

**SAN JUAN COUNTY
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004**

**SAN JUAN COUNTY
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INDEPENDENT AUDITOR'S REPORT

May 27, 2005

County Commissioners
San Juan County
Fillmore, Utah

Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Juan County, as of and for the year ended December 31, 2004, which collectively comprise San Juan County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of San Juan County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Juan County, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages MDA-1 through MDA-10 and 42 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

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In accordance with *Government Auditing Standards*, we have also issued a report dated May 27, 2005, on our consideration of San Juan 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.

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 non-major fund financial statements and schedules on pages 47 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules 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.

Larson & Company
Certified Public Accountants

San Juan County
Management's Discussion and Analysis
For the Year Ended December 31, 2004

This discussion of San Juan County's financial performance provides an overview of the County's financial activities for the year ending December 31, 2004. 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, 2004 by \$99,235,565 (net assets). Of this amount \$13,661,190 (unrestricted net assets) may be used to meet the governments' ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$40,841. 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 \$44,796,104, a decrease of \$444,575 in comparison with the prior year. Approximately 10 percent of this total amount, \$4,600,339, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current year, unreserved fund balance for the general fund was \$3,399,013, or approximately 67 percent of total general fund expenditures.
- San Juan County's total debt as of December 31, 2004 was \$1,691,386, an increase of \$97,472 from 2003.

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 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 five legally separate special service districts, one for transportation, one for health care, one for mental health services, one for water conservation and development 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 6 and 8 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 47 and 48 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).

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 are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

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 \$99,235,565.

The largest segment of the County's net assets (54 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* (\$13,661,190) may be used to meet the government's ongoing obligations to citizens and creditors.

San Juan County's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 45,955,759	\$ 46,274,522	\$ 1,405,551	\$ 1,302,853	\$ 47,361,310	\$ 47,577,375
Capital assets, net	<u>53,548,354</u>	<u>53,204,846</u>	<u>1,327,504</u>	<u>1,250,841</u>	<u>54,875,858</u>	<u>54,455,687</u>
 Total Assets	 <u>99,504,113</u>	 <u>91,979,368</u>	 <u>2,733,055</u>	 <u>2,553,694</u>	 <u>102,237,168</u>	 <u>94,533,062</u>
Long-term debt outstanding	180,502	263,911	735,568	688,174	916,070	952,085
Other liabilities	<u>1,898,210</u>	<u>1,660,816</u>	<u>187,323</u>	<u>143,755</u>	<u>2,085,533</u>	<u>1,804,571</u>
 Total Liabilities	 <u>2,078,712</u>	 <u>1,924,727</u>	 <u>922,891</u>	 <u>831,929</u>	 <u>3,001,603</u>	 <u>2,756,656</u>
 Net Assets:						
Investment in capital assets, net of debt	53,367,852	52,940,935	591,936	562,557	53,959,788	53,503,602
Restricted for:						
Inventory and prepaids	1,171,281	1,045,904			1,171,281	1,045,904
Roads	17,722,749	17,035,806			17,722,749	17,035,806
Capital outlay	12,149,505	12,317,131			12,149,505	13,317,131
Landfill closure costs			568,898	556,961	566,898	556,961
Emergency medical services			4,154		4,154	
Unrestricted	<u>13,014,014</u>	<u>13,214,865</u>	<u>647,176</u>	<u>602,137</u>	<u>13,661,190</u>	<u>13,817,002</u>
 Total net assets	 <u>\$ 97,425,401</u>	 <u>\$ 97,554,641</u>	 <u>\$ 1,810,164</u>	 <u>\$ 1,721,765</u>	 <u>\$ 99,235,565</u>	 <u>\$ 99,276,406</u>

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.

Total net assets of San Juan County decreased by \$40,841 during 2004. Although net assets reported in connection with business-type activities increased \$88,399, this increase was more than offset by a decrease of \$129,240 in net assets related to governmental activities.

The increase in net assets related to business-type activities was due to charges for services exceeding program expenses during 2004.

Total revenues for San Juan County's governmental activities increased \$1,093,324 from 2003 to 2004 (\$11,978,915 to \$13,072,239). However, this increase was not sufficient to offset the increase in program expenses for governmental activities. The most significant increases in program expenses were for highways and public improvements, public safety and public health. The following schedule of changes in net assets presents these changes.

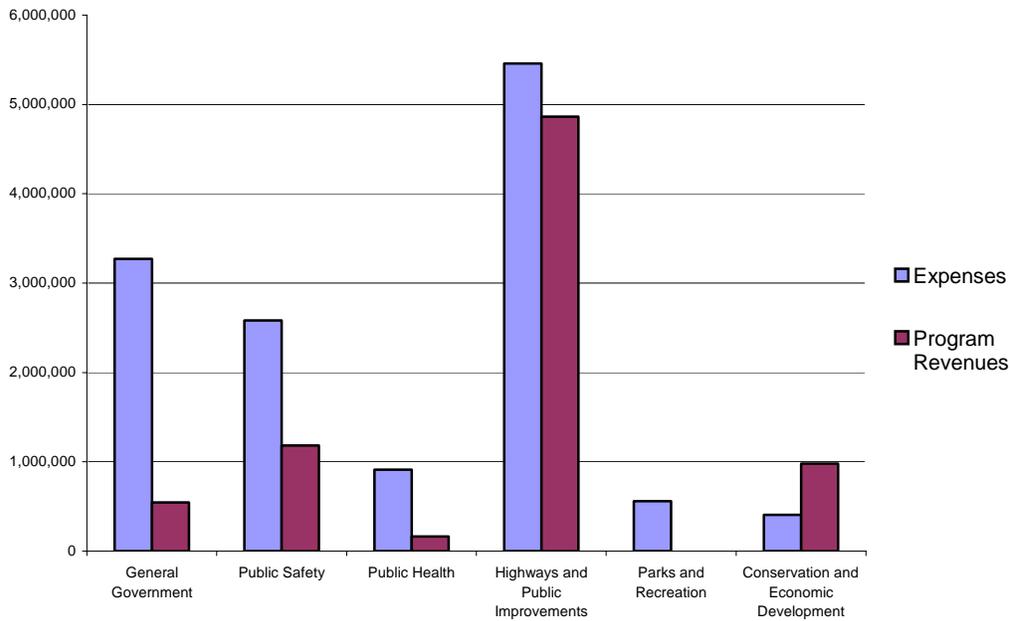
San Juan County's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues						
Charges for services	\$ 1,872,728	\$ 1,831,922	\$ 795,209	\$ 810,619	\$ 2,667,937	\$ 2,642,541
Operating grants and contributions	5,044,488	5,442,632		24,912	5,044,488	5,467,544
Capital grants and contributions	816,278	386,579			816,278	386,579
General Revenues						
Taxes	3,211,006	3,438,637			3,211,006	3,438,637
Earnings on investments	769,108	603,664	21,759	16,457	790,867	620,121
Intergovernmental support	994,787					
Miscellaneous	<u>363,844</u>	<u>275,481</u>	<u>4,118</u>	<u>100</u>	<u>367,962</u>	<u>275,581</u>
Total Revenues	<u>13,072,239</u>	<u>11,978,915</u>	<u>821,086</u>	<u>852,088</u>	<u>13,893,325</u>	<u>12,831,003</u>
Program Expenses						
General government	3,271,569	3,366,695			3,271,569	3,366,695
Public safety	2,583,883	2,200,134			2,583,883	2,200,134
Public health	911,036	697,303			911,036	697,303
Highways and public improvements	5,459,223	4,195,416			5,459,223	4,195,416
Parks and recreation	557,907	730,461			557,907	730,461
Conservation and economic development	407,405	461,286			407,405	461,286
Interest and fiscal charges	10,456	17,450			10,456	17,450
Landfill			441,415	208,818	441,415	208,818
Emergency medical services	<u>-</u>	<u>-</u>	<u>291,272</u>	<u>392,045</u>	<u>291,272</u>	<u>392,045</u>
Total expenses	<u>13,201,479</u>	<u>11,668,745</u>	<u>732,687</u>	<u>600,863</u>	<u>13,934,166</u>	<u>12,269,608</u>
Excess (deficiency) before transfers	(129,240)	310,170	88,399	251,225	(40,841)	561,395
Transfers	<u>-</u>	<u>(19,038)</u>	<u>-</u>	<u>19,038</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(129,240)</u>	<u>291,132</u>	<u>88,399</u>	<u>270,263</u>	<u>(40,841)</u>	<u>561,395</u>
Net assets - beginning	97,554,641	97,263,509	1,721,765	1,451,502	99,276,406	98,715,011
Net assets - ending	<u>97,425,401</u>	<u>97,554,641</u>	<u>1,810,164</u>	<u>1,721,765</u>	<u>99,235,565</u>	<u>99,276,406</u>
Change in net assets	<u>\$ (129,240)</u>	<u>\$ 291,132</u>	<u>\$ 88,399</u>	<u>\$ 270,263</u>	<u>\$ (40,841)</u>	<u>\$ 561,395</u>

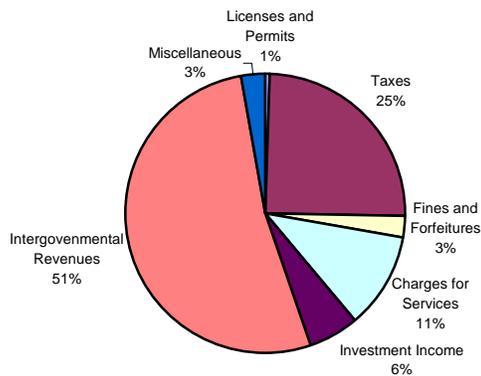
Governmental Funds Financial Analysis

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.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



As of December 31, 2004, 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 \$44,796,104. This combined balance represents a decrease of \$444,575 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, debts 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 decreased \$64,995 to \$5,051,243 during the fiscal year ending December 31, 2004.

