

**MILLARD COUNTY
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003**

**MILLARD COUNTY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2003**

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	MDA-1 thru 6
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	11
Statement of Net Assets – Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	13
Statement of Cash Flows – Proprietary Funds	14
Statement of Fiduciary Net Assets – Agency Funds	15
 Notes to the Financial Statements	 16-38

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):

Condition Rating of the County's Road System	39
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	40
Combining Statement of Revenues, Expenditures and Change Fund Balances – Nonmajor Governmental Funds	41
Statement of Current Taxes Levied, Collected, and Treasurer's Relief	42-43

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	44-45
--	-------

INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS	46-47
---	-------



LARSON & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

May 16, 2004

County Commissioners
Millard County
Fillmore, Utah

Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Millard County, as of and for the year ended December 31, 2003, which collectively comprise the Millard County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Millard County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Millard County, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 and the Introduction in the Notes to the Financial Statements, the City has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The Management's Discussion and Analysis and other required supplementary information on pages MDA-1 through MDA-6 and 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2004, on our consideration of Millard County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Millard County's basic financial statements. The combining and individual non-major fund financial statements and schedules on pages 40 through 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Larson & Peterson
Certified Public Accountants

Millard County
50 South Main Street
Fillmore, Utah 84631-5504
(435) 743-5227 / 864-3901
Fax (435) 743-8019



Brandy Grace
Millard County Auditor
Human Resources
bgrace@co.millard.ut.us

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Millard County's annual financial report is designed to provide an overview of the County's financial activities for the fiscal year that ended December 31, 2003. It is also intended to assist those interested in focusing on significant financial issues including identifying changes in the County's financial position, identifying any material deviations from the approved budget, and identifying individual fund issues or concerns.

FINANCIAL HIGHLIGHTS

- As of the close of the most recent year, the assets of Millard County exceeded its liabilities by \$68,520,705.
- The General Fund, which is the primary operating fund, had a decrease in fund balance of \$1,467,035.
- The Capital Projects Fund had a decrease in fund balance of \$4,783,378.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Millard County's basic financial statements. Millard County's basic financial statements comprise 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* report information about the County using accounting methods similar to those used by private sector companies.

The *statement of net assets* presents information on the County's assets and liabilities, with the difference between them being reported as *net assets*. Over a period of time, increases or decreases in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating, respectively. However, other factors need to be considered when assessing the overall health of the County such as changes in the County's property tax base and the condition of the County's roads.

The *statement of activities* presents information showing how the County's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Millard 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 (business-type activities).

- Governmental activities - Most of the County's basic services are included here, such as general government, public safety, public health, highways and public improvements, parks and recreation, and economic development. Property taxes and state and federal grants finance most of these activities.
- Business-type activities - The County charges fees to customers to help cover the costs of certain services it provides. The County's landfill operation is included here as well as the E-911 system.
- Component units - The County includes another entity in its report - Special Service District # 8. Although it is legally a separate entity, it is defined as a "component unit" and should be considered because of the County's financial relationship.

Fund Financial Statements

Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. A fund is a grouping of related accounts that is used to maintain control of resources that have been designated for a specific activity or objective. Millard County also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Millard County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- Proprietary funds - Millard County maintains two enterprise funds (one type of proprietary fund) which are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for Millard County's landfill operation and E-911 system.
- Fiduciary funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Millard County Fiduciary Funds include the Treasurer's Trust Account and the Justice Court Bail Account.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Millard County, assets exceeded liabilities by \$68,520,705 at the close of the most recent fiscal year.

The largest portion of Millard County's net assets (51 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure). Millard County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

A small portion of Millard County's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance (48 percent) represents *unrestricted net assets* which may be used to meet the government's ongoing obligations to citizens and creditors.

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

Millard County's Net Assets December 31, 2003 and 2002

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2003	2002	2003	2002	2003	2002
Current and other assets	33,646,922	40,078,266	812,479	866,333	34,459,401	40,944,599
Capital assets	34,135,255	27,191,992	789,011	678,682	34,924,266	27,870,674
Total assets	67,782,177	67,270,258	1,601,490	1,545,015	69,383,667	68,815,273
Other liabilities	338,684	400,607	31,019	22,917	369,703	423,524
Long-term liabilities outstanding			493,259	506,796	493,259	506,796
Total liabilities	338,684	400,607	524,278	529,713	862,962	930,320
Net assets:						
Invested in capital assets, net						
of related debt	34,135,255	27,191,992	451,511	318,265	34,586,766	27,510,257
Restricted	230,535	151,436	250,972	223,144	481,507	374,580
Unrestricted	33,077,703	39,526,223	374,729	473,893	33,452,432	40,000,116
Total net assets	67,443,493	66,869,651	1,077,212	1,015,302	68,520,705	67,884,953

Governmental Activities

Although revenues related to governmental activities decreased by \$1,087,880 from the prior year, expenses were also reduced. Governmental activities increased Millard County's net assets by \$573,842.

One item of significance that occurred in 2003 was the decision to fund family health and dental insurance for County employees. In the past, Millard County has provided coverage for employees only and required the employees to pay the cost to insure their dependents. In conjunction with this, the decision was made to not provide a cost-of-living adjustment for County employees for 2003.

Business-Type Activities

Business-type activities also increased Millard County's net assets. Although revenues were less than the prior year by \$10,283, revenues exceeded expenses by \$61,910.

Millard County's Changes in Net Assets December 31, 2003 and 2002

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Program revenues:						
Charges for services	2,730,160	2,939,388	554,223	565,649	3,284,383	3,505,037
Operating grants and contributions	3,738,366	4,280,385			3,738,366	4,280,385
Capital grants and contributions	0				0	0
General revenues:						
Property taxes	7,220,957	7,589,477			7,220,957	7,589,477
Other taxes	376,926				376,926	0
Grants and contr. not restricted					0	0
Unrestricted investment earnings	574,114	809,015	26,355	25,212	600,469	834,227
Other	139,674	249,812			139,674	249,812
Total revenues	<u>14,780,197</u>	<u>15,868,077</u>	<u>580,578</u>	<u>590,861</u>	<u>15,360,775</u>	<u>16,458,938</u>
Expenses:						
General Government	3,273,824	4,208,597			3,273,824	4,208,597
Public Safety	4,886,943	4,944,799			4,886,943	4,944,799
Public Health	683,107	439,888			683,107	439,888
Highways and Public Improvements	2,876,753	2,818,404			2,876,753	2,818,404
Parks, Recreation and Public Property	2,295,599	1,789,110			2,295,599	1,789,110
Community and Economic Development	190,129	193,647			190,129	193,647
Solid Waste			476,945	433,261	476,945	433,261
E-911			41,723	36,559	41,723	36,559
Total expenses	<u>14,206,355</u>	<u>14,394,445</u>	<u>518,668</u>	<u>469,820</u>	<u>14,725,023</u>	<u>14,864,265</u>
Increase in net assets before transfers	573,842	1,473,632	61,910	121,041	635,752	1,594,673
Transfers	0	0			0	0
Increase in net assets	573,842	1,473,632	61,910	121,041	635,752	1,594,673
Net assets - beginning	66,869,651	65,396,019	1,015,302	894,261	67,884,953	66,290,280
Net assets - ending	<u>67,443,493</u>	<u>66,869,651</u>	<u>1,077,212</u>	<u>1,015,302</u>	<u>68,520,705</u>	<u>67,884,953</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

Governmental Funds

The focus of Millard County's governmental funds is to provide information on near-term inflows,

outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Millard County's governmental funds reported combined ending fund balances of \$33,530,822, a decrease of \$6,171,177 in comparison with the prior year. Millard County did not acquire any debt as a result of the construction of the Millard County Care Center. The greatest portion of the decrease in fund balance is attributed to this project.

