

SAN JUAN COUNTY
Basic Financial Statements
with
Independent Auditor's Report
Year Ended December 31, 2015



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INDEPENDENT AUDITOR'S REPORT

County Commissioners
San Juan County
Monticello, Utah

Report on the Financial Statements

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, Utah as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of San Juan Transportation District, the San Juan Mental Health\Substance Abuse Special Service District, or the San Juan Health Service District, which are shown as discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for those component units, is based solely on the reports of such other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of San Juan County, Utah, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3-12 and 50-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 nonmajor fund financial statements and the Statement on Current Taxes Levied, Collected, and Treasurer's Relief are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2016, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Juan County's internal control over financial reporting and compliance.


Larson & Company, PC

Spanish Fork, Utah
July 15, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

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This discussion of San Juan County's financial performance provides an overview of the County's financial activities for the year ending December 31, 2015. 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, 2015 by \$106,461,376 (net position). Of this amount \$3,463,290 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,283,987. 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 \$39,082,379, a decrease of \$1,521,301 in comparison with the prior year. Approximately 15 percent of this total amount, \$5,973,551, is available for spending at the government's discretion (assigned and unassigned fund balance).
- At the end of the current year, unassigned fund balance for the general fund was \$5,244,086, or approximately 48 percent of total general fund expenditures.
- San Juan County's total long-term debt as of December 31, 2015 was \$2,123,613, a decrease of \$55,477 from 2014.

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 are comprised 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 position* presents information on all San Juan County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases, or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 three legally separate special service districts, one for transportation, one for health care and one for mental health 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; governmental 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 17 and 19 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 60 and 61 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 position, 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 position, assets in excess of liabilities, totaled \$106,461,376.

The largest segment of the County's net position (65 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. Although San Juan

County's investment in its capital assets is reported net of related debt, if should be noted that the Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of San Juan County's net position (32 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,463,290) may be used to meet the government's ongoing obligations to citizens and creditors.

San Juan County's Net Position

San Juan County
Net Position
December 31, 2015 and 2014

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|-------------|--------------------------|-----------|-------------|-------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | 41,060,485 | 41,564,546 | 1,731,209 | 1,530,571 | 42,791,694 | 43,095,117 |
| Capital assets | 68,798,389 | 69,053,643 | 1,004,119 | 1,108,783 | 69,802,508 | 70,162,426 |
| Total assets | 109,858,874 | 110,618,189 | 2,735,328 | 2,639,354 | 112,594,202 | 113,257,543 |
| Other liabilities | 863,327 | 960,866 | 20,915 | 11,757 | 884,242 | 972,623 |
| Long-term liabilities outstanding | 4,539,040 | 1,602,325 | 709,544 | 576,745 | 5,248,584 | 2,179,070 |
| Total liabilities | 5,402,367 | 2,563,191 | 730,459 | 588,502 | 6,132,826 | 3,151,693 |
| Net position: | | | | | | |
| Net investment in capital assets | 68,449,389 | 68,627,643 | 706,456 | 759,783 | 69,155,845 | 69,387,426 |
| Restricted | 33,108,828 | 33,242,700 | 733,413 | 729,077 | 33,842,241 | 33,971,777 |
| Unrestricted | 2,898,290 | 6,184,655 | 565,000 | 561,992 | 3,463,290 | 6,746,647 |
| Total net position | 104,456,507 | 108,054,998 | 2,004,869 | 2,050,852 | 106,461,376 | 110,105,850 |

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

Total net position of San Juan County decreased by \$1,283,987 during 2015. Net position reported in connection with business-type activities increased \$95,646 and net position related to governmental activities decreased by \$1,379,633.

Total revenues for San Juan County's governmental activities decreased \$1,750,669 from 2014 to 2015 (\$19,170,269 to \$17,419,600). Total expenses for governmental activities decreased \$552,338 from 2014 to 2015 (\$19,351,571 to \$18,779,233). The following schedule of changes in net position presents these changes.

San Juan County's Changes in Net Position

San Juan County
Changes in Net Position
December 31, 2015 and 2014

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|--------------------|--------------------------|------------------|--------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 2,526,135 | 2,718,529 | 1,022,171 | 997,636 | 3,548,306 | 3,716,165 |
| Operating grants and contributions | 6,668,979 | 7,626,612 | - | - | 6,668,979 | 7,626,612 |
| Capital grants and contributions | 278,616 | 435,831 | - | - | 278,616 | 435,831 |
| General revenues: | | | | | | |
| Taxes | 5,552,936 | 6,330,191 | - | - | 5,552,936 | 6,330,191 |
| Earnings on investments | 244,912 | 187,723 | 7,765 | 6,434 | 252,677 | 194,157 |
| Miscellaneous | 161,424 | 17,571 | - | - | 161,424 | 17,571 |
| Intergovernmental support | 1,740,559 | 1,723,398 | - | - | 1,740,559 | 1,723,398 |
| Gain (loss) on sale of assets | (36,625) | (203,818) | (17,225) | - | (53,850) | (203,818) |
| Other shared taxes | 282,664 | 334,232 | - | - | 282,664 | 334,232 |
| Total revenues | <u>17,419,600</u> | <u>19,170,269</u> | <u>1,012,711</u> | <u>1,004,070</u> | <u>18,432,311</u> | <u>20,174,339</u> |
| Expenses: | | | | | | |
| General government | 4,462,587 | 4,300,409 | 900,240 | 942,183 | 5,362,827 | 5,242,592 |
| Public safety | 4,299,201 | 4,372,337 | - | - | 4,299,201 | 4,372,337 |
| Public health | 1,608,009 | 820,341 | - | - | 1,608,009 | 820,341 |
| Highways and public improvements | 6,378,536 | 7,349,480 | - | - | 6,378,536 | 7,349,480 |
| Parks, recreation, and public property | 903,684 | 1,020,479 | - | - | 903,684 | 1,020,479 |
| Community and economic development | 1,147,216 | 1,488,525 | - | - | 1,147,216 | 1,488,525 |
| Interest | - | - | 16,825 | - | 16,825 | - |
| Total expenses | <u>18,799,233</u> | <u>19,351,571</u> | <u>917,065</u> | <u>942,183</u> | <u>19,716,298</u> | <u>20,293,754</u> |
| Increase (decrease) in net position | (1,379,633) | (181,302) | 95,646 | 61,887 | (1,283,987) | (119,415) |
| Net position - beginning | 108,054,998 | 108,046,353 | 2,050,852 | 1,988,965 | 110,105,850 | 110,035,318 |
| Prior period adjustment | (2,218,858) | 189,947 | (141,629) | - | (2,360,487) | 189,947 |
| Net position - ending | <u>104,456,507</u> | <u>108,054,998</u> | <u>2,004,869</u> | <u>2,050,852</u> | <u>106,461,376</u> | <u>110,105,850</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.

As of December 31, 2015, 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 \$39,082,379. This combined balance represents a decrease of \$1,521,302 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 \$912,302 to \$9,058,879 during the fiscal year ending December 31, 2015.

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, the EMS fund realized a net loss of \$171,837 and the Landfill fund realized a net gain of \$267,483. Most 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:

- \$111,075 decrease in general government.
- \$99,500 decrease in public safety.
- \$19,300 decrease in public health and welfare.
- \$40,000 decrease in highways and public improvements.
- \$80,000 increase in parks and recreation.
- \$56,000 increase in community and economic development.

The adjustments shown above total to a \$134,475 decrease in total budget appropriations.

Capital Assets and Debt Administration

San Juan County's investment in capital assets for its governmental and business type activities as of December 31, 2015 amounts to \$69,155,845 (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 decrease in San Juan County's capital assets (net of depreciation) for the current year was \$231,581.

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

| | Government Activities | | Business-type Activities | | Total | |
|----------------------------|-----------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Land | \$ 923,321 | \$ 923,321 | \$ 25,000 | \$ 25,000 | \$ 948,321 | \$ 948,321 |
| Buildings and improvements | 5,480,357 | 5,545,905 | 252,997 | 257,098 | 5,733,354 | 5,803,003 |
| Autos and trucks | 1,543,265 | 1,501,129 | 417,303 | 478,192 | 1,960,568 | 1,979,321 |
| Equipment | 5,286,171 | 5,518,012 | 308,818 | 348,492 | 5,594,989 | 5,866,504 |
| Infrastructure | 55,565,275 | 55,565,275 | - | - | 55,565,275 | 55,565,275 |
| Total | <u>\$ 68,798,389</u> | <u>\$ 69,053,642</u> | <u>\$ 1,004,118</u> | <u>\$ 1,108,782</u> | <u>\$ 69,802,507</u> | <u>\$ 70,162,424</u> |

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

- Auto and truck acquisitions of \$203,979.
- Heavy equipment acquisitions of \$207,333.
- Light equipment acquisitions of \$50,267.
- Used autos, trucks, equipment, and buildings with a book value of \$86,925 were disposed of during the year.

The County has elected to use the modified approach to account for its infrastructure assets, such as roads and bridges. Information regarding infrastructure assets 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, 2015 was \$2,123,613. This amount includes revenue bonds, capital leases, compensated absences, and the closure & post closure liability and represents a decrease of \$55,459 over the previous year. The amount due on revenue bonds and capital leases decreased by \$128,000 during the year. The liability for accrued compensated absences increased by \$58,732. The liability for closure & post closure increased by \$13,809

San Juan County's Outstanding Debt

| | Government Activities | | Business-Type Activities | | Total | |
|----------------------|-----------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Revenue Bonds | \$ 349,000 | \$ 426,000 | \$ 298,000 | \$ 349,000 | \$ 647,000 | \$ 775,000 |
| Compensated Absences | 1,285,739 | 1,209,497 | 50,651 | 68,161 | 1,336,390 | 1,277,658 |
| Total | <u>\$ 1,634,739</u> | <u>\$ 1,635,497</u> | <u>\$ 348,651</u> | <u>\$ 417,161</u> | <u>\$ 1,983,390</u> | <u>\$ 2,052,658</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 taxable value of property, on which the tax rate is applied, in San Juan County, decreased 18 percent from a total of \$946,422,455, in 2014 to a total of \$775,169,264 in 2015, a decrease of \$171,253,181. State assessed properties decreased \$176,234,895 primarily due to the lower price of oil.

San Juan County's property tax rate of .003771 was the same in 2014 and 2015.

All of these factors were considered in preparing San Juan County's budget for the 2016 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, P. O. Box 338, Monticello, Utah, 84535.