As was previously noted, the County maintains two enterprise funds (Emergency Medical Services and Landfill Operations) 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. During the current year, both enterprise funds realized a net income; \$79,205 for the EMS fund and \$9,194 for the Landfill fund. Almost all revenues in these two funds result from charges for services.

General Fund Budgetary Highlights

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

- \$191,800 increase in general government.
- \$7,500 increase in public safety.
- \$167,500 increase in public health and welfare.
- \$28,950 increase in highways and public improvements.
- \$5,000 decrease in parks and recreation.
- \$26,000 increase in conservation and economic development.
- \$416,750 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, 2004 amounts to \$54,875,859 (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 \$420,172.

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

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 248,971	\$ 248,971	\$ -	\$ -	\$ 248,971	\$ 248,971
Buildings and improvements	3,333,951	3,644,053	264,376	275,948	3,598,327	3,920,001
Autos and trucks	385,935	199,821	-	-	385,935	199,821
Equipment	5,216,625	4,749,129	1,063,129	974,893	6,279,754	5,724,022
Infrastructure	<u>44,362,872</u>	<u>44,362,872</u>	<u>-</u>	<u>-</u>	<u>44,362,872</u>	<u>44,362,872</u>
Total	<u>\$ 53,548,354</u>	<u>\$ 53,204,846</u>	<u>\$ 1,327,505</u>	<u>\$ 1,250,841</u>	<u>\$ 54,875,859</u>	<u>\$ 54,455,687</u>

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

- Autos and light truck acquisitions of \$219,024.
- Building improvements of \$171,821.
- Heavy equipment acquisitions of \$173,393.
- Light equipment acquisitions of \$840,031.
- Used autos, trucks and equipment with a book value of \$17,375 were 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 on December 31, 2004 was \$1,691,386. This amount includes revenue bonds, capital leases and compensated absences and represents an increase of \$97,472 over the previous year. The amount due on revenue bonds and capital leases decreased by \$36,015 during the year. However, this decrease was more than offset by a n \$133,487 increase in the amount due for accrued compensated absences. This increase was primarily due to a change in the compensated absence policy.

**San Juan County's Outstanding Debt
General Obligation and Revenue Bonds**

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue bonds	\$ -	\$ -	\$ 551,000	\$ 571,000	\$ 551,000	\$ 571,000
Capital leases	180,502	263,911	184,568	117,174	365,070	381,085
Compensated Absences	<u>729,440</u>	<u>614,758</u>	<u>45,876</u>	<u>27,071</u>	<u>775,316</u>	<u>641,829</u>
Total	<u>\$ 909,942</u>	<u>\$ 878,669</u>	<u>\$ 781,444</u>	<u>\$ 715,245</u>	<u>\$ 1,691,386</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.

Economic Factors and Next Year's Budgets and Rates

The December 2004 seasonally adjusted unemployment rate for San Juan County was 10.5 percent, which is an increase from a rate of 9.4 percent a year ago. This is higher than the state's unemployment rate of 4.7 percent and the national average rate of 5.4 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 2004, 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 decreased from .004176 in 2003 to .004065 in 2004 a decrease of 2.7 percent. The increase in market value of taxable property combined with the decrease in overall tax rates resulted in slightly higher property tax revenues in 2004. The 2005 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 2005 year.

Requests 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.

BASIC FINANCIAL STATEMENTS

San Juan County
Statement of Net Assets
December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and cash equivalents	\$ 12,061,425	\$ 694,577	\$ 12,756,002	\$ 5,760,014
Restricted cash and cash equivalents	29,872,254	571,052	30,443,306	2,190,776
Receivables (net of allowance for doubtful accounts)				
Trade accounts	458,189	139,922	598,111	1,778,599
Other governmental units	1,492,610		1,492,610	2,123,744
San Juan School District long-term receivable	900,000		900,000	
Prepaid expenses				66,976
Inventory	1,171,281		1,171,281	272,572
Capital assets (net of accumulated depreciation):				
Land	248,971		248,971	107,445
Buildings and improvements	3,333,951	264,375	3,598,326	3,568,422
Autos and trucks	385,935		385,935	
Heavy equipment	4,309,267		4,309,267	
Light equipment	907,358	1,063,129	1,970,487	1,395,599
Construction in Process				575,481
Infrastructure	44,362,872		44,362,872	8,490,777
Total Assets	<u>99,504,113</u>	<u>2,733,055</u>	<u>102,237,168</u>	<u>26,330,405</u>
LIABILITIES				
Accounts payable	1,006,658	30,311	1,036,969	413,253
Accrued liabilities	149,104	9,248	158,352	717,549
Accrued interest	9,115	7,208	16,323	6,054
Deferred revenue	3,893		3,893	
Compensated absences	729,440	45,876	775,316	38,009
Closure and post closure costs payable		94,680	94,680	
Noncurrent Liabilities:				
Due within one year		78,876	78,876	392,008
Due in more than one year	180,502	656,692	837,194	8,927,211
Total Liabilities	<u>2,078,712</u>	<u>922,891</u>	<u>3,001,603</u>	<u>10,494,084</u>
NET ASSETS				
Invested in capital assets, net of related debt	53,367,852	591,936	53,959,788	5,186,397
Restricted for:				
Inventory and prepaids	1,171,281		1,171,281	339,548
Roads	17,722,749		17,722,749	
Capital outlay	12,149,505		12,149,505	69,500
Landfill closure costs		566,898	566,898	
Emergency Medical Service		4,154	4,154	
Debt service				4,188,066
Medicaid				385,864
Other purposes				41,025
Unrestricted	13,014,014	647,176	13,661,190	5,625,921
Total net assets	<u>\$ 97,425,401</u>	<u>\$ 1,810,164</u>	<u>\$ 99,235,565</u>	<u>\$ 15,836,321</u>

San Juan County
Statement of Activities
For the Year Ended December 31, 2004

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for	Operating	Governmental	Primary Government	Total	
		Services	Grants and Contributions				
Primary Government:							
Governmental activities:							
General government	\$ 3,271,569	\$ 544,699	\$ -	\$ (2,726,870)	\$ -	\$ (2,726,870)	\$ -
Public safety	2,583,883	1,160,046	22,453	(1,401,384)	-	(1,401,384)	-
Public health	911,036	164,217		(746,819)		(746,819)	
Highways and public improvements	5,459,223	4,863,836		(595,387)		(595,387)	
Parks, recreation, and public property	557,907			(557,907)		(557,907)	
Conservation and economic development	407,405	3,766	158,199	570,838		570,838	
Interest	10,456			(10,456)		(10,456)	
Total Governmental Activities	13,201,479	1,872,728	5,044,488	(5,467,985)	-	(5,467,985)	-
Business-type activities:							
Emergency medical services	441,415	510,879			69,464	69,464	
Landfill	291,272	284,330			(6,942)	(6,942)	
Total Business-type Activities	732,687	795,209	-	-	62,522	62,522	-
Total Primary Government	\$ 13,934,166	\$ 2,667,937	\$ 5,044,488	\$ (5,467,985)	\$ 62,522	\$ (5,405,463)	\$ -
Component Units:							
Transportation Special Service District	\$ 1,022,957	\$ -	\$ -	\$ -	\$ 1,009,363	\$ (13,594)	\$ (13,594)
San Juan Health Care Service District	8,708,948	7,128,664	1,097,119			(483,165)	(483,165)
San Juan County Water Conservancy District	719,540	13,805			350,000	(355,735)	(355,735)
Bluff Service Area	130,845	57,299	77,914			4,368	4,368
San Juan Mental Health/Substance Abuse Special Service District	1,560,555	674,667	702,351			(183,537)	(183,537)
Total Component Units	\$ 12,142,845	\$ 7,874,435	\$ 1,877,384	\$ 1,359,363	\$ -	\$ (1,031,663)	\$ (1,031,663)
General Revenues:							
Taxes				3,211,006		3,211,006	274,762
Earnings on investments				769,108	21,759	790,867	284,053
Miscellaneous				14,028	4,118	18,146	243,108
Intergovernmental support				994,787		994,787	
Gain (loss) on sale of assets				18,266		18,266	
Other shared taxes				331,550		331,550	
Total General Revenues and Transfers				5,338,745	25,877	5,364,622	801,923
Change in Net Assets				(129,240)	88,399	(40,841)	(229,740)
Net Assets - Beginning				90,054,641	1,721,765	91,776,406	14,428,557
Prior period adjustment (Note 4F)				7,500,000		7,500,000	1,637,504
Restated beginning net assets				97,554,641	1,721,765	99,276,406	16,066,061
Net Assets - Ending				\$ 97,425,401	\$ 1,810,164	\$ 99,235,565	\$ 15,836,321

The Notes to the Financial Statements are an Integral Part of this Statement.