The general fund is the chief operating fund of Millard County. At the end of the current year, unreserved fund balance of the general fund was \$6,220,289. This was a decrease of \$1,467,035 in comparison with the prior year.

Proprietary Funds

Millard County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of Solid Waste was \$829,261 with \$150,788 representing unrestricted net assets. Total net assets for E-911 was \$247,951 with \$223,941 (91 percent) representing unrestricted net assets.

Budget Variances

Millard County's original budget and final budget basically were the same. There were adjustments made between funds to meet statutory guidelines as well as adjustments made within funds to individual departments.

In comparison to the final budget for General Fund, actual revenues fell short \$308,592. Interest earnings represent a significant portion of this. While \$855,000 was budgeted in this area, \$560,324 was actually generated. Total expenditures were less than the original adopted budget.

Class B Road Fund received more revenue than was budgeted. The primary source of this was Class B Road money allocated by the State of Utah. However, transfers from General Fund were necessary to meet operating costs as has been the case for some time.

The original budget for Capital Projects was increased in the area of public health by \$750,000. This was for costs associated with the completion of the new Millard County Care Center.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Millard County's investment in capital assets for its governmental activities as of December 31, 2003, amounts to \$ 34,135,255 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress.

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

BASIC FINANCIAL STATEMENTS

Millard County
Statement of Net Assets
December 31, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 31,652,143	\$ 424,595	\$ 32,076,738	\$ 4,435
Investments				5,459
Accounts Receivable (Net of Allowance for Uncollectibles)		136,912	136,912	
Property Tax Receivable	1,488,279		1,488,279	
Other Receivables	249,965		249,965	
Note Receivable	134,056		134,056	
Accrued Interest Receivable	37,776		37,776	
Prepaid Expenses	80,000		80,000	
Restricted Assets:				
Cash and Cash Equivalents		250,972	250,972	
Capital Assets (Net of Accumulated Depreciation)				
Land and Buildings	10,381,884	171,436	10,553,320	
Improvements Other Than Buildings	57,000	12,050	69,050	
Machinery and Equipment	2,646,305	605,525	3,251,830	
Infrastructure	14,527,684		14,527,684	
Construction in Progress	6,522,382		6,522,382	
Other Assets	4,703		4,703	
Total Assets	67,782,177	1,601,490	69,383,667	9,894
Liabilities				
Accrued Liabilities	222,584	8,102	230,686	
Deferred Revenue	116,100		116,100	
Long-Term Liabilities:				
Due Within One Year		22,917	22,917	
Due In More Than One Year		314,583	314,583	
Closure and Postclosure Liability		178,676	178,676	
Total Liabilities	338,684	524,278	862,962	-
Net Assets				
Invested in Capital Assets, Net of Related Debt	34,135,255	451,511	34,586,766	
Restricted for:				
Long-Term Care	80,000		80,000	
Class "B" Roads	150,535		150,535	
Landfill Closure Costs		250,972	250,972	
Unrestricted (Deficit)	33,077,703	374,729	33,452,432	9,894
Total Net Assets	\$ 67,443,493	\$ 1,077,212	\$ 68,520,705	\$ 9,894

**Millard County
Balance Sheet
Governmental Funds
December 31, 2003**

	General	Special Revenue Fund Class B Road Fund	Capital Projects Fund	Permanent Fund Tax Stability Trust	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 4,412,869	\$ 150,535	\$ 14,493,351	\$ 12,153,849	\$ 441,539	\$ 31,652,143
Property Tax Receivable	1,488,279					1,488,279
Other Receivables	249,965					249,965
Accrued Interest Receivable	37,776					37,776
Prepaid Expenses	80,000					80,000
Note Receivable			62,797		71,259	134,056
Other Assets	4,703					4,703
Total Assets	\$ 6,273,592	\$ 150,535	\$ 14,556,148	\$ 12,153,849	\$ 512,798	\$ 33,646,922
Liabilities						
Deferred Revenue	\$ 53,303	\$	\$ 62,797	\$	\$	\$ 116,100
Total Liabilities	53,303	-	62,797	-	-	116,100
Fund Balances						
Reserved for:						
Long-Term Care	80,000					80,000
Class "C" Roads		150,535				150,535
Emergency				12,153,849		12,153,849
Unreserved:						
Designated:						
Conservation and Economic Development	91,769					91,769
Capital Projects			14,493,351		512,798	15,006,149
Unemployment	503,602					503,602
Undesignated (Deficit), Reported in:						
General Fund	5,544,918					5,544,918
Total Fund Balances (Deficits)	6,220,289	150,535	14,493,351	12,153,849	512,798	33,530,822
Total Liabilities and Fund Balances	\$ 6,273,592	\$ 150,535	\$ 14,556,148	\$ 12,153,849	\$ 512,798	\$ 33,646,922

Millard County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2003

Total Governmental Funds Balances	\$ 33,530,822
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	34,135,255
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	<u>(222,584)</u>
Net Assets of Governmental Activities	<u>\$ 67,443,493</u>

