



SAN JUAN COUNTY
FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

For the year ended December 31, 2003

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	11
STATEMENT OF ACTIVITIES.....	12
BALANCE SHEET – GOVERNMENTAL FUNDS.....	13
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS.....	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS.....	15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	16
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS.....	17
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS.....	18
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS.....	19
COMBINING STATEMENT OF NET ASSETS – DISCRETELY PRESENTED COMPONENT UNITS.....	20
COMBINING STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNITS.....	21
STATEMENT OF FIDUCIARY NET ASSETS.....	22
NOTES TO FINANCIAL STATEMENTS.....	23
REQUIRED SUPPLEMENTAL INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND.....	45
CLASS B ROADS SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	48

CONTENTS

INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH FOR THE YEAR ENDED DECEMBER 31, 2003 - UNAUDITED.....	49
SUPPLEMENTARY INFORMATION	
NON-MAJOR GOVERNMENTAL FUNDS	
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND EQUITY	52
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES.....	53
FIDUCIARY FUNDS	
COMBINING SCHEDULE OF ASSETS AND LIABILITIES	55
SCHEDULE OF TAXES CHARGED, COLLECTED AND DISBURSED – CURRENT AND PRIOR YEARS	56
TAX COLLECTION TRUST FUND – CASH RECEIPTS AND DISBURSEMENTS	57
SINGLE AUDIT AND OTHER REPORTS	
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENTAL</i> <i>AUDITING STATEMENTS</i>	58
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	60
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	62
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	64
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	65
SCHEDULE OF PRIOR AUDIT FINDINGS.....	66
AUDITORS' REPORT ON STATE LEGAL COMPLIANCE	67



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

May 7, 2004

Honorable Board of County Commissioners
San Juan County, Utah
Monticello, Utah 84545

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of San Juan County, Utah, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of San Juan Transportation Special District, San Juan Health Services District, or San Juan Mental Health/Substance Abuse Special Service District, discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. 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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of San Juan County, Utah as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



San Juan County, Utah
May 7, 2004
Page Two

As discussed in Notes A and B to the basic financial statements, during 2003 the County adopted Government Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended. This results in a change in the format and content of the County’s financial statements.

The management’s discussion and analysis beginning on page 3, the budgetary comparison information for the General Fund and Class B Roads Fund beginning on page 45, and the information about infrastructure assets reported using the modified approach beginning on page 49 are not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San Juan County’s basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. 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 also not a required part of the financial Statements of San Juan County, Utah. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 May 7, 2004 on our consideration of the County’s internal control over financial reporting and on 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

San Juan County

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2003

Management's Discussion and Analysis

This discussion of San Juan County's financial performance provides an overview of the County's financial activities for the year ending December 31, 2003. This report is in conjunction with the County's financial statements.

The purpose of the County is to provide general services to its residents, which includes general government, public safety, public health, highways and public improvements, and economic development. Additional services provided to residents in the unincorporated areas include road maintenance and fire control.

Financial Highlights

- The assets of San Juan County exceeded its liabilities as of December 31, 2003 by \$91,776,406 (net assets). Of this amount \$6,317,002 (unrestricted net assets) may be used to meet the governments' ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$561,395. The revenues and expenditures were less than the adopted budgeted amounts.
- At the close of the current year San Juan County governmental funds reported combined ending fund balances of \$37,740,676, an increase of \$163,078 in comparison with the prior year. Approximately 12 percent of this total amount, \$4,689,605, is available for spending at the government's discretion (unreserved and undesignated fund balance).
- At the end of the current year, unreserved fund balance for the general fund was \$3,464,007, or approximately 53 percent of total general fund expenditures.
- San Juan County's total debt did not increase during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to San Juan County's basic financial statements. San Juan County's basic financial statements comprise of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of San Juan County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all San Juan County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases, or decreases in net assets may serve as a useful indicator of whether the financial position of San Juan County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the

San Juan County

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2003

change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of San Juan County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of San Juan County include general government, public safety, public health, highways and public improvements, parks and recreation, and conservation and economic development.

The government-wide financial statements include not only San Juan County itself (known as the primary government), but also four legally separate special service districts, one for transportation, one for health care, one for mental health services and one for municipal services. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Refer to the table of contents for the location of the government-wide financial statements.

Fund financial statements. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This segregation is also used to ensure and demonstrate compliance with finance-related legal requirements. The County utilizes three types of funds; government funds, proprietary funds and fiduciary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, these fund financial statements are prepared using modified accrual accounting methods which measure cash and other financial assets readily convertible to cash and their balances available for use at year-end. As a result, these statements provide a short-term perspective of the County's general government operations and the basic services provided and may assist in determining the availability of financial resources that could be used in the near future to finance the County's programs.

Reconciliation between the long-term perspective of the government-wide financial statements and the short-term perspective of the fund financial statements is provided on pages 14 and 16 of this report.

The County has identified four of its governmental funds to be major governmental funds requiring separate reporting. The remaining governmental funds are non major funds and are included in the combining statements on pages 52 and 53 of this report.

Proprietary funds account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The County uses enterprise funds, one type of proprietary fund, to account for its two business-type activities (EMS/Ambulance and Landfill).

San Juan County

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2003

Fiduciary funds account for resources held by the County for the benefit of other governmental entities within the County. The County has a fiduciary responsibility to ensure that these resources are used for their intended beneficiaries and purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds cannot be used to finance County programs. The County's fiduciary responsibilities are reported separately in a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These statements are prepared using full accrual accounting methods similar to those used in preparing proprietary fund statements.

Refer to the table of contents for the location of fund financial statements.

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 are part of the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning San Juan County.

The combining statements referred to earlier in connection with non-major governmental funds and the enterprise fund are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

This year is the County's first year of reporting under Statement Number 34 (GASB 34) issued by the Governmental Accounting Standards Board. GASB 34 allows entities the option of reporting prior year comparative financial statements in the year of implementation. The County has elected not to present comparative financial statements for the fiscal year ended December 31, 2002. However, comparative analysis of the government-wide financial statements will be issued in future years.

Net Assets

As was previously noted, increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The County's total net assets, assets in excess of liabilities, totaled \$91,776,406.

The largest segment of the County's net assets (58 percent) reflect its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related outstanding debt used to acquire those assets. San Juan County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of San Juan County's net assets (35 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$6,317,002) may be used to meet the government's ongoing obligations to citizens and creditors.

San Juan County

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2003

At the end of the current fiscal year, San Juan County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

San Juan County's Net Assets

Current and other assets	\$ 38,774,522	\$ 1,302,853	\$ 40,077,375
Capital assets, net	<u>53,204,846</u>	<u>1,250,841</u>	<u>54,455,687</u>
 Total Assets	 <u>\$ 91,979,368</u>	 <u>\$ 2,553,694</u>	 <u>\$ 94,533,062</u>
 Long-term debt outstanding	 \$ 263,911	 \$ 688,174	 \$ 952,085
Other Liabilities	<u>1,660,816</u>	<u>143,755</u>	<u>1,804,571</u>
 Total Liabilities	 <u>\$ 1,924,727</u>	 <u>\$ 831,929</u>	 <u>\$ 2,756,656</u>
 Net Assets:			
Investment in capital assets, net of debt	\$ 52,940,935	\$ 562,667	\$ 53,503,602
Restricted for:			
Inventory and prepaids	1,045,904		1,045,904
Roads	17,035,806		17,035,806
Capital outlay	13,317,131		13,317,131
Landfill closure costs		556,961	556,961
Unrestricted	<u>5,714,865</u>	<u>602,137</u>	<u>6,317,002</u>
 Total net assets	 <u>\$ 90,054,641</u>	 <u>\$ 1,721,765</u>	 <u>\$ 91,776,406</u>

San Juan County

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2003

	Changes in Net Assets		
	Governmental	Business-Type	Total
	Activities	Activities	Primary
	<u>2003</u>	<u>2003</u>	<u>2003</u>
Revenues			
Program Revenues			
Charges for services	\$ 1,831,922	\$ 810,619	\$ 2,642,541
Operating grants and contributions	5,442,632	24,912	5,467,544
Capital grants and contributions	386,579		386,579
General Revenues			
Taxes	3,438,637		3,438,637
Earnings on investments	603,664	16,457	620,121
Miscellaneous	<u>275,481</u>	<u>100</u>	<u>275,581</u>
Total Revenues	<u>\$ 11,978,915</u>	<u>\$ 852,088</u>	<u>\$ 12,831,003</u>
Program Expenses			
General government	\$ 3,366,695		\$ 3,366,695
Public safety	2,200,134		2,200,134
Public health	697,303		697,303
Highways and public improvements	4,195,416		4,195,416
Parks and recreation	730,461		730,461
Conservation and economic development	461,286		461,286
Interest and fiscal charges	17,450		17,450
Landfill		\$ 208,818	208,818
Emergency medical services	<u>-</u>	<u>392,045</u>	<u>392,045</u>
Total expenses	<u>\$ 11,668,745</u>	<u>\$ 600,863</u>	<u>\$ 12,269,608</u>
Excess (deficiency) before transfers	\$ 310,170	\$ 251,225	\$ 561,395
Transfers	<u>(19,038)</u>	<u>19,038</u>	<u>-</u>
Change in net assets	<u>\$ 291,132</u>	<u>\$ 270,263</u>	<u>\$ 561,395</u>
Net assets - beginning	\$ 89,763,509	\$ 1,451,502	\$ 91,215,011
Net assets - ending	<u>90,054,641</u>	<u>1,721,765</u>	<u>91,776,406</u>
	<u>\$ 291,132</u>	<u>\$ 270,263</u>	<u>\$ 561,395</u>

San Juan County

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2003

Governmental Funds Financial Analysis

As was previously noted, the County's governmental funds provide a short-term perspective of the County's general government operations and the financial resources available in the near future to finance the County's programs. Differences between available financial resources and the short-term obligations of general government operations are reported as fund balances. Fund balances are designated as either reserved or unreserved. Reserved fund balances indicate amounts of the fund balance set aside for specific purposes or to meet specific requirements.

As of December 31, 2003, the County's governmental funds, which include the general fund, all special revenue funds, debt service funds and capital projects funds, report a combined fund balance of \$37,740,676. This combined balance represents an increase of \$163,078 over last year's ending fund balances.

The general fund is the main operating fund of the County. All governmental-type activities not accounted for in a special revenue fund, debt service fund, enterprise fund or capital project fund are accounted for in the general fund. Accounting for activities in funds other than the general fund may be required by state regulations or local ordinances; or, the County may simply desire to isolate the revenues and expenditures associated with a particular activity for matching purposes. The general fund balance increased \$97,583 to \$5,116,237 during the fiscal year ended December 31, 2003.

As was previously noted, the County maintains two enterprise funds to account for its business-type activities. The separate enterprise fund statements provide the same information, with more detail, as the information provided for business-type activities in the government-wide financial statements.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- \$110,000 decrease in general government.
- \$261,000 increase in public safety.
- \$67,500 increase in public health and welfare.
- \$50,000 increase in highways and public improvements.
- \$20,000 decrease in parks and recreation.
- \$40,500 increase in conservation and economic development.
- \$289,000 decrease in contributions and transfers.

The adjustments shown above total to \$0, resulting in a total budget appropriation that was unchanged between the original budget and the final amended budget.

Capital Assets and Debt Administration

San Juan County's investment in capital assets for its governmental activities as of December 31, 2003 amounts to \$54,455,687 (net of accumulated depreciation). This investment in capital assets includes land, rights of way, buildings, improvements other than buildings, equipment, and infrastructure, which includes roads and bridges. The total increase in San Juan County's capital assets (net of depreciation) for the current year was \$21,690.