BASIC FINANCIAL STATEMENTS

San Juan County
Statement of Net Position
December 31, 2015

| | Primary Government | | | Component Units |
|--|------------------------------------|-------------------------------------|------------------------------|-----------------------------|
| | Governmental Activities | Business-type Activities | Totals | |
| ASSETS AND DEFERRED OUTFLOWS | | | | |
| OF RESOURCES: | | | | |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 5,155,519 | \$ 768,133 | \$ 5,923,652 | \$ 7,914,742 |
| Investment, at cost | - | - | - | 1,575 |
| Restricted cash and cash equivalents | 31,954,176 | 733,413 | 32,687,589 | 390,897 |
| Receivables (net of allowance for doubtful accounts) | | | | |
| Trade accounts | 151,349 | 241,818 | 393,167 | 2,341,643 |
| Other governmental units | 1,446,699 | - | 1,446,699 | 422,422 |
| Internal balances | 83,311 | (83,311) | - | - |
| Prepaid expenses | - | - | - | 109,094 |
| Inventory | 1,154,652 | - | 1,154,652 | 216,546 |
| Capital Assets Not Being Depreciated: | | | | |
| Land | 923,321 | 25,000 | 948,321 | 68,145 |
| Infrastructure | 55,565,275 | - | 55,565,275 | - |
| Capital Assets (Net of Accumulated Depreciation): | | | | |
| Buildings and improvements | 5,480,357 | 252,997 | 5,733,354 | 4,032,296 |
| Autos and trucks | 1,543,265 | - | 1,543,265 | - |
| Heavy equipment | 4,336,624 | - | 4,336,624 | - |
| Light equipment | 949,547 | 726,122 | 1,675,669 | 1,942,152 |
| Net pension asset | 5,277 | 337 | 5,614 | 776 |
| Total Assets | <u>108,749,372</u> | <u>2,664,509</u> | <u>111,413,881</u> | <u>17,440,288</u> |
| Deferred outflows of resources - pensions | 1,109,502 | 70,819 | 1,180,321 | 140,484 |
| Total assets and deferred outflows of resources | <u><u>109,858,874</u></u> | <u><u>2,735,328</u></u> | <u><u>112,594,202</u></u> | <u><u>17,580,772</u></u> |
| LIABILITIES AND DEFERRED INFLOWS | | | | |
| OF RESOURCES: | | | | |
| LIABILITIES: | | | | |
| Accounts payable | 582,931 | 5,654 | 588,585 | 143,647 |
| Accrued liabilities | 280,396 | 15,261 | 295,657 | 1,221,418 |
| Accrued interest | - | - | - | 19,373 |
| Compensated absences | 1,252,567 | 50,651 | 1,303,218 | 440,358 |
| Closure and post closure costs payable | - | 173,395 | 173,395 | - |
| Noncurrent Liabilities: | | | | |
| Due within one year | 99,000 | 27,000 | 126,000 | 335,690 |
| Due in more than one year | 250,000 | 271,000 | 521,000 | 4,291,769 |
| Net pension liability | 2,525,307 | 161,190 | 2,686,497 | 297,355 |
| Total Liabilities | <u>4,990,201</u> | <u>704,151</u> | <u>5,694,352</u> | <u>6,749,610</u> |
| Deferred inflows of resources - pensions | 412,166 | 26,308 | 438,474 | 40,939 |
| Total liabilities and deferred inflows of resources | <u><u>5,402,367</u></u> | <u><u>730,459</u></u> | <u><u>6,132,826</u></u> | <u><u>6,790,549</u></u> |
| NET POSITION | | | | |
| Net investment in capital assets | 68,449,389 | 706,456 | 69,155,845 | 3,856,134 |
| Restricted for: | | | | |
| Inventory and prepaids | 1,154,652 | - | 1,154,652 | 325,640 |
| Roads | 20,096,362 | - | 20,096,362 | - |
| Capital outlay | 2,965,148 | - | 2,965,148 | 48,538 |
| Landfill closure costs | - | 728,270 | 728,270 | - |
| Emergency | 8,892,666 | 5,143 | 8,897,809 | - |
| Debt service | - | - | - | 28,606 |
| Medicaid | - | - | - | 829,021 |
| Other purposes | - | - | - | 107,947 |
| Unrestricted | 2,898,290 | 565,000 | 3,463,290 | 5,594,337 |
| Total net position | <u><u>\$ 104,456,507</u></u> | <u><u>\$ 2,004,869</u></u> | <u><u>\$ 106,461,376</u></u> | <u><u>\$ 10,790,223</u></u> |

San Juan County
Statement of Activities

For the Year Ended December 31, 2015

| Function/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | | Component Units | |
|---|----------------------|----------------------|------------------------------------|---|--------------------------|---------------------|-----------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | Governmental Activities | Business-type Activities | Total | | |
| Primary Government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 4,462,587 | \$ 614,332 | \$ - | \$ - | \$ (3,848,255) | \$ - | \$ (3,848,255) | \$ - |
| Public safety | 4,299,201 | 1,771,498 | 230,951 | 204,119 | (2,092,633) | - | (2,092,633) | - |
| Public health | 1,608,009 | - | 457,473 | - | (1,150,536) | - | (1,150,536) | - |
| Highways and public improvements | 6,378,536 | 100,000 | 5,701,825 | - | (576,711) | - | (576,711) | - |
| Parks, recreation, and public property | 903,684 | 33,879 | - | 15,345 | (854,460) | - | (854,460) | - |
| Community and economic development | 1,147,216 | 6,426 | 278,730 | 59,152 | (802,908) | - | (802,908) | - |
| Total Governmental Activities | <u>18,799,233</u> | <u>2,526,135</u> | <u>6,668,979</u> | <u>278,616</u> | <u>(9,325,503)</u> | <u>-</u> | <u>(9,325,503)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Emergency medical services | 556,138 | 384,248 | - | - | - | (171,890) | (171,890) | - |
| Landfill | 360,927 | 637,923 | - | - | - | 276,996 | 276,996 | - |
| Total Business-type Activities | <u>917,065</u> | <u>1,022,171</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>105,106</u> | <u>105,106</u> | <u>-</u> |
| Total Primary Government | <u>\$ 19,716,298</u> | <u>\$ 3,548,306</u> | <u>\$ 6,668,979</u> | <u>\$ 278,616</u> | <u>(9,325,503)</u> | <u>105,106</u> | <u>(9,220,397)</u> | <u>-</u> |
| Component Units: | | | | | | | | |
| Transportation Special Service District | \$ 6,081,176 | \$ - | \$ 414,852 | \$ 3,192,459 | | | | (2,473,865) |
| San Juan Health Care Service District | 12,780,074 | 10,542,677 | 1,957,544 | - | | | | (279,853) |
| San Juan Mental Health/Substance Abuse Special Service District | 2,381,707 | 1,673,350 | 842,860 | - | | | | 134,503 |
| Total Component Units | <u>\$ 21,242,957</u> | <u>\$ 12,216,027</u> | <u>\$ 3,215,256</u> | <u>\$ 3,192,459</u> | | | | <u>(2,619,215)</u> |
| General Revenues: | | | | | | | | |
| Taxes | | | | | 5,552,936 | - | 5,552,936 | - |
| Earnings on investments | | | | | 244,912 | 7,765 | 252,677 | 46,810 |
| Miscellaneous | | | | | 161,424 | - | 161,424 | 600,419 |
| Payment in lieu of tax | | | | | 1,740,559 | - | 1,740,559 | - |
| Gain (loss) on sale of assets | | | | | (36,625) | (17,225) | (53,850) | - |
| Other shared taxes | | | | | 282,664 | - | 282,664 | - |
| Total General Revenues | | | | | <u>7,945,870</u> | <u>(9,460)</u> | <u>7,936,410</u> | <u>647,229</u> |
| Change in Net Position | | | | | (1,379,633) | 95,646 | (1,283,987) | (1,971,986) |
| Net Position - Beginning | | | | | 108,054,998 | 2,050,852 | 110,105,850 | 13,013,723 |
| Prior Period Adjustment | | | | | (2,218,858) | (141,629) | (2,360,487) | (251,514) |
| Net Position - Ending | | | | | <u>\$ 104,456,507</u> | <u>\$ 2,004,869</u> | <u>\$ 106,461,376</u> | <u>\$ 10,790,223</u> |

San Juan County
Balance Sheet – Governmental Funds
December 31, 2015

| | 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 | \$ 8,804,577 | \$ 15,935,924 | \$ 7,614,504 | \$ 581,756 | \$ 3,469,945 | \$ 702,989 | \$ 37,109,695 |
| Accounts receivable | 117,063 | 782 | - | - | - | 33,504 | 151,349 |
| Other governmental unit receivables | 726,959 | 719,740 | - | - | - | - | 1,446,699 |
| Due from other funds | 9,489 | 164,001 | - | 21 | 27 | 24,277 | 197,815 |
| Inventory | - | 1,154,652 | - | - | - | - | 1,154,652 |
| Total Assets | <u>\$ 9,658,088</u> | <u>\$ 17,975,099</u> | <u>\$ 7,614,504</u> | <u>\$ 581,777</u> | <u>\$ 3,469,972</u> | <u>\$ 760,770</u> | <u>\$ 40,060,210</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 399,410 | \$ 129,675 | \$ - | \$ 38,756 | \$ - | \$ 15,090 | \$ 582,931 |
| Accrued liabilities | 199,799 | 64,382 | - | - | - | 16,215 | 280,396 |
| Due to other funds | - | - | 114,504 | - | - | - | 114,504 |
| Total Liabilities | <u>599,209</u> | <u>194,057</u> | <u>114,504</u> | <u>38,756</u> | <u>-</u> | <u>31,305</u> | <u>\$ 977,831</u> |
| Fund balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventory and prepaids | - | 1,154,652 | - | - | - | - | \$ 1,154,652 |
| Restricted For: | | | | | | | |
| Road | - | 16,626,390 | - | - | 3,469,972 | - | 20,096,362 |
| Capital outlay | 2,422,127 | - | - | 543,021 | - | - | 2,965,148 |
| Emergency | 1,392,666 | - | 7,500,000 | - | - | - | 8,892,666 |
| Assigned | - | - | - | - | - | 729,465 | 729,465 |
| Unassigned | 5,244,086 | - | - | - | - | - | 5,244,086 |
| Total fund equity | <u>9,058,879</u> | <u>17,781,042</u> | <u>7,500,000</u> | <u>543,021</u> | <u>3,469,972</u> | <u>729,465</u> | <u>39,082,379</u> |
| Total liabilities and fund equity | <u>\$ 9,658,088</u> | <u>\$ 17,975,099</u> | <u>\$ 7,614,504</u> | <u>\$ 581,777</u> | <u>\$ 3,469,972</u> | <u>\$ 760,770</u> | <u>\$ 40,060,210</u> |

San Juan County
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2015

| | |
|--|------------------------------|
| Total fund balances - governmental fund types: | <u>\$ 39,082,379</u> |
| Amount reported in the governmental activities on the statement of net position are different because: | |
| Capital Assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds. | 68,798,389 |
| Net pension assets and liabilities are not financial resources and, therefore, are not reported in the funds. | (2,520,030) |
| Deferred outflows and inflows of resources, are an addition or consumption of net position that applies to future periods, is not shown in the fund statements. | 697,336 |
| Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds. | <u>(1,601,567)</u> |
| Net position of governmental activities | <u><u>\$ 104,456,507</u></u> |