Millard County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Special Revenue Fund Class B Road Fund	Capital Projects Fund	Permanent Fund Tax Stability Trust	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Tax	\$ 6,917,962	\$	\$	\$	\$	\$ 6,917,962
Fee-In-Lieu of Property Tax	302,995					302,995
Sales Tax	376,926					376,926
Licenses and Permits	65,727					65,727
Intergovernmental Revenue	1,206,623	2,524,243			7,500	3,738,366
Charges for Services	2,049,064	91,516				2,140,580
Fines and Forfeitures	523,853					523,853
Interest	560,324		11,730		2,060	574,114
Miscellaneous	152,584	6,794	9,929		17,763	187,070
Total Revenues	12,156,058	2,622,553	21,659	-	27,323	14,827,593
Expenditures						
Current:						
General Government	3,040,518					3,040,518
Public Safety	4,642,528					4,642,528
Public Health	697,585					697,585
Highways and Public Improvements		2,647,489				2,647,489
Parks, Recreation and Public Property	1,899,621		135,252			2,034,873
Community and Economic Development	190,129					190,129
Capital Outlay:						
General Government	123,084		218,210		27,186	368,480
Public Safety	137,788		196,353			334,141
Public Health			6,165,024			6,165,024
Highways and Public Improvements		536,800				536,800
Parks, Recreation and Public Property	-		341,203			341,203
Total Expenditures	10,731,253	3,184,289	7,056,042	-	27,186	20,998,770
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,424,805	(561,736)	(7,034,383)	-	137	(6,171,177)
Other Financing Sources (Uses)						
Transfers In	-	640,835	2,251,005		-	2,891,840
Transfers Out	(2,891,840)				-	(2,891,840)
Total Other Financing Sources (Uses)	(2,891,840)	640,835	2,251,005	-	-	-
Net Change in Fund Balances	(1,467,035)	79,099	(4,783,378)	-	137	(6,171,177)
Fund Balances (Deficits) Beginning of Year - Restated	7,687,324	71,436	19,276,729	12,153,849	512,661	39,701,999
Fund Balances (Deficits) End of Year	\$ 6,220,289	\$ 150,535	\$ 14,493,351	\$ 12,153,849	\$ 512,798	\$ 33,530,822

Millard 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, 2003

Net Change in Fund Balances - Total Governmental Funds	\$ (6,171,177)
 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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
	6,790,659
 Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(47,396)
 Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	14,478
 Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund.	
Compensated Absences	<u>(12,722)</u>
 Change in Net Assets of Governmental Activities	 <u><u>\$ 573,842</u></u>

Millard County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Tax	\$ 7,091,530	\$ 7,091,530	\$ 6,917,962	\$ 173,568
Fee-In-Lieu of Property Tax	250,000	250,000	302,995	(52,995)
Sales Tax	300,000	300,000	376,926	(76,926)
Licenses and Permits	59,000	52,000	65,727	(13,727)
Intergovernmental Revenue	942,425	1,132,990	1,206,623	(73,633)
Charges for Services	2,377,595	2,093,930	2,049,064	44,866
Fines and Forfeitures	548,500	541,000	523,853	17,147
Interest	855,000	855,000	560,324	294,676
Miscellaneous	162,700	148,200	152,584	(4,384)
Total Revenues	<u>12,586,750</u>	<u>12,464,650</u>	<u>12,156,058</u>	<u>308,592</u>
Expenditures				
Current:				
General Government:	3,897,760	3,355,326	3,040,518	314,808
Public Safety	4,430,590	4,902,722	4,642,528	260,194
Public Health	802,000	704,135	697,585	6,550
Parks, Recreation and Public Property	1,773,505	2,042,240	1,899,621	142,619
Community and Economic Development	402,000	221,890	190,129	31,761
Capital Outlay:				
General Government:		123,084	123,084	-
Public Safety		137,788	137,788	-
Total Expenditures	<u>11,305,855</u>	<u>11,487,185</u>	<u>10,731,253</u>	<u>755,932</u>
Excess of Revenues Over (Under) Expenditures	<u>1,280,895</u>	<u>977,465</u>	<u>1,424,805</u>	<u>(447,340)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(511,005)	(2,901,840)	(2,891,840)	(10,000)
Total Other Financing Sources (Uses)	<u>(511,005)</u>	<u>(2,901,840)</u>	<u>(2,891,840)</u>	<u>(457,340)</u>
Net Change in Fund Balance	769,890	(1,924,375)	(1,467,035)	(457,340)
Fund Balance Beginning of Year	7,687,324	7,687,324	7,687,324	-
Fund Balance End of Year	<u>\$ 8,457,214</u>	<u>\$ 5,762,949</u>	<u>\$ 6,220,289</u>	<u>\$ (457,340)</u>

Millard County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Special Revenue Fund (Class B Road Fund)
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenue	\$ 2,380,685	\$ 2,380,685	\$ 2,524,243	\$ 143,558
Charges for Services	85,000	87,500	91,516	4,016
Miscellaneous	7,100	4,600	6,794	2,194
Total Revenues	<u>2,472,785</u>	<u>2,472,785</u>	<u>2,622,553</u>	<u>149,768</u>
Expenditures				
Current:				
Highways and Public Improvements	3,113,620	2,656,820	2,647,489	9,331
Capital Outlay:				
Highways and Public Improvements		536,800	536,800	-
Total Expenditures	<u>3,113,620</u>	<u>3,193,620</u>	<u>3,184,289</u>	<u>9,331</u>
Excess of Revenues Over (Under) Expenditures	<u>(640,835)</u>	<u>(720,835)</u>	<u>(561,736)</u>	<u>159,099</u>
Other Financing Sources (Uses)				
Transfers In	640,835	640,835	640,835	-
Use of Fund Balance		8,564		(8,564)
Total Other Financing Sources (Uses)	<u>640,835</u>	<u>649,399</u>	<u>640,835</u>	<u>(8,564)</u>
Net Change in Fund Balance	-	(71,436)	79,099	150,535
Fund Balance (Deficit) Beginning of Year	<u>71,436</u>	<u>71,436</u>	<u>71,436</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 71,436</u>	<u>\$ -</u>	<u>\$ 150,535</u>	<u>\$ 150,535</u>

Millard County
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Capital Project Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 8,900	\$ 8,900	\$ 11,730	\$ 2,830
Miscellaneous	22,295	22,295	9,929	(12,366)
Total Revenues	<u>31,195</u>	<u>31,195</u>	<u>21,659</u>	<u>(9,536)</u>
Expenditures				
Current:				
Parks, Recreation and Public Property	135,252	135,252	135,252	-
Capital Outlay:				
General Government:	748,500	323,500	218,210	105,290
Public Safety	1,000,000	590,000	196,353	393,647
Public Health	5,800,000	6,550,000	6,165,024	384,976
Parks, Recreation and Public Property	759,748	759,748	341,203	418,545
Total Expenditures	<u>8,443,500</u>	<u>8,358,500</u>	<u>7,056,042</u>	<u>1,302,458</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,412,305)</u>	<u>(8,327,305)</u>	<u>(7,034,383)</u>	<u>1,292,922</u>
Other Financing Sources (Uses)				
Transfers In	501,005	501,005	2,251,005	1,750,000
Transfers Out				-
Total Other Financing Sources (Uses)	<u>501,005</u>	<u>501,005</u>	<u>2,251,005</u>	<u>1,750,000</u>
Net Change in Fund Balance	(7,911,300)	(7,826,300)	(4,783,378)	3,042,922
Fund Balance (Deficit) Beginning of Year	19,276,729	19,276,729	19,276,729	-
Fund Balance End of Year	<u>\$ 11,365,429</u>	<u>\$ 11,450,429</u>	<u>\$ 14,493,351</u>	<u>\$ 3,042,922</u>