San Juan County

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2003

San Juan County's Capital Assets
(net of depreciation)

	<u>Government Activities</u>		<u>Business-type Activities</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Land	\$ 248,971	\$ 248,971	-	-
Buildings and improvements	3,627,606	3,505,772	\$ 287,521	\$ 275,948
Autos and trucks	252,017	338,102		
Equipment	4,611,149	4,749,129	1,043,861	974,893
Infrastructure	<u>44,362,872</u>	<u>44,362,872</u>		
Total	<u>\$ 53,102,615</u>	<u>\$ 53,204,846</u>	<u>\$ 1,331,382</u>	<u>\$ 1,250,841</u>

Major capital asset events during the current year included the following:

- Autos and light truck acquisitions of \$260,331.
- Building acquisitions of \$50,000.
- Heavy equipment acquisitions of \$524,716.
- Light equipment acquisitions of \$38,058.
- Used autos, trucks and equipment with a book value of \$50,835 was disposed of during the year.

Also, the County has elected to use the modified approach to account for its infrastructure assets, such as roads and bridges. That information can be found in the required supplemental information following the notes to the financial statements.

San Juan County's Long-Term Debt

As presented in the schedule below, the total long-term debt of San Juan County was \$1,593,914. This amount includes revenue bonds, capital leases and compensated absences.

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Revenue bonds			\$ 590,000	\$ 571,000	\$ 590,000	\$ 571,000
Capital leases	\$ 343,423	\$ 263,911	153,651	117,174	497,074	381,085
Compensated Absences	<u>562,024</u>	<u>614,758</u>	<u>30,598</u>	<u>27,071</u>	<u>592,622</u>	<u>641,829</u>
Total	<u>\$ 905,447</u>	<u>\$ 878,669</u>	<u>\$ 774,249</u>	<u>\$ 715,245</u>	<u>\$1,679,696</u>	<u>\$1,593,914</u>

Additional information on San Juan County's long-term debt can be found in the notes to financial statements.

San Juan County

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2003

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for San Juan County is 7.3 percent, which is a decrease from a rate of 9.3 percent a year ago. This is higher than the state's average unemployment rate of 4.8 percent and the national average rate of 5.5 percent.

The market value of property, on which the tax rate is applied, in San Juan County decreased 5.3 percent from a total of \$438,463,233 in 2002 to a total of \$415,085,459 in 2003, a decrease of \$23,377,774. The reduction in value can be primarily attributed to losses in centrally assessed property valuation.

San Juan County's property tax rate remained constant at .004176 for the 2002 and 2003 tax years. Even with the constant tax rates and a decrease in property values, the 2004 budget was based on an anticipated increase in property valuations due to reappraisal work by the County Assessor and anticipated improved conditions in centrally assessed oil and gas producing properties.

All of these factors were considered in preparing San Juan County's budget for the 2004 year.

Request for Information

This financial report is designed to provide a general overview of San Juan County'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 San Juan County Clerk-Auditor, 117 S. Main Monticello, Utah, 84535.

San Juan County

STATEMENT OF NET ASSETS

December 31, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Unrestricted cash and investments	\$ 35,747,741	\$ 621,286	\$ 36,369,027	\$ 3,216,396
Restricted cash and investments	-	556,961	556,961	494,302
Accounts receivable, net of allowance for uncollectibles	514,133	127,550	641,683	1,740,329
Other governmental receivables	563,800	-	563,800	630,882
Internal balances	2,944	(2,944)	-	-
Prepaid expenses	165,655	-	165,655	78,189
Inventory	880,249	-	880,249	212,255
San Juan School District long-term receivable	900,000	-	900,000	-
Capital Assets:				
Land	248,971	-	248,971	107,445
Buildings and improvements, net	3,505,772	275,948	3,781,720	3,569,509
Auto and trucks, net	338,102	-	338,102	-
Heavy equipment, net	4,440,187	-	4,440,187	-
Light equipment, net	308,942	974,893	1,283,835	1,887,459
Infrastructure	44,362,872	-	44,362,872	-
Total assets	\$ 91,979,368	\$ 2,553,694	\$ 94,533,062	\$ 11,936,766
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 622,289	\$ 9,054	\$ 631,343	236,994
Accrued expenses	142,494	10,683	153,177	555,390
Accrued interest	12,212	6,563	18,775	7,390
Deferred revenue	269,063	-	269,063	3,064
Accrued compensation	614,758	27,071	641,829	41,847
Closure and post closure costs payable	-	90,384	90,384	-
Long-term liabilities				
Portion due or payable within one year				
Capital leases	83,640	37,589	121,229	18,294
Bonds and notes payable	-	20,000	20,000	112,492
Portion due or payable after one year				
Capital leases	180,271	79,585	259,856	58,702
Bonds and notes payable	-	551,000	551,000	1,221,890
Total liabilities	1,924,727	831,929	2,756,656	2,256,063
Net assets				
Invested in capital assets, net of related debt	52,940,935	562,667	53,503,602	5,220,037
Restricted for:				
Inventory and prepaids	1,045,904	-	1,045,904	-
Roads	17,035,806	-	17,035,806	-
Capital outlay	13,317,131	-	13,317,131	69,500
Landfill closure costs	-	556,961	556,961	-
Debt service	-	-	-	529,242
Medicaid	-	-	-	438,601
Other purposes	-	-	-	1,107,826
Unrestricted	5,714,865	602,137	6,317,002	2,315,497
Total net assets	90,054,641	1,721,765	91,776,406	9,680,703
Total liabilities and net assets	\$ 91,979,368	\$ 2,553,694	\$ 94,533,062	\$ 11,936,766

The accompanying notes are an integral part of this statement.

San Juan County

STATEMENT OF ACTIVITIES
Year ended December 31, 2003

FUNCTION/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,366,695	\$ 500,096	\$ 973,474	\$ 208,436	\$ (1,684,689)	\$	\$ (1,684,689)	
Public safety	2,200,134	1,245,019	37,715	60,681	(856,719)		(856,719)	
Public health	697,303	19,117	467,173	-	(211,013)		(211,013)	
Highways and public improvement	4,195,416	21,665	3,865,888	12	(307,851)		(307,851)	
Parks and recreation	730,461	-	98,382	117,450	(514,629)		(514,629)	
Conservation and economic development	461,286	46,025	-	-	(415,261)		(415,261)	
Interest and fiscal charges	17,450	-	-	-	(17,450)		(17,450)	
Total governmental activities	\$ 11,668,745	\$ 1,831,922	\$ 5,442,632	\$ 386,579	\$ (4,007,612)		\$ (4,007,612)	
Business-type activities:								
Landfill	208,818	311,977	-	-	\$	\$ 103,159	103,159	
Emergency medical services	392,045	498,642	24,912	-		131,509	131,509	
Total business-type activities	600,863	810,619	24,912	-		234,668	234,668	
Total primary government	\$ 12,269,608	\$ 2,642,541	\$ 5,467,544	\$ 386,579	(4,007,612)		(3,772,944)	
Component units:								
Transportation Special Service District	\$ 1,218,852	\$ -	\$ -	\$ -		\$	\$ (1,218,852)	
San Juan Health Care Service District	7,761,861	6,050,391	1,446,316	-			(265,154)	
Bluff Service Area	116,568	61,184	-	-			(55,384)	
San Juan Mental Health/ Substance Abuse Special Service District	1,651,491	934,349	-	-			(717,142)	
Total component units	\$ 10,748,772	\$ 7,045,924	\$ 1,446,316	\$ -			\$ (2,256,552)	
General Revenues								
Taxes					3,438,637		3,438,637	8,333
Earnings on investments					603,664		620,121	54,776
Miscellaneous					37,863		37,963	346,165
Intergovernmental support					161,516		161,516	2,192,428
Gain (loss) on sale of assets					(50,678)		(50,678)	(23,413)
Other shared taxes					126,780		126,780	-
Transfers					(19,038)		-	-
Total general revenues and transfers					4,298,744		4,334,339	2,578,289
Change in Net Assets					291,132		561,395	321,757
Net assets, beginning					89,763,509		91,215,011	9,358,946
Net assets, ending					\$ 90,054,641		\$ 91,776,406	\$ 9,680,703

The accompanying notes are an integral part of this statement.

San Juan County

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2003

	General Fund	Class "B" Roads Fund	Buildings Grounds & Equipment Capital Improvement	Road Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 3,615,427	\$ 17,458,413	\$ 7,744,169	\$ 5,698,971	\$ 1,230,761	\$ 35,747,741
Accounts receivable	512,039	1,823	-	-	271	514,133
Other governmental unit receivables	563,800	-	-	-	-	563,800
Due from other funds	-	17,969	-	-	-	17,969
San Juan School District long-term receivable	900,000	-	-	-	-	900,000
Prepaid expenses	-	-	-	-	165,655	165,655
Inventory	-	880,249	-	-	-	880,249
Total assets	<u>\$ 5,591,266</u>	<u>\$ 18,358,454</u>	<u>\$ 7,744,169</u>	<u>\$ 5,698,971</u>	<u>\$ 1,396,687</u>	<u>\$ 38,789,547</u>
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	\$ 366,349	\$ 127,549	\$ 105,243	\$ 20,766	\$ 2,382	\$ 622,289
Due to other funds	15,025	-	-	-	-	15,025
Accrued liabilities	93,655	45,787	-	-	3,052	142,494
Deferred revenue	-	269,063	-	-	-	269,063
Total liabilities	<u>475,029</u>	<u>442,399</u>	<u>105,243</u>	<u>20,766</u>	<u>5,434</u>	<u>1,048,871</u>
Fund equity						
Reserved for inventory and prepaids	-	880,249	-	-	165,655	1,045,904
Reserved for road	-	17,035,806	-	-	-	17,035,806
Reserved for capital outlay	-	-	7,638,926	5,678,205	-	13,317,131
Designated for recreation	900,000	-	-	-	-	900,000
Designated for nursing home	752,230	-	-	-	-	752,230
Unreserved, undesignated	3,464,007	-	-	-	1,225,598	4,689,605
Total fund equity	<u>5,116,237</u>	<u>17,916,055</u>	<u>7,638,926</u>	<u>5,678,205</u>	<u>1,391,253</u>	<u>37,740,676</u>
Total liabilities and fund balances	<u>\$ 5,591,266</u>	<u>\$ 18,358,454</u>	<u>\$ 7,744,169</u>	<u>\$ 5,698,971</u>	<u>\$ 1,396,687</u>	<u>\$ 38,789,547</u>

The accompanying notes are an integral part of this statement.

San Juan County

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

December 31, 2003

Amount reported in the governmental activities on the statement of net assets
are different because:

Total fund balance- governmental funds	\$ 37,740,676
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	53,204,846
Long-term liabilities such as bonds and notes payable, and capital leases payable are not due and payable in the current period and, therefore, are not reported in the funds.	(263,911)
Accrued interest on bonds and notes payable is not recorded in the funds	(12,212)
Accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.	(614,758)
Total net assets - governmental activities	<u>\$ 90,054,641</u>

The accompanying notes are an integral part of this statement.

San Juan County

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS

Year ended December 31, 2003

	General Fund	Class "B" Roads Fund	Buildings Grounds Equipment Capital Improvement	Road Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 3,075,952	\$ -	\$ -	\$ -	\$ 362,818	\$ 3,438,770
Licenses and permits	60,651	-	-	-	-	60,651
Intergovernmental revenue	2,159,664	3,788,730	-	-	51,940	6,000,334
Charges for services	1,344,717	214,455	-	-	4,652	1,563,824
Fines and forfeitures	289,509	-	-	-	-	289,509
Investment earnings	62,160	296,599	123,928	100,157	20,820	603,664
Miscellaneous	94,089	14,124	1,283	-	29,355	138,851
Total revenues	7,086,742	4,313,908	125,211	100,157	469,585	12,095,603
Expenditures						
Current:						
General government	2,577,182	-	-	-	192,746	2,769,928
Public safety	2,152,328	-	-	-	-	2,152,328
Public health	573,073	-	-	-	104,899	677,972
Highways and public improvement	80,049	3,697,422	-	-	-	3,777,471
Parks and recreation	179,239	-	-	-	293,528	472,767
Conservation and economic development	448,023	-	-	-	-	448,023
Contributions	515,026	-	-	-	-	515,026
Capital outlay	-	-	609,862	519,928	-	1,129,790
Debt service						
Principal retirement	-	-	-	79,512	-	79,512
Interest and fiscal charges	-	-	-	17,450	-	17,450
Total expenditures	6,524,920	3,697,422	609,862	616,890	591,173	12,040,267
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES						
	\$ 561,822	\$ 616,486	\$ (484,651)	\$ (516,733)	\$ (121,588)	\$ 55,336
Other financing sources (uses)						
Operating transfers in	132,712	-	591,019	-	-	723,731
Operating transfers out	(596,951)	-	-	(19,038)	-	(615,989)
Total other financing sources and uses	(464,239)	-	591,019	(19,038)	-	107,742
Net change in fund balances	97,583	616,486	106,368	(535,771)	(121,588)	163,078
Fund balance at beginning of year	5,018,654	17,299,569	7,532,558	6,213,976	1,512,841	37,577,598
Fund balance and end of year	\$ 5,116,237	\$ 17,916,055	\$ 7,638,926	\$ 5,678,205	\$ 1,391,253	\$ 37,740,676

The accompanying notes are an integral part of this statement.