**San Juan County
Balance Sheet
Governmental Funds
For the Year Ended December 31, 2004**

	Special Revenue Funds			Capital Projects Funds			Total Governmental Funds
	General Fund	Class "B" Roads Fund	General Tax Stability Trust Fund	Buildings Grounds & Equipment Capital Improvement	Road Capital Improvement Fund	Other Governmental Funds	
ASSETS							
Cash and investments	\$ 3,629,105	\$ 16,877,130	\$ 7,500,000	\$ 7,453,109	\$ 5,290,519	\$ 1,183,816	\$ 41,933,679
Accounts Receivable	367,127	44,214				46,848	458,189
Other Governmental unit receivables	536,305	956,305					1,492,610
San Juan School District long-term receivable	-						-
Inventory	900,000						900,000
		1,171,281					1,171,281
Total Assets	\$ 5,432,537	\$ 19,048,930	\$ 7,500,000	\$ 7,453,109	\$ 5,290,519	\$ 1,230,664	\$ 45,955,759
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 281,188	\$ 105,902	\$ -	\$ 234,369	\$ 359,754	\$ 25,445	\$ 1,006,658
Accrued liabilities	100,106	48,998					149,104
Deferred revenue						3,893	3,893
Total Liabilities	381,294	154,900	-	234,369	359,754	29,338	1,159,655
Fund balances:							
Reserved for:							
Inventory & Prepays		1,171,281					1,171,281
Road		17,722,749					17,722,749
Capital outlay				7,218,740	4,930,765		12,149,505
Emergency			7,500,000				7,500,000
Designated for:							
Recreation	900,000						900,000
Nursing home	752,230						752,230
Unreserved/undesignated	3,399,013					1,201,326	4,600,339
Total fund equity	5,051,243	18,894,030	7,500,000	7,218,740	4,930,765	1,201,326	44,796,104
Total liabilities and fund equity	\$ 5,432,537	\$ 19,048,930	\$ 7,500,000	\$ 7,453,109	\$ 5,290,519	\$ 1,230,664	\$ 45,955,759

San Juan County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2004

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

Total fund balances - governmental fund types:	\$ 44,796,104
Capital Assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	53,548,354
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.	(180,502)
Accrued interest on bonds and notes payable is not recorded in the funds	(9,115)
Accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.	<u>(729,440)</u>
Net assets of government activities	<u><u>\$ 97,425,401</u></u>

San Juan County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	Special Revenue Funds			Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Class "B" Roads Fund	General Tax Stability Trust Fund	Buildings Grounds Equipment Capital Improvement	Road Capital Improvement Fund		
REVENUES							
Taxes	\$ 2,860,829	\$ -	\$ -	\$ -	\$ -	\$ 350,177	\$ 3,211,006
Licenses and permits	76,934						76,934
Intergovernmental revenues	2,049,280	4,744,004				62,269	6,855,553
Charges for services	1,243,991	190,702				3,766	1,438,459
Fines and forfeitures	357,335						357,335
Investment income	79,559	303,444	134,269	133,431	96,686	21,719	769,108
Miscellaneous	331,550	1,265			20,000	12,763	365,578
Total Revenues	<u>6,999,478</u>	<u>5,239,415</u>	<u>134,269</u>	<u>133,431</u>	<u>116,686</u>	<u>450,694</u>	<u>13,073,973</u>
EXPENDITURES							
Current:							
General government	2,826,110					177,067	3,003,177
Public safety	2,330,131						2,330,131
Public health	763,532					128,425	891,957
Highways and public improvements	83,143	4,227,804			723,471		5,034,418
Parks, recreation, and public property	205,066					335,129	540,195
Conservation and economic development	402,570						402,570
Contributions	188,190						188,190
Capital outlay		33,637		953,617	43,694		1,030,948
Debt Service							
Principal					83,579		83,579
Interest					13,383		13,383
Total Expenditures	<u>6,798,742</u>	<u>4,261,441</u>	<u>-</u>	<u>953,617</u>	<u>864,127</u>	<u>640,621</u>	<u>13,518,548</u>
Excess Revenues Over (Under) Expenditures	<u>200,736</u>	<u>977,974</u>	<u>134,269</u>	<u>(820,186)</u>	<u>(747,441)</u>	<u>(189,927)</u>	<u>(444,575)</u>
Other financing sources (uses)							
Transfers in	134,269			400,000			534,269
Transfers out	(400,000)		(134,269)				(534,269)
Total Other Financing Sources and Uses	<u>(265,731)</u>	<u>-</u>	<u>(134,269)</u>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(64,995)</u>	<u>977,974</u>	<u>-</u>	<u>(420,186)</u>	<u>(747,441)</u>	<u>(189,927)</u>	<u>(444,575)</u>
Fund Balances - Beginning	5,116,238	17,916,056	7,500,000	7,638,926	5,678,206	1,391,253	45,240,679
Fund Balances - Ending	<u>\$ 5,051,243</u>	<u>\$ 18,894,030</u>	<u>\$ 7,500,000</u>	<u>\$ 7,218,740</u>	<u>\$ 4,930,765</u>	<u>\$ 1,201,326</u>	<u>\$ 44,796,104</u>

San Juan County
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds	\$ (444,575)
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 outlays exceeded depreciation in the current period.	345,245
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	(1,734)
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.	83,409
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.	3,097
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.	(114,682)
Change in net assets of governmental activities	\$ (129,240)

San Juan County
Statement of Net Assets - Proprietary Funds
December 31, 2004

	Business-Type Activities - Enterprise Funds		
	EMS	Landfill	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 439,041	\$ 255,536	\$ 694,577
Accounts Receivable:			
Utilities receivable	427,910	24,106	452,016
Allowance for doubtful accounts	(312,094)	-	(312,094)
Restricted cash and cash equivalents	4,154	566,898	571,052
Total Current Assets	<u>559,011</u>	<u>846,540</u>	<u>1,405,551</u>
FIXED ASSETS			
Buildings, net	170,546	93,829	264,375
Light equipment, net	432,261	630,868	1,063,129
Total Noncurrent Assets	<u>602,807</u>	<u>724,697</u>	<u>1,327,504</u>
Total Assets	<u>1,161,818</u>	<u>1,571,237</u>	<u>2,733,055</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	23,646	6,665	30,311
Accrued liabilities	5,679	3,569	9,248
Accrued interest	3,764	3,444	7,208
Accrued compensated absences	35,071	10,805	45,876
Current portion of long-term debt	58,876	20,000	78,876
Total Current Liabilities	<u>127,036</u>	<u>44,483</u>	<u>171,519</u>
Noncurrent Liabilities:			
Closure and post closure costs	-	94,680	94,680
Capital lease payable	125,692	-	125,692
Bonds payable	-	531,000	531,000
Total Noncurrent Liabilities	<u>125,692</u>	<u>625,680</u>	<u>751,372</u>
Total Liabilities	<u>252,728</u>	<u>670,163</u>	<u>922,891</u>
NET ASSETS			
Invested in capital assets, net of related debt	418,239	173,697	591,936
Retained Earnings:			
Restricted for:			
Landfill closure costs	-	566,898	566,898
Emergency medical service	4,154	-	4,154
Unreserved	486,697	160,479	647,176
Total Net Assets	<u>\$ 909,090</u>	<u>\$ 901,074</u>	<u>\$ 1,810,164</u>

San Juan County
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>EMS</u>	<u>Landfill</u>	<u>Total</u>
Operating Revenues:			
Charges for sales and services	\$ 510,879	\$ 284,330	\$ 795,209
Miscellaneous	4,118	-	4,118
Total Operating Revenues	<u>514,997</u>	<u>284,330</u>	<u>799,327</u>
Operating Expenses:			
Salaries and benefits	192,284	118,708	310,992
Purchased services	59,855	13,444	73,299
General and administrative	21,692	12,028	33,720
Supplies and capital outlay	78,715	86,735	165,450
Depreciation	78,629	46,207	124,836
Total operating expenses	<u>431,175</u>	<u>277,122</u>	<u>708,297</u>
Operating Income	<u>83,822</u>	<u>7,208</u>	<u>91,030</u>
Nonoperating Revenues (Expenses):			
Interest revenue	5,623	16,136	21,759
Interest expense	(10,240)	(14,150)	(24,390)
Total Nonoperating Revenues (Expenses)	<u>(4,617)</u>	<u>1,986</u>	<u>(2,631)</u>
Net Income (Loss)	<u>79,205</u>	<u>9,194</u>	<u>88,399</u>
Change in net assets	79,205	9,194	88,399
Total net assets - beginning	829,885	891,880	1,721,765
Total net assets - ending	<u>\$ 909,090</u>	<u>\$ 901,074</u>	<u>\$ 1,810,164</u>