San Juan County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

| | 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 | \$ 4,909,948 | \$ - | \$ - | \$ - | \$ - | \$ 642,988 | \$ 5,552,936 |
| Licenses and permits | 30,010 | - | - | - | - | - | 30,010 |
| Intergovernmental revenues | 3,078,304 | 5,701,825 | - | - | - | 8,025 | 8,788,154 |
| Charges for services | 1,488,568 | 468,905 | - | - | - | 6,426 | 1,963,899 |
| Fines and forfeitures | 432,227 | - | - | - | - | - | 432,227 |
| Investment income | 55,376 | 54,978 | 94,438 | 9,541 | 24,323 | 6,256 | 244,912 |
| Miscellaneous | 282,663 | 10,678 | - | - | - | 150,746 | 444,087 |
| Total Revenues | <u>10,277,096</u> | <u>6,236,386</u> | <u>94,438</u> | <u>9,541</u> | <u>24,323</u> | <u>814,441</u> | <u>17,456,225</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 4,053,357 | - | - | - | - | 218,923 | 4,272,280 |
| Public safety | 4,210,015 | - | - | - | - | - | 4,210,015 |
| Public health | 1,023,989 | - | - | - | - | 599,290 | 1,623,279 |
| Highways and public improvements | 56,839 | 5,389,555 | - | 17,215 | 72,055 | - | 5,535,664 |
| Parks, recreation, and public property | 334,918 | - | - | - | - | 538,588 | 873,506 |
| Community and economic development | 1,224,216 | - | - | - | - | - | 1,224,216 |
| Capital outlay | - | 338,300 | - | 163,521 | 506,244 | - | 1,008,065 |
| Total Expenditures | <u>10,903,334</u> | <u>5,727,855</u> | <u>-</u> | <u>180,736</u> | <u>578,299</u> | <u>1,356,801</u> | <u>18,747,025</u> |
| Excess Revenues Over (Under) Expenditures | <u>(626,238)</u> | <u>508,531</u> | <u>94,438</u> | <u>(171,195)</u> | <u>(553,976)</u> | <u>(542,360)</u> | <u>(1,290,800)</u> |
| Other financing sources (uses) | | | | | | | |
| Contributions | (230,502) | - | - | - | - | - | (230,502) |
| Transfers in | 94,438 | - | - | - | - | 150,000 | 244,438 |
| Transfers out | (150,000) | - | (94,438) | - | - | - | (244,438) |
| Total Other Financing Sources and Uses | <u>(286,064)</u> | <u>-</u> | <u>(94,438)</u> | <u>-</u> | <u>-</u> | <u>150,000</u> | <u>(230,502)</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>(912,302)</u> | <u>508,531</u> | <u>-</u> | <u>(171,195)</u> | <u>(553,976)</u> | <u>(392,360)</u> | <u>(1,521,302)</u> |
| Fund Balances - Beginning | 9,971,181 | 17,272,511 | 7,500,000 | 714,216 | 4,023,948 | 1,121,825 | 40,603,681 |
| Fund Balances - Ending | <u>\$ 9,058,879</u> | <u>\$ 17,781,042</u> | <u>\$ 7,500,000</u> | <u>\$ 543,021</u> | <u>\$ 3,469,972</u> | <u>\$ 729,465</u> | <u>\$ 39,082,379</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, 2015

| | |
|---|------------------------------|
| Net changes in fund balances - total governmental funds | <u>\$ (1,521,302)</u> |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| 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 expense in the current period. | (218,628) |
| 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 | (36,625) |
| In the statement of activities, certain operating expenses, such as compensated absences, are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. | (76,242) |
| The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements. | 396,164 |
| Repayment of bond principal is reported as an expenditure in governmental funds and, thus has the effect of reducing fund balance because current financial resources have been used. In the government-wide statements bond payment reduce the long-term debt on the statement of net position and does not effect the statement of activities. | <u>77,000</u> |
| Change in net position of governmental activities | <u><u>\$ (1,379,633)</u></u> |

San Juan County
Statement of Net Position – Proprietary Funds
December 31, 2015

| | Business-Type Activities - Enterprise Funds | | |
|---|---|----------------------------|----------------------------|
| | EMS | Landfill | Total |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 3,802 | \$ 764,331 | \$ 768,133 |
| Accounts receivable | 486,862 | 60,580 | 547,442 |
| Allowance for doubtful accounts | (305,624) | - | (305,624) |
| Due from other funds | - | 104,174 | 104,174 |
| Restricted cash and cash equivalents | 5,143 | 728,270 | 733,413 |
| Total Current Assets | <u>190,183</u> | <u>1,657,355</u> | <u>1,847,538</u> |
| Non-Current Assets | | | |
| Land | 25,000 | - | 25,000 |
| Buildings, net | 212,992 | 40,005 | 252,997 |
| Machinery & Equipment, net | 432,835 | 293,287 | 726,122 |
| Net pension asset | 225 | 112 | 337 |
| Total Noncurrent Assets | <u>671,052</u> | <u>333,404</u> | <u>1,004,456</u> |
| Total Assets | <u>861,235</u> | <u>1,990,759</u> | <u>2,851,994</u> |
| Deferred outflows or resources - pensions | 47,213 | 23,606 | 70,819 |
| Total assets and deferred outflows of resources: | <u><u>908,448</u></u> | <u><u>2,014,365</u></u> | <u><u>2,922,813</u></u> |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES: | | | |
| Current Liabilities: | | | |
| Accounts payable | 4,361 | 1,293 | 5,654 |
| Accrued liabilities | 7,631 | 7,630 | 15,261 |
| Due to other funds | 187,485 | - | 187,485 |
| Accrued compensated absences | 41,249 | 9,402 | 50,651 |
| Current portion of long-term debt | - | 27,000 | 27,000 |
| Total Current Liabilities | <u>240,726</u> | <u>45,325</u> | <u>286,051</u> |
| Noncurrent Liabilities: | | | |
| Closure and post closure costs | - | 173,395 | 173,395 |
| Bonds payable | - | 271,000 | 271,000 |
| Net pension liability | 107,460 | 53,730 | 161,190 |
| Total Noncurrent Liabilities | <u>107,460.00</u> | <u>498,125</u> | <u>605,585</u> |
| Total Liabilities | <u>348,186</u> | <u>543,450</u> | <u>891,636</u> |
| Deferred inflows or resources - pensions | 17,539 | 8,769 | 26,308 |
| Total liabilities and deferred inflows of resources: | <u><u>365,725</u></u> | <u><u>552,219</u></u> | <u><u>917,944</u></u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 671,052 | 35,404 | 706,456 |
| Retained Earnings: | | | |
| Restricted for: | | | |
| Landfill closure costs | - | 728,270 | 728,270 |
| Emergency medical service | 5,143 | - | 5,143 |
| Unreserved | (133,472) | 698,472 | 565,000 |
| Total Net Position | <u><u>\$ 542,723</u></u> | <u><u>\$ 1,462,146</u></u> | <u><u>\$ 2,004,869</u></u> |

San Juan County
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2015

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|--|--|---------------------|---------------------|
| | <u>EMS</u> | <u>Landfill</u> | <u>Total</u> |
| Operating Revenues: | | | |
| Charges for sales and services | \$ 384,248 | \$ 637,923 | \$ 1,022,171 |
| Total Operating Revenues | <u>384,248</u> | <u>637,923</u> | <u>1,022,171</u> |
| Operating Expenses: | | | |
| Salaries and benefits | 330,592 | 221,375 | 551,967 |
| Purchased services | 75,037 | 5,282 | 80,319 |
| General and administrative | 25,436 | 23,545 | 48,981 |
| Materials and Supplies | 61,068 | 70,465 | 131,533 |
| Depreciation | 64,005 | 23,435 | 87,440 |
| Total operating expenses | <u>556,138</u> | <u>344,102</u> | <u>900,240</u> |
| Operating Income | <u>(171,890)</u> | <u>293,821</u> | <u>121,931</u> |
| Nonoperating Revenues (Expenses): | | | |
| Interest revenue | 53 | 7,712 | 7,765 |
| Interest expense | - | (16,825) | (16,825) |
| Gain (Loss) on sale of assets | - | (17,225) | (17,225) |
| Total Nonoperating Revenues (Expenses) | <u>53</u> | <u>(26,338)</u> | <u>(26,285)</u> |
| Net Income (Loss) | <u>(171,837)</u> | <u>267,483</u> | <u>95,646</u> |
| Change in net position | (171,837) | 267,483 | 95,646 |
| Total net position - beginning | 808,979 | 1,241,873 | 2,050,852 |
| Prior period adjustment | (94,419) | (47,210) | (141,629) |
| Total net position - ending | <u>\$ 542,723</u> | <u>\$ 1,462,146</u> | <u>\$ 2,004,869</u> |

San Juan County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|--|--|---------------------|---------------------|
| | <u>EMS</u> | <u>Landfill</u> | <u>Total</u> |
| Cash Flows From Operating Activities | | | |
| Receipts from customers and users | \$ 385,747 | \$ 578,313 | \$ 964,060 |
| Payments to suppliers | (154,890) | (82,974) | (237,864) |
| Payments to employees | (345,288) | (249,476) | (594,764) |
| Net cash provided (used) by operating activities | <u>(114,431)</u> | <u>245,863</u> | <u>131,432</u> |
| Cash Flows From Capital and Related Financing Activities | | | |
| Change in due to/due from other funds | 114,432 | (74,203) | 40,229 |
| Principal paid on capital debt | - | (51,000) | (51,000) |
| Interest paid on capital debt | - | (16,825) | (16,825) |
| Net cash provided (used) by capital and related financing activities | <u>114,432</u> | <u>(142,028)</u> | <u>(27,596)</u> |
| Cash Flows From Investing Activities | | | |
| Interest and dividends received | 53 | 7,712 | 7,765 |
| Net cash provided (used) by investing activities | <u>53</u> | <u>7,712</u> | <u>7,765</u> |
| Net increase (decrease) in cash and cash equivalents | 54 | 111,547 | 111,601 |
| Cash and cash equivalents, July 1 | 8,891 | 1,381,054 | 1,389,945 |
| Cash and cash equivalents, June 30 | <u>\$ 8,945</u> | <u>\$ 1,492,601</u> | <u>\$ 1,501,546</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income | \$ (171,890) | \$ 293,821 | \$ 121,931 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 64,005 | 23,435 | 87,440 |
| Change in pension obligations | (16,858) | (8,429) | (25,287) |
| (Increase) decrease in accounts receivable | 1,499 | (59,610) | (58,111) |
| Increase (decrease) in accrued liabilities | 8,813 | (3,354) | 5,459 |
| Total adjustments | <u>57,459</u> | <u>(47,958)</u> | <u>9,501</u> |
| Net cash provided (used) by operating activities | <u>\$ (114,431)</u> | <u>\$ 245,863</u> | <u>\$ 131,432</u> |

San Juan County
Combining Statement of Net Position
Discretely Presented Component Units
December 31, 2015

| | San Juan County Transportation Special Service District | San Juan Health Services District | San Juan Mental Health/ Substance Abuse Special Service Dist. | Total |
|--|--|---|---|----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| ASSETS: | | | | |
| Cash and investments | | | | |
| Unrestricted | \$ 3,749,323 | \$ 2,540,114 | \$ 1,625,305 | \$ 7,914,742 |
| Restricted | 154,711 | 207,580 | 28,606 | 390,897 |
| Investment, at cost | - | - | 1,575 | 1,575 |
| Accounts receivable | 42,731 | 3,397,069 | 44,043 | 3,483,843 |
| Less allowance for doubtful accounts | - | (1,113,385) | (28,815) | (1,142,200) |
| Due from other governments | - | 267,378 | 155,044 | 422,422 |
| Inventory | - | 216,546 | - | 216,546 |
| Prepaid expenses | 1,228 | 89,046 | 18,820 | 109,094 |
| Capital assets | | | | |
| Land | - | 2,645 | 65,500 | 68,145 |
| Buildings, net | - | 3,652,546 | 208,230 | 3,860,776 |
| Improvements, net | - | 166,716 | 4,804 | 171,520 |
| Equipment, net | - | 1,832,618 | 109,534 | 1,942,152 |
| Net Pension Asset | - | - | 776 | 776 |
| Total Assets | <u>3,947,993</u> | <u>11,258,873</u> | <u>2,233,422</u> | <u>17,440,288</u> |
| Deferred outflows of resources - pensions | - | - | 140,484 | 140,484 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 3,947,993</u> | <u>\$ 11,258,873</u> | <u>\$ 2,373,906</u> | <u>\$ 17,580,772</u> |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ - | \$ 117,281 | \$ 26,366 | \$ 143,647 |
| Accrued liabilities | 143,249 | 962,955 | 115,214 | 1,221,418 |
| Accrued interest payable | 4,935 | 13,534 | 904 | 19,373 |
| Compensated absences | - | 344,103 | 96,255 | 440,358 |
| Noncurrent liabilities | | | | |
| Due within one year | | | | |
| Bonds payable | 159,000 | 164,690 | 12,000 | 335,690 |
| Due in more than one year | | | | |
| Bonds payable | 2,282,000 | 1,973,769 | 36,000 | 4,291,769 |
| Net Pension Liability | - | - | 297,355 | 297,355 |
| Total Liabilities | <u>2,589,184</u> | <u>3,576,332</u> | <u>584,094</u> | <u>6,749,610</u> |
| Deferred inflows of resources - pensions | - | - | 40,939 | 40,939 |
| Total Liabilities and Deferred Inflows of Resources | <u>2,589,184</u> | <u>3,576,332</u> | <u>625,033</u> | <u>6,790,549</u> |
| NET POSITION | | | | |
| Net investment in capital assets | - | 3,516,066 | 340,068 | 3,856,134 |
| Restricted for debt service | - | - | 28,606 | 28,606 |
| Restricted for capital outlay | - | - | 48,538 | 48,538 |
| Reserved for medicaid | - | 207,580 | 621,441 | 829,021 |
| Restricted for other purposes | 11,692 | - | 96,255 | 107,947 |
| Unrestricted/Unassigned | 1,347,117 | 3,958,895 | 613,965 | 5,919,977 |
| Total Net Position | <u>\$ 1,358,809</u> | <u>\$ 7,682,541</u> | <u>\$ 1,748,873</u> | <u>\$ 10,790,223</u> |