Millard County
Statement of Net Assets
Proprietary Funds
December 31, 2003

	Business Type Activities - Enterprise Funds		
	Solid Waste	Other Enterprise Fund	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 209,722	\$ 214,873	\$ 424,595
Accounts Receivable (Net of Allowance for Uncollectables)	127,844	9,068	136,912
Total Current Assets	337,566	223,941	561,507
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	250,972	-	250,972
Capital Assets (net of accumulated depreciation):			
Land	49,784	-	49,784
Buildings and Improvements	121,652	-	121,652
Improvements Other Than Buildings	12,050	-	12,050
Machinery and Equipment	581,515	24,010	605,525
Total Capital Assets, Net	765,001	24,010	789,011
Total Noncurrent Assets	1,015,973	24,010	1,039,983
Total Assets	1,353,539	247,951	1,601,490
Liabilities			
Current Liabilities:			
Compensated Absences Payable	8,102		8,102
Current Portion of Loans Payable	22,917	-	22,917
Total Current Liabilities	31,019	-	31,019
Long-Term Liabilities:			
Closure and Postclosure Liability	178,676		178,676
Loans Payable (net of current portion)	314,583		314,583
Total Long-Term Liabilities	493,259	-	493,259
Total Liabilities	524,278	-	524,278
Net Assets			
Invested in Capital Assets, Net of Related Debt	427,501	24,010	451,511
Restricted for:			
Landfill Closure Costs	250,972		250,972
Unrestricted	150,788	223,941	374,729
Total Net Assets	\$ 829,261	\$ 247,951	\$ 1,077,212

Millard County
Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
Operating Revenues			
Charges for Services	\$ 507,342	\$ 46,881	\$ 554,223
Total Operating Revenues	<u>507,342</u>	<u>46,881</u>	<u>554,223</u>
Operating Expenses			
Costs of Sales and Services	280,651	-	280,651
Maintenance Operations and Contractual Services	19,878	13,758	33,636
Materials and Supplies	88,957	3,955	92,912
Depreciation	87,459	24,010	111,469
Total Operating Expenses	<u>476,945</u>	<u>41,723</u>	<u>518,668</u>
Operating Income (Loss)	<u>30,397</u>	<u>5,158</u>	<u>35,555</u>
Non-Operating Revenues (Expenses)			
Interest Income	26,355	-	26,355
Total Non-Operating Revenues (Expenses)	<u>26,355</u>	<u>-</u>	<u>26,355</u>
Change in Net Assets	56,752	5,158	61,910
Net Assets Beginning of Year - Restated	<u>772,509</u>	<u>242,793</u>	<u>1,015,302</u>
Net Assets End of Year	<u>\$ 829,261</u>	<u>\$ 247,951</u>	<u>\$ 1,077,212</u>

Millard County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Business Type Activities - Enterprise Funds		
	Solid Waste	Other Enterprise Fund	Total
Cash Flows from Operating Activities			
Cash Received from Customers and Users	\$ 504,621	\$ 41,518	\$ 546,139
Cash Payments to Employees for Services	(195,884)		(195,884)
Cash Payments for Goods and Services	(108,835)	(17,712)	(126,547)
Other Cash Payments	(67,284)		(67,284)
Net Cash Provided by (Used in) Operating Activities	<u>132,618</u>	<u>23,806</u>	<u>156,424</u>
Cash Flows from Noncapital Financing Activities			-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Principal Paid on Revenue Bonds	(22,917)	-	(22,917)
Payments for Capital Acquisitions	(221,797)	-	(221,797)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(244,714)</u>	<u>-</u>	<u>(244,714)</u>
Cash Flows from Investing Activities			
Interest Income Received	26,355	-	26,355
Net Increase (Decrease) in Cash and Cash Equivalents	(85,741)	23,806	(61,935)
Cash and Cash Equivalents Beginning of Year	546,435	191,067	737,502
Cash and Cash Equivalents End of Year	<u>\$ 460,694</u>	<u>\$ 214,873</u>	<u>\$ 675,567</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 30,397	\$ 5,158	\$ 35,555
Adjustments:			
Depreciation	87,459	24,010	111,469
(Increase) Decrease in Assets:			
Accounts Receivable	(2,720)	(5,362)	(8,082)
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	335	-	335
Closure and Postclosure Care	17,147	-	17,147
Net Cash Provided by (Used in) Operating Activities	<u>\$ 132,618</u>	<u>\$ 23,806</u>	<u>\$ 156,424</u>

MILLARD COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2003

	Treasurer's Trust	Justice Court Bail	Fiduciary Total
Assets			
Cash and Cash Equivalents	<u>\$ 3,156,202</u>	<u>\$ 9,509</u>	<u>\$ 3,165,711</u>
Total Assets	<u><u>\$ 3,156,202</u></u>	<u><u>\$ 9,509</u></u>	<u><u>\$ 3,165,711</u></u>
Liabilities			
Due to Taxing Units	\$ 3,156,202	\$	\$ 3,156,202
Held for Others		<u>9,509</u>	<u>9,509</u>
Total Liabilities	<u><u>\$3,156,202</u></u>	<u><u>\$9,509</u></u>	<u><u>\$3,165,711</u></u>

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

INDEX

- NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- A. Financial Reporting Entity
 - B. Basis of Presentation
 - C. Measurement Focus and Basis of Accounting
 - D. Assets, Liabilities, and Equity
 - E. Revenues, Expenditures, and Expenses
- NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
- A. Fund Accounting Requirements
 - B. Deposits and Investments Laws and Regulations
 - C. Revenue Restrictions
 - D. Debt Restrictions and Covenants
 - E. Fund Equity Restrictions
 - F. Budgetary Basis of Accounting
- NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS
- A. Cash and Investments
 - B. Restricted Assets
 - C. Accounts Receivable
 - D. Capital Assets
 - E. Accounts Payable
 - F. Long-term Debt
 - G. Interfund Transactions and Balances
 - H. Fund Equity
- NOTE 4. OTHER NOTES
- A. Employee Pension and Other Benefit Plans
 - B. Deferred Compensation
 - C. Risk Management
 - D. Commitments and Contingencies
 - E. Related Organization
 - F. Bowling Alley Sale
 - G. Economic Dependency

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the County the option of electing to apply FASB pronouncements issued after November 30, 1989. The County has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the year ended December 31, 2003, the County has implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

1.A. FINANCIAL REPORTING ENTITY

Millard 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 unit.