San Juan County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities - Enterprise Funds		
	EMS	Landfill	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 491,688	\$ 295,267	\$ 786,955
Payments to suppliers	(144,792)	(98,745)	(243,537)
Payments to employees	(192,284)	(118,708)	(310,992)
Net cash provided (used) by operating activities	<u>154,612</u>	<u>77,814</u>	<u>232,426</u>
Cash Flows From Capital and Related Financing Activities			
Purchases and construction of capital assets	(101,500)	(100,000)	(201,500)
Principal paid on capital debt	(24,513)	(20,000)	(44,513)
Proceeds from new capital debt	103,600	-	103,600
Interest paid on capital debt	(10,240)	(14,150)	(24,390)
Net cash provided (used) by capital and related financing activities	<u>(32,653)</u>	<u>(134,150)</u>	<u>(166,803)</u>
Cash Flows From Investing Activities			
Interest and dividends received	5,623	16,136	21,759
Net cash provided (used) by investing activities	<u>5,623</u>	<u>16,136</u>	<u>21,759</u>
Net increase (decrease) in cash and cash equivalents	127,582	(40,200)	87,382
Cash and cash equivalents, July 1	315,613	862,634	1,178,247
Cash and cash equivalents, June 30	<u>\$ 443,195</u>	<u>\$ 822,434</u>	<u>\$ 1,265,629</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 83,822	\$ 7,208	\$ 91,030
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	78,629	46,207	124,836
(Increase) decrease in accounts receivable	(23,309)	10,937	(12,372)
Increase (decrease) in accrued liabilities	15,470	13,462	28,932
Total adjustments	<u>70,790</u>	<u>70,606</u>	<u>141,396</u>
Net cash provided (used) by operating activities	<u>\$ 154,612</u>	<u>\$ 77,814</u>	<u>\$ 232,426</u>

San Juan County
Combining Statement of Net Assets
Discretely Presented Component Units
December 31, 2004

	San Juan County Transportation Special Service District	San Juan Health Services District	San Juan County Water Conservancy District	Bluff Service Area	San Juan Mental Health/ Substance Abuse Special Service Dist.	Total
ASSETS						
Cash and investments						
Unrestricted	\$ 1,410,352	\$ 969,198	\$ 2,397,982	\$ 182,260	\$ 800,222	\$ 5,760,014
Restricted	507,611		1,683,165			2,190,776
Accounts receivable	244,147	2,089,505	4,962	8,143	75,711	2,422,468
Less allowance for doubtful accounts		(593,456)			(50,413)	(643,869)
Due from other governments			11,289		363,624	374,913
Estimated third party receivable - net		36,912	1,711,919			1,748,831
Inventory		267,572		5,000		272,572
Prepaid expenses		29,099		4,170	33,707	66,976
Capital assets						
Land		2,645		39,300	65,500	107,445
Buildings, net		1,549,876		545,212	385,652	2,480,740
Improvements, net		43,832		998,652	45,198	1,087,682
Equipment, net	3,164	1,303,420		14,374	74,641	1,395,599
Construction in Process			575,481			575,481
Infrastructure, net			8,490,777			8,490,777
Total Assets	<u>2,165,274</u>	<u>5,698,603</u>	<u>14,875,575</u>	<u>1,797,111</u>	<u>1,793,842</u>	<u>26,330,405</u>
LIABILITIES						
Accounts payable	-	119,460	134,647	3,527	155,619	413,253
Accrued liabilities		518,256	165,275	942	33,076	717,549
Accrued interest payable	3,005				3,049	6,054
Deferred revenue						-
Compensated absences					38,009	38,009
Noncurrent liabilities						
Due within one year						
Bonds payable	72,000		257,093	14,078	9,000	352,171
Notes Payable		17,442		2,186		19,628
Capital leases payable		20,209				20,209
Due in more than one year						-
Bonds payable	370,290		7,782,903	29,937	150,000	8,333,130
Notes Payable		518,730		36,858		555,588
Capital leases payable		38,493				38,493
Total Liabilities	<u>445,295</u>	<u>1,232,590</u>	<u>8,339,918</u>	<u>87,528</u>	<u>388,753</u>	<u>10,494,084</u>
NET ASSETS						
Investment in capital assets, net of related debt	(442,131)	2,841,071	860,987	1,514,479	411,991	5,186,397
Restricted for debt service	507,611		3,680,455			4,188,066
Restricted for capital outlay					69,500	69,500
Reserved for medicaid					385,864	385,864
Restricted for other purposes		3,016			38,009	41,025
Unreserved/undesignated	1,654,499	1,621,926	1,994,215	195,104	499,725	5,965,469
Total Net Assets	<u>\$ 1,719,979</u>	<u>\$ 4,466,013</u>	<u>\$ 6,535,657</u>	<u>\$ 1,709,583</u>	<u>\$ 1,405,089</u>	<u>\$ 15,836,321</u>

San Juan County
Statement of Activities
For the Year Ended December 31, 2004

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Component Units:				
Transportation Special Service District	1,022,957	-	-	(13,594)
San Juan Health Care Service District	8,708,948	7,128,664	1,097,119	(483,165)
San Juan County Water Conservancy District	719,540	13,805	-	(355,735)
Bluff Service Area	130,845	57,299	77,914	4,368
San Juan Mental Health/Substance Abuse Special Service District	1,560,555	674,667	702,351	(183,537)
Total Component Units	<u>\$ 12,142,845</u>	<u>\$7,874,435</u>	<u>\$ 1,877,384</u>	<u>\$ (1,031,663)</u>
General Revenues:				
				274,762
				284,053
				243,108
				<u>801,923</u>
				(229,740)
				14,428,557
				1,637,504
				<u>\$ 15,836,321</u>

San Juan County
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2004

	Treasurer's Tax Collection Agency Trust Fund
ASSETS	
Cash and investments	\$ 324,552
Total Assets	\$ 324,552
LIABILITIES	
Due to taxing units	\$ 324,552
Total Liabilities	\$ 324,552

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the County the option of electing to apply FASB pronouncements issued after November 30, 1989. The County has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

San Juan County is a political subdivision of the State of Utah governed by an elected board with three County Commissioners. These financial statements present all fund types and account groups of the County and its component units.

The County has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. According to *Statement No. 39 of the Governmental Accounting Standards Board Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement No. 14*, a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or help by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

As required by generally accepted accounting principles, these financial statements present San Juan County (the primary government) and its component units. The component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

The County's financial reporting entity comprises the following:

Primary Government: San Juan County

Discretely Presented Component Units:

- San Juan County Transportation District – This District's governing body consists of a five member board, appointed by the San Juan 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 December 19, 2005 has been previously issued under a separate cover. A copy of the report can be obtained at the San Juan County Auditors office in Monticello, Utah, or on the Utah State Auditors website.
- 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 23, 2005, 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, or on the Utah State Auditors website.
- 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's financial statements were compiled by other accountants and their report, dated May 20, 2005, 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, or on the Utah State Auditors website.
- San Juan Mental Health/Substance Abuse Special 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 6, 2005 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, or on the Utah State Auditors website.
- San Juan County Water Conservancy District – The District was organized by San Juan County in 1964 under the Title 73, Chapter 9, of the Utah State Code. The District has a 9-member board appointed by the County Commission. The District provides maintenance of existing and construction of new dams, canals, and pipelines associated with irrigation, industrial and culinary water in the San Juan County area. The District was audited by other independent auditors, and their report, dated May 3, 2005 has been

SAN JUAN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

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previously issued under separate cover. A copy of the report can be obtained at the San Juan County Auditor's office in Monticello Utah, or on the Utah State Auditors website.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The government-wide statements include the Statement of Net Assets and Statement of Activities, which display information about the primary government (the County) and its component units. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the County and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Proprietary Funds

Enterprise Fund

Enterprise funds account for operations that are financed and operated in a manner similar to private business where the intent of the governing body is that costs of providing services to the public on a continued basis be financed or recovered through user charges. San Juan County maintains two enterprise funds, the Solid Waste Fund and the Emergency Medical Fund.

Fiduciary Funds (Not included in government-wide statements)

Agency Fund

Trust and agency funds account for assets held by the County in a trustee capacity. Nonexpendable trust funds are accounted for in essentially the same manner as enterprise funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds account for assets the County holds on behalf of others.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Major and Non-major Funds

The funds are further classified as major or non-major as follows:

Major	Non-Major
General Fund	Library Fund
Class B Road Fund	Health Fund
Building Grounds Equipment Fund	Tort Liability Fund
Road Capital Improvement Fund	
Tax Stability Trust Fund	
Sanitary Landfill	
Emergency Medical Services (EMS) Fund	

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available, means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the County. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, and grants. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets that are recorded at their estimated fair value at the date of donation.

Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15-40 years	15-40 years
Machinery and Equipment	5-20 years	5-20 years
Vehicles	5-10 years	5-10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The County accrues the cost for accumulated vacation days. 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.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.I. for additional disclosures.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

The modified accrual basis of accounting is followed by the governmental funds, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, which is defined as when the revenues are both measurable

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

(when the amount of the transaction can be determined) and available (if collectible within the current period or soon enough thereafter to pay liabilities of the current period).

Property taxes, sales taxes, fines and forfeitures, interest income, and various intergovernmental revenues comprise the significant revenues susceptible to accrual. Accrued sales taxes relate solely to amounts held by agents for the County to be remitted within sixty days. Other accrued revenues represent measurable amounts related to current or prior periods that will be received within sixty days. Grant revenues already received may be deferred to the extent the earnings process is considered incomplete. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures, other than principal and interest on long-term debt and employee annual leave, are recorded when the related fund liability is incurred.