San Juan County
Combining Statement of Activities
Discretely Presented Component Units
For the Year Ended December 31, 2015

| Function/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Component Units: | | | | | |
| Transportation Special Service District | \$ 6,081,176 | \$ - | \$ 414,852 | \$ 3,192,459 | \$ (2,473,865) |
| San Juan Health Care Service District | 12,780,074 | 10,542,677 | 1,957,544 | - | (279,853) |
| San Juan Mental Health/Substance Abuse Special Service District | 2,381,707 | 1,673,350 | 842,860 | - | 134,503 |
| Total Component Units | <u>\$ 21,242,957</u> | <u>\$ 12,216,027</u> | <u>\$ 3,215,256</u> | <u>\$ 3,192,459</u> | <u>(2,619,215)</u> |
| | | | General Revenues: | | |
| | | | Earnings on investments | | 46,810 |
| | | | Miscellaneous | | 600,419 |
| | | | Total General Revenues | | <u>647,229</u> |
| | | | Change in Net Position | | <u>(1,971,986)</u> |
| | | | Net Position - Beginning | | <u>13,013,723</u> |
| | | | Prior Period Adjustment | | <u>(251,514)</u> |
| | | | Net Position - Ending | | <u>\$ 10,790,223</u> |

San Juan County
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

| | <u>Treasurer's Tax Collection Agency Trust Fund</u> |
|----------------------|---|
| ASSETS | |
| Cash and investments | \$ 5,550,767 |
| Total Assets | <u>\$ 5,550,767</u> |
| LIABILITIES | |
| Due to taxing units | \$ 5,550,767 |
| Total Liabilities | <u>\$ 5,550,767</u> |

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. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. During 2015, the County adopted and implemented GASB 68 – Accounting and Financial Reporting for Pensions and GASB 72 – Fair Value Measurement and Application.

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 held 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.

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 June 15, 2016 has been previously issued under a 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 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 June 27, 2016 has been previously issued under separate cover. A copy of the report

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 21, 2016 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.

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 Position 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.

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 is 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.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

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 Position 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.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

-
- 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 position (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 position.
 - 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 Position 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 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 Position, “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.

The County categorizes the fair value measurements of its investments based on the hierarchy established by general accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The County does not have any investments that are measured using Level 2 or 3 inputs. 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 emergency services and landfill charges 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

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

revenues earned at year-end and not yet received. Emergency services and landfill accounts receivable and interest earnings compose the majority of proprietary fund receivables.

Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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 Position. 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.

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.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

Equity Classifications

Government-wide Statements

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

- a. Net investment in capital assets—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 position—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 position—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned, or Unassigned. Proprietary funds report fund balance using the same method as the Government-wide Statements. See Note 3.I. for additional disclosures.

- a. Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- b. Restricted fund balance classification includes those funds restricted by enabling legislation. Also reported if (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through provisions or enabling legislation.
- c. Committed fund balance classification includes those funds that can only be used for specific purposes pursuant to constraints imposed by resolution of the County Commission.
- d. Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the General Fund, that are intended to be used for specific purposes.
- e. Unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 (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 charge 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.

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.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 reallocations 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.

1.F. PENSIONS

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources, deferred inflows of resources, and pension/benefit expense related to pensions, information about the fiduciary net position of the Utah Retirement System Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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'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 either cash or investments 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.

San Juan County
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2015

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

The Utah Public Treasurers’ Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. UPTIF is not registered with the SEC as an investment company. The UPTIF is authorized and regulated by the Utah Money Management Act. The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the UPTIF and details the types of investments that are authorized. UPTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the UPTIF are allocated to participants on the ratio of the participant’s average daily balance. The fair value of the UPTIF investment pool is approximately equal to the value of pool shares.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

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 |
| Grants | Grant Program Expenditures |
| B Road Funds | Eligible B Roads |

For the year ended December 31, 2015, 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.

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 1995, bears interest at a rate of 2.5% and is payable over 30 years. The balance of this note as of December 31, 2015 was \$298,000.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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:

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

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

Restricted for Capital Outlay--An account used to restrict funds for specific future capital projects.

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

Restricted for Emergency --An account used to set aside funds for emergency medical services in the proprietary funds, and for health and trust accounts in the governmental funds.

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.

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. All departments and funds were within budgeted limits in the General Fund.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 – Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. The County does not have a policy for custodial credit risk. As of December 31, 2015, The County’s custodial credit risks for deposits were as follows:

| | Custodial Credit Risk | Bank Balance December 31, 2015 | |
|---------------------------|--------------------------------|-----------------------------------|---------------------|
| | | Primary | Component |
| | | Government | Unit |
| Depository Accounts | Insured | \$ 372,654 | \$ 793,202 |
| | Uninsured and uncollateralized | 6,827,210 | 358,405 |
| Total Depository Accounts | | <u>\$ 7,199,864</u> | <u>\$ 1,151,607</u> |

Investments

As of December 31, 2015 the government had the following investments and maturities:

| | Fair Value | Investment Maturity in Years | | | |
|---------------------------------------|----------------------|------------------------------|-------------|-------------|-----------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| Primary Government: | | | | | |
| Investments in Public | | | | | |
| Treasurers' Investment | \$ 25,057,341 | \$ 25,057,341 | \$ - | \$ - | \$ - |
| Zion's Wealth | 12,864,679 | 12,864,679 | - | - | - |
| Total Fair Value - Primary Government | <u>\$ 37,922,020</u> | <u>\$ 37,922,020</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Component Unit: | | | | | |
| Investments in Public | | | | | |
| Treasurers' Investment | \$ 5,528,150 | \$ 5,528,150 | \$ - | \$ - | \$ - |
| Other | 2,238,734 | 2,237,159.00 | - | - | 1,575 |
| Total Fair Value - Component Unit | <u>\$ 7,766,884</u> | <u>\$ 7,765,309</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,575</u> |

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit Risk – The County follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. County funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the County to invest in the Utah Public Treasurers’ Investment Fund (UPTIF), trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The County considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The County has no investment policy that would further limit its investment choices. The UPTIF is unrated.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at December 31, 2015:

| Investments | Fair Value | Level 1 Inputs |
|------------------------------|----------------------|-----------------------|
| Primary Government | | |
| Debt Securities | | |
| U.S. Treasuries | \$ 250,026 | \$ 250,026 |
| Corporate bonds | 3,554,349 | 3,554,349 |
| Utah Public Treasurer's Fund | 26,194,053 | 26,194,053 |
| Mortgage-backed securities | | - |
| Residential: | 7,923,592 | 7,923,592 |
| Total Debt Securities: | <u>\$ 37,922,020</u> | <u>\$ 37,922,020</u> |
| Component Units | | |
| Debt Securities | | |
| Utah Public Treasurer's Fund | \$ 5,528,150 | \$ 5,528,150 |
| Other | 2,238,734 | 2,238,734 |
| Total Debt Securities: | <u>7,766,884</u> | <u>7,766,884</u> |

The deposits and investments described above are included on the Statement of Net Assets as per the following reconciliation:

| | | |
|--|-------|----------------------|
| Reconciliation to Government-wide Statement of Net Assets: | | |
| Deposits | | \$ 6,238,870 |
| Investments | | 37,922,020 |
| Cash on hand | | 1,118 |
| | Total | <u>\$ 44,162,008</u> |
| Government - Wide | | |
| Cash and Cash Equivalents | | \$ 5,923,652 |
| Restricted Cash and Cash Equivalents | | 32,687,589 |
| Fiduciary Restricted Cash | | 5,550,767 |
| | Total | <u>\$ 44,162,008</u> |

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are for roads and capital outlay in governmental funds and closure and post closure costs of the landfill, and emergency medical services in proprietary funds.

The restricted assets as of December 31, 2015, are as follows:

| <u>Type of Restricted Asset</u> | <u>Cash - Including</u> | <u>Investments</u> | <u>Accrued Interest</u> | <u>Total</u> |
|---------------------------------|-------------------------|--------------------|-------------------------|----------------------|
| | <u>Time Deposits</u> | | | |
| Governmental | | | | |
| Roads and Capital Outlay | \$ 23,061,510 | \$ - | \$ - | \$ 23,061,510 |
| Emergency | 8,892,666 | - | - | 8,892,666 |
| Proprietary | | | | |
| Landfill Closure Costs | 728,270 | - | - | 728,270 |
| Emergency Medical Services | 5,143 | - | - | 5,143 |
| Total | <u>\$ 32,687,589</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 32,687,589</u> |

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 2009, the County is assisting the San Juan School District in paying for expenditures related to recreational improvements at local facilities. The improvements were approved and based on a federal grant awarded to the school district. The grant requires that the expenditures be submitted for reimbursement of the grant monies. The school district does not have the ability to pay for the expenditures up front and then submit the expenditures to receive the grant proceeds. The County has agreed to pay for the expenditures and the school district in return will pay back the County with the proceeds from the grant. Expenditures paid for by the County to date were \$500,000, which will be repaid by the school district.

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San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

3.E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

| | Beginning Balance | Additions | Disposals/ Ajustments | Ending Balance |
|---|----------------------|---------------------|--------------------------|----------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 923,321 | \$ - | \$ - | \$ 923,321 |
| Infrastructure | 55,565,275 | - | - | 55,565,275 |
| Total Capital Not Being Depreciated | 56,488,596 | - | - | 56,488,596 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 10,130,132 | - | - | 10,130,132 |
| Autos and Trucks | 3,859,830 | 203,979 | (141,012) | 3,922,797 |
| Heavy Equipment | 10,436,620 | 207,333 | (345,246) | 10,298,707 |
| Light Equipment | 2,524,944 | 50,267 | (231,768) | 2,343,443 |
| Total Assets Being Depreciated | 26,951,526 | 461,579 | (718,026) | 26,695,079 |
| Less Accum. Depreciation | | | | |
| Buildings and Improvements | 4,584,227 | 66,080 | (530) | 4,649,777 |
| Autos and Trucks | 2,358,701 | 141,304 | (120,473) | 2,379,532 |
| Heavy Equipment | 5,731,383 | 345,927 | (115,225) | 5,962,085 |
| Light Equipment | 1,712,169 | 126,898 | (445,173) | 1,393,894 |
| Total Accumulated Depreciation | 14,386,480 | 680,209 | (681,401) | 14,385,288 |
| Total Capital Assets Being Depreciated, Net | 12,565,046 | (218,630) | (36,625) | 12,309,791 |
| Governmental Activities capital assets, net | <u>\$ 69,053,642</u> | <u>\$ (218,630)</u> | <u>\$ (36,625)</u> | <u>\$ 68,798,387</u> |
| Business-type activities: | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 25,000 | \$ - | \$ - | \$ 25,000 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 510,493 | - | (14,841) | 495,652 |
| Machinery & Equipment | 2,415,994 | 33,078 | (207,476) | 2,241,596 |
| Total Capital Assets Being Depreciated | 2,951,487 | 33,078 | (222,317) | 2,762,248 |
| Less Accumulated Depreciation | | | | |
| Buildings | 253,395 | - | (10,072) | 243,323 |
| Machinery & Equipment | 1,589,310 | 87,439 | (161,943) | 1,514,806 |
| Total Accumulated Depreciation | 1,842,705 | 87,439 | (172,015) | 1,758,129 |
| Business-type activities capital assets, net | <u>\$ 1,108,782</u> | <u>\$ (54,361)</u> | <u>\$ (50,302)</u> | <u>\$ 1,004,119</u> |

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------------|-------------------|
| General government | \$ 100,933 |
| Public Safety | 188,510 |
| Public Health | 1,588 |
| Highways and Public Improvements | 359,000 |
| Parks and Recreation | 30,178 |
| Total depreciation expense | <u>\$ 680,209</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, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

| | |
|-----------------------------------|---------------------|
| Tax Lease Revenue Bonds 2012: | \$ 234,000 |
| Utah Lease Revenue Bonds 2014: | 115,000 |
| Accrued Compensated Absences: | 1,252,567 |
| Total Governmental Long-Term Debt | <u>\$ 1,601,567</u> |

During 2012 the County issued Tax Lease Revenue bonds in the amount of \$465,000. The bonds were issued at 0% interest and mature October 1, 2018. In 2014 the County issued Utah Lease Revenue bonds in the amount of \$115,000. The bonds were issued at 1.5% interest and mature March 1, 2020.