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

MILLARD COUNTY NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

As required by generally accepted accounting principles, these financial statements present Millard County (the primary government) and its component unit. The component unit is included in the County's reporting entity because of the significance of its 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:	Millard County
Discretely Presented Component Unit:	Millard County Special Service District #8

Millard County Special Service District #8 is controlled by a Board of Directors whose authority is derived from the County Commissioners. Millard County has ultimate responsibility for the District. The primary purpose of the District is to maintain the roads within the unincorporated areas of the County where mining and mineral activities occur. Millard County Special Service District #8 has been audited by Kedric M. Black, CPA, independent auditor, and an individual report dated July 5, 2004, has been issued under a separate cover. The complete financial statements may be obtained by contacting a member of the District's Board of Directors.

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 Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The 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.

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:

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

- 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 always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund

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

Capital Project Fund

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

Proprietary Funds

Enterprise Fund

Enterprise funds account for operations that are financed and operated in a manner similar to private business where the intent of the governing body is that costs of providing services to the public on a continued basis be financed or recovered through user charges. Millard County maintains two enterprise funds, the Solid Waste Fund and the Emergency Telephone 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. Agency funds account for assets the County holds on behalf of others. The County has two agency funds, the Treasurer's Tax Collection and the Justice Court Bail Fund.

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Major and Nonmajor Funds

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

Major	Non-Major
General Fund	Emergency Telephone Fund
Class B Road Fund	Revolving Loan Fund
Special Revenue Fund	Unemployment Trust Fund
Capital Projects Fund	Transient Room Tax Fund
Solid Waste Fund	

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

Basis of Accounting

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

MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

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

Millard County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on month-end deposit and investment balances.

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

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

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

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Receivables

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

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

Fixed Assets

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

Government-wide Statements

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

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

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

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	40 years	40 years
Machinery and Equipment	10 years	10 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.

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. Employees separating from County service for a reason other than retirement or as specified by the federal Family and Medical Leave Act (FMLA) shall not be compensated for any unused sick leave. Employees retiring pursuant to the Utah Retirement Act and the Utah Public Safety Retirement Act shall receive 50 percent of their daily rate for the number of days of accumulated credit. Due to the changes in the employee base and to the difficulties in extrapolating to retirement, the County does not accrue any current charge for accumulated sick leave days. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability

MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Qualified employees working more than 20 hours per week are granted vacation benefits in varying amounts to specified maximums depending on tenure. Unused vacation days may be carried forward to succeeding years; however, no more than 15 days (120 hours) may be carried over from one year to the next. Accumulated earned vacation time shall be paid when the employee separates from County service. Sick leave accrues to qualified employees at the rate of 8 hours of leave for every 174 hours worked, with no specified maximum.

Equity Classifications

Government-wide Statements

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

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

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

1.E. REVENUES, EXPENDITURES, AND EXPENSES

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

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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.

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, noncapital financing, or investing activities.

Expenditures/Expenses

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

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

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

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

Interfund Transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the County and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the

**MILLARD COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

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

Millard County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on month-end deposit and investment balances.

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

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

2.C. REVENUE RESTRICTIONS

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

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

For the year ended June 30, 2003, the County complied, in all material respects, with these revenue restrictions.

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
2.D. DEBT RESTRICTIONS AND COVENANTS**

General Obligation Debt

No debt in excess of total revenue for the current year shall be created by any county unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Counties shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended December 31, 2003, the County had \$222,584 of outstanding general obligation debt.

Notes Payable

The county has one note payable which is a CIB loan for the Landfill and Solid Waste Collection System. This note was entered into in 1985, bears no interest and is payable over 25 years. The balance of this note as of December 31, 2003 was \$337,500.

2.E. FUND EQUITY RESTRICTIONS

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

Reserved for Long-Term Care--An account used to segregate a portion of the fund balance for the payment of long-term care.

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

Reserved for Economic Development--An account used to reserve funds for revolving loans used for economic development.

Reserved for Unemployment--An account used to set aside funds for unemployment.

Reserved for Emergency--An account used to set aside property tax revenue to protect the County from fluctuations in property tax collections from the Counties largest taxpayers.

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

Designated for Conservation and Economic Development--An account used to segregate a portion of the fund balance for conservation and economic development within the County.

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
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 (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

3.A. CASH AND INVESTMENTS

Deposits and Investments

The County maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the County funds. Deposits with Zions First National Bank totaled \$3,506,294 with a carrying value on the County's books of \$3,506,497. Deposits with Wells Fargo Bank totaled \$6,965,451 with a carrying value on the books of \$7,455,966. Deposits at Zions First National Bank were covered up to \$200,000 by Federal Depository Insurance. Deposits at Wells Fargo Bank

MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

were covered up to \$100,000 of Federal Depository Insurance. Deposits are not collateralized nor are they required to be by State statute.

The carrying amount of deposits for the component units of Millard County was \$4,435 and the bank balance was \$4,585. Of the bank balance, \$4,585 was covered by Federal Depository Insurance.

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

The County's policies regarding deposits of cash are discussed in Note 1.E. The County's investments are categorized as follows to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments which are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agency, but not in the County's name. Because PTIF deposits have no withdrawal restrictions, they are not subject to categorization. Total cash and investments are as follows:

	<u>Category</u>	<u>Total Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
U.S. Treasury Bonds	1	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ 225,925</u>
Total		<u><u>\$ 185,000</u></u>	<u><u>\$ 185,000</u></u>	<u><u>\$ 225,925</u></u>

Investments not subject to categorization at December 31, 2003, were as follows:

Investments in Utah State Treasurers' Investment Fund	<u>\$ 25,343,864</u>
Total Investments	<u><u>\$ 25,343,864</u></u>

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Reconciliation to Government-wide Statement of Net Assets:

Total Investments	\$25,528,864
Cash on hand	25
City Deposits	<u>10,527,573</u>
Total	<u><u>\$36,056,462</u></u>

Per Statement of Net Assets:

Cash and Cash Equivalents	\$32,076,738
Restricted Assets:	
Cash and Cash Equivalents	250,972
Warrants Outstanding	563,041
Agency Funds Cash	<u>3,165,711</u>
Total	<u><u>\$36,056,462</u></u>

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are for closure and post closure costs of the landfill.