Property Tax Calendar:

- January 1 Lien Date – All property appraised based on 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 rate
- November 1 County Auditor is to deliver the equalized assessment roll to the County Treasurer with affidavit.
- November 1 County Auditor to chare the County Treasurer to account for all taxes levied
- 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.

The accrual basis of accounting is utilized by the proprietary funds and non-expendable-trust funds. The measurement focus of these funds emphasizes the determination of net income. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character: Current (further classified by function)
Proprietary Fund—By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the County and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the County's compliance with significant laws and regulations and demonstration of its stewardship over County resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The County complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the County include the following:

<u>Fund</u>	<u>Required By</u>
General Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

**SAN JUAN COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004**

San Juan County'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. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on month-end deposit and investment balances.

The County follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of County funds in a "qualified depository." A "qualified depository" is defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Utah Money Management Act also defines the types of securities allowed as appropriate temporary investments for the County and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

2.C. REVENUE RESTRICTIONS

The County has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1.E.
Landfill & E911	Debt Service and Utility Operations
CDBG	Grant Program Expenditures
B Road Funds	Eligible B Roads

For the year ended December 31, 2004, the County complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

No debt in excess of total revenue for the current year shall be created by any county unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Counties shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended December 31, 2004, the County had \$222,584 of outstanding general obligation debt.

Notes Payable

The county has one note payable which is a CIB loan for the Landfill and Solid Waste Collection System. This note was entered into in 1985, bears no interest and is payable over 25 years. The balance of this note as of December 31, 2004 was \$337,500.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

2.E. FUND EQUITY RESTRICTIONS

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change. The following is a list of all reserves and designations used by the County and a description of each:

Reserved for Inventory & Prepaid Expenses--An account used to segregate a portion of the fund balance for inventory and prepaid expenses.

Reserved for Class 'B' Road--An account used to segregate a portion of the fund balance for the repair of Class 'B' roads.

Designated for Capital Projects--An account used to reserve funds for future capital projects.

Reserved for Landfill Closure Costs--An account used to reserve funds for payment of the landfill's closure and post-closure costs.

Reserved for Emergency Medical Services--An account used to set aside funds for emergency medical services.

2.F. BUDGETARY BASIS OF ACCOUNTING

Budgetary procedures for the County have been established by Utah State Statute in the Fiscal Procedures Act for Utah Counties (the Act). The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements. In accordance with the Act, all appropriations lapse at the end of the budget year. Accordingly, no encumbrances are recorded. At its option, the County may permit its expenditure accounts to remain open for a period of 30 days after the close of its fiscal year for the payment of approved invoices for goods received or services rendered prior to the close of the fiscal year.

Annual budgets are prepared and adopted in accordance with Utah State law by the County Commission on or before December 31 for the following fiscal year, beginning January 1. Budgets may be increased by resolution of the County Commission at any time during the year, provided a public hearing has been held regarding any proposed increase. Budgets are adopted at sub-department levels. However, budget amendments are required only when excess expenditures occur at the departmental level. The County prepares a budget for each fund including the operation of the enterprise funds.

Under Utah Code, the County's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the Code for certain events.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

While the County is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual presented for the general fund and the special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits and Investments

The County maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the County funds. Deposits with Zion's First National Bank totaled \$ 1,069,186 with a carrying value on the County's books of \$683,249. Deposits at Zion's First National Bank were covered up to \$100,000 by Federal Depository Insurance. Deposits are not collateralized nor are they required to be by State statute. The petty cash balance for the primary government was \$840.

The carrying amount of deposits for the component units of San Juan County was \$1,265,629 and the bank balance was \$2,257,936. Of the bank balance, \$755,035 was covered by Federal Depository Insurance. The petty cash balance for all component units was \$549.

San Juan County invests in the Utah Public Treasurers' Investment Fund (PTIF), an external deposit and investment pool wherein the 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.

The County's policies regarding deposits of cash are discussed in Note 1.D. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at December 31, 2004. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Category 2—Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized with no written or approved collateral agreement.

The City currently has no investments that are required to be categorized. Investments not subject to categorization at December 31, 2004, were as follows:

Investments in Utah State Treasurers’ Investment Fund		\$ 42,515,219
Reconciliation to Government-wide Statement of Net Assets:		
Total Investments		\$ 42,515,219
Cash on hand		840
City Deposits		683,249
	Total	<u>\$ 43,199,308</u>
Per Statement of Net Assets:		
Cash and Cash Equivalents		\$ 12,756,002
Restricted Assets:		
Cash and Cash Equivalents		<u>30,443,306</u>
Total	Total	<u>\$ 43,199,308</u>

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Component Units:

At December 31, 2004, investments for the component units consisted of the following:

	Category 1	Category 2	Category 3	Category Fair Value
Investments:				
Bank Certificates	\$ -	\$ 73,889	\$ -	\$ 73,889
Government Securities	1,683,165	3,379	-	1,686,544
Other	1,575	152,494	-	154,069
Total	<u>\$ 1,684,740</u>	<u>\$ 229,762</u>	<u>\$ -</u>	1,914,502
Other Items:				
Utah State Treasurer's Investment Fund				<u>3,954,320</u>
Total Investments				<u>\$ 5,868,822</u>

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are for closure and post closure costs of the landfill. The restricted assets as of December 31, 2004, are as follows:

Type of Restricted Asset	Cash - Including			Total
	Time Deposits	Investments	Accrued Interest	
Landfill Closure Costs	\$ 566,898	\$ -	\$ -	\$ 566,898
Emergency Medical Services	4,154	-	-	4,154
Total	<u>\$ 571,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571,052</u>

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

3.C. 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.

3.D. NOTES RECEIVABLE

San Juan School District – Long-term Receivables:

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 the 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 Receivables:

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, 2004 was \$534,735.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

3.E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 248,971	\$ -	\$ -	\$ 248,971
Infrastructure	44,362,872	-	-	44,362,872
Total Capital Not Being Depreciated	44,611,843	-	-	44,611,843
Capital Assets Being Depreciated:				
Buildings and Improvements	6,260,805			6,260,805
Autos and Trucks	1,489,358	219,024	(17,375)	1,691,007
Heavy Equipment	7,679,881	173,393		7,853,274
Light Equipment	1,016,335	638,531		1,654,866
Total Assets Being Depreciated	16,446,379	1,030,948	(17,375)	17,459,952
Less Accum. Depreciation				
Buildings and Improvements	2,755,033	171,821		2,926,854
Autos and Trucks	1,151,256	169,454	(15,638)	1,305,072
Heavy Equipment	3,239,694	304,313		3,544,007
Light Equipment	707,393	40,115		747,508
Total Accumulated Depreciation	7,853,376	685,703	(15,638)	8,523,441
Total Capital Assets				
Being Depreciated, Net	8,593,003	345,245	(1,737)	8,936,511
Governmental Activities				
capital assets, net	<u>\$ 53,204,846</u>	<u>\$ 345,245</u>	<u>\$ (1,737)</u>	<u>\$ 53,548,354</u>
Business-type activities:				
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 334,428	\$ -	\$ -	\$ 334,428
Light Equipment	1,461,463	201,500	-	1,662,963
Total Capital Assets Being Depreciated	1,795,891	201,500	-	1,997,391
Less Accumulated Depreciation				
Buildings	58,480	11,572	-	70,052
Land Improvements	486,570	113,264	-	599,834
Light Equipment	-	-	-	-
Total Accumulated Depreciation	545,050	124,836	-	669,886
Business-type activities				
capital assets, net	<u>\$ 1,250,841</u>	<u>\$ 76,664</u>	<u>\$ -</u>	<u>\$ 1,327,505</u>

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 46,983
Public Safety	227,977
Public Health	19,079
Highways and Public Improvements	369,117
Parks and Recreation	17,712
Conservation and Economic Development	4,835
Total depreciation expense	<u>\$ 685,703</u>

3.F. ACCOUNTS PAYABLE

Payables in the general fund, non-major governmental funds and the enterprise funds are composed of short term payables to vendors.

3.G. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of December 31, 2004, the governmental long-term debt of the financial reporting entity consisted of the following:

Accrued Compensated Absences:	\$ 729,440
Capital Leases	180,502

Business-type Activities:

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, 2004, \$1,800,000 of bonds outstanding are considered defeased.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2004:

Type of Debt	Balance Jan 1, 2004	Additions	Deductions	Balance Dec 31, 2004
Governmental Activities:				
Capital Leases - 2001	\$ 263,911	\$ -	\$ (83,409)	\$ 180,502
Accrued Compensated Absences	614,758	114,682	-	729,440
Total General Long-Term Debt	878,669	114,682	-	993,351
Business-type Activities:				
Revenue Bonds - 1995	571,000	-	(20,000)	551,000
Capital Leases - 2001	117,174		(36,206)	80,968
Capital Leases - 2004	-	103,600	-	103,600
Accrued Compensated Absences	27,071	18,805	-	45,876
Total Enterprise Fund Debt	\$ 715,245	\$ 122,405	\$ (56,206)	\$ 781,444

Business-type Activity - 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 by the following sources:

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

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

Annual Debt Service Requirements – Revenue Bonds

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2004, are as follows:

SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Business-type Activities Revenue Bonds Payable			
Year Ending December 31	Principal	Interest	Total
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	22,000	11,675	33,675
20010-2014	121,000	49,700	170,700
20015-2019	137,000	33,825	170,825
20020-2024	154,000	15,875	169,875
20025-2026	33,000	825	33,825
Total	<u>\$ 551,000</u>	<u>\$163,925</u>	<u>\$ 714,925</u>

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.) In 2004 the County entered into a lease in the amount of \$103,600 for the purpose of financing an ambulance in the EMS Fund.