San Juan County

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES- GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2003

Amount reported in the governmental activities on the Statement of Activities are
different because:

Net change in fund balance- total governmental funds	\$ 163,078
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (\$840,455 - \$687,546.)	152,909
Governmental funds do not record the gain or loss on sale of governmental fixed assets. However, in the Statement of Activities these are shown under general revenues	(50,678)
Governmental funds report the repayment of principal on long-term debt as expenditures. However, these repayments are not reported in the statement of activities, but as a reduction of debt in the statement of net assets. This amount is the effect of the difference in the treatment of these repayments	79,512
The change in accrued interest on long-term debt is not shown as an expenditure in the funds. However, this is shown as a reduction of expenses in the Statement of Activities	3,784
Governmental funds do not record the increase in accrued compensated absences during the year as an expenditure. However, in the statement of activities, this increase is shown as additional expense. This is the amount of increase in compensated absences in the current year.	(57,473)
Change in net assets of governmental activities	<u>\$ 291,132</u>

The accompanying notes are an integral part of this statement.

San Juan County

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2003

	Business-Type Activities - Enterprise Funds		
	EMS	Landfill	Total
ASSETS			
Current assets			
Cash and investments			
Unrestricted	\$ 315,613	\$ 305,673	\$ 621,286
Restricted	-	556,961	556,961
Accounts receivable	404,601	35,043	439,644
Less allowance for doubtful accounts	(312,094)	-	(312,094)
Total current assets	408,120	897,677	1,305,797
Noncurrent assets			
Capital assets			
Buildings, net	177,213	98,735	275,948
Light equipment, net	402,724	572,169	974,893
Total noncurrent assets	579,937	670,904	1,250,841
Total assets	\$ 988,057	\$ 1,568,581	\$ 2,556,638
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 6,994	\$ 2,060	\$ 9,054
Due to other funds	2,944	-	2,944
Accrued liabilities	7,631	3,052	10,683
Accrued interest	2,994	3,569	6,563
Accrued compensated absences	20,435	6,636	27,071
Current portion of long-term debt	37,589	20,000	57,589
Total current liabilities	78,587	35,317	113,904
Noncurrent liabilities			
Closure and post closure costs	-	90,384	90,384
Capital leases payable	79,585	-	79,585
Bonds and notes payable	-	551,000	551,000
Total noncurrent liabilities	79,585	641,384	720,969
Total liabilities	158,172	676,701	834,873
NET ASSETS			
Invested in capital assets, net of related debt	462,763	99,904	562,667
Restricted for landfill closure costs	-	556,961	556,961
Unrestricted	367,122	235,015	602,137
Total net assets	829,885	891,880	1,721,765
Total liabilities and fund equity	\$ 988,057	\$ 1,568,581	\$ 2,556,638

The accompanying notes are an integral part of this statement.

San Juan County

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS

For the year ended December 31, 2003

	Business-Type Activities - Enterprise Funds		
	EMS	Landfill	Total
Operating revenues			
Charges for services and sales	\$ 498,642	\$ 311,977	\$ 810,619
Miscellaneous	100	-	100
Total operating revenues	498,742	311,977	810,719
Operating expenses			
Salaries and benefits	171,207	110,395	281,602
Purchased services	30,173	3,301	33,474
General and administrative	34,436	19,150	53,586
Supplies and capital outlay	78,778	19,407	98,185
Depreciation	71,255	41,934	113,189
Total operating expenses	385,849	194,187	580,036
Operating income (loss)	112,893	117,790	230,683
Nonoperating revenues (expenses)			
Intergovernmental	24,912	-	24,912
Interest income	3,068	13,389	16,457
Interest expense	(6,196)	(14,631)	(20,827)
Total nonoperating revenues (expenses)	21,784	(1,242)	20,542
Change in net assets before operating transfers	134,677	116,548	251,225
Operating transfers in	-	19,038	19,038
Operating transfers out	-	-	-
Change in net assets	134,677	135,586	270,263
Net assets at beginning of year	220,304	686,387	906,691
Prior period adjustment	474,904	69,907	544,811
Restated beginning net assets	695,208	756,294	1,451,502
Net assets at end of year	\$ 829,885	\$ 891,880	\$ 1,721,765

The accompanying notes are an integral part of this statement.

San Juan County

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2003

	Business-Type Activities - Enterprise Funds		
	EMS	Landfill	Total
Cash flows from operating activities			
Receipts from customers and users	\$ 484,259	\$ 290,518	\$ 774,777
Payments to suppliers	(146,447)	(33,132)	(179,579)
Payments to employees	(167,171)	(120,633)	(287,804)
Net cash provided by operating activities	170,641	136,753	307,394
Cash flows from noncapital financing activities			
Intergovernmental receipts	24,912	-	24,912
Net cash provided by noncapital financing activities	24,912	-	24,912
Cash flows from capital and related financing activities			
Purchases and construction of capital assets	-	(32,648)	(32,648)
Principal paid on capital debt	(36,477)	(19,000)	(55,477)
Interest paid on capital debt	(7,098)	(14,750)	(21,848)
Operating transfers in	-	19,038	19,038
Net cash used by capital and related financing activities	(43,575)	(47,360)	(90,935)
Cash flows from investing activities			
Interest and dividends received	3,068	13,389	16,457
Net cash provided by investing activities	3,068	13,389	16,457
Net increase in cash and cash equivalents	155,046	102,782	257,828
Cash and cash equivalents, beginning of year	160,567	759,852	920,419
Cash and cash equivalents, end of year	\$ 315,613	\$ 862,634	\$ 1,178,247
Displayed as:			
Cash and investments, unrestricted	\$ 315,613	\$ 305,673	\$ 621,286
Cash and investments, restricted	-	556,961	556,961
	\$ 315,613	\$ 862,634	\$ 1,178,247
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 112,893	\$ 117,790	\$ 230,683
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation expense	71,255	41,934	113,189
Changes in assets and liabilities			
Receivables, net	(14,483)	(21,459)	(35,942)
Accounts and other payables	(718)	8,447	7,729
Compensated absences	1,694	(9,959)	(8,265)
Net cash provided (used) by operating activities	\$ 170,641	\$ 136,753	\$ 307,394

The accompanying notes are an integral part of this statement.

San Juan County

COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS

December 31, 2003

	San Juan County Transportation Special Service District	San Juan Health Care Services District	Bluff Service Area	San Juan Mental Health/ Substance Abuse Special Service Dist.	Total
ASSETS					
Cash and investments					
Unrestricted	\$ 1,366,426	\$ 992,032	\$ 189,236	\$ 668,702	\$ 3,216,396
Restricted	494,302	-	-	-	494,302
Accounts receivable	346,967	1,953,990	6,975	56,001	2,363,933
Less allowance for doubtful accounts	-	(593,456)	-	(30,148)	(623,604)
Due from other governments	-	-	-	630,882	630,882
Inventory	-	207,255	5,000	-	212,255
Prepaid expenses	-	56,082	4,170	17,937	78,189
Capital assets					
Land	-	2,645	39,300	65,500	107,445
Buildings, net	-	1,552,493	504,353	401,781	2,458,627
Improvements, net	-	51,573	1,032,488	26,821	1,110,882
Equipment, net	4,430	1,777,218	5,717	100,094	1,887,459
Total assets	\$ 2,212,125	\$ 5,999,832	\$ 1,787,239	\$ 1,937,570	\$ 11,936,766
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ -	\$ 143,192	\$ 6,474	\$ 87,328	\$ 236,994
Accrued liabilities	-	485,544	-	69,846	555,390
Accrued interest payable	4,168	-	-	3,222	7,390
Deferred revenue	-	-	3,064	-	3,064
Compensated absences	-	-	-	41,847	41,847
Noncurrent liabilities					
Due within one year					
Bonds payable	71,000	-	13,418	9,000	93,418
Notes payable	-	17,010	2,064	-	19,074
Capital leases payable	-	18,294	-	-	18,294
Due in more than one year					
Bonds payable	443,000	-	44,557	159,000	646,557
Notes payable	-	535,992	39,341	-	575,333
Capital leases payable	-	58,702	-	-	58,702
Total liabilities	518,168	1,258,734	108,918	370,243	2,256,063
Net assets					
Investment in capital assets, net of related debt	4,430	3,306,933	1,482,478	426,196	5,220,037
Restricted for debt service	494,302	-	-	34,940	529,242
Restricted for capital outlay	-	-	-	69,500	69,500
Reserved for medicaid	-	-	-	438,601	438,601
Restricted for other purposes	1,107,826	-	-	-	1,107,826
Unrestricted	87,399	1,434,165	195,843	598,090	2,315,497
Total net assets	1,693,957	4,741,098	1,678,321	1,567,327	9,680,703
Total liabilities and net assets	\$ 2,212,125	\$ 5,999,832	\$ 1,787,239	\$ 1,937,570	\$ 11,936,766

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

San Juan County

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS

Year ended December 31, 2003

	San Juan County Transportation Special Service District	San Juan Health Care Services District	Bluff Service Area	San Juan Mental Health/ Substance Abuse Special Service Dist.	Total
Operating revenues					
Charges for services	\$ -	\$ 6,050,391	\$ 61,184	\$ 934,349	\$ 7,045,924
Taxes	-	-	8,333	-	8,333
Intergovernmental	996,165	-	-	615,777	1,611,942
Other revenue	-	310,511	25,447	10,207	346,165
Total operating revenue	996,165	6,360,902	94,964	1,560,333	9,012,364
Operating expenses					
Capital outlay for roads and highways	1,180,000	-	-	-	1,180,000
Depreciation	1,267	625,445	59,121	55,545	741,378
Hospital costs	-	-	-	24,073	24,073
Insurance	1,540	230,829	6,798	31,939	271,106
Medicaid match	-	-	-	201,787	201,787
Professional fees and purchased services	3,825	1,203,115	7,409	112,106	1,326,455
Provisions for bad debts	-	248,037	-	20,462	268,499
Repairs and maintenance	-	248,474	14,635	7,418	270,527
Salaries and benefits	6,459	4,099,411	7,326	1,018,858	5,132,054
Supplies	600	754,381	1,908	34,196	791,085
Travel, dues and education	300	58,151	-	30,881	89,332
Utilities	150	127,570	9,692	28,285	165,697
Other	14,693	143,998	7,134	81,634	247,459
Total operating expenses	1,208,834	7,739,411	114,023	1,647,184	10,709,452
Total operating income (loss)	(212,669)	(1,378,509)	(19,059)	(86,851)	(1,697,088)
Non-operating revenues (expenses)					
Subsidy from other government	-	580,486	-	-	580,486
Investment income	36,120	3,244	1,731	13,681	54,776
Interest expense	(10,018)	(22,450)	(2,545)	(4,307)	(39,320)
Net gain (loss) on disposal of assets	-	(23,413)	-	-	(23,413)
Gifts, bequests, and grants	-	1,446,316	-	-	1,446,316
Total non-operating revenues (expenses)	26,102	1,984,183	(814)	9,374	2,018,845
Change in net assets	(186,567)	605,674	(19,873)	(77,477)	321,757
Net assets at beginning of year	1,880,524	4,135,424	1,698,194	1,644,804	9,358,946
Net assets at end of year	\$ 1,693,957	\$ 4,741,098	\$ 1,678,321	\$ 1,567,327	\$ 9,680,703

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

San Juan County

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2003

		<u>Agency Funds</u>
ASSETS		
Cash and investments		\$ 7,877,585
Taxes receivables		59,088
	Total assets	<u>\$ 7,936,673</u>
LIABILITIES		
Collections payable		\$ 27,050
Due to taxing units		7,909,623
	Total liabilities	<u>\$ 7,936,673</u>

The accompanying notes are an integral part of this statement.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accounting policies of the County conform to generally accepted accounting principles (GAAP) as applicable to governments and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. For the year ended December 31, 2003, the County adopted the provisions of GASB Statement No. 34 and other related GASB statements, which amend GASB 34.