The restricted assets as of December 31, 2003, are as follows:

Type of Restricted Asset	Cash Incl.	Time Deposits	Investments	Accrued Interest	Total
Landfill Closure Costs	\$	250,972	\$ -	\$ -	\$ 250,972
		-	-	-	-
Total	<u>\$</u>	<u>250,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,972</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable for the business-type activities consists of utilities receivable from the solid waste fund (93%) and emergency fund (7%). Accounts receivable for the governmental activities consists of property tax (84%), Cops Grant, Jail Revenue & Justice of the Peace (14%), and interest (2%) receivables. Receivables detail at December 31, 2003, is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 1,776,020	\$ 136,912	\$ 1,912,932
Allow for Doubtful Acct:	-	-	-
Net Accounts Receivable	<u>\$ 1,776,020</u>	<u>\$ 136,912</u>	<u>\$ 1,912,932</u>

MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

3.D. CAPITAL ASSETS

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

	Balance at Jan 1, 2003	Additions	Disposals	Balance at Dec 31, 2003
Governmental Activities:				
Land	\$ 148,630	\$ 415,066	\$ -	\$ 563,696
Buildings	13,376,039	714,885	-	14,090,924
Improvements	90,900	-	-	90,900
Machinery & Equipment	7,612,870	1,167,740	(233,217)	8,547,393
Infrastructure	14,527,684	-	-	14,527,684
Construction-in-progress	686,545	6,411,264	(575,427)	6,522,382
Totals at historical cost	<u>36,442,668</u>	<u>8,708,955</u>	<u>(808,644)</u>	<u>44,342,979</u>
Less Accum. Depreciation				
Buildings	(3,920,045)	(362,554)	-	(4,282,599)
Improvements	(35,843)	(3,222)	-	(39,065)
Machinery & Equipment	(5,509,855)	(562,027)	185,821	(5,886,061)
Total Accum. Depreciation	<u>(9,465,743)</u>	<u>(927,803)</u>	<u>185,821</u>	<u>(10,207,725)</u>
Governmental Activities capital assets, net	26,976,925	7,781,152	(622,823)	34,135,254
Business-type activities:				
Land	49,784	-	-	49,784
Buildings	131,516	-	-	131,516
Improvements	17,214	-	-	17,214
Machinery & Equipment	1,272,815	-	-	1,272,815
Totals at historical cost	<u>1,471,329</u>	<u>-</u>	<u>-</u>	<u>1,471,329</u>
Less Accum. Depreciation				
Buildings	(6,576)	(3,288)	-	(9,864)
Improvements	(3,443)	(1,721)	-	(5,164)
Machinery & Equipment	(560,830)	(106,460)	-	(667,290)
Total Accum. Depreciation	<u>(570,849)</u>	<u>(111,469)</u>	<u>-</u>	<u>(682,318)</u>
Business-type activities capital assets, net	<u>\$ 900,480</u>	<u>\$ (111,469)</u>	<u>\$ -</u>	<u>\$ 789,011</u>

Depreciation expense was charged to governmental activities as follows:

**MILLARD COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

General government	\$233,306
Highways & Streets	229,264
Public Safety	204,507
Recreation	<u>260,726</u>
Total depreciation expense	<u><u>\$927,803</u></u>

3.E. ACCOUNTS PAYABLE

Payables in the general fund and non-major governmental funds are composed of compensated absences. Payables of Enterprise Funds are composed of compensated absences as well.

3.F. 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, 2003, the governmental long-term debt of the financial reporting entity consisted of the following:

Accrued Compensated Absences:	\$ 222,584
-------------------------------	------------

Defeased Bonds

On April 31, 1991, the County defeased East Millard Recreation District Community Impact Board loan, dated April 30, 1991, by establishing an escrow account with West One Bank. The escrow account holds U.S. Government securities sufficient to service the remaining requirements of these bonds. Accordingly, the escrow account assets and the liability for defeased bonds are not included in the County's general-purpose financial statements as per GASB Statement No. 7. At December 31, 2003, the balance of the bonds to be paid from the escrow account was \$750,000.

IHC Hospitals and Millard County agreed upon a retiree medical benefits accrual in the amount of \$144,780 to be repaid over a period of ten years with annual payments of \$14,478. The agreement carries an interest rate of 12 percent with an ending date of December 31, 2003.

Business-type Activities:

As of December 31, 2003, the long-term debt payable from proprietary fund resources consisted of the following:

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Note Payable:

Community Impact Loan - Solid Waste

dated July 1985, payable in annual

installments of \$22,916.67, final payment of \$200,000 due

July 1, 2010

\$337,500

Accrued Compensated Absences:

8,102

Total long-term debt

\$345,602

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2003:

Type of Debt	Balance Jan 1, 2003	Additions	Deductions	Balance Dec 31, 2003
Governmental Activities:				
IHC Hospital Loan	\$ 14,478		\$ (14,478)	\$ -
Accrued Compensated Absences	209,862	12,722	-	222,584
Total General Long-Term Debt	209,862	12,722	-	222,584
Business-type Activities:				-
CIB Loan - Solid Waste	360,417	-	(22,917)	337,500
Accrued Compensated Absences	7,767	335	-	8,102
Total Enterprise Fund Debt	<u>\$ 368,184</u>	<u>\$ 335</u>	<u>\$ (22,917)</u>	<u>\$ 345,602</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2003, are as follows:

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Business-type Activities
Notes Payable

Year Ending December 31	Principal	Interest
2004	\$ 22,917	\$ -
2005	22,917	-
2006	22,917	-
2007	22,917	-
2008	22,917	-
2009-2010	222,915	-
Total	<u>\$ 337,500</u>	<u>\$ -</u>

The Community Impact Loan for the Solid Waste is a non-interest bearing loan. Payments of \$22,917 are made annually with a final balloon payment of \$200,000 due in 2010.

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund:		
Class B Roads	\$ -	\$ 640,835
Capital Improvements		\$2,251,005
Unemployment Trust	-	10,000
Total General Fund	<u>-</u>	<u>2,901,840</u>
Class B Road Fund:		
General Fund	640,835	-
Capital Projects Fund:		
General Fund	2,251,005	-
Unemployment Trust Fund:		
General Fund	<u>10,000</u>	<u>-</u>
GRAND TOTALS	<u>\$2,901,840</u>	<u>\$2,901,840</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

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

3.H. FUND EQUITY

Restricted Fund Equity

	Government Activities	Business-Type Activites	Totals
Special Revenue Fund:			
Class B Road Fund:			
Reserved for Class "B" Roads	\$ 150,535	\$ -	\$150,535
Enterprise Fund:			
Restricted for Landfill Closure Costs:			
Closure & Post Closure Liabilities		250,972	250,972
General Fund:			
Long Term Care	80,000		80,000
Total Restricted for debt service	<u>\$ 230,535</u>	<u>\$ 250,972</u>	<u>\$481,507</u>

NOTE 4. OTHER NOTES

4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Local Governmental – Cost Sharing Defined Benefits Pension Plans

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

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issues a publicly available financial report that includes financial statements and required supplementary information for the Systems

**MILLARD COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy: Millard County is required to contribute a percentage of covered salary to the respective systems; 10.680% to the Contributory System from January 2003 to June 2003 and 11.610% from July 2003 to December 2003, 8.690% to the Noncontributory System from January 2003 to June 2003 and 9.620% from July 2003 to December 2003 and 13.890% to the Public Safety Noncontributory System from January 2003 to June 2003 and 16.240% from July 2003 to December 2003 respectively. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Contributions Made: Millard County’s contributions to the various systems for the years ending December 31, 2003, 2002, and 2001 were; for the Contributory System, \$19,264, \$23,034, and \$24,250; for the Noncontributory System \$310,154, \$272,490, and \$278,617; and for the Public Safety System \$230,662, \$208,977, and \$206,702, respectively. The contributions were equal to the required contributions for each year.