Obligations under capital leases at December 31, 2004 represents equipment leases payable in monthly installments including interest. The leases are secured by equipment with a stated cost of \$712,000 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:

Year Ending	Principal	Interest	Total
2005	\$ 88,028	\$ 9,115	\$ 97,143
2006	92,474	4,670	97,144
Total	<u>\$ 180,502</u>	<u>\$ 13,785</u>	<u>\$ 194,287</u>

Business-type Activities:

Year Ending	Principal	Interest	Total
2005	\$ 58,876	\$ 7,528	\$ 66,404
2006	61,514	4,890	66,404
2007	20,698	2,131	22,829
2008	21,385	1,444	22,829
2009	22,095	734	22,829
Total	<u>\$ 184,568</u>	<u>\$ 16,727</u>	<u>\$ 201,295</u>

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Governmental and Business-type Activities – Compensated Absences Payable:

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 change in the balance over/under the prior year is reported as additional expense on the Statement of Activities.

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund:	\$ 134,269	\$ 400,000
Capital Projects Fund:	400,000	
Tax Stability Trust		134,269
	<hr/>	<hr/>
GRAND TOTALS	<u>\$ 534,269</u>	<u>\$ 534,269</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

3.I. FUND EQUITY

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 \$780,061. These funds are designated for future expenditures relating to health care costs. During the year there were none of these funds used for this designated purpose.

Designations in the General Fund consist of \$900,000 related to the receivable from San Juan County School District and is designated for recreation services.

Class “B” Special Revenue Fund balance is reserved for use on Class “B” roads.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Landfill proprietary fund equity in the amount of \$566,898 is reserved to provide financial assurances for estimated closure and post closure costs of the landfill.

Restricted Fund Equity

	Government Activities	Business-Type Activites	Totals
Capital Projects Funds:			
Capital Outlay	\$ 7,218,740		7,218,740
Capital Outlay - Roads	4,930,765		4,930,765
Special Revenue Fund:			
Class "B" Road Funds	18,894,030	-	18,894,030
Enterprise Fund:			
Closure & Post Closure Liabilities		566,898	566,898
Emergency Medical Service		4,154	
Total Restricted Net Assets	<u>\$ 31,043,534</u>	<u>\$ 571,052</u>	<u>\$ 31,610,432</u>

NOTE 4. OTHER NOTES

4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Local Governmental – Cost Sharing Defined Benefits Pension Plans

Plan Description: San Juan County contributes to the Local Governmental Contributory Retirement System (Contributory System), the Local Governmental Noncontributory Retirement System (Noncontributory System), and the Public Safety Retirement System (Public Safety System) for employers with and without Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established by and amended by the State Legislature.

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 places 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 issues a publicly available financial report that includes 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, Utah 84102 or by calling 1-800-365-8772.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Funding Policy: San Juan County is required to contribute a percentage of covered salary to the respective systems; 5.610% to the Contributory System from January 2004 to June 2004 and 7.080% from July 2004 to December 2004, 9.620% to the Noncontributory System from January 2004 to June 2004 and 11.090% from July 2004 to December 2004 and 4.520% to the Public Safety Contributory System from January 2004 to June 2004 and 7.700% from July 2004 to December 2004 respectively. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Contributions Made: San Juan County’s contributions to the various systems for the years ending December 31, 2004, 2003, and 2002 were; for the Contributory System \$7,250, \$5,948, and \$5,255; for the Noncontributory System \$274,434, \$230,054, and \$193,836; and for the Public Safety System \$142,881, \$104,120, and \$98,687, respectively. The contributions were equal to the required contributions for each year.

401(k) Defined Contribution Plan

San Juan County also has an optional 401(k) defined contribution plan for its employees to participate in. Plan contributions for 2004, 2003 and 2002 are as follows:

Year	Employer Paid	Employee Paid
2004	\$ 132,167	\$ 124,475
2003	146,273	85,115
2002	117,826	58,075

4.B. DEFERRED COMPENSATION PLAN

San Juan County offers its employees a deferred compensation plan through the Utah Retirement Systems. The plan was created in accordance with Internal Revenue Code Section 457 and is available to all full-time County employees at their option. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Utah Retirement Systems (URS) have adopted Governmental Accounting Standards Board Statement 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plan as a Trust Fund of URS rather than previously reported as an Agency Fund of San Juan County. The assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries and are not the assets of the employer.

4.C. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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 coverage:

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 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 3 calendar years.

4.D. COMMITMENTS AND CONTINGENCIES

Solid Waste Landfill Closure and Post-closure Care Costs

Class I Landfill

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 post closure 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 post closure 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 post closure care liability at December 31, 2004 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 the closure and post closure 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 post closure care in 2004. The County expects to close the

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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 post closure care. The County is in compliance with these requirements, and at December 31, 2004 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 post closure 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.

Class IV Landfill

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 & post closure 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 post closure 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 post closure care liability for the Class IV Landfill at December 31, 2004, 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 post closure 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 post closure care in 2004, The County expects to close the landfill in the year 2046. Actual costs may be higher due to inflation 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 post closure care. The County is in compliance with these requirements, and, at December 31, 2004, investments of \$27,848 are held for these purposes. These are reported as restricted assets on the balance sheet. The County expects that inflation costs will be paid from interest earnings on these annual contributions. However, if interest is inadequate or additional post closure 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.

The County has established a trust fund for \$566,898 for post-closure costs.

**SAN JUAN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

4.E. ECONOMIC DEPENDENCY

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

4.F. PRIOR PERIOD ADJUSTMENT

The tax stability trust was reported as an agency fund in prior year financial statements. The correct classification of this fund is permanent fund. This fund was added to the Balance Sheet – Governmental Funds and the beginning balance reflected as a prior period adjustment in the Statement of Activities.

**REQUIRED
SUPPLEMENTARY INFORMATION**

San Juan County
Information About Infrastructure Assets Reported
Using The Modified Approach
For the Year Ended December 31, 2004

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 ashed out. Formal condition assessments are performed 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" excessive surface deterioration. Roads rated in fair condition require maintenance. It is the County's policy 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, 2004
(Concluded)

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 2004:

	Percentage
Paved	83
Gravel	82
Overall System	82

Percentage of Lane-Miles in Fair or Poor Conditions in 2004:

	Percentage
Paved	17
Gravel	18
Overall System	18

Comparison of Needed-to Actual Maintenance/Preservation:

	2003	2004
Estimated	1,725,000	1,965,000
Actual	1,637,609	2,031,071

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 and 2004. 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.

San Juan County
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 2,872,083	\$ 2,772,083	\$ 2,860,829	\$ 88,746
Licenses and permits	57,250	57,250	76,934	19,684
Intergovernmental revenues	3,146,725	2,690,943	2,049,280	(641,663)
Charges for services	1,236,481	1,180,413	1,243,991	63,578
Fines and forfeitures	296,737	296,737	357,335	60,598
Investment income	60,000	60,000	79,559	19,559
Miscellaneous	68,650	857,727	331,550	(526,177)
Total Revenues	<u>7,737,926</u>	<u>7,915,153</u>	<u>6,999,478</u>	<u>(915,675)</u>
EXPENDITURES				
General government				
Commissioners	158,525	158,525	155,754	(2,771)
Planning - personnel	182,154	207,154	204,279	(2,875)
J.P. Court	99,750	101,950	101,461	(489)
Sanity Hearings	3,000	3,000	2,612	(388)
Public Defender	75,844	65,844	58,100	(7,744)
Clerk-auditor	128,780	155,780	152,064	(3,716)
Attorney	211,580	211,580	209,017	(2,563)
Recorder	150,482	150,482	149,224	(1,258)
Treasurer	87,610	87,610	84,860	(2,750)
Assessor	201,580	191,580	182,743	(8,837)
Data Processing	97,909	99,909	98,738	(1,171)
Surveyor	120,320	142,320	140,803	(1,517)
Historical Preservation	35,567	35,567	8,166	(27,401)
Legal Defense	100,000	81,776	72,000	(9,776)
Courthouse and Grounds	203,456	75,606	74,464	(1,142)
Elections	108,245	80,245	67,932	(12,313)
Non-departmental	81,300	113,202	111,186	(2,016)
Employee Benefits	840,000	965,000	949,703	(15,297)
Education and Community Promotion	300,852	-	-	-
Other	-	10,000	3,004	(6,996)
Total General Government	<u>3,186,954</u>	<u>2,937,130</u>	<u>2,826,110</u>	<u>(111,020)</u>
Public safety				
Sheriff	791,518	874,020	859,811	(14,209)
Sheriff Airplane	-	18,000	13,918	(4,082)
County Jail	1,042,737	782,357	757,945	(24,412)
Jail Kitchen	-	158,380	153,839	(4,541)
Inmate Commissary	-	13,000	-	(13,000)
State Inmate Expense	-	70,000	69,467	(533)
Fire Rescue	88,553	77,553	69,287	(8,266)
Fire Control	117,676	117,676	86,283	(31,393)
Building Inspection	63,353	61,353	58,766	(2,587)
Search and Rescue	-	12,000	6,581	(5,419)
Liquor Control	-	50,280	48,893	(1,387)
Drug Expenditures	68,000	79,168	48,180	(30,988)
Weed and Rodent Control	62,085	62,085	60,094	(1,991)
Emergency Services	92,550	104,550	97,067	(7,483)
Total Public Safety	<u>2,326,472</u>	<u>2,480,422</u>	<u>2,330,131</u>	<u>(150,291)</u>

