health Association'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 Pinal Gila Behavioral Health Association's compliance with those requirements.

In our opinion, Pinal Gila Behavioral Health Association 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, 2005.

Internal Control Over Compliance

The management of Pinal Gila Behavioral Health Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pinal Gila Behavioral Health Association'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of management, others within the organization, the Board of Directors, 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.

Colby & Company

November 2, 2005

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Schedule of Findings and Questioned Costs
June 30, 2005

Section 1 – *Summary of Auditors' Results*

Financial Statements

1. Type of auditors' report issued:	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses?	None
b. Reportable conditions identified not considered to be material weaknesses?	None
c. Noncompliance material to the financial statements noted?	None

Federal Awards

1. Internal control over major program:	
a. Material weaknesses identified?	None
b. Reportable conditions identified not considered to be material weaknesses?	None
2. Type of auditors' report issued on compliance for major program:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)?	No
4. Identification of major programs:	

Name of Federal Program	CFDA Number
Centers for Medicare and Medicaid Services, Research, Demonstrations and Evaluations	93.779
Block Grants for Prevention and Treatment of Substance Abuse	93.959

5. Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,000,862
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	Yes

Section 2 – *Financial Statement Findings*

None

Section 3 – *Federal Award Findings and Questioned Costs*

None

PINAL GILA BEHAVIORAL HEALTH ASSOCIATION
Summary Schedule of Prior Audit Findings
June 30, 2005

There were no findings in the prior year.