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, 2015, \$1,800,000 of bonds outstanding is considered defeased.

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San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

| Type of Debt | Balance Jan 1, 2014 | Additions | Deductions | Balance Dec 31, 2014 |
|----------------------------------|------------------------|------------------|--------------------|-------------------------|
| Governmental Activities: | | | | |
| Tax Lease Revenue Bonds | \$ 311,000 | \$ - | \$ (77,000) | \$ 234,000 |
| Utah Lease Revenue Bonds | 115,000 | - | - | 115,000 |
| Accrued Compensated Absences | 1,176,325 | 76,242 | - | 1,252,567 |
| Total General Long-Term Debt | <u>\$ 1,602,325</u> | <u>\$ 76,242</u> | <u>\$ (77,000)</u> | <u>\$ 1,601,567</u> |
| Business-type Activities: | | | | |
| Revenue Bonds - 1995 | \$ 349,000 | \$ - | \$ (51,000) | \$ 298,000 |
| Accrued Compensated Absences | 68,161 | - | (17,510) | 50,651 |
| Total Enterprise Fund Debt | <u>\$ 417,161</u> | <u>\$ -</u> | <u>\$ (68,510)</u> | <u>\$ 348,651</u> |

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, 2015, are as follows:

| Year Ending December 31 | Governmental Activities | | | Business-type Activities | | |
|----------------------------|-------------------------|-----------------|-------------------|--------------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 99,000 | \$ 1,725 | \$ 100,725 | \$ 27,000 | \$ 7,450 | \$ 34,450 |
| 2017 | 100,000 | 1,395 | 101,395 | 27,000 | 6,775 | 33,775 |
| 2018 | 103,000 | 1,050 | 104,050 | 28,000 | 6,100 | 34,100 |
| 2019 | 23,000 | 705 | 23,705 | 29,000 | 5,400 | 34,400 |
| 2020 | 24,000 | 360 | 24,360 | 29,000 | 4,675 | 33,675 |
| 2021-2025 | - | - | - | 158,000 | 12,025 | 170,025 |
| Total | <u>\$ 349,000</u> | <u>\$ 5,235</u> | <u>\$ 354,235</u> | <u>\$ 298,000</u> | <u>\$ 42,425</u> | <u>\$ 340,425</u> |

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

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

| | <u>Transfers in</u> | <u>Transfers out</u> |
|----------------------|---------------------|----------------------|
| General Fund: | \$ 94,438 | \$ (150,000) |
| Tort Liability Care: | 150,000 | - |
| Tax Stability Trust: | - | (94,438) |
| GRAND TOTALS | <u>\$ 244,438</u> | <u>\$ (244,438)</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.

Due to due from other funds:

| <i>Due to / Due from</i> | <u>Due To</u> | <u>Due From</u> |
|--------------------------|---------------------|-------------------|
| General | \$ - | \$ 9,489 |
| B Road | - | 164,001 |
| Health | - | 14 |
| Emergency Med Services | (187,485) | - |
| Capital Projects | - | 21 |
| Road Capital Projects | - | 27 |
| Landfill | - | 104,174 |
| Tort Liability | - | 24,239 |
| Tax Stability Trust | (114,504) | - |
| Library | - | 24 |
| Total: | <u>\$ (301,989)</u> | <u>\$ 301,989</u> |

3.I. FUND EQUITY

Restricted Fund Equity

Class "B" Special Revenue Fund balance is restricted for use on Class "B" roads.

Landfill proprietary fund equity in the amount of \$728,270 is reserved to provide financial assurances for estimated closure and post closure costs of the landfill.

Restricted Fund Equity

| | <u>Governmental Activities</u> | <u>Business-Type Activites</u> | <u>Totals</u> |
|------------------------------------|------------------------------------|------------------------------------|----------------------|
| General Fund: | | | |
| Capital Outlay | \$ 2,422,127 | \$ - | \$ 2,422,127 |
| Health & Welfare | 1,392,666 | - | 1,392,666 |
| Capital Projects Funds: | | | |
| Capital Outlay | 543,021 | - | 543,021 |
| Capital Outlay - Roads | 3,469,972 | - | 3,469,972 |
| Special Revenue Fund: | | | |
| Class "B" Road Funds | 16,626,390 | - | 16,626,390 |
| Permanent Fund: | | | |
| Tax Stability Trust | 7,500,000 | - | 7,500,000 |
| Enterprise Fund: | | | |
| Closure & Post Closure Liabilities | - | 728,270 | 728,270 |
| Emergency Medical Service | - | 5,143 | 5,143 |
| Total Restricted Net Position | <u>\$ 31,954,176</u> | <u>\$ 733,413</u> | <u>\$ 32,687,589</u> |

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 4. OTHER NOTES

4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

This information is for the primary government only. For detailed information on the applicable component units see their issued financial statements.

General Information about the Pension Plan

Plan Description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- **Public Employees Noncontributory Retirement System** (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- **Public Safety Retirement System** (Public Safety System) is a mixed agent and cost sharing, multiple employer retirement system.
- **Tier 2 Public Employees Contributory Retirement System** (Tier 2 Public Employees System); and the **Tier 2 Public Safety and Firefighter Contributory Retirement System** (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website www.urs.gov.

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

| System | Final Average Salary | Years of service required and/or age eligible for benefit | Benefit percent per year of service | COLA** |
|---|----------------------|---|--|--|
| Noncontributory System | Highest 3 years | 30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65 | 2.0% per year all years | Up to 4% |
| Contributory System | Highest 5 years | 30 years any age 20 years age 60* 10 years age 62* 4 years age 65 | 1.25% per year to June 1975 2.00% per year July 1975 to present | Up to 4% |
| Public Safety System | Highest 3 years | 20 years any age 10 years age 60 4 years age 65 | 2.5% per year up to 20 years 2.0% per year over 20 years | Up to 2.5% to 4% depending on the employer |
| Tier 2 Public Employees System | Highest 5 years | 35 years any age 20 years any age 60* 10 years age 62* 4 years age 65 | 1.5% per year all years | Up to 2.5% |
| Tier 2 Public Safety and Firefighter System | Highest 5 years | 25 years any age 20 years any age 60* 10 years age 62* 4 years age 65 | 1.5% per year all years | Up to 2.5% |

* with actuarial reductions

** all post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

| <u>Utah Retirement Systems</u> | Employee Paid | Paid by Employer for Employee | Employer Contribution Rates |
|---|------------------|-------------------------------------|-----------------------------------|
| Contributory System | | | |
| 11-Local Governmental Division Tier 1 | N/A | 6.00% | 14.46% |
| 111-Local Governmental Division Tier 2 | N/A | N/A | 14.91% |
| Noncontributory System | | | |
| 15-Local Government Division Tier 1 | N/A | N/A | 18.47% |
| Public Safety Retirement System | | | |
| 23-Other Division A Contributory Tier 1 | N/A | 12.29% | 22.75% |
| 43- Other Division A Noncontributory Tier 1 | N/A | N/A | 34.04% |
| 122-Other Division A Contributory Tier 2 | N/A | N/A | 22.55% |

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2014, we reported a net pension asset of \$1,564 and a net pension liability of \$2,686,497.

| | Proportionate Share | Net Pension Asset | Net Pension Liability |
|--|------------------------|----------------------|--------------------------|
| Noncontributory System | 0.4127884% | \$ - | \$ 1,792,424 |
| Contributory System | 0.0878117% | - | 25,329 |
| Public Safety System | 0.6908048% | - | 868,744 |
| Tier 2 Public Employees System | 0.0359885% | 1,091 | - |
| Tier 2 Public Safety and Fire Fighter System | 0.3057400% | 4,523 | - |
| Total Net Pension Asset / Liability | | <u>\$ 5,614</u> | <u>\$ 2,686,497</u> |

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San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014. We recognized pension expense of \$696,765. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 148 | \$ 145,166 |
| Changes in assumptions | - | 293,308 |
| Net difference between projected and actual earnings on pension plan investments | 62,541 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | 1,117,632 | - |
| Total | <u>\$ 1,180,321</u> | <u>\$ 438,474</u> |

\$1,117,632 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended December 31,</u> | <u>Deferred Outflows (inflows) of Resources</u> |
|--------------------------------|---|
| 2015 | \$ (105,402) |
| 2016 | (102,305) |
| 2017 | (101,040) |
| 2018 | (65,675) |
| 2019 | (204) |
| Thereafter | (1,157) |

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.75 percent |
| Salary increases | 3.50-10.50 percent, average, including inflation |
| Investment rate of return | 7.50 percent, net of pension plan investment expense including inflation |

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based on plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)
Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)
Woment EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)
Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments mulplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Asset Allocation | Expected Return Arithmetic Basis | |
|---------------------------|-------------------------|------------------------------------|--|
| | | Real Return Arithmetic Basis | Long-Term expected portfolio real rate of return |
| Equity securities | 40% | 7.06% | 2.82% |
| Debt securities | 20% | 0.80% | 0.16% |
| Real assets | 13% | 5.10% | 0.66% |
| Private equity | 9% | 11.30% | 1.02% |
| Absolute return | 18% | 3.15% | 0.57% |
| Cash and cash equivalents | 0% | 0.00% | 0.00% |
| Totals | 100% | | 5.23% |
| | | Inflation | 2.75% |
| | | Expected arithmetic nominal return | 7.98% |

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| Proportionate share of Net pension (asset) / liability | \$6,586,478 | \$ 2,680,833 | \$ (545,784) |

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

4.B. 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 County participates in the Utah Counties Indemnity Pool, a self-funded risk financing pool. Through the Pool, the County maintains general liability, errors and omissions, newly acquired property, builders risk, unscheduled locations, and crime. The Pool is reinsured through commercial companies for the following coverage:

| | | |
|--|---------------|------------------|
| Property Coverage | \$500,250,000 | per Occurrence |
| General Liability | 5,000,000 | per Occurrence |
| | 5,000,000 | Annual Aggregate |
| Public Officials Errors and Omissions Liability | 2,750,000 | Per Occurrence |
| | 2,750,000 | Annual Aggregate |
| Employee Benefits | 5,000,000 | per Occurrence |
| | 5,000,000 | Annual Aggregate |
| Auto Liability | 5,000,000 | per Occurrence |

The Pool 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 \$100,000 per claim and a total maximum aggregate claims liability of specific stop loss.