San Juan County
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual
General Fund
For the Year Ended December 31, 2004
(Concluded)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
Public Health				
Public Welfare	667,437	829,259	763,532	(65,727)
Highway and public improvements				
County Roads	60,000	78,950	74,630	(4,320)
Snow Removal	67,500	10,000	8,513	(1,487)
Total Highways and Public Improvements	<u>127,500</u>	<u>88,950</u>	<u>83,143</u>	<u>(5,807)</u>
Parks, recreation and public property				
Interagency Recreation	80,000	70,000	59,004	(10,996)
Television/Communication	95,955	90,955	78,616	(12,339)
Airports	99,400	109,400	67,446	(41,954)
Total Parks, Recreation and Public Property	<u>275,355</u>	<u>270,355</u>	<u>205,066</u>	<u>(65,289)</u>
Conservation and economic development				
Agriculture and Extension Service	73,500	73,500	59,509	(13,991)
Southern San Juan County Fair	107,300	133,300	131,087	(2,213)
Economic Development	-	25,197	18,510	(6,687)
Visitor Services	-	175,655	165,694	(9,961)
Special Projects	-	167,500	27,770	(139,730)
Total Conservation and Economic Dev.	<u>180,800</u>	<u>575,152</u>	<u>402,570</u>	<u>(172,582)</u>
 Total Expenditures	 <u>6,764,518</u>	 <u>7,181,268</u>	 <u>6,610,552</u>	 <u>(570,716)</u>
Excess Revenues Over (Under)				
Expenditures	<u>973,408</u>	<u>733,885</u>	<u>388,926</u>	<u>(344,959)</u>
Other financing sources (uses)				
Transfers in	155,567	155,567	134,269	(21,298)
Transfers out	(1,056,202)	(649,452)	(400,000)	249,452
Contributions Received	627,227	-	-	-
Contributions to Scholarship Fund	(185,000)	(190,000)	(188,190)	1,810
Contributions to Other Units	(15,000)	-	-	-
Total Other Financing Sources and Uses	<u>(473,408)</u>	<u>(683,885)</u>	<u>(453,921)</u>	<u>229,964</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	500,000	50,000	(64,995)	(114,995)
Fund Balances - Beginning	5,116,238	5,116,238	5,116,238	-
Fund Balances - Ending	<u>\$ 5,616,238</u>	<u>\$ 5,166,238</u>	<u>\$ 5,051,243</u>	<u>\$ (114,995)</u>

San Juan County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
Special Revenue Fund (Class B Road Fund)
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over(Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenue	\$ 3,500,000	\$ 6,300,000	\$ 4,744,004	\$ (1,555,996)
Charges for Services			190,702	190,702
Interest Income	275,000	275,000	303,444	28,444
Miscellaneous			1,265	1,265
Total Revenues	<u>3,775,000</u>	<u>6,575,000</u>	<u>5,239,415</u>	<u>(1,335,585)</u>
Expenditures				
Current:				
Highways and Public Improvements	5,480,610	5,243,910	4,227,804	(1,016,106)
Capital Outlay	335,000	335,000	33,637	(301,363)
Total Expenditures	<u>5,815,610</u>	<u>5,578,910</u>	<u>4,261,441</u>	<u>(1,317,469)</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,040,610)</u>	<u>996,090</u>	<u>977,974</u>	<u>(18,116)</u>
Net Change in Fund Balance	(2,040,610)	996,090	977,974	(18,116)
Fund Balance (Deficit) Beginning of Year	<u>17,916,056</u>	<u>17,916,056</u>	<u>17,916,056</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 15,875,446</u>	<u>\$ 18,912,146</u>	<u>\$ 18,894,030</u>	<u>\$ (18,116)</u>

SUPPLEMENTARY INFORMATION

San Juan County
Combining Balance Sheet for Nonmajor Funds
December 31, 2004

	Library	Health	Tort Liability	Total Non-major Governmental Funds
ASSETS				
Cash and investments	\$ 295,099	\$ 798,559	\$ 90,158	\$ 1,183,816
Accounts receivable	35,612	4,868	6,368	46,848
Total Assets	<u>\$ 330,711</u>	<u>\$ 803,427</u>	<u>\$ 96,526</u>	<u>\$ 1,230,664</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 11,593	\$ 13,852	\$ -	\$ 25,445
Accrued compensation	3,893	-	-	3,893
Total Liabilities	<u>15,486</u>	<u>13,852</u>	<u>-</u>	<u>29,338</u>
Fund balances:				
Reserved for:				
Unreserved/undesignated	315,225	789,575	96,526	1,201,326
Total Fund Balances	<u>315,225</u>	<u>789,575</u>	<u>96,526</u>	<u>1,201,326</u>
Total Liabilities and Fund Balance	<u>\$ 330,711</u>	<u>\$ 803,427</u>	<u>\$ 96,526</u>	<u>\$ 1,230,664</u>

San Juan County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended December 31, 2004

REVENUES	Library	Health	Tort Liability Care	Total Non-major Governmental Funds
Taxes	\$ 207,028	\$ 96,550	\$ 46,599	\$ 350,177
Intergovernmental revenues	62,269			62,269
Charges for services	3,766			3,766
Other	2,057	162	10,544	12,763
Interest	6,334	13,538	1,847	21,719
Total Revenues	<u>281,454</u>	<u>110,250</u>	<u>58,990</u>	<u>450,694</u>
EXPENDITURES				
Current:				
General government			177,067	177,067
Public health		128,425		128,425
Parks, recreation, and public property	335,129			335,129
Total Expenditures	<u>335,129</u>	<u>128,425</u>	<u>177,067</u>	<u>640,621</u>
Excess Revenues Over (Under)				
Expenditures	<u>\$ (53,675)</u>	<u>\$ (18,175)</u>	<u>\$ (118,077)</u>	<u>\$ (189,927)</u>
Fund Balances - Beginning	<u>368,899</u>	<u>807,751</u>	<u>214,603</u>	<u>1,391,253</u>
Fund Balances - Ending	<u><u>315,224</u></u>	<u><u>789,576</u></u>	<u><u>96,526</u></u>	<u><u>1,201,326</u></u>

San Juan County
Statement of Current Taxes Levied, Collected, and Treasurer's Relief
For the Year Ended December 31, 2004

1	2	3	4	5	6	7	8	9	10	11	12
ENTITY	YEAR-END REAL PROPERTY VALUE	YEAR-END CENTRALLY ASSESSED PROPERTY VALUE	TOTAL ADJUSTED REAL & CENTRALLY ASSESSED RDA VALUE	TOTAL ADJUSTED REAL & CENTRALLY ASSESSED VALUE (2 + 3 - 4)	YEAR-END PERSONAL PROPERTY VALUE	PERSONAL PROPERTY RDA VALUE	TOTAL ADJUSTED PERSONAL PROPERTY VALUE (6 - 7)	TOTAL ADJUSTED VALUE (5 + 8)	CURRENT YEAR REAL & CENTRALLY ASSESSED TAX RATE	PRIOR YEAR PERSONAL PROPERTY TAX RATE	REAL AND CENTRALLY ASSESSED PROPERTY TAXES CHARGED (5 x 10)
San Juan County Funds:											
County General	\$ 177,032,309	\$ 251,024,358	\$ -	\$ 428,056,667	\$ 13,862,555	\$ -	\$ 13,862,555	\$ 441,919,222	0.002895	0.002977	\$ 1,239,224
Library	177,032,309	251,024,358	-	428,056,667	13,862,555	-	13,862,555	441,919,222	0.000431	0.000443	184,492
Tort Liability	177,032,309	251,024,358	-	428,056,667	13,862,555	-	13,862,555	441,919,222	0.000097	0.000100	41,521
Public Health	177,032,309	251,024,358	-	428,056,667	13,862,555	-	13,862,555	441,919,222	0.000201	0.000207	86,039
Assessing and Collecting - State	177,032,309	251,024,358	-	428,056,667	13,862,555	-	13,862,555	441,919,222	0.000180	0.000181	77,050
Assessing and Collecting - County	177,032,309	251,024,358	-	428,056,667	13,862,555	-	13,862,555	441,919,222	0.000261	0.000268	111,723
Total County Funds											1,740,050
San Juan School District	177,032,309	251,024,358	-	428,056,667	13,862,555	-	13,862,555	441,919,222	0.008610	0.008835	3,685,568
Water Conservancy District	177,032,309	251,024,358	-	428,056,667	13,862,555	-	13,862,555	441,919,222	0.000553	0.000568	236,715
Health Service	177,032,309	251,024,358	-	428,056,667	13,862,555	-	13,862,555	441,919,222	0.000972	0.001000	416,071
Cities and Towns:											
Blanding City	49,997,039	2,176,743	-	52,173,782	2,656,010	-	2,656,010	54,829,792	0.003496	0.004100	182,400
Monticello City	37,230,980	2,791,655	-	40,022,635	2,365,980	-	2,365,980	42,388,615	0.003025	0.003084	121,068
Total Cities and Towns											303,468
Other Special Districts:											
Blanding Cemetery	76,241,053	8,273,073	-	84,514,126	3,618,745	-	3,618,745	88,132,871	0.000219	0.000252	18,509
Monticello Cemetery	46,443,883	17,955,386	-	64,399,269	2,685,050	-	2,685,050	67,084,319	0.000327	0.000330	21,059
Grand County SWSD	3,201,778	238,985	-	3,440,763	900,165	-	900,165	4,340,928	0.000221	0.000267	760
Grand County WCD	2,986,658	1,254,393	-	4,241,051	14,140	-	14,140	4,255,191	0.000119	0.000128	505
San Juan Service Area #1 - Bluff	7,737,370	338,720	-	8,076,090	485,650	-	485,650	8,561,740	0.000890	0.000897	7,188
Total Other Special Districts											48,020
GRAND TOTALS											<u>\$ 6,429,893</u>