As required by GAAP, these financial statements present San Juan County, Utah (the primary government) and its component units, entities for which the County is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. All component units have a December 31 year end. Complete financial statements of the individual component units, that issue separate financial statements, audited and unaudited, can be obtained from the San Juan County Auditor's office.

Discretely Presented Component Units:

These component units are entities which are legally separate from the County, but are financially accountable to the County or whose relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The County must approve their tax rates and debt. The County could also take away their operating authority and could dissolve the district. Each of these districts was organized under the State of Utah's Statute for special service districts, Section 17A-2-1300. The component units column of the combined financial statements include the financial data of the following entities:

- San Juan County Transportation Special Service District – This District's governing body consists of five member board, appointed by the San Jan County Board of Commissioners. The purpose of the District is to construct, repair and maintain certain roads within its boundaries. The District was audited by other independent auditors, and their report, dated July 16, 2004, has been previously issued under separate cover. A copy of the report can be obtained at the San Jan County Auditor's office in Monticello, Utah.
- San Juan Health Services District – This District's governing body consists of a six member board appointed by the San Juan County Board of Commissioners. The District operates a hospital and a birthing center in various San Juan County communities. The District was audited by other independent auditors, and their report, dated March 17, 2004, has been previously issued under separate cover. A copy of the report can be obtained at the San Juan County Auditor's office in Monticello, Utah.
- Bluff Service Area – This District's governing body consists of a seven member board appointed by the San Juan County Board of Commissioners. The District provides services to the San Juan County residents of Bluff. The District was compiled by other accountants, and their report, dated June 18, 2004 has been previously issued under separate cover. A copy of the report can be obtained at the San Juan County Auditor's office in Monticello, Utah.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- San Juan Mental Health/Substance Abuse Special Service District (Proprietary Fund Type) – This District's governing body consists of a five member board appointed by the San Juan County Board of Commissioners. The District was audited by other independent auditors, and their report, dated June 4, 2004, has been previously issued under separate cover. A copy of the report can be obtained at the San Juan County Auditor's office in Monticello, Utah.

Government-wide and Fund Financial Statements

The government-wide statements include the statement of net assets and the statement of activities, which display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Class B Roads Fund. This fund accounts for the maintenance and construction of County Class B roads.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Building Grounds Equipment Fund. This fund accounts major purchases of buildings, grounds, and equipment for the county.

Road Capital Improvement Fund. This fund accounts for major road repairs, replacements, and additions within the county.

The County reports the following major enterprise funds:

Sanitary Landfill Fund. This fund accounts for the operation, maintenance, and development of the County landfill.

Emergency Medical Services (EMS) Fund. This fund accounts for the operation of the Emergency Medical Response system.

The County reports the following fund types:

Agency Funds. These funds account for monies held on behalf of other governments and agencies that use the County as a depository or for property taxes collected on behalf of the other governments or agencies.

Measurement Focus, Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities and Equity

Deposits and Investments:

The government'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.

Investments are stated at market as determined by quoted price or external investment pool reported values.

Receivables:

Allowances for uncollectible accounts and third party payor adjustments are provided to cover anticipated losses as estimated by management. Individual accounts receivable are charged to the allowances when collection appears doubtful.

Inventories:

Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

Capital Assets:

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The County's infrastructure, along with any additions during 2003 are presented in the Statement of Net Assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The County defines capital assets as assets with an initial, individual cost of more than \$5,000.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated lives</u>
Buildings and improvements	15 to 90 years
Equipment and fixtures	5 to 20 years

Costs related to the construction of assets including interest, engineering, legal, surveying and landscaping that were incurred from the beginning of construction until the assets were substantially complete were capitalized.

Long-term Debt:

The total long-term debt is reported on the government-wide financial statements. Proprietary funds report the total long-term debt, including capital leases, in each individual fund at the reporting level. Governmental funds do not report the long-term debt liability at the fund level since it is not considered a current liability.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Compensated Absences:

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only when due.

Fund Equity:

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

Fund Balance – Generally, fund balance represents the difference between current assets and current liabilities. The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates the portion of fund balance that is available for appropriation in future periods. Designations are management’s intent to set aside these resources for specific services.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferred amounts. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

Property Tax Calendar:

- | | |
|-------------|--|
| January 1 | Lien Date – All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| July 22 | County Auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates. |
| November 1 | County Auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |
| November 1 | County auditor to share the county treasurer to account for all taxes levied. |

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Tax Calendar – continued:

November 1 County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.

November 30 Taxes on real property become delinquent.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction. The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

The County follows the following procedures in establishing the budget:

- a. On or before the first regularly scheduled meeting of the County Commission in the month of November, the County Auditor prepares a tentative budget for the next budget year.
- b. After a public notice has been published, a public hearing is then held on the adoption of the budget.
- c. After the public hearing, the County Commission makes final adjustments to the tentative budget.
- d. On or before December 15, the County Commission adopts the budget by resolution or ordinance and sets the tax rate for taxes.
- e. The budget officer may transfer unexpended budgeted amounts within departments.
- f. The County Commission may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
- g. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the County Commission.
- h. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Fiscal Procedures Act for Utah Counties require Counties to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance – budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

NOTE B – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2003, the County and its component units adopted GASB 34 and related Statements. The transition from governmental fund balance to net assets of the governmental activities for the beginning net assets is as follows:

Fund balance at December 31, 2002	\$ 37,577,598
GASB 34 adjustments:	
Accrued interest	(11,257)
Long-term liabilities	(343,423)
Compensated absences	(562,024)
Capital assets	60,566,865
Accumulated depreciation	<u>(7,464,250)</u>
Beginning net assets at December 31, 2002	<u>\$ 89,763,509</u>

NOTE C – DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund types portion of this pool is displayed on the combined balance sheet as “Cash and Cash Equivalents”.

Deposits:

At year-end the carrying amount of the County’s deposits for the Primary Government was \$995,826 and the bank balance was \$1,194,299. Of the bank balances, \$1,094,299 was in excess of the federal depository insurance limit. At December 31, 2003, the carrying amount of the component units was \$1,405,808 and the bank balance was \$1,683,033. Of the bank balance, \$885,799 was in excess of the federal depository insurance limit. Utah state statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council. The petty cash balance for the Primary Government was \$840. The petty cash for the component unit was \$549.

Investments:

Statutes authorize the County to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record, bankers’ acceptances, repurchase agreements, and the State Treasurer’s investment pool. The County is also authorized to enter into reverse repurchase agreements. The County’s investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County’s name. Category 2 included uninsured and unregistered investments for which the securities are held by the broker’s or dealer’s trust or agent in the County’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the County’s name.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Primary Government:

Investments in the Primary Government at December 31, 2003, are as follows:

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	Category Fair Value
Investments:				
Term Notes	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ -
Other Items:				
State Treasurer's Investment Pool				<u>43,807,747</u>
Total Investments				<u>\$ 43,807,747</u>

Component Units:

At December 31, 2003, investments for the component units consisted of the following:

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	Category Fair Value
Investments:				
Bank Certificates	\$ -	\$ 57,854	\$ -	\$ 57,854
Government Securities	-	145,410	-	145,410
Other	<u>1,575</u>	<u>-</u>	<u>-</u>	<u>1,575</u>
Total	<u>\$ 1,575</u>	<u>\$ 203,264</u>	<u>\$ -</u>	<u>\$ 204,839</u>
Other Items:				
State Treasurer's Investment Pool				<u>2,099,502</u>
Total Investments				<u>\$ 2,304,341</u>

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE D – LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

Closure and Postclosure Care Cost – Municipal Solid Waste Landfill – Class I:

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closures and postclosure care costs as an expenditure in the Landfill Enterprise Fund each period based on landfill capacity used as of each balance sheet date. The \$85,865 reported as landfill closure and postclosure care liability at December 31, 2003, represents the cumulative amount reported to date based on the percentage used of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$450,790 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2003. The County expects to close the landfill in the year 2046. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by State and Federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2003, investments of \$529,113 are held for these purposes. These are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Closure and Postclosure Care Cost – Municipal Solid Waste Landfill – Class IV:

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste. The final closure of this Class IV Landfill shall consist of leveling waste to the extent practicable, covering with a minimum of two feet of earthen material, and seeding with grass according to the closure plan contained in the permit applications. San Juan County shall also meet the requirements of UAC R315-309 by recording with the San Juan County Recorder, as part of the record of title, that the property was used as landfill. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as expenditure in the General Fund each period based on landfill capacity used as of each balance sheet date. The \$4,519 reported as landfill closure and postclosure care liability for the Class IV Landfill at December 31, 2003, represents the cumulative amount reported to date based on the use of less than 10% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$23,726 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2003. The county expects to close the landfill in the year 2046. Actual costs may be higher due to inflation, changes in regulations.

The County is required by State and Federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and, at December 31, 2003, investments of \$27,848 are held for these purposes. These are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest is inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE E – TAXES RECEIVABLE – GENERAL FUND

San Juan County assesses and collects taxes for the taxing units of the County. The County then remits such monies to the taxing units according to the tax rates set by each taxing unit. The amounts held by the Treasurer at the year end were considered collected by the County Funds and are shown as cash in the County accounts.

NOTE F – NOTE RECEIVABLE

San Juan School District – Long-term Receivable:

Pursuant to an agreement in 1992, the County advanced \$900,000 to the San Juan School District for the purpose of providing local funding for a scholarship fund for County residents and to construct teacher housing. The County also agreed to transfer to the School District the annual State PILT payment. In exchange, the School District agreed to operate a recreation program for residents in the southern part of San Juan County. The School District also agreed to accumulate funds for the repayment of the advance from San Juan County. The amount to be repaid is contingent upon the continuation of the State of Utah PILT payment.