Claims have not exceeded coverage in any of the last 3 calendar years.

4.C. 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 expense in the Landfill Enterprise Fund each period based on landfill capacity used as of each balance sheet date. The \$164,723 reported as landfill closure and post closure care liability at December 31, 2015 represents the cumulative amount

San Juan County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

reported to date based on the percentage used of the estimated capacity of the landfill. The capacity full is currently estimated at 25%. The County will recognize the remaining estimated cost of the closure and post closure care of \$506,331 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 2015. The County expects to close the landfill in the year 2055. The estimated closure date was changed in 2005 from 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, 2015 investments of \$691,857 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 \$8,669 reported as landfill closure and post closure care liability for the Class IV Landfill at December 31, 2015, represents the cumulative amount reported to date based on the use of less than 25% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$26,649 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 2015, The County expects to close the landfill in the year 2055. 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, 2015, investments of \$36,414 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.

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. SUBSEQUENT EVENTS

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through July 15, 2016, the date the financial statements were available to be issued.

4.G. PRIOR PERIOD ADJUSTMENT

The requirement to implement and apply GASB 68 during 2015 resulted in adjustments to the prior period net position. This is due to the required disclosure of a Net Pension Asset, Net Pension Liability, Deferred Outflows and Inflows of resources.

REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

San Juan County
Information About Infrastructure Assets Reported
Using the Modified Approach
(Condition Rating of County's Road System)
For the Year Ended December 31, 2015

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

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

Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.

Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.

Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the County.

Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the County.

ROADS

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

Condition Assessments

Roads are categorized as natural rock, gravel and oil surface. Formal condition assessments are not done on natural and rock surface roads. These roads are maintained on an as-needed basis, for example, when a road is washed out. Formal condition assessments are 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
(Condition Rating of County's Road System)
For the Year Ended December 31, 2015

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 2015:

| | <u>Percentage</u> |
|----------------|-------------------|
| Paved | 38 |
| Gravel | 68 |
| Overall System | 53 |

Percentage of Lane-Miles in Fair or Poor Conditions in 2014:

| | <u>Percentage</u> |
|----------------|-------------------|
| Paved | 33 |
| Gravel | 72 |
| Overall System | 53 |

Comparison of Needed-to Actual Maintenance/Preservation:

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|-----------|-------------|-------------|-------------|-------------|-------------|
| Estimated | 4,554,296 | 2,586,000 | 1,725,000 | 825,000 | 1,200,000 |
| Actual | 4,174,081 | 1,313,668 | 1,210,518 | 2,156,106 | 1,710,680 |

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.

San Juan County
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over(Under) |
|----------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | 5,576,928 | 5,576,928 | 4,909,948 | (666,980) |
| Licenses and permits | 65,000 | 65,000 | 30,010 | (34,990) |
| Intergovernmental revenues | 3,163,561 | 3,163,561 | 3,078,304 | (85,257) |
| Charges for services | 1,738,226 | 1,738,226 | 1,488,568 | (249,658) |
| Fines and forfeitures | 363,540 | 363,540 | 432,227 | 68,687 |
| Investment income | 44,000 | 44,000 | 55,376 | 11,376 |
| Miscellaneous | 440,776 | 440,776 | 282,663 | (158,113) |
| Total Revenues | 11,392,031 | 11,392,031 | 10,277,096 | (1,114,935) |
| EXPENDITURES | | | | |
| General government | | | | |
| Commissioners | 247,570 | 264,570 | 264,569 | (1) |
| Planning - personnel | 116,001 | 171,201 | 169,366 | (1,835) |
| J.P. Court | 138,983 | 137,983 | 137,904 | (79) |
| Sanity Hearings | 2,000 | 2,000 | 1,684 | (316) |
| Public Defender | 150,500 | 140,500 | 136,130 | (4,370) |
| Clerk-auditor | 177,175 | 177,675 | 177,354 | (321) |
| Attorney | 283,451 | 243,451 | 237,127 | (6,324) |
| Recorder | 225,983 | 225,983 | 225,880 | (103) |
| Treasurer | 129,441 | 124,441 | 124,037 | (404) |
| Assessor | 211,511 | 201,511 | 198,306 | (3,205) |
| Data Processing | 149,667 | 153,167 | 152,183 | (984) |
| Surveyor | 185,235 | 220,235 | 219,264 | (971) |
| Historical Preservation | 11,250 | 11,250 | 9,290 | (1,960) |
| Legal Defense | 122,000 | 272,500 | 291,555 | 19,055 |
| Courthouse and Grounds | 101,093 | 101,093 | 100,719 | (374) |
| Elections | 101,779 | 106,779 | 106,100 | (679) |
| Non-departmental | 188,720 | 127,720 | 125,996 | (1,724) |
| Employee Benefits | 1,558,000 | 1,328,000 | 1,320,608 | (7,392) |
| Other | 1,000 | 1,000 | 279 | (721) |
| Blanding Annex Building | 11,333 | 8,333 | 4,473 | (3,860) |
| Administration | 68,512 | 50,737 | 50,533 | (204) |
| Total General Government | 4,181,204 | 4,070,129 | 4,053,357 | (16,772) |
| Public safety | | | | |
| Sheriff | 1,619,644 | 1,436,144 | 1,432,641 | (3,503) |
| Sheriff Airplane | 25,500 | 16,500 | 16,280 | (220) |
| County Jail | 1,272,770 | 1,492,770 | 1,488,020 | (4,750) |
| Jail Kitchen | 245,866 | 249,866 | 249,740 | (126) |
| Inmate commissary | - | 60,000 | 58,390 | (1,610) |
| State Inmate Expense | 40,000 | 44,000 | 43,430 | (570) |
| Fire Rescue | 165,083 | 190,083 | 187,520 | (2,563) |
| Fire Control | 257,606 | 157,606 | 152,203 | (5,403) |
| Building Inspection | 34,404 | 42,404 | 41,701 | (703) |
| Search and Rescue | 12,000 | 8,000 | 7,967 | (33) |
| Drug Expenditures | 66,562 | 41,562 | 40,592 | (970) |
| Weed and Rodent Control | 89,823 | 79,823 | 76,769 | (3,054) |
| Emergency Services | 339,523 | 249,523 | 243,718 | (5,805) |
| Sex Offender Therapy | 165,652 | 171,652 | 171,044 | (608) |
| Emergency Events | 5,000 | - | - | - |
| Total Public Safety | 4,339,433 | 4,239,933 | 4,210,015 | (29,918) |

continued on next page

San Juan County
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended December 31, 2015

| (concluded) | | | | |
|---|---------------------|---------------------|---------------------|---|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over(Under) |
| | Original | Final | | |
| Public Health | | | | |
| Public Welfare | 1,070,803 | 1,050,903 | 1,023,989 | (26,914) |
| Highway and public improvements | | | | |
| County Roads | 71,000 | 51,000 | 44,020 | (6,980) |
| Snow Removal | 33,108 | 13,108 | 12,819 | (289) |
| Total Highways and Public Improvements | 104,108 | 64,108 | 56,839 | (7,269) |
| Parks, recreation and public property | | | | |
| Interagency Recreation | 41,000 | 26,000 | 22,140 | (3,860) |
| Television/Communication | 129,523 | 129,523 | 128,084 | (1,439) |
| Airports | 112,500 | 207,500 | 184,694 | (22,806) |
| Total Parks, Recreation and Public Property | 283,023 | 363,023 | 334,918 | (28,105) |
| Community and economic development | | | | |
| Agriculture and Extension Service | 64,500 | 59,500 | 57,533 | (1,967) |
| Southern San Juan County Fair | 152,530 | 174,530 | 172,182 | (2,348) |
| Economic Development | 93,541 | 128,541 | 128,272 | (269) |
| Visitor Services | 546,809 | 578,809 | 578,531 | (278) |
| Special Projects | 318,000 | 290,000 | 287,698 | (2,302) |
| Total Conservation and Economic Dev. | 1,175,380 | 1,231,380 | 1,224,216 | 280,534 |
| | | | | |
| Total Expenditures | 11,153,951 | 11,019,476 | 10,903,334 | 171,556 |
| Excess Revenues Over (Under) | | | | |
| Expenditures | 238,080 | 372,555 | (626,238) | (1,286,491) |
| Other financing sources (uses) | | | | |
| Transfers in | 28,000 | 28,000 | 94,438 | 66,438 |
| Transfers out | (41,080) | (169,555) | (150,000) | 19,555 |
| Contributions to Scholarship Fund | (225,000) | (231,000) | (230,502) | 498 |
| Total Other Financing Sources and Uses | (238,080) | (372,555) | (286,064) | 86,491 |
| Excess of Revenues and Other Sources | | | | |
| Over (Under) Expenditures and Other Uses | - | - | (912,302) | (1,200,000) |
| Fund Balances - Beginning | 5,976,794 | 4,207,009 | 9,971,181 | - |
| Fund Balances - Ending | \$ 5,976,794 | \$ 4,207,009 | \$ 9,058,879 | \$ (1,200,000) |

San Juan County
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Special Revenue Fund (Class B Road Fund)
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Over(Under) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental Revenue | \$ 4,715,500 | \$ 4,715,500 | \$ 5,701,825 | \$ 986,325 |
| Charges for Services | 450,000 | 450,000 | 468,905 | 18,905 |
| Interest Income | 55,000 | 55,000 | 54,978 | (22) |
| Miscellaneous | - | - | 10,678 | 10,678 |
| Total Revenues | <u>5,220,500</u> | <u>5,220,500</u> | <u>6,236,386</u> | <u>1,015,886</u> |
| Expenditures | | | | |
| Current: | | | | |
| Highways and Public Improvements | 5,782,006 | 5,782,006 | 5,389,555 | (392,451) |
| Capital Outlay | 200,000 | 200,000 | 338,300 | 138,300 |
| Transfers Out | 53,332 | 53,332 | - | (53,332) |
| Total Expenditures | <u>6,035,338</u> | <u>6,035,338</u> | <u>5,727,855</u> | <u>(307,483)</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(814,838)</u> | <u>(814,838)</u> | <u>508,531</u> | <u>1,323,369</u> |
| Net Change in Fund Balance | (814,838) | (814,838) | 508,531 | 1,323,369 |
| Fund Balance Beginning of Year | <u>17,272,511</u> | <u>17,272,511</u> | <u>17,272,511</u> | - |
| Fund Balance End of Year | <u>\$ 16,457,673</u> | <u>\$ 16,457,673</u> | <u>\$ 17,781,042</u> | <u>\$ 1,323,369</u> |

San Juan County
Schedule of the Proportionate Share of the Net Pension Liability
Utah Retirement Systems
December 31, 2014
Last 10 Fiscal Years*

| | <u>Noncontributory System</u> | <u>Contributory Retirement System</u> | <u>Public Safety System</u> | <u>Tier 2 Public Employees System</u> | <u>Tier 2 Public Safety and Firefighter System</u> |
|--|-----------------------------------|---|---------------------------------|---|--|
| Proportion of the net pension liability (asset) | 0.4127884% | 0.0878117% | 0.6908048% | 0.0359885% | 0.3057400% |
| Proportionate share of the net pension liability (asset) | \$ 1,792,424 | \$ 25,329 | \$ 868,744 | \$ (1,091) | \$ (4,523) |
| Covered Employee Payroll | \$ 3,723,756 | \$ 47,082 | \$ 1,035,825 | \$ 176,581 | \$ 126,365 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 48.1% | 53.8% | 83.9% | -0.6% | -3.6% |
| Plan fiduciary net position as a percentage of the total pension liability. | 90.2% | 94.0% | 90.5% | 103.5% | 120.5% |

* In accordance with paragraph 81 of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10 year schedule will need to be built prospectively. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation.