401(k) Defined Contribution Plan

Millard County also has an optional 401(k) defined contribution plan for its employees to participate in. Plan contributions for 2003 are as follows:

	<u>Employer</u>	<u>Employee</u>
Utah Retirement Systems	\$195,767	\$ 86,170

4.B. DEFERRED COMPENSATION PLAN

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

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

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
4.C. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has purchased a comprehensive general liability insurance policy for public entities through the Utah Local Governments' Trust. The County pays premiums to this trust for comprehensive general liability and automobile liability insurance coverage. The County is subject to a minimal deductible for claims covered. The County also pays premiums for workers' compensation coverage.

4.D. COMMITMENTS AND CONTINGENCIES

Solid Waste Landfill Closure and Post-closure Care Costs

Class I Landfill

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County plans to place a final cover on the landfill twice during the sites estimated eighty-five year life. Closure activities will be performed when development of the site reaches the midway point and again when the site reaches full capacity. Although closure and post-closure care costs will be paid only near or after the site reaches the midway point and after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Of the \$178,676 reported as landfill closure and post-closure care liability at December 31, 2003, \$176,611 represents the cumulative amount reported to date on the use of about 30 percent of the estimated capacity of the Class I landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$620,216 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2000. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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 and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County plans to place a final cover on the landfill twice during the sites estimated life. Closure activities will be performed when development of the site reaches the midway point and again when the site reaches full capacity. Although closure and post-closure care costs will be paid only near or after the site reaches the midway point and after the date that the landfill stops accepting waste, the County will report a portion of these closure and post-closure care

**MILLARD COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Of the \$178,676 reported as landfill closure and post-closure care liability at December 31, 2003, \$2,065 represents the cumulative amount reported to date on the use of about two percent of the estimated capacity of the Class IV landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$35,503 as the estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2000. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has established a trust fund for \$250,972 for post-closure costs.

4.E. RELATED ORGANIZATION

The County's governing body is responsible for all of the board appointments of the Millard County Housing Authority. However, the County has no further accountability for the Housing Authority.

4.F. BOWLING ALLEY SALE

On July 1, 1995, Millard County sold the County's Bowling Alley for \$160,000. The County agreed to carry a ten year contract on the sale at seven percent interest. The note is recorded in the Capital Projects Fund along with the related deferred revenue account.

4.G. ECONOMIC DEPENDENCY

Approximately seventy six percent of the assessed property taxes of the County are assessed to a single taxpayer, the Intermountain Power Agency (IPA).

SUPPLEMENTARY INFORMATION

Millard County
Condition Rating of the County's Road System
For the Year Ended December 31, 2003

Percentage of Lane Miles in Good or Better Condition in 2003:

	<u>Percentage</u>
Paved	64
Mag Chloride	100
Gravel	57
Dirt	70
Overall System	70
Bridges	100

Percentage of Lane Miles in Substandard Condition in 2003:

	<u>Percentage</u>
Paved	3
Mag Chloride	0
Gravel	12
Dirt	15
Overall System	12
Bridges	0

Comparison of Needed-to-Actual Maintenance/Preservation - Roads and Bridges:

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Estimated	\$ 3,193,920	\$ 2,959,460	\$ 2,966,310	\$ 2,716,335	\$ 2,523,916
Actual	\$ 3,184,289	\$ 2,817,679	\$ 2,961,512	\$ 2,710,179	\$ 2,739,532

The condition of road pavement is measured using a system that includes a definition of excellent, good, fair, and poor for each type of road. It is the County's policy to maintain at least 60 percent of its overall road system at a good or better condition level. No more than 15% should be in substandard condition.

This schedule only presents the condition assessemnet for last year. GASB standards require reporting the last three complete condition assessments. However, the County implemented the new standards in 2003, and did not collect this information for the prior years. The County will continue to collect and retain this information so that it will be able to report the required information in the future.

The condition of the County's bridges is determined by the State Department of Transportation. Each bridge is given a sufficiency rating. This rating is a weighted average of an assessment of the ability of individual components to function structurally and uses a sufficiency rating of zero to 100. It is the County's policy to keep all bridges above a 65% sufficiency rating. All bridges are inspected every two years.

Millard County
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Special Project Fund	Revolving Loan Fund	
Assets			
Cash and Cash Equivalents	\$ 312,422	\$ 129,117	\$ 441,539
Notes Receivable		71,259	71,259
Total Assets	\$ 312,422	\$ 200,376	\$ 512,798
Liabilities			
Deferred Revenue	\$	\$	\$
Total Liabilities	-	-	-
Fund Balances			
Unreserved:			
Designated for:			
Capital Projects	312,422	200,376	512,798
Total Fund Balances (Deficits)	312,422	200,376	512,798
Total Liabilities and Fund Balance:	\$ 312,422	\$ 200,376	\$ 512,798

Millard County
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2003

	<u>Special Revenue Funds</u>		Total Nonmajor
	<u>Special Project Fund</u>	<u>Revolving Loan Fund</u>	<u>Governmental Funds</u>
Revenues			
Intergovernmental	\$ 7,500	\$	\$ 7,500
Interest		2,060	2,060
Other	17,763		17,763
<i>Total Revenues</i>	<u>25,263</u>	<u>2,060</u>	<u>27,323</u>
Expenditures			
Current:			
Capital Outlay:			
Public Safety	27,186		27,186
<i>Total Expenditures</i>	<u>27,186</u>	<u>-</u>	<u>27,186</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,923)</u>	<u>2,060</u>	<u>137</u>
Other Financing Sources (Uses)			
			-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(1,923)	2,060	137
<i>Fund Balances (Deficits) Beginning of Year - Restated</i>	<u>314,345</u>	<u>198,316</u>	<u>512,661</u>
<i>Fund Balances (Deficits) End of Year</i>	<u><u>\$ 312,422</u></u>	<u><u>\$ 200,376</u></u>	<u><u>\$ 512,798</u></u>