San Juan Health Care Services District – Note Receivable:

On August 29, 1999, San Juan County agreed to loan the San Juan Health Care Services District with interest from the date of each advance until paid in full. During 2003, the note was refinanced to bring the December 31, 2002 accrued interest balance of \$69,716 into the note. Interest is calculated monthly on the outstanding principal balance at a rate equal to that of the Public Treasurers Investment Fund. Monthly payments of \$2,551 are scheduled through December 2027. The principal balance due at December 31, 2003 was \$553,182.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 248,971	\$ –	\$ –	\$ 248,971
Infrastructure	<u>44,362,872</u>	<u>–</u>	<u>–</u>	<u>44,362,872</u>
Total capital not being depreciated	44,611,843	–	–	44,611,843
Capital assets being depreciated				
Buildings and improvements	6,210,805	50,000	–	6,260,805
Auto and trucks	1,401,711	241,293	153,646	1,489,358
Heavy equipment	7,213,981	511,106	45,206	7,679,881
Light equipment	<u>1,128,525</u>	<u>38,056</u>	<u>150,246</u>	<u>1,016,335</u>
Total capital assets being depreciated	15,955,022	840,455	349,098	16,446,379
Less accumulated depreciation for:				
Buildings and improvements	2,583,199	171,834	–	2,755,033
Auto and trucks	1,149,694	139,843	138,281	1,151,256
Heavy equipment	2,936,870	330,834	28,010	3,239,694
Light equipment	<u>794,487</u>	<u>45,035</u>	<u>132,129</u>	<u>707,393</u>
Total accumulated depreciation	7,464,250	687,546	298,420	7,853,376
Total capital assets being depreciated, net	<u>8,490,772</u>	<u>152,909</u>	<u>50,678</u>	<u>8,593,003</u>
Governmental activities capital assets, net	<u>\$ 53,102,615</u>	<u>\$ 152,909</u>	<u>\$ 50,678</u>	<u>\$ 53,204,846</u>
Business-type Activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 334,428	\$ –	\$ –	\$ 334,428
Light equipment	<u>1,428,815</u>	<u>32,648</u>	<u>–</u>	<u>1,461,463</u>
Total capital assets being depreciated	1,763,243	32,648	–	1,795,891
Less accumulated depreciation for:				
Buildings and improvements	46,907	11,573	–	58,480
Equipment	384,954	101,616	–	486,570
Total accumulated depreciation	<u>431,861</u>	<u>113,189</u>	<u>–</u>	<u>545,050</u>
Total capital assets being depreciated, net	<u>1,331,382</u>	<u>(80,541)</u>	<u>–</u>	<u>1,250,841</u>
Business-type activities capital assets, net	<u>\$ 1,331,382</u>	<u>\$ (80,541)</u>	<u>\$ –</u>	<u>\$ 1,250,841</u>

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE G – CAPITAL ASSETS – CONTINUED

Discretely Presented Component Units:

Capital assets not being depreciated				
Land	\$	107,445	\$	–
				\$
				107,445
Capital assets being depreciated:				
Buildings		7,236,877	125,545	–
Light equipment		4,610,818	988,619	356,604
Total capital assets being depreciated		11,847,695	1,114,164	356,604
				12,605,255
Less accumulated depreciation for:				
Buildings		3,566,245	226,668	–
Equipment		3,173,856	514,709	333,191
Total accumulated depreciation		6,740,101	741,377	333,191
				7,148,287
Total capital assets being depreciated, net		5,107,594	372,787	23,413
				5,456,968
Component units capital assets, net	\$	5,215,039	\$	372,787
				23,413
				5,564,413

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 44,533
Public safety	232,529
Public health	21,960
Highways and improvements	364,168
Parks and recreation	19,522
Conservation and economic development	4,834
Total depreciation expense – governmental activities	\$ 687,546

NOTE H – LONG TERM DEBT

Primary Government:

Defeased General Obligation Bonds:

Detention Facility Limited Obligation Bonds – During 1987 the County, in accordance with terms of a bond resolution and an agreement with the State of Utah in exchange for funds received from the State of Utah for the purpose of constructing a detention facility, issued bonds payable to the State of Utah in the amount of \$1,800,000. Such bonds mature on August 15, 2015, and are non-interest bearing.

One of the terms of the bond resolution and agreement with the State of Utah calls for depositing \$217,512 in “San Juan County, Utah Escrow Fund”. This deposit is in the form of a treasury note which bears interest at 7.35% and upon maturity at August 15, 2015 will be approximately equal to the amount required to retire the bonds payable of \$1,800,000.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE H – LONG TERM DEBT – CONTINUED

In 1987 San Juan County defeased revenue bonds by placing certain monies in an irrevocable trust to provide for all future debt service payments on bonds. The County has removed the bonds and the respective trust assets from the books. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At December 31, 2003, \$1,800,000 of bonds outstanding are considered defeased.

The following is a schedule of changes in general long-term debt as of December 31, 2003:

Debt Description	Date of Issue	Total Issued	Outstanding December 31 2002	Current Year Changes		Outstanding December 31 2003
				Issued	Matured	
Governmental Activities						
Capital Leases	2001	\$ 420,000	\$ 343,423	\$ -	\$ 79,512	\$ 263,911
Total Governmental Activities		420,000	343,423	-	79,512	263,911
Business-type Activities						
Revenue Bonds	1995	711,750	590,000	-	19,000	571,000
Capital Leases	2001	188,400	153,651	-	36,477	117,174
Total Business-type Activities		900,150	743,651	-	55,477	688,174
Total General Government		\$1,320,150	\$1,087,074	\$ -	\$ 134,989	\$ 952,085

Business-type Activities - Revenue Bonds:

Solid Waste Revenue Bonds – During 1995 San Juan County began construction of a solid waste landfill. The project cost approximately \$1,550,000 and was funded from the following sources:

PCIB – Revenue Bonds	\$ 711,750
Indian Health Service Grant	680,000
Local Contribution	158,250
	<u>\$ 1,550,000</u>

The terms of the PCIB loan require 30 yearly payment beginning in October of 1996 with interest at 2.5%.

The following are principal and interest payments on Revenue Bonds to maturity:

	Principal	Interest	Total
2004	\$ 20,000	\$ 14,275	\$ 34,275
2005	20,000	13,775	33,775
2006	21,000	13,275	34,275
2007	21,000	12,750	33,750
2008	22,000	12,225	34,225
2009-2013	118,000	52,650	170,650
2014-2018	133,000	37,150	170,150
2019-2023	151,000	19,650	170,650
2024-2025	65,000	2,450	67,450
	<u>\$571,000</u>	<u>\$178,200</u>	<u>\$749,200</u>

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE H –LONG TERM DEBT – CONTINUED

Governmental and Business-type Activities- Capital Leases:

During 2001 the County entered into capital leases totaling \$608,400 (\$188,400 in the EMS Enterprise fund and \$420,000 in the Roads capital improvement fund).

Obligations under capital leases at December 31, 2003, represent equipment leases payable in monthly installments including interest. The leases are secured by equipment with a stated cost of \$608,400 reflected in the Statement of Net Assets. The following is a schedule by years of future minimum lease payments under capital leases for the next five years.

Governmental Activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2004	\$ 83,746	\$ 13,322	\$ 97,068
2005	87,864	9,098	96,962
2006	92,301	4,661	96,962
	<u>\$ 263,911</u>	<u>\$ 27,081</u>	<u>\$ 290,992</u>

Business-Type Activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2004	\$ 37,589	\$ 5,987	\$ 43,576
2005	39,487	4,089	43,576
2006	40,098	2,095	42,193
	<u>\$ 117,174</u>	<u>\$ 12,171</u>	<u>\$ 129,345</u>

Component Units:

San Juan Health Care Services District:

Notes Payable:

Promissory note from County at 2.5% interest,
monthly payments of \$2,551 through December 2027. \$ 553,002

Capital Leases:

Obligations under capital leases. 76,996

Total \$ 629,998

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE H - LONG TERM DEBT - CONTINUED

Obligations under capital leases at December 31, 2003, represent equipment leases payable in monthly installments including interest. The leases are secured by equipment with a stated cost of \$99,542 and accumulated amortization of \$19,098 at December 31, 2003. The following is a schedule, by years of future minimum payments.

Year Ending December 31,	Long-term Debt	Capital Lease Obligation
2004	\$ 30,609	\$ 25,170
2005	30,609	25,170
2006	30,609	25,170
2007	30,609	16,780
2008	30,609	-
2009-2013	153,046	-
2014-2018	153,046	-
2019-2023	153,046	-
2024-2027	122,666	-
Total minimum payments	<u>\$ 734,849</u>	<u>\$ 92,290</u>
Less Amount Representing Interest	<u>(181,847)</u>	<u>(15,294)</u>
Total	<u>\$ 553,002</u>	<u>\$ 76,996</u>

San Juan Mental Health/Substance Abuse Special Service District:

During 1998, the District issued health care Facility Revenue Bonds, Series 1998, dated September 8, 1998, in the District's name for \$200,000 to Zions First National Bank, bearing an interest rate of 2.50%, payable over 20 years. The repayment schedule is as follows:

Due April 1	Principal	Interest	Total
2004	\$ 9,000	\$ 4,200	\$ 13,200
2005	9,000	3,975	12,975
2006	9,000	3,750	12,750
2007	9,000	3,525	12,525
2008	10,000	3,300	13,300
2009-2013	52,000	12,725	64,725
2014-2018	58,000	5,925	63,925
2019	12,000	300	12,300
Total	<u>\$168,000</u>	<u>\$ 37,700</u>	<u>\$205,700</u>

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE H – LONG TERM DEBT – CONTINUED

San Juan County Transportation Special Service District:

During 1995 the series 1990 Road Improvement Revenue Bonds were retired with the issuance of two Series 1995 Debt Restructuring issues title “1995 Refunding Bonds Community Impact Board” of equal amounts.

The first issue for \$1,062,000 is collateralized by the mineral lease income that is passed through the Utah Department of Transportation on a quarterly basis.

The second issue for \$1,410,000 will be repaid in one installment on April 1, 2010. The source of repayment comes from the District’s purchase of \$489,429 U.S. Treasury Zero Coupon Bonds yielding 8.02%. These investments were placed with an escrow agent in agreement with the Utah State Community Impact Board. This transaction effected an in-substance defeasance of these bonds.

The following is a summary of bond transactions of the District for the year ended December 31, 2003

	<u>First Issue</u>	<u>Second Issue</u>
Date of Issue	05/19/1995	05/09/1995
Date of Maturity	04/10/2010	04/10/2010
Interest Rate	1%	1%
Total Issued	1,062,000	1,410,000
Payment Amount	76,140 to 76,980	1,636,966
Payment Timing	Annual	04/01/2010
Balance December 31, 2002	585,000	1,410,000
Current Issued	—	—
Current Retirements	<u>(71,000)</u>	<u>—</u>
Balance December 31, 2003	\$ <u>514,000</u>	\$ <u>1,410,000</u>

The following is a summary of long term debt service and interest charges to maturity for which San Juan County Transportation Special Service District is obligated as of December 31, 2003

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 71,000	\$ 5,140	\$ 76,140
2005	72,000	4,430	76,430
2006	73,000	3,710	76,710
2007	74,000	2,980	76,980
2008	74,000	2,240	76,240
2009-2010	<u>150,000</u>	<u>2,250</u>	<u>152,250</u>
Total	\$ <u>514,000</u>	\$ <u>20,750</u>	\$ <u>534,750</u>

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE H – LONG TERM DEBT – CONTINUED

Bluff Service Area:

Water Revenue Bonds:

Dated March 10, 1975, 0% interest	\$ 32,035
Series 1996B dated March 18, 1996, 3% interest	25,940
Rural Development Loan dated March 18, 1996, 4 1/2% interest	37,830
Department of Natural Resources Loan, 0% interest	<u>3,575</u>
Total	<u>\$ 99,380</u>

The following is a summary of long term debt service and interest charges to maturity for which Bluff Service Area is obligated as of December 31, 2003

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 15,482	\$ 2,505	\$ 17,987
2005	15,567	2,420	17,987
2006	13,113	2,334	15,447
2007	2,830	2,207	5,037
2008	2,925	2,112	5,037
2009-2013	15,573	9,016	24,589
2014-2018	7,392	6,608	14,000
2019-2023	5,873	5,346	11,219
2024-2028	7,351	3,867	11,218
2029-2033	9,202	2,016	11,218
2034-2035	<u>4,072</u>	<u>187</u>	<u>4,259</u>
Total	<u>\$ 99,380</u>	<u>\$ 38,618</u>	<u>\$ 137,998</u>

NOTE I – ACCRUED COMPENSATION

Compensated absences of San Juan County represent accrued vacation and sick pay at December 31, 2003 in the amount of \$614,758 for Governmental Activities and \$27,071 for Business-Type Activities.

Compensated absences represent accrued vacation and sick pay which is vested and would be paid upon termination or retirement of County employees. Since this accrued liability is not expected to be liquidated with expendable available financial resources, the liability is not reported in the governmental funds. However, it is reported on the Statement of Net Assets and the increase in the balance over the prior year is reported as additional expense on the Statement of Activities.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE J – FUND BALANCE RESERVATIONS AND DESIGNATIONS

During 1986 the County nursing home was sold. The proceeds, plus interest earned, are designated on the balance sheet in the amount of \$752,230. These funds are designated for future expenditures relating to health care costs. During the year \$97,036 was used for this restricted purpose.