San Juan County
Schedule of Contributions
Utah Retirement Systems
December 31, 2014
Last 10 Fiscal Years*

| | Noncontributory System | Contributory Retirement System | Public Safety System | Tier 2 Public Employees System | Tier 2 Public Safety and Firefighter System |
|---|---------------------------|--------------------------------------|-------------------------|--------------------------------------|---|
| Contractually required contribution | \$ 648,788 | \$ 6,516 | \$ 340,259 | \$ 14,848 | \$ 13,776 |
| Contributions in relation to the contractually required contributions | (648,788) | (6,516) | (340,259) | (14,848) | (13,776) |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered employee payroll | \$ 3,723,756 | \$ 47,082 | \$ 1,035,825 | \$ 176,581 | \$ 126,365 |
| Contributions as a percentage of covered-employee payroll** | 71.42% | 13.84% | 32.85% | 8.41% | 10.90% |

* Amounts presented were determined as of calendar year January 1-December 31. Employers will be required to prospectively develop this table in future years of information. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

San Juan County

Notes to Required Supplementary Information - Pensions

For the year ended December 31, 2014

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1-December 31.

Defined Contribution System

31-Dec-14

| | Employee Paid <u>Contributions</u> | Employer Paid <u>Contributions</u> |
|----------------------|--|--|
| 401(k) Plan | \$ 146,112 | \$ 61,720 |
| 457 Plan | \$ 12,160 | \$ - |
| Roth IRA Plan | \$ 7,820 | \$ - |
| Traditional IRA Plan | \$ - | \$ - |
| HRA Plan | \$ - | \$ - |

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

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SUPPLEMENTARY INFORMATION

San Juan County
Combining Balance Sheet for Non-major Governmental Funds
December 31, 2015

| | Library | Health | Tort Liability | Total Non-major Governmental Funds |
|--------------------------------------|-------------------|------------------|-------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 600,783 | \$ 50,896 | \$ 51,310 | \$ 702,989 |
| Accounts receivable | 20,749 | 9,190 | 3,565 | 33,504 |
| Due from other funds | 24 | 14 | 24,239 | 24,277 |
| Total Assets | <u>\$ 621,556</u> | <u>\$ 60,100</u> | <u>\$ 79,114</u> | <u>\$ 760,770</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 12,714 | \$ 2,376 | \$ - | \$ 15,090 |
| Due to other funds | - | - | - | - |
| Accrued compensation | 4,769 | 11,446 | - | 16,215 |
| Total Liabilities | <u>17,483</u> | <u>13,822</u> | <u>-</u> | <u>31,305</u> |
| Fund balances: | | | | |
| Assigned | <u>604,073</u> | <u>46,278</u> | <u>79,114</u> | <u>729,465</u> |
| Total Fund Balances | <u>604,073</u> | <u>46,278</u> | <u>79,114</u> | <u>729,465</u> |
| Total Liabilities and Fund Balance | <u>\$ 621,556</u> | <u>\$ 60,100</u> | <u>\$ 79,114</u> | <u>\$ 760,770</u> |

San Juan County
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended December 31, 2015

| | Library | Health | Tort Liability Care | Total Non-major Governmental Funds |
|--|-------------------|------------------|------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 427,573 | \$ 145,241 | \$ 70,174 | \$ 642,988 |
| Intergovernmental revenues | 8,025 | - | - | 8,025 |
| Charges for services | 6,426 | - | - | 6,426 |
| Other | 4,905 | 145,491 | 350 | 150,746 |
| Interest | 3,924 | 2,256 | 76 | 6,256 |
| Total Revenues | <u>450,853</u> | <u>292,988</u> | <u>70,600</u> | <u>814,441</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | 218,923 | 218,923 |
| Public health | - | 599,290 | - | 599,290 |
| Parks, recreation, and public property | 538,588 | - | - | 538,588 |
| Total Expenditures | <u>538,588</u> | <u>599,290</u> | <u>218,923</u> | <u>1,356,801</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 150,000 | 150,000 |
| Total Other Financing Sources and Uses | <u>-</u> | <u>-</u> | <u>150,000</u> | <u>150,000</u> |
| Excess Revenues Over (Under) Expenditures | <u>(87,735)</u> | <u>(306,302)</u> | <u>1,677</u> | <u>(392,360)</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (87,735) | (306,302) | 1,677 | (392,360) |
| Fund Balances - Beginning | 691,808 | 352,580 | 77,437 | 1,121,825 |
| Fund Balances - Ending | <u>\$ 604,073</u> | <u>\$ 46,278</u> | <u>\$ 79,114</u> | <u>\$ 729,465</u> |

San Juan County
Statement of Current Taxes Levied, Collected, and Treasurer's Relief
For the Year Ended December 31, 2015

| 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 | \$ 352,244,040 | \$ 422,392,755 | \$ - | \$ 774,636,795 | \$ 23,048,620 | \$ - | \$ 23,048,620 | \$ 797,685,415 | 0.002595 | 0.002595 | \$ 2,010,182 |
| Library | 352,244,040 | 422,392,755 | - | 774,636,795 | 23,048,620 | - | 23,048,620 | 797,685,415 | 0.000524 | 0.000524 | 405,910 |
| Tort Liability | 352,244,040 | 422,392,755 | - | 774,636,795 | 23,048,620 | - | 23,048,620 | 797,685,415 | 0.000086 | 0.000086 | 66,619 |
| Public Health | 352,244,040 | 422,392,755 | - | 774,636,795 | 23,048,620 | - | 23,048,620 | 797,685,415 | 0.000178 | 0.000178 | 137,885 |
| Assessing and Collecting - State | 352,244,040 | 422,392,755 | - | 774,636,795 | 23,048,620 | - | 23,048,620 | 797,685,415 | 0.000012 | 0.000013 | 9,296 |
| Assessing and Collecting - County | 352,244,040 | 422,392,755 | - | 774,636,795 | 23,048,620 | - | 23,048,620 | 797,685,415 | 0.000388 | 0.000388 | <u>300,559</u> |
| Total County Funds | | | | | | | | | | | 2,930,451 |
| San Juan School District | 313,538,973 | 420,799,824 | - | 734,338,797 | 19,992,360 | - | 19,992,360 | 754,331,157 | 0.008056 | 0.007739 | 5,915,833 |
| Grand County School District in San Juan | 38,705,067 | 1,592,931 | - | 40,297,998 | 3,056,260 | - | 3,056,260 | 43,354,258 | 0.006678 | 0.006303 | 269,110 |
| Water Conservancy District | 352,244,040 | 422,392,755 | - | 774,636,795 | 23,048,620 | - | 23,048,620 | 797,685,415 | 0.000550 | 0.000471 | 426,050 |
| Health Service | 352,244,040 | 422,392,755 | - | 774,636,795 | 23,048,620 | - | 23,048,620 | 797,685,415 | 0.001122 | 0.000945 | 869,142 |
| Cities and Towns: | | | | | | | | | | | |
| Blanding City | 85,847,869 | 1,724,015 | - | 87,571,884 | 4,016,216 | - | 4,016,216 | 91,588,100 | 0.002493 | 0.002475 | 218,317 |
| Monticello City | 63,468,083 | 27,275,239 | - | 90,743,322 | 2,625,668 | - | 2,625,668 | 93,368,990 | 0.002623 | 0.002532 | <u>238,020</u> |
| Total Cities and Towns | | | | | | | | | | | 456,336 |
| Other Special Districts: | | | | | | | | | | | |
| Blanding Cemetery | 119,638,270 | 33,921,917 | - | 153,560,187 | 4,710,714 | - | 4,710,714 | 158,270,901 | 0.000238 | 0.000187 | 36,547 |
| Monticello Cemetery | 85,414,753 | 30,330,852 | - | 115,745,605 | 2,651,484 | - | 2,651,484 | 118,397,089 | 0.000277 | 0.000276 | 32,062 |
| Grand County Special Service | 17,557,234 | 1,485,008 | - | 19,042,242 | 3,056,260 | - | 3,056,260 | 22,098,502 | 0.000000 | 0.000000 | - |
| Grand County WCD | 17,238,265 | 63,796 | - | 17,302,061 | 0 | - | - | 17,302,061 | 0.000138 | 0.000146 | 2,388 |
| San Juan Service Area #1 - Bluff | 18,650,558 | 443,693 | - | 19,094,251 | 426,338 | - | 426,338 | 19,520,589 | 0.001113 | 0.000677 | <u>21,252</u> |
| Total Other Special Districts | | | | | | | | | | | <u>92,248</u> |
| GRAND TOTALS | | | | | | | | | | | <u>\$ 10,959,172</u> |

Continued on next page

San Juan County
Statement of Current Taxes Levied, Collected, and Treasurer's Relief
For the Year Ended December 31, 2015

Continued from previous page

| ENTITY | 13 PERSONAL PROPERTY TAXES CHARGED (8 x 11) | 14 TAXES CHARGED (12 + 13) | 15 UNPAID TAXES | 16 ABATEMENTS | 17 OTHER | 18 TOTAL RELIEF | 19 TAXES COLLECTED (14 - 18) | 20 ANNUAL COLLECTION RATE | 21 FEE-IN-LIEU REVENUE/ AGE BASED REVENUE | 22 MISC. COLLECTIONS | 23 DELINQUENT TAXES | 24 DELINQUENT INTEREST & PENALTIES |
|--|--|-------------------------------------|-----------------------|-------------------|--------------------|-----------------------|---------------------------------------|------------------------------------|---|----------------------------|---------------------------|---|
| San Juan County Funds: | | | | | | | | | | | | |
| County General | \$ 59,811 | \$ 2,069,994 | \$ 107,608 | \$ 20,557 | (9,512) | \$ 118,653 | \$ 1,951,341 | 94.27% | \$ 93,064 | \$ (53,276) | \$ 140,440 | \$ 78,358 |
| Library | 12,077 | 417,987 | 21,729 | 4,151 | (1,921) | 23,959 | 394,028 | 94.27% | 18,792 | (13,119) | 29,815 | 1,843 |
| Tort Liability | 1,982 | 68,601 | 3,566 | 681 | (315) | 3,932 | 64,669 | 94.27% | 3,084 | (2,153) | 4,663 | 302 |
| Public Health | 4,103 | 141,988 | 7,381 | 1,410 | (652) | 8,139 | 133,849 | 94.27% | 6,384 | (4,457) | 9,649 | 626 |
| Assessing and Collecting - State | 300 | 9,595 | 498 | 95 | (46) | 547 | 9,048 | 94.30% | 466 | (221) | 2,387 | 216 |
| Assessing and Collecting - County | 8,943 | 309,502 | 16,089 | 3,074 | (1,422) | 17,741 | 291,761 | 94.27% | 13,915 | (9,764) | 19,666 | 1,223 |
| Total County Funds | 87,216 | 3,017,667 | 156,871 | 29,968 | (13,868) | 172,971 | 2,844,696 | 94.27% | 135,705 | (82,990) | 206,620 | 82,568 |
| San Juan School District | 154,721 | 6,070,554 | 320,224 | 57,822 | (22,479) | 355,567 | 5,714,987 | 94.14% | 276,793 | (215,801) | 400,518 | 11,813 |
| Grand County School District in San Juan | 19,264 | 288,374 | 11,386 | 4,966 | (5,241) | 11,111 | 277,263 | 96.15% | 611 | 4,778 | 13,058 | 309 |
| Water Conservancy District | 10,856 | 436,906 | 22,781 | 4,356 | (1,841) | 25,296 | 411,610 | 94.21% | 16,891 | (15,132) | 25,551 | 1,659 |
| Health Service | 21,781 | 890,923 | 46,468 | 8,885 | (3,720) | 51,633 | 839,290 | 94.20% | 33,891 | (31,143) | 50,505 | 3,237 |
| Cities and Towns: | | | | | | | | | | | | |
| Blanding City | 9,940 | 228,257 | 10,586 | 6,527 | (1,684) | 15,429 | 212,828 | 93.24% | 31,690 | 2,888 | 15,332 | 839 |
| Monticello City | 6,648 | 244,668 | 5,725 | 4,815 | (2,331) | 8,209 | 236,459 | 96.64% | 19,205 | 4,180 | 4,941 | 227 |
| Total Cities and Towns | 16,588 | 472,925 | 16,311 | 11,342 | (4,015) | 23,638 | 449,287 | 95.00% | 50,895 | 7,068 | 20,273 | 1,066 |
| Other Special Districts: | | | | | | | | | | | | |
| Blanding Cemetery | 881 | 37,428 | 1,616 | 867 | (135) | 2,348 | 35,080 | 93.73% | 2,630 | (9,105) | 1,625 | 86 |
| Monticello Cemetery | 732 | 32,793 | 842 | 602 | (256) | 1,188 | 31,605 | 96.38% | 2,488 | 583 | 682 | 31 |
| Grand County WCD | - | - | - | - | - | - | - | - | - | - | 12.00 | 1.00 |
| San Juan Service Area #1 - Bluff | - | 2,388 | 146 | 52 | (79) | 119 | 2,269 | 95.02% | 4 | 41 | 210 | 5 |
| San Juan Service Area #1 - Bluff | 289 | 21,541 | 1,302 | 469 | (631) | 1,140 | 20,401 | 94.71% | 687 | 254 | 1,394 | 59 |
| Total Other Special Districts | 1,901 | 94,150 | 3,906 | 1,990 | (1,101) | 4,795 | 89,355 | 94.91% | 5,809 | (8,227) | 3,923 | 182 |
| | \$ 312,327 | \$ 11,271,499 | \$ 577,947 | \$ 119,329 | \$ (52,265) | \$ 645,011 | \$ 10,626,488 | | \$ 520,595 | \$ (341,447) | \$ 720,448 | \$ 100,834 |