San Juan County
Statement of Current Taxes Levied, Collected, and Treasurer's Relief (continued)
For the Year Ended December 31, 2004

ENTITY	13	14	15	16	17	18	19	20	21	22	23	24
	PERSONAL PROPERTY TAXES CHARGED (8 x 11)	TAXES CHARGED (12 + 13)	UNPAID TAXES	ABATEMENTS	OTHER	TOTAL RELIEF	TAXES COLLECTED (14 - 18)	ANNUAL COLLECTION RATE	FEE-IN-LIEU REVENUE/ AGE BASED REVENUE	MISC. COLLECTIONS	DELINQUENT TAXES	DELINQUENT INTEREST & PENALTIES
San Juan County Funds:												
County General	\$ 41,269	\$ 1,280,493	\$ 47,615	\$ 13,443	\$ (7,553)	\$ 53,505	\$ 1,226,988	95.82%	\$ 108,031	\$ 25,607	\$ 34,321	\$ 21,301
Library	6,141	190,634	7,089	2,001	(335)	8,755	181,879	95.41%	16,083	4,314	5,107	345
Tort Liability	1,386	42,908	1,595	450	(249)	1,796	41,112	95.81%	3,620	814	1,153	77
Public Health	2,870	88,909	3,306	933	(519)	3,720	85,189	95.82%	7,501	1,630	2,386	162
Assessing and Collecting - State	2,509	79,559	2,961	836	(528)	3,269	76,290	95.89%	6,717	1,451	2,107	146
Assessing and Collecting - County	3,715	115,438	4,293	1,212	(685)	4,820	110,618	95.82%	9,740	2,078	3,103	212
Total County Funds	57,890	1,797,940	66,859	18,875	(9,869)	75,865	1,722,075	95.78%	151,692	35,894	48,177	22,243
San Juan School District	122,476	3,808,044	141,612	39,981	(22,724)	158,869	3,649,175	95.83%	321,295	63,687	101,249	6,853
Water Conservancy District	7,874	244,589	9,095	2,568	(1,451)	10,212	234,377	95.82%	20,636	4,380	6,461	435
Health Service	13,863	429,934	15,987	4,514	(2,529)	17,972	411,962	95.82%	36,272	7,687	11,531	782
Cities and Towns:												
Blanding City	10,890	193,289	15,527	7,525	(48)	23,004	170,285	88.10%	36,242	3,842	12,998	3,700
Monticello City	7,297	128,365	16,020	3,756	(2,301)	17,475	110,890	86.39%	22,422	2,354	9,639	355
Total Cities and Towns	18,186	321,654	31,547	11,281	(2,349)	40,479	281,175	87.42%	58,664	6,196	22,637	4,055
Other Special Districts:												
Blanding Cemetery	912	19,421	1,443	541	(255)	1,729	17,692	91.10%	2,542	393	1,104	82
Monticello Cemetery	886	21,945	1,885	526	(341)	2,070	19,875	90.57%	3,120	433	1,210	49
Grand County SWSD	240	1,001	62	8	(5)	65	936	93.50%	33	20	16	1
Grand County WCD	2	506	26	4	(7)	23	483	95.46%	1	20	8	7
San Juan Service Area #1 - Bluff	436	7,623	750	135	106	991	6,632	87.00%	695	152	317	22
Total Other Special Districts	2,476	50,496	4,166	1,214	(502)	4,878	45,618	90.34%	6,391	1,018	2,655	161
	\$ 222,764	\$ 6,652,657	\$ 269,266	\$ 78,433	\$ (39,424)	\$ 308,275	\$ 6,344,382		\$ 594,950	\$ 118,862	\$ 192,710	\$ 34,529

SINGLE AUDIT REPORTS



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

May 27, 2005

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

Compliance

We have audited the compliance of San Juan County (herein referred to as the “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, 2004. The 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 the County’s management. Our responsibility is to express an opinion on the County’s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the County’s compliance with those requirements.

In our opinion the 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, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control that we have reported to the management in a separate letter dated May 27, 2005.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the County as of and for the year ended December 31, 2004, and have issued our report thereon dated May 27, 2005. Our audit was performed for the purpose of forming an opinion of the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the Board of County Commissioners, management, and various federal and state funding and auditing agencies. However, this report is a matter of public record and its distribution is not limited.

Larson & Company
Certified Public Accountants

**SAN JUAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2004**

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of the San Juan County.
2. No reportable conditions related to the audit of the financial statements are reported in the Auditors' Report on Internal Controls and Compliance with Laws and Regulations.
3. No instances of noncompliance material to the financial statements of the 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 independent auditors' report on compliance for the major federal award programs for the San Juan County, expresses an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported under OMB Circular A-133.
7. The programs tested as a major programs include:

Highway Planning and Construction (Federal-Aid Highway Program)	20.205
--	--------
8. The threshold for distinguishing Types A and B programs is \$500,000 of federal awards expended.
9. San Juan County was determined to be a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

No matters were reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

SAN JUAN COUNTY, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/Pass-Thru/ Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
Direct Assistance:			
U.S. Department of Transportation:			
Airport Improvement Program - FAA	20.106		\$ 77,805
* Highway Planning and Construction - FHA	20.205		956,305
Total Department of Transportation			1,034,110
Indirect Assistance:			
U.S. Department of Agriculture			
Forest Service Receipts Program			55,284
Forest Service Law Enforcement Program			5,600
Passed Through State Department of Human Services			
Elderly Feeding Program - Cash in Lieu	10.550	04-0328	13,050
Elderly Feeding Program - Cash in Lieu	10.550	05-0819	7,000
Total U.S. Department of Agriculture			80,934
Federal Emergency Management Agency			
Passed Through State Department of Public Safety			
FEMA - State and Local Assistance Grant	83.505	None	7,000
FEMA - Pre-disaster Mitigation Planning	83.505	None	5,500
FEMA - Homeland Security Equipment	83.505	None	69,622
Total Federal Emergency Management Agency			82,122
U.S. Department of Health and Human Services			
Passed Through State Department of Human Services			
Ombudsman Service for Older Individuals	93.042	04-0328	2,429
Ombudsman Service for Older Individuals	93.042	05-1819	1,152
Preventative Health Program - Title 3-F	93.043	04-0328	1,933
Preventative Health Program - Title 3-F	93.043	05-0819	174
Special Program for Aging - Title 3-B	93.044	04-0328	78,532
Special Program for Aging - Title 3-B	93.044	05-0819	105,821
Elderly Feeding Program - Title 3-C	93.045	04-0328	39,122
Elderly Feeding Program - Title 3-C	93.045	05-0819	60,193
Health Insurance Counseling - HIPP	93.779	04-0328	3,261
Health Insurance Counseling - HIPP	93.779	05-0819	2,812
Division of Mental Health CMHS	93.230	30069	-
Division of Mental Health CMHS	93.230	30069	3,800
Division of Mental Health CMHS - General	93.958	30069	7,500
Division of Mental Health CMHS - General	93.958	30069	13,800
Substance Abuse SAPT Block Grant	93.959	30068	141,924
Substance Abuse SAPT Block Grant	93.230	21563	35,933
Social Service Block Grant			59,945
Passed Through Southern Utah Association of Local Government			
Community Services Block Grant	93.569		14,200
Total U.S. Department of Health and Human Services			572,531
U.S. Department of Education			
Passed Through State Department of Human Services			
Drug Free Schools	84-186A		1,738
Drug Free Schools	81-186B		3,587
Total U.S. Department of Education			5,325
U.S. Department of Justice			
Passed Through the State Commission on Criminal and Juvenile Justice			
Edward Byrne Memorial Law Enforcement Grant	16.579	3D13	38,847
Edward Byrne Memorial Law Enforcement Grant	16.579	4D13	8,891
Total U.S. Department of Justice			47,738
Total Indirect Assistance			788,650
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,822,760

* Major Program

SAN JUAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2004

1. **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of San Juan County (County). The County reporting entity is defined in Note 1 to the basic financial statements. All 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.

2. **BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types and on the accrual basis for expenses in proprietary fund types, which is described in Note 1 to the basic financial statements.