\$900,000 of general fund balance is related to the receivable from the San Juan School District and is designated for recreation services.

Class “B” special revenue fund balance is reserved for use on Class “B” roads.

Landfill special revenue fund balance in the amount of \$556,961 is reserved to provide financial assurances for estimated closure and postclosure costs.

NOTE K – CLASS “B” ROADS

The following is a schedule of changes in Class “B” Roads reserved fund balance:

Balance – December 31, 2002		\$ 17,299,569
Revenues:		
State Allotment		3,122,531
Transportation District		600,000
Charges for services		214,455
Interest Earnings		296,599
Other		<u>80,323</u>
	Total Revenues	4,313,908
Expenditures:		
Equipment Operation		610,097
Road Maintenance		2,734,329
Employee Benefits		326,912
Snow Renewal		<u>26,084</u>
	Total Expenditures	<u>3,697,422</u>
Balance – December 31, 2003		<u>\$ 17,916,055</u>

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE L – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors on omissions; injuries to employees; and natural disasters. The County participates in the Utah Association of Counties Insurance Mutual, a self-funded risk financing pool administered by the Utah Association of Counties. Through the Mutual, the County maintains general liability, errors and omissions, newly acquired property, builders risk, unscheduled locations, and crime. The Mutual is reinsured through commercial companies for the following coverages:

Property Coverage:	250,150,000	Per Occurrence
General Liability	2,250,000	Per Occurrence
	3,250,000	Annual Aggregate
Public Officials Errors and Omissions Liability	2,250,000	Per Occurrence
	2,250,000	Annual Aggregate
Employee Benefits	2,250,000	Per Occurrence
	3,250,000	Annual Aggregate
Auto Liability	2,250,000	Per Occurrence

The Mutual does not provide coverage for all risks and hazards, however, the County has obtained coverage for employee accidental death and dismemberment, workers compensation, airport liability and surety bond coverage through other commercial carriers.

In 1999 the County provided medical, health, dental and vision coverage through an agreement with Blue Cross Blue Shield of Utah, using a partially self-funded plan with a loss of \$25,000 per individual and a total maximum aggregate claims liability of \$552,615 which is 90% of the expected annual aggregate liability.

Claims have not exceeded coverage in any of the last three calendar years.

NOTE M – ECONOMIC DEPENDENCY

The County receives over 50% of its property tax revenue from State assessed property tax from oil and gas properties.

NOTE N – STATE OF UTAH RETIREMENT PLANS

Local Governmental – Cost Sharing

Plan Description:

San Juan County contributes to the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System and Public Safety Other Division A Contributory Retirement System for employees with Social Security coverage all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE N – STATE OF UTAH RETIREMENT PLANS - CONTINUED

The Systems are established and governed by the respective sections of chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 the Systems, the Office and related plans and 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 included financial statements and required supplementary information for the Systems and Plans. 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.

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong: 6.00% to the Contributory and 12.290% to the Public Safety Contributory Retirement Systems respectively. San Juan county is required to contribute a percent of covered salary to the respective systems: 4.68% to the Contributory, 8.69% to the Noncontributory and 2.17% to the Public Safety Contributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

San Juan County contributions to the various systems for the years ended December 31, 2003, 2002, and 2001 respectively were, for the Contributory System, \$5,948, \$5,255, and \$5,365; for the Noncontributory System, \$230,054, \$193,836, and \$204,445; and for the Public Safety Contributory, \$104,120, \$98,687, and \$105,425, respectively. The Contributions were equal to the required contributions for each year.

NOTE O – PRIOR PERIOD ADJUSTMENT

During 2003 it was determined that both the EMS and Sanitary Landfill special revenue funds should be presented as enterprise funds for the year ended December 31, 2003. A summary in the change in fund balance is presented below.

	<u>EMS</u>	<u>Landfill</u>
Fund balance per prior year financial statements	\$ 220,304	\$ 686,387
Adjustments:		
Capital assets	731,900	1,031,343
Accumulated depreciation	(80,708)	(351,153)
Long-term debt	(153,651)	(590,000)
Accrued interest on long-term debt	(3,897)	(3,688)
Accrued compensation	(18,740)	(16,595)
Total adjustments	<u>474,904</u>	<u>69,907</u>
Beginning net assets- restated	<u>\$ 695,208</u>	<u>\$ 756,294</u>

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE P – BUDGET AMENDMENTS

Supplemental appropriations during 2003 resulted in budget amendments as follows:

<u>Fund</u>	<u>Original Amount</u>	<u>Amended Amount</u>
Primary Government:		
Governmental Activities		
Special Revenue Funds:		
Tort Liability	\$ 180,000	\$ 195,000
Capital Projects Funds:		
Roads	-	625,000

NOTE Q – RECONCILIATION OF BUDGETED EXPENDITURES TO ACTUAL EXPENSES

	<u>Sanitary Landfill</u>	<u>EMS</u>
Total Revenues – GAAP basis	\$ 325,366	\$ 526,722
Total Revenues – budgetary basis	\$ 325,366	\$ 526,722
Total Expenses – GAAP basis	\$ 208,818	\$ 392,045
Depreciation and amortization expense	(41,934)	(71,255)
Long-term debt principal	19,000	36,477
Capital Outlay	32,648	-
Total Expenditures – budgetary basis	\$ 218,532	\$ 357,267
Expenditure budget	\$ 209,340	\$ 437,970

NOTE R – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Utah Statutes prohibit expenditures on a total fund basis in excess of amounts appropriated. The following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Excess Appropriation</u>
Sanitary Landfill	9,192
Road Capital Improvement	10,928

San Juan County

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2003

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 15,025
Class "B" Roads Fund	17,969	-
EMS Fund	-	2,944
Total	<u>\$ 17,969</u>	<u>\$ 17,969</u>

<u>Transfers In</u>	<u>Transfers Out:</u>		
	<u>General</u>	<u>Roads</u>	<u>General Tax Stability Trust</u>
General	\$ -	\$ -	\$ 126,780
Building Grounds Equipment	591,019	-	-
Landfill	-	19,038	-
Total	<u>\$ 591,019</u>	<u>\$ 19,038</u>	<u>\$ 126,780</u>

REQUIRED SUPPLEMENTARY INFORMATION

San Juan County

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended December 31, 2003

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
General property taxes	\$ 1,368,937	\$ 1,368,937	\$ 1,435,411	\$ 66,474
Fee in lieu of taxes	180,000	180,000	133,155	(46,845)
Delinquent prior years taxes	-	-	140,810	140,810
General sales and use taxes	1,100,000	1,100,000	1,117,849	17,849
Transient room tax	225,000	225,000	218,820	(6,180)
Tax refunds	-	-	-	-
Assessing and collecting - local	125,120	125,120	-	(125,120)
Assessing and collecting - state	94,300	94,300	29,907	(64,393)
Total taxes	3,093,357	3,093,357	3,075,952	(17,405)
Licenses and permits				
Alcohol and beverage license	5,250	5,250	8,011	2,761
Building permits	38,000	38,000	51,930	13,930
Marriage license	1,000	1,000	710	(290)
Total licenses and permits	44,250	44,250	60,651	16,401
Intergovernmental revenue				
Federal payments in lieu of taxes	665,000	665,000	769,099	104,099
Federal grants and contracts	789,414	789,414	716,071	(73,343)
Emergency services	23,500	23,500	20,087	(3,413)
State grants	416,596	416,596	161,516	(255,080)
State mineral lease - pilt	180,000	180,000	185,989	5,989
State liquor fund allotment	20,000	20,000	16,902	(3,098)
Transportation district	-	-	12	12
Motor vehicle	20,000	20,000	18,536	(1,464)
BIA maintenance	-	-	63,016	63,016
Utah Navajo trust fund	403,500	403,500	208,436	(195,064)
State fire control	120,000	120,000	-	(120,000)
Total intergovernmental revenue	2,638,010	2,638,010	2,159,664	(478,346)
Charges for services				
Recorder's fees	42,000	42,000	53,577	11,577
Clerk's fees	2,500	2,500	4,687	2,187
Public safety fees	20,150	20,150	21,594	1,444
Jail fees	983,808	983,808	1,089,395	105,587
Commissary	21,000	21,000	-	(21,000)
Aging contributions	17,550	17,550	19,117	1,567
Copier	10,000	10,000	12,044	2,044
Other	77,208	77,208	144,303	67,095
Total charges for services	1,174,216	1,174,216	1,344,717	170,501
Fines and forfeitures				
District and precinct court fines	445,000	445,000	289,509	(155,491)
Interest income	75,000	75,000	62,160	(12,840)
Miscellaneous revenue	81,500	81,500	81,542	42
Contributions and transfers:				
Local and private contributions	2,500	2,500	12,547	10,047
Total revenues	7,553,833	7,553,833	7,086,742	(467,091)

San Juan County

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL

Year ended December 31, 2003

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures				
General government				
Commissioners	\$ 163,285	\$ 138,285	\$ 136,219	\$ 2,066
Planning - personnel	127,581	147,581	144,183	3,398
J. P. court	94,582	94,582	92,089	2,493
Sanity hearings	3,000	3,000	2,517	483
Public defender	155,844	65,844	62,570	3,274
Clerk - auditor	132,527	137,527	136,688	839
Attorney	201,694	201,694	197,826	3,868
Recorder	140,823	140,823	134,239	6,584
Treasurer	85,593	85,593	79,538	6,055
Assessor	181,730	196,730	191,144	5,586
Data processing	91,429	91,429	89,239	2,190
Surveyor	97,548	102,548	99,134	3,414
Historical preservation	13,000	13,000	6,619	6,381
Legal defense	150,000	100,000	83,925	16,075
Public safety building	143,149	153,149	133,059	20,090
Courthouse and grounds	70,462	70,462	64,150	6,312
Elections	67,544	67,544	40,465	27,079
Non-departmental	83,000	83,000	74,699	8,301
Employee benefits	840,000	840,000	762,804	77,196
Other	49,994	49,994	46,075	3,919
Total general government	2,892,785	2,782,785	2,577,182	205,603
Public safety				
Sheriff	626,462	651,462	627,967	23,495
Sheriff airplane	15,000	30,000	23,194	6,806
County jail	704,898	879,898	857,494	22,404
Jail kitchen	142,131	157,131	151,534	5,597
Inmate commissary	28,000	28,000	102	27,898
State inmate expense	69,000	84,000	79,833	4,167
Fire rescue	56,553	86,553	82,565	3,988
Fire control	135,304	115,304	79,572	35,732
Building inspection	67,261	67,261	57,696	9,565
Search and rescue	12,000	16,000	14,975	1,025
Liquor control	40,341	42,341	41,786	555
Drug expenditures	14,100	14,100	7,203	6,897
Weed and rodent control	56,626	56,626	49,327	7,299
Emergency services	88,775	88,775	79,080	9,695
Total public safety	2,056,451	2,317,451	2,152,328	165,123
Public health				
Public welfare	620,946	688,446	573,073	115,373
Highway and public improvements				
County roads	40,000	82,000	73,643	8,357
Engineering	-	-	-	-
Snow removal	-	8,000	6,406	1,594
Total highway and public improvements	40,000	90,000	80,049	9,951