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GOVERNMENT AUDITING STANDARDS REPORT

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

County Commissioners
San Juan County
Monticello, Utah

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Juan County, Utah, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise San Juan County's basic financial statements and have issued our report thereon dated July 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Juan County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Juan County's internal control. Accordingly, we do not express an opinion on the effectiveness of San Juan County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

San Juan County's Response to Findings

San Juan County's response to the findings, if applicable, identified in our audit is described in the schedule of findings accompanying the separate letter to management dated July 15, 2016. San Juan County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Larson & Company, PC

Spanish Fork, Utah
July 15, 2016

STATE COMPLIANCE REPORT

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INDEPENDENT AUDITOR'S REPORT AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE* ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

County Commissioners
San Juan County
Monticello, Utah

Report on Compliance with General State Compliance Requirements

We have audited San Juan County's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on San Juan County for the year ended December 31, 2015.

General state compliance requirements were tested for the year ended December 31, 2015 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Restricted Taxes and Related Revenues
- Utah Retirement System Compliance
- Open and Public Meetings Act
- Treasurer's Bond

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on San Juan County's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on San Juan County occurred. An audit includes examining, on a test basis, evidence about San Juan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of San Juan County's compliance.

Opinion on General State Compliance Requirements

In our opinion, San Juan County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on San Juan County for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in our management letter dated July 15, 2016 as item SC-2015.1. Our opinion on compliance is not modified with respect to these matters.

San Juan County's response to the noncompliance findings identified in our audit is described in our separate management letter. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of San Juan County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Juan County's internal control over compliance with the compliance requirements that could have a direct and material effect on San Juan County to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness San Juan County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.


Larson & Company, PC

Spanish Fork, Utah
July 15, 2016

SINGLE AUDIT REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

County Commissioners
San Juan County
Monticello, Utah

Report on Compliance for Each Major Federal Program

We have audited San Juan County, Utah's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Juan County's major federal programs for the year ended December 31, 2015. San Juan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Juan County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Juan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of San Juan County's compliance.

Opinion on Each Major Federal Program

In our opinion, San Juan County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of San Juan County, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Juan County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Juan County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Larson & Company, PC

Spanish Fork, Utah
July 15, 2016

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 Uniform Guidance.
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 2 CFR section 200.516(a).

7. The programs tested as a major programs include:

| | |
|--|--------|
| Forest Service Road Construction | 10.665 |
| NCRS | 10.923 |
| Ombudsman Services for Older Individuals | 93.042 |
| Preventative Health Program - Title 3F | 93.043 |
| Special Program for Aging - Title 3B | 93.044 |
| Elderly Feeding Program - Title 3C | 93.045 |
| Health Insurance Counseling - HIPP | 93.779 |
| Title III E NFCSP Respite Caregivers Support | 93.052 |
| Medicaid Waiver | 93.778 |

8. The threshold for distinguishing Types A and B programs is \$750,000 of federal awards expended.
9. San Juan County was determined not to be a low-risk auditee.

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FINANCIAL STATEMENT FINDINGS

Finding: General Fund Balance

The maximum accumulated unappropriated (committed, assigned, and unassigned) fund balance in the general fund may not exceed an amount equal to the greater of 50% of the total revenues of the general fund in the current period or 100% of the estimated total revenues from property taxes in the current period. It was noted during our procedures that the unappropriated general fund balance (committed, assigned, and unassigned) was in excess of these limitation set forth by *Utah Code 17-36-16(2)* in the current period.

Recommendation:

WE recommend that the County monitor the fund balance of the General fund more closely as to not let the unappropriated fund balance exceed these limitations. If the County is accumulating funds for capital improvements or other ongoing projects, these fund should be budgeted and transferred to a revenue account within a capital improvement fund and accumulated there for future project.

Client Response:

This was an oversight by management and will be monitored more closely in the future. All future projects will be accumulated for in a capital improvement fund.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during current audit

SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

Finding: Budgetary compliance (special revenue fund)

State Code dictates that all funds be within adopted budgeted limits. We noted that the B Road fund was over budget for the period ending December 31, 2014.

Recommendation:

We recommend that management monitor the expenditures in all funds, including those that are related to the current period but paid in a later period and adjust expenditures or budgeted figures to maintain budget integrity in all funds.

Status of Finding:

No issues noted of this nature noted in current period.

San Juan County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

| 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 | 39-49-0055 | \$ 93,282 |
| Total Department of Transportation | | | 93,282 |
| U.S. Department of the Interior: | | | |
| BIA Maintenance Contract | 15.033 | AGN00040013 | 106,250 |
| Total Department of the Interior | | | 106,250 |
| U.S. Department of Agriculture | | | |
| * NCRS | 10.923 | 68-8D43-15-15 | 300,521 |
| * Forest Service Road Construction | 10.665 | 13-RO-11041000-035 | 143,063 |
| Forest Service Law Enforcement Program | 83.505 | 11-LE-11041000-001 | 15,345 |
| Total U.S. Department of Agriculture | | | 458,929 |
| Total Direct Assistance | | | 658,460 |
| Indirect Assistance: | | | |
| U.S. Department of Agriculture | | | |
| Passed Through State Department of Public Safety | | | |
| Cash in Lieu for Senior Programs | 10.558 | | 14,067 |
| Secure Rural School Funding Title III | 10.226 | | 63,336 |
| Total U.S. Department of Agriculture | | | 77,403 |
| U.S. Department of Homeland Security | | | |
| Federal Emergency Management Agency | | | |
| Homeland Security Grant | 97.067 | | 11,088 |
| Emergency Management Performance Grant - EMPG | 97.067 | | 136,424 |
| Total Federal Emergency Management Agency | | | 147,512 |
| U.S. Department of Health and Human Services | | | |
| Passed Through State Department of Human Services | | | |
| * Ombudsman Services for Older Individuals | 93.042 | 06866H | 2,916 |
| * Preventative Health Program - Title 3F | 93.043 | 06866H | 4,793 |
| * Special Program for Aging - Title 3B | 93.044 | 06866H | 72,429 |
| * Elderly Feeding Program - Title 3C | 93.045 | 06866H | 75,971 |
| * Elderly Feeding Program - Title 3C | 93.045 | O92306 | 47,411 |
| * Health Insurance Counseling - HIPP | 93.779 | 06866H | 26,604 |
| * Title III E NFCSP Respite Caregivers Support | 93.052 | 06866H | 29,165 |
| * Medicaid Waiver | 93.778 | 100246 | 58,951 |
| * Medicaid Waiver | 93.778 | 110329 | 120,981 |
| Total U.S. Department of Health and Human Services | | | 439,221 |
| U.S. Department of Justice | | | |
| Passed Through the State Commission on Criminal and Juvenile Justice | | | |
| Drug and Crime Task Force Grant | 16.579 | 12F08 | 67,695 |
| Legal Assistance for Victims | 16.524 | | 29,284 |
| Total U.S. Department of Justice | | | 96,979 |
| Total Indirect Assistance | | | 761,115 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 1,419,575 |

* Major Program

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.

3. **NON-CASH ASSISTANCE**

The County did not receive any non-cash assistance

4. **LOANS OUTSTANDING**

The County did not have any federally insured loans outstanding at year end.

**SAN JUAN COUNTY, UTAH
COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE (MANAGEMENT LETTER)
DECEMBER 31, 2015**

**SAN JUAN COUNTY, UTAH
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County Commissioners
San Juan County

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of San Juan County for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and *OMB Uniform Guidance*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 14, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Juan County are described in Note 1 to the financial statements. GASB 68 & 71 – reporting for pensions, and GASB 72 – reporting investments were implemented during 2015. The application of existing policies was not changed during 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered while performing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 15, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the County Commissioners and management of San Juan County and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


Larson & Company, PC

Spanish Fork, Utah
July 15, 2016

SCHEDULE OF FINDINGS – CURRENT YEAR

Internal Control Findings – Current Year

There were no internal control findings noted for current year

State Compliance Findings – Current Year

SC 2015.1 Fund Balance

Finding:

The maximum accumulated unappropriated (committed, assigned, and unassigned) fund balance in the general fund may not exceed an amount equal to the greater of 50% of the total revenues of the general fund in the current period or 100% of the estimated total revenues from property taxes in the current period. It was noted during our procedures that the unappropriated general fund balance (committed, assigned, and unassigned) was in excess of these limitation set forth by *Utah Code 17-36-16(2)* in the current period.

Recommendation:

We recommend that the County monitor the fund balance of the general fund more closely as to not let the unappropriated fund balance exceed these limitations. If the County is accumulating funds for capital improvements or other ongoing projects, these funds should be budgeted and transferred to a revenue account within a capital improvement fund and accumulated there for the future projects.

Client Response:

This was an oversight by management and will be monitored more closely in the future. All future projects will be accumulated for in a capital projects fund.

SCHEDULE OF FINDINGS – PRIOR YEAR

Internal Control Findings – Prior Year

There were no internal control findings noted in prior year

State Compliance Findings – Prior Year

SC 2014.1 Budgetary Compliance

Finding:

State Code dictates that all funds be within adopted budgeted limits. We noted that the B Road fund was over budget for the period ending December 31, 2014.

Recommendation:

We recommend that management monitor the expenditures in all funds, including those that are related to the current period but paid in a later period and adjust expenditures or budgeted figures to maintain budget integrity in all funds.

Status of finding:

Finding appears to have been addressed. No issues noted relating to this noted in current period.

Other Compliance Findings – Prior Year

There were no other compliance findings in prior year noted