MILLARD COUNTY
STATEMENT OF CURRENT TAXES LEVIED, COLLECTED, AND TREASURER'S RELIEF
YEAR ENDED DECEMBER 31, 2003

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)
COUNTY:											
GENERAL COUNTY	332,255,465	1,593,628,277	14,598,800	1,911,284,942	29,679,174	11,028,674	18,650,500	1,929,935,442	0.003374	0.003410	6,448,675
ASSESSING & COLLECTING - COUNTY	332,255,465	1,593,628,277	14,598,800	1,911,284,942	29,679,174	11,028,674	18,650,500	1,929,935,442	0.000212	0.000214	405,192
CITIES & TOWNS:											
DELTA	54,992,065	7,952,826		62,944,891	5,084,472		5,084,472	68,029,363	0.003710	0.003922	233,526
FILLMORE	67,682,715	4,033,664	14,598,800	57,117,579	15,026,552	11,028,674	3,997,878	61,115,457	0.001471	0.001503	84,020
HINCKLEY	9,633,880	569,183		10,203,063	71,965		71,965	10,275,028	0.000996	0.000975	10,162
HOLDEN	7,825,895	424,705		8,250,600	135,408		135,408	8,386,008	0.000879	0.000875	7,252
KANOSH	9,400,535	341,175		9,741,710	189,753		189,753	9,931,463	0.000387	0.000388	3,770
LEAMINGTON	3,319,550	615,081		3,934,631	29,599		29,599	3,964,230	0.001116	0.001226	4,391
LYNNDYL	2,697,280	2,132,852		4,830,132	53,271		53,271	4,883,403	0.001684	0.001711	8,134
MEADOW	6,327,740	228,305		6,556,045	65,374		65,374	6,621,419	0.000907	0.000925	5,946
OAK CITY	8,728,065	336,156		9,064,221	120,667		120,667	9,184,888	0.001119	0.001136	10,143
SCIPIO	8,362,685	367,042		8,729,727	289,615		289,615	9,019,342	0.000786	0.000902	6,862
DISTRICTS:											
DELTA-OASIS CEMETERY	126,607,065	18,448,882		145,055,947	8,158,415		8,158,415	153,214,362	0.000162	0.000172	23,499
HINCKLEY DESERET CEMETERY	31,252,425	3,621,833		34,874,258	335,744		335,744	35,210,002	0.000259	0.000261	9,032
MOSQUITO ABATEMENT	167,406,095	1,343,130,406		1,510,536,501	8,664,455		8,664,455	1,519,200,956	0.000158	0.000155	238,665
FIRE DISTRICT	332,255,465	1,593,628,277	14,598,800	1,911,284,942	29,679,174	11,028,674	18,650,500	1,929,935,442	0.000213	0.000215	407,104
MILLARD SCHOOL DISTRICT	332,255,465	1,593,628,277	14,598,800	1,911,284,942	29,679,174	11,028,674	18,650,500	1,929,935,442	0.005883	0.005923	11,244,089

MILLARD COUNTY
STATEMENT OF CURRENT TAXES LEVIED, COLLECTED, AND TREASURER'S RELIEF (Continued)
YEAR ENDED DECEMBER 31, 2003

	13	14	15	16	17	18	19	20	21	22	23	24
ENTITY	PERSONAL PROPERTY TAXES CHARGED (8 x 11)	TAXES CHARGED (12 + 13)	UNPAID TAXES	ABATEMENTS	OTHER	TOTAL RELIEF	TAXES COLLECTED (14 - 18)	ANNUAL COLLECTION RATE	FEE-IN-LIEU REVENUE/ AGE BASED REVENUE	MISC. COLLECTIONS	DELINQUENT TAXES	DELINQUENT INTEREST & PENALTIES
COUNTY:												
GENERAL COUNTY	63,598	6,512,274	87,544	3,094	6,444	97,082	6,415,192	98.51%	292,356	167,340	103,664	23,423
ASSESSING & COLLECTING - COUNTY	3,991	409,184	5,501	194	400	6,095	403,089	98.51%	17,657	9,295	4,883	255
CITIES & TOWNS:												
DELTA	19,941	253,467	8,460	872	2,006	11,338	242,129	95.53%	65,294	5,995	11,284	522
FILLMORE	6,009	90,029	5,058	475	389	5,922	84,107	93.42%	24,672	2,418	928	126
HINCKLEY	70	10,232	630	15	(24)	621	9,611	93.93%	4,370	237	551	34
HOLDEN	118	7,371	221	39	13	273	7,098	96.30%	2,890	186	194	6
KANOSH	74	3,844	164	31	9	204	3,640	94.69%	1,593	94	163	11
LEAMINGTON	36	4,427	313		17	330	4,097	92.55%	2,242	97	314	11
LYNNDYL	91	8,225	788	0	158	946	7,279	88.50%	1,192	182	579	21
MEADOW	60	6,007	392	73	46	511	5,496	91.49%	2,026	140	341	13
OAK CITY	137	10,280	439	24	198	661	9,619	93.57%	4,975	241	377	9
SCPIO	261	7,123	1,486		104	1,590	5,533	77.68%	2,087	182	1,485	44
DISTRICTS:												
DELTA-OASIS CEMETERY	1,403	24,902	933	51	122	1,106	23,796	95.56%	5,316	594	1,196	56
HINCKLEY DESERET CEMETERY	88	9,120	774	9	3	786	8,334	91.38%	2,115	226	693	40
MOSQUITO ABATEMENT	1,343	240,008	1,610	55	33	1,698	238,310	99.29%	7,169	5,570	1,581	70
FIRE DISTRICT	4,010	411,114	5,527	195	402	6,124	404,990	98.51%	17,740	9,341	4,386	203
MILLARD SCHOOL DISTRICT	110,467	11,354,556	152,644	5,394	10,812	168,850	11,185,706	98.51%	489,972	277,009	134,696	7,020

GOVERNMENT AUDITING STANDARDS REPORT



LARSON & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

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

May 16, 2004

County Commissioners
Millard County
Fillmore, Utah

We have audited the financial statements of Millard County as of and for the year ended December 31, 2003, and have issued our report thereon dated May 16, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether Millard County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Millard County in a management letter dated May 16, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Millard County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course

of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Millard County in a management letter dated May 16, 2004.

This report is intended solely for the information and use of the County Commissioners, management, others within the County, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Larson & Peterson
Certified Public Accountants

STATE COMPLIANCE REPORT



LARSON & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON
LEGAL COMPLIANCE WITH APPLICABLE
UTAH STATE LAWS AND REGULATIONS**

May 16, 2004

County Commissioners
Millard County
Fillmore, Utah

We have audited the financial statements of Millard County, as of and for the year ended December 31, 2003, and have issued our report thereon dated May 16, 2004. As part of our audit, we have audited the County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2003. The County received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation & Property Tax Limitations
Justice Courts Compliance
Assessing & Collecting of Property Taxes
Uniform Building Code Standards
Transient room Tax
Statement of Taxes Charged, Collected, and Disbursed - Current and Prior
Years
Other General Compliance Issues

The management of Millard County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Millard County, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2003.

Larson & Peterson
Certified Public Accountants