San Juan County

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

Year ended December 31, 2003

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures - continued				
Parks and recreation				
Interagency recreation	50,000	50,000	46,394	3,606
Television/communication	121,207	101,207	95,410	5,797
Airports	69,000	69,000	37,435	31,565
Total parks and recreation	240,207	220,207	179,239	40,968
Conservation and economic development				
Agriculture and extension service	64,250	74,250	71,406	2,844
Exhibits and fairgrounds	66,325	91,825	84,873	6,952
Southern san juan county fair	40,000	40,000	40,000	-
Economic development	32,724	32,724	29,160	3,564
Visitor services	199,148	199,148	195,841	3,307
Special projects	24,150	29,150	26,743	2,407
Total conservation and economic development	426,597	467,097	448,023	19,074
Total expenditures	6,276,986	6,565,986	6,009,894	556,092
Excess of revenues over expenditures	1,276,847	987,847	1,076,848	89,001
Other financing sources (uses)				
Contributions to scholarship fund	(180,000)	(190,000)	(185,989)	4,011
Contribution to health care service	(100,000)	(130,000)	(122,036)	7,964
Contributions to non-related government	(239,700)	(239,700)	(207,001)	32,699
Transfers in	186,500	186,500	132,712	(53,788)
Transfers out	(1,043,647)	(714,647)	(596,951)	117,696
Total other financing sources (uses)	(1,376,847)	(1,087,847)	(979,265)	108,582
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(100,000)	(100,000)	97,583	197,583
Fund balance, beginning of year	5,018,655	5,018,655	5,018,655	-
Fund balance, end of year	\$ 4,918,655	\$ 4,918,655	\$ 5,116,238	\$ 197,583

San Juan County

CLASS B ROADS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL

Year ended December 31, 2003

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 6,230,000	\$ 3,788,730	\$ (2,441,270)
Charges for services	-	214,455	214,455
Interest	350,000	296,599	(53,401)
Miscellaneous	-	14,124	14,124
Total revenues	6,580,000	4,313,908	(2,266,092)
Expenditures			
Highways and public improvement	5,359,650	3,697,422	1,662,228
Contingency	1,120,350	-	1,120,350
Total expenditures	6,480,000	3,697,422	2,782,578
Excess (deficiency) of revenues over expenditures	100,000	616,486	516,486
Fund balance, beginning of year	17,299,569	17,299,569	-
Fund balance, end of year	\$ 17,399,569	\$ 17,916,055	\$ 516,486

SAN JUAN COUNTY
INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED
USING THE MODIFIED APPROACH
FOR THE YEAR ENDED DECEMBER 31, 2003

As allowed by GASB Statement No.34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, the county has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The County capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and /or efficiency of infrastructure assets reported under the modified approach.

In order to utilize the modified approach, the County is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets,
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the County.
- Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the County.

ROADS

San Juan County applies the modified approach to all roads owned and/ or maintained by the County. The goal of the County in conjunction with adopting the modified approach is to develop and provide a cost effective maintenance program that preserves the County's investment in it's road network and enhances public transportation and safety.

Condition Assessments

Roads are categorized as natural rock, gravel and oil surface. Formal condition assessments are not done on natural and rock surface roads. These roads are maintained on an as-needed basis, for example, when a road is washed out. Formal condition assessments are preformed on all gravel and oil surface roads each year. The process and purpose of these condition assessments are described briefly below.

Gravel Surface Roads: The condition assessments of gravel roads are based on gravel thickness and surface smoothness. Roads are rated as excellent, good and fair. A fair rating indicates gravel thickness of less than 1" or excessive surface deterioration. Roads rated in fair condition require maintenance. It is the County's policy to maintain at least 60% of its gravel surface roads miles in good or excellent condition.

SAN JUAN COUNTY
 INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED
 USING THE MODIFIED APPROACH
 FOR THE YEAR ENDED DECEMBER 31, 2003
 CONTINUED

Oil Surface Roads: The condition assessments of oil surface roads are based on the following criteria: potholes, cracking, rutting, shoulder condition, surface smoothness and base condition. Roads are rated as excellent, good, fair and poor. It is the County's policy to maintain at least 60% of its oil surface roads miles in good or excellent condition. No more than 10% of oil surface road miles will be in poor condition.

Condition Rating of the County's Road System

Percentage of Lane-Miles in Good or Excellent Conditions in 2003:

	<u>Percentage</u>
Paved	83
Gravel	82
Overall System	82

Percentage of Lane-Miles in Fair or Poor Conditions in 2003:

	<u>Percentage</u>
Paved	17
Gravel	18
Overall System	18

Comparison of Needed-to Actual Maintenance/Preservation in 2003.

	<u>2002</u>
Estimated	1,725,000
Actual	1,637,609

BRIDGES

The County's bridges are inspected every other year by the State of Utah Department of Transportation. Based on a variety of factors, each bridge is assigned a sufficiency rating between 0 and 100. Bridges receiving a rating below 50 are eligible for state and/or federal funding for replacement or repair. It is the County's policy to actively pursue replacement or repair of any bridge receiving a rating of below 50.

This schedule only presents the information for 2003. GASB standards require reporting the last three complete condition assessments and needed-to-actual information for 5 years. However, the County implemented these new standards in 2003 and did not collect this information for the prior years. The County will continue to collect and retain this information so that over a period of five years, it will be able to report the required information.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted for a specific purpose.

Library Fund

Accounts for the revenues and expenditures needed to operate the two libraries in the county as well as the "book mobile" used to distribute books to county residents.

Health Fund

Accounts for the revenues generated through property taxes and expenditures paid to outside health related agencies to deal with health related issues in the county.

Tort Liability Fund

Account for the property tax revenue and general fund transfers needed to pay the yearly premiums on insurance contracts.

San Juan County

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND EQUITY - NONMAJOR GOVERNMENTAL FUNDS

For the year ended December 31, 2003

	Library	Health	Tort Liability	Total
ASSETS				
Cash	\$ 374,063	\$ 807,750	\$ 48,948	\$ 1,230,761
Accounts receivable	271	-	-	271
Prepaid expenses	-	-	165,655	165,655
Total assets	<u>\$ 374,334</u>	<u>\$ 807,750</u>	<u>\$ 214,603</u>	<u>\$ 1,396,687</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts Payable	\$ 2,382	\$ -	\$ -	\$ 2,382
Accrued compensation	3,052	-	-	3,052
Total liabilities	<u>5,434</u>	<u>-</u>	<u>-</u>	<u>5,434</u>
Fund Equity:				
Reserved for prepaid expenses	-	-	165,655	165,655
Unreserved, undesignated	368,900	807,750	48,948	1,225,598
Total fund equity	<u>368,900</u>	<u>807,750</u>	<u>214,603</u>	<u>1,391,253</u>
Total Liabilities and fund equity	<u>\$ 374,334</u>	<u>\$ 807,750</u>	<u>\$ 214,603</u>	<u>\$ 1,396,687</u>

San Juan County

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the year ended December 31, 2003

	Library	Health	Tort Liability	Total
Revenues:				
Taxes	\$ 214,298	\$ 100,120	\$ 48,400	\$ 362,818
Intergovernmental	51,940	-	-	51,940
Collection fees	4,652	-	-	4,652
Other	2,233	1,020	26,102	29,355
Interest	4,902	12,856	3,062	20,820
Total revenues	<u>278,025</u>	<u>113,996</u>	<u>77,564</u>	<u>469,585</u>
Expenditures				
Current				
General government	-	-	192,746	192,746
Public health	-	104,899	-	104,899
Parks, recreation & public property	293,528	-	-	293,528
Total expenditures	<u>293,528</u>	<u>104,899</u>	<u>192,746</u>	<u>591,173</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,503)	9,097	(115,182)	(121,588)
Fund balance at beginning of year	<u>384,403</u>	<u>798,653</u>	<u>329,785</u>	<u>1,512,841</u>
Fund balance at end of year	<u>\$ 368,900</u>	<u>\$ 807,750</u>	<u>\$ 214,603</u>	<u>\$ 1,391,253</u>

FIDUCIARY FUNDS

Agency funds

Agency funds are used to account for assets held by the government as an agent for other governments and/or other funds

Treasurer's Tax Collection Agency Trust Fund

Accounts for collections of taxes to be distributed to other governments.

General Tax Stability Trust Fund

Accounts for funds set aside in accordance with state statute to provide stability in the event of dramatic reductions in the County's tax base.

San Juan County

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS

December 31, 2003

	Agency Funds		
	Treasurer's Tax Collection Agency Trust Fund	General Tax Stability Trust Fund	Total
ASSETS			
Cash and investments	\$ 377,585	\$ 7,500,000	\$ 7,877,585
Property taxes receivable	59,088	-	59,088
TOTAL ASSETS	\$ 436,673	\$ 7,500,000	\$ 7,936,673
LIABILITIES			
Collections payable	\$ 27,050	\$ -	\$ 27,050
Due to taxing units	409,623	7,500,000	7,909,623
TOTAL LIABILITIES	\$ 436,673	\$ 7,500,000	\$ 7,936,673

SCHEDULE OF TAXES CHARGED, COLLECTED, AND DISBURSED - CURRENT AND PRIOR YEARS

For the year ended December 31, 2003

TAXING UNITS	Current Year Taxes										Accounts Group								
	Year-End Value	Tax Rate	Treasurer's Relief			Current Year Taxes				Delinquencies									
			Taxes Charged	Unpaid Taxes	Abatements	Other	Total	Taxes Collected	Rate	Fee in Lieu	Miscellaneous Collections	Tax	Interest/Penalty						
County General Fund																			
General	\$ 425,909,293	0.002917	\$ 1,261,932	\$ 37,017	\$ 10,817	\$ (5,583)	\$ 42,251	\$ 1,225,681	96.67	\$ 115,704	\$ 18,908	\$ 76,017	\$ 55,617						
Library	425,909,293	0.000443	188,678	5,508	1,610	(831)	6,287	182,391	96.67	17,218	2,512	11,312	865						
Tort Liability	425,909,293	0.000100	42,591	1,243	363	(187)	1,419	41,172	96.67	3,887	585	2,561	197						
Public Health	425,909,293	0.000207	88,163	2,574	752	(388)	2,938	85,226	96.67	8,045	1,160	5,286	404						
Assessing and Collecting-County	425,909,293	0.000268	114,144	3,332	974	(499)	3,807	110,403	96.72	10,572	1,501	6,923	526						
Assessing and Collecting-State	425,909,293	0.000181	77,090	2,251	658	(344)	2,565	74,458	96.59	6,879	1,023	4,780	382						
Total County Funds			1,778,597	51,925	15,174	(7,832)	59,267	1,719,331	96.67	162,305	25,689	106,881	57,991						
San Juan School District																			
	425,909,293	0.008835	3,762,909	109,858	32,102	(16,535)	125,425	3,638,164	96.68	344,975	44,199	221,848	16,903						
Water Conservancy District																			
	425,909,293	0.000568	241,916	7,063	2,064	(1,074)	8,053	233,698	96.60	21,687	3,037	13,803	1,040						
Health Service																			
	425,909,293	0.001000	425,909	12,434	3,654	(1,876)	14,192	411,717	96.67	38,866	5,448	25,476	1,942						
Cities and Towns:																			
Blanding	48,450,212	0.004100	198,646	10,243	6,434	(4,013)	12,664	186,042	93.66	37,565	2,888	46,520	3,775						
Monticello	41,457,730	0.003084	127,856	12,232	3,405	(1,473)	14,164	113,689	88.92	21,588	2,116	13,921	916						
Total Cities and Towns			326,502	22,475	9,839	(5,486)	26,828	299,731	91.80	59,153	5,004	60,441	4,691						
Other Special Districts:																			
Blanding Cemetery	77,230,510	0.000252	19,462	1,020	433	(290)	1,163	18,318	94.12	2,797	309	3,293	281						
Monticello Cemetery	66,158,780	0.000330	21,832	1,511	433	(144)	1,800	20,041	91.79	3,106	383	1,734	119						
Grand County SWSD	3,949,886	0.000267	1,053	50	15	(5)	10	1,065	100.98	80	19	40	-						
Grand County WCID	3,473,236	0.000128	443	16	7	(21)	2	443	99.65	1	24	5	5						
San Juan Service Area #1-Bluff	8,142,452	0.000897	7,304	395	186	(67)	514	6,753	92.46	555	126	314	30						
Total Other Special Districts			50,197	2,992	1,074	(577)	3,489	46,620	93.06	6,539	861	5,356	455						
GRAND TOTALS			\$ 9,384,931	\$ 206,747	\$ 63,887	\$ (33,380)	\$ 237,254	\$ 6,349,261		\$ 633,525	\$ 84,238	\$ 433,805	\$ 83,092						

San Juan County

TAX COLLECTION TRUST FUND - CASH RECEIPTS AND DISBURSEMENTS

For the year ended December 31, 2003

	Treasurer's Balance December 31 2002	Tax Collection Receipts	Current Taxes Appropriated	Fee in Lieu Appropriated	Delinquent Taxes Appropriated	Interest and Miscellaneous Collections Appropriated	Total	Disbursements	Treasurer's Balance December 31 2003
Tax Collection Accounts:									
Current Year Taxes:									
Current Year Taxes	-	6,349,261	(6,349,261)	-	-	-	-	-	-
Fee in Lieu	-	633,525	-	(633,525)	-	-	-	-	-
May Tax Sale	-	-	-	-	-	-	-	-	-
Redemption of Prior Years Taxes	-	433,805	-	-	(433,805)	-	-	-	-
Penalties and Costs	-	83,002	-	-	(83,002)	-	-	-	-
Prepayment on Property Taxes	12,739	6,290	-	-	-	-	19,029	12,739	6,290
Interest	-	6,942	-	-	-	(6,942)	-	-	-
Refunds	1,664	33,881	-	-	-	-	35,545	14,784	20,761
Other Collections	-	77,296	-	-	-	(77,296)	-	-	-
Total Collections	14,403	7,624,002	(6,349,261)	(633,525)	(516,807)	(84,238)	54,574	27,523	27,051
Taxing Units									
County General Fund:									
General	-	-	1,225,681	115,704	131,634	18,908	1,491,927	1,491,927	-
Library	-	-	182,391	17,218	12,177	2,512	214,298	214,298	-
Tort Liability	-	-	41,172	3,887	2,758	585	48,402	48,402	-
Public Health	-	-	85,226	8,045	5,690	1,160	100,121	100,121	-
Assessing and Collecting-State	-	-	74,458	6,879	5,162	1,023	87,522	87,522	-
Assessing and Collecting-County	-	-	110,403	10,572	7,451	1,501	129,927	129,927	-
San Juan School District	232,871	-	3,638,164	344,975	238,751	44,199	4,498,960	4,427,358	271,602
Water Conservancy District	15,070	-	233,698	21,087	14,843	3,037	288,335	270,070	18,265
Health Service	27,737	-	411,717	38,866	27,418	5,448	511,186	478,737	32,449
Cities and Towns:									
Blanding	21,226	-	186,042	37,565	50,295	2,888	298,016	229,226	68,790
Monticello	9,989	-	113,689	21,588	14,837	2,116	162,219	151,989	10,230
Other Districts:									
Blanding Cemetery	1,687	-	18,318	2,797	3,574	309	26,685	21,687	4,998
Monticello Cemetery	1,513	-	20,041	3,106	1,853	383	26,896	25,013	1,883
Grand County SWSD	131	-	1,065	80	10	19	1,305	1,226	79
Grand County Water Conservancy Dist.	74	-	443	1	10	24	552	504	48
San Juan Service Area #1-Bluff	1,833	-	6,753	555	344	126	9,611	8,333	1,278
Total Due Taxing Units	312,131	-	6,349,261	633,525	516,807	84,238	7,895,962	7,486,340	409,622
Grand Totals	\$ 326,534	\$ 7,624,002	\$ -	\$ -	\$ -	\$ -	\$ 7,950,536	\$ 7,513,863	\$ 436,673



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

May 7, 2004

The Honorable Board of County Commissioners
San Juan County
Monticello, Utah 84535

We have audited the financial statements of San Juan County as and for the ended December 31, 2002, and have issued our report thereon dated May 7, 2004. 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 San Juan County's financial statement 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.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of San Juan County in a separate letter dated May 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Juan County'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 reporting would not necessarily disclose and 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



The Honorable Board of County Commissioners
San Juan County
Page two

functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of San Juan County in a separate letter dated May 7, 2004.

This report is intended for the information of management and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Chadwick, Steinkirchner, Davis & Co., P.C.



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

May 7, 2004

The Honorable Board of County Commissioners
San Juan County
Monticello, Utah 84535

Compliance

We have audited the compliance of San Juan County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. San Juan County's major federal programs are identified in the summary of auditor's 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 San Juan County's management. Our responsibility is to express an opinion on San Juan County'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 San Juan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on San Juan County's compliance with those requirements.

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



The Honorable Board of County Commissioners
San Juan County
Page two

Internal Control Over Compliance

The management of San Juan County 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 San Juan County'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 the 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 requirement 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 for the information of management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Chadwick, Steinkirchner, Davis & Co., P.C.

San Juan County

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2003

Summary of Audit Results

1. The auditor's report expresses a qualified opinion on the financial statements of San Juan County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Auditor's report on Internal Control and Compliance with Laws and Regulations.
3. No instances of noncompliance material to the financial statements of San Juan County were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors report on compliance for the major federal awards programs for San Juan County expresses an unqualified opinion.
6. There were no findings relative to the major federal awards programs for San Juan County.
7. The programs tested as major programs include:
 - CFDA 20.106 Airport Improvement Program
 - CFDA 93.959 Substance Abuse Program
8. The threshold for distinguishing Type A and B programs is \$300,000 of federal awards expended.
9. San Juan County was a low-risk auditee.

Findings - Financial Statements Audit.

None.

San Juan County

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the year ended December 31, 2002

Findings and Questioned Costs –Major Federal Award Programs Audit.

None

San Juan County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2003

	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
Direct Assistance:			
U.S. Department of Transportation:			
Airport Improvement Program	20.106		\$ 173,678
Highway Planning & Construction	20.205		111,541
Total U.S. Department of Transportation			<u>285,219</u>
Indirect Assistance:			
U.S. Department of Agriculture:			
Passed Through State Department of Human Services			
Elderly Feeding Program - Cash in Lieu	10.550		1,000
Elderly Feeding Program - Cash in Lieu	10.550	02-0829	1,210
Total U.S. Department of Agriculture			<u>2,210</u>
Federal Emergency Management Agency:			
Passed Through State Department of Public Safety:			
FEMA	83.505		16,837
U.S. Department of Health and Human Services:			
Passed Through State Department of Human Services			
Ombudsman Service for Older Individuals	93.042		1,473
Ombudsman Service for Older Individuals	93.042	02-0829	2,240
Preventive Health Program-Title 3-F	93.043	02-0829	269
Special Program for Aging-Title 3-B	93.044		44,400
Special Program for Aging-Title 3-B	93.044	02-0829	44,696
Elderly Feeding Program-Title 3-C	93.045		52,977
Elderly Feeding Program-Title 3-C	93.045	02-0829	45,632
Health Insurance Counseling-HIIP	93.779		2,739
Health Insurance Counseling-HIIP	93.779	02-0829	4,372
Passed Through State Department of Social Services			
Division of Mental Health CMHS	93.230		45,353
Division of Mental Health CMHS-General	93.958	03-0069	9,900
Division of Mental Health CMHS-General	93.958	03-0069	9,550
Substance Abuse SAPT Block Grant	93.959	03-0068	110,997
Passed Through Southern Utah Association of Local Government:			
Community Services Block Grant	93.569		59,782
Total U.S. Department of Health and Human Services			<u>434,380</u>
U.S. Department of Education:			
Passed Through State Department of Human Services:			
Drug Free Schools	84-186B	03-0068	2,983
Total U.S. Department of Education			<u>2,983</u>
Total Indirect Assistance			<u>456,410</u>
Total Federal Assistance			<u>\$ 741,629</u>

San Juan County

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of San Juan County. The reporting entity, San Juan County, is defined in Note A to San Juan County's general purpose financial statements. Federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of Expenditures of Federal Awards.

Basis of accounting

The accompanying Schedule of Federal Awards is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to San Juan County's general purpose financial statements.

San Juan County

SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended December 31, 2003

Finding 1-02

The advance of \$335,261 at December 31, 2002 was partially spent in 2003. However, \$269,063 of the advance still existed at December 31, 2003. The advance was subsequently repaid in 2004.

AUDITORS REPORT ON STATE LEGAL COMPLIANCE



May 7, 2004

The Honorable Board of County Commissioners
San Juan County
Monticello, Utah 84535

We have audited the general purpose financial statements of San Juan County, For the year ended December 31, 2003, and have issued our report thereon dated May 7, 2004. As part of our audit, we have audited San Juan County's compliance with the requirements governing types of service allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; 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 December 31, 2002. The County received the following major State assistance programs from the State of Utah.

- B Road Funds (Department of Transportation)
- Mental Health and Substance Abuse Programs (Department of Human Services)
- State Alternatives (Department of Human Services)
- State PILT (Department of Natural Resources)

The county also received the following nonmajor grants which are not required to be audited for specific compliance requirements; (however, these programs were subject to test-work as a part of the audit of San Juan County's Financial Statements.)

- Motor Vehicle Transactions (State Tax Commission)
- Liquor Law Enforcement (State Tax Commission)
- State Bookmobile Grant (Department of Community and Economic Development)
- Trail Grant (Division of Parks and Recreation)
- Victims Advocate Grant (Department of Human Services)
- Aging -- Respite (Department of Human Services)
- LEDI (Department of Community and Economic Development)
- Wildland Fire (Department of Natural Resources)
- Search and Rescue Grant (Department of Public Safety)
- GIS Grant (Department of Planning and budget)



The Honorable Board of County Commissioners
San Juan County
Page 2

Our audit also included testwork on the County's compliance with those general compliance Requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Justice Courts Compliance
- Department of Commerce
- Transient Room Tax
- Impact Fees and Other Development
- Other Compliance Requirements

The management of San Juan County is responsible for the County'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 U.S. generally accepted auditing standards and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following in the following paragraph.

In our opinion, San Juan County, County, 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 its major State assistance programs for the year ended December 31, 2003.

Chadwick, Steinkirchner, Davis & Co., P.C.



SAN JUAN COUNTY
MANAGEMENT LETTER

December 31, 2003

May 7, 2004



The Honorable Board of County Commissioners
San Juan County
Monticello, Utah 84535

During our audit of the funds of San Juan County for the year ended December 31, 2003, we noted a few areas needing corrective action in order for the County to be in compliance with state laws and regulations, We also found a few circumstances that if improved, would strengthen the County's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Budgetary Compliance – Reporting

Finding:

We noted that amounts reported in the budgeted revenue column on form TC-693 did not correspond to the amounts reported on the county's adopted budget.

Recommendation:

We recommend that the County use care in ensuring that amounts reported on form TC-693 agree with the adopted budget.

Response:

The finding above was discussed with San Juan County officials and they concur with the recommendation.

Budgetary Compliance

Finding:

Our audit of budgetary compliance revealed that the Roads Fund, a capital improvements fund, expended more than was budgeted.

The Landfill Fund, an enterprise fund, also expended more than was budgeted.



The Honorable Board of County Commissioners
San Juan County
Page Two

Recommendation:

We recommend that the County increase budgeted amounts by resolution or public hearing before expending additional funds.

Response:

The finding above was discussed with San Juan County officials and they concur with the recommendation.

INTERNAL CONTROL

EMS Receivables

Finding:

During our testing we noted that EMS receivables are not being reconciled on a monthly basis with supporting accounts receivable detail. Reports received from the County's EMS contractor have not provided the necessary detail to properly reconcile the receivables. Additionally, uncollectible accounts are not being written off against the allowance for doubtful accounts

Recommendation:

We recommend that the County continue working with its EMS contractor to obtain reports that better facilitate a monthly reconciliation of EMS receivables and related revenues. Also, uncollectible accounts should be written off.

Response:

The finding above was discussed with San Juan County officials and they concur with the recommendation.

We would like to take this opportunity to thank San Juan County's personnel for the cooperation and assistance given to us during the course of our examination.

Chadwick, Steinkirchner, Davis & Co., P.C.