

CASSIA COUNTY

BASIC FINANCIAL STATEMENTS
With Supplemental Information

September 30, 2012



CASSIA COUNTY
BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2012
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Office of the Clerk of the District Court
Cassia County, Idaho

COURTHOUSE

1459 Overland Ave., Rm. 106
Burley, ID 83318

Phone: (208) 878-5231

Fax: (208) 878-5344

Cell: (208) 300-0160

Joseph W. Larsen

Clerk of the District Court

Ex Officio Auditor/Recorder

e-mail: CassiaClerk@cassiacounty.org

LETTER OF TRANSMITTAL

March 9, 2012

To: Board of County Commissioners of Cassia County, Idaho
Citizens of Cassia County, Idaho:

Idaho statute requires that all general-purpose local governments with an annual budget that exceeds two hundred fifty thousand dollars annually submit a complete set of financial statements to the legislative council. The financial statements presented must conform with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the attached Basic Financial Statements with Management's Discussion and Analysis of Cassia County, Idaho, for the fiscal year ended September 30, 2011. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Evans and Poulsen, a firm of licensed certified public accountants, has audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2011, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A is designed to complement the letter of transmittal and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Cassia County Government Profile

Cassia County is located, geographically, in the south central plain of the Snake River, bordered to the south by the State of Utah and surrounded by Oneida, Power, Blaine, Minidoka, Jerome, and Twin Falls Counties. It is comprised of 2,565.08 square miles of land. The population base increased 7.2% in Cassia County from 21,416 in 2000 to 22,952 in 2010. 78.8% of the population of the County were high

school graduates between 2006 and 2010, nearly 10% higher than that of the entire State of Idaho during the same time period. There were 1,444 veterans residing in the County during the same time period. The median household income for that period was \$39,866, nearly \$7,000 below the average of the State of Idaho. The largest concentration of the County's population resides in the county seat of Burley.

A three member elected County Commission with overlapping terms governs the County. Responsibilities of the County Commissioners include passing ordinances and resolutions, adopting the budget, and appointing the heads of various departments. Other elected officials within the County are Clerk/Auditor/Recorder, Assessor, Coroner, Prosecutor, Sheriff, and Treasurer.

The County provides a full range of services under its general governmental functions. These services include public safety and protection, sanitation services, health and social services, culture and recreation, road and bridge construction and maintenance, planning and zoning, and general administrative services. Also included are services related to property assessment, budget development and administration, financial management, tax collection and investment of County assets, judicial administration, public records management, elections administration, and jury management. In addition, sanitation and emergency communications services are provided under an enterprise fund concept, with user charges providing revenue to pay operating expenses.

The County Commission is required to annually adopt a final budget by no later than the second Monday in September. This annual budget serves as the foundation for Cassia County's financial planning and control. The budget is prepared by fund, department, activity, and object. Each elected official and department manager submits, for approval, a budget request of operating and capital expenditure appropriations to the Cassia County Clerk. The Clerk submits to the Board of County Commissioners such department requests including alternative recommendation as deemed appropriate to fall within the limits of funding sources. The Board then considers and contrasts or modifies such budget considerations for public hearing before approval. In addition, the County maintains ongoing budgetary controls throughout the fiscal year. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual adopted budget process, Idaho Budget Statutes, and Federal Regulation. The adopted budget is then integrated with the County's accounting system to ensure reasonable and timely management control over spending throughout the year. Final budget amounts are as originally adopted or as amended either by judicial order or through scheduled budget hearing procedures for receipt of unanticipated revenues and unexpected expenses as allowed by Idaho Statute.

During the fiscal year, the Board of County Commissioners may amend the annual appropriated budget by unanimous resolution in case of an emergency, through the courts, or by the budget hearing process. The appropriated budget can only be increased by an amount equal to unanticipated revenues. In no event can property taxes be increased. Management at the departmental level does not have authority to amend the budget.

Local Economy

Cassia County is an agriculture based economy with dairy and dry farm operations as well as waterway and deep well irrigation crop farms. Production crops include potatoes, sugar beets, beans, alfalfa, wheat, and barley. Some industrial development has occurred with many having a direct relationship to agricultural production. Ethanol production and wind power generation are part of the local economy as well. Though construction has decreased with local and national economic suppression, the prospects are good for increases in domestic and business propositions as the economy improves. Recreational draws include the activities associated with the Snake River, a ski resort, mountain streams and lakes, the City of Rocks National Reserve, camping, hiking and hunting.

Financial Planning

Cassia County's 911/Emergency Communication department was involved with the placement of a repeater on Granite Pass in cooperation with the BLM to enhance communication in the southern part of the County. The cost to the taxpayer was very minimal to accomplish that.

The old 911 system was upgraded to include reverse 911. They are working with the school district to facilitate their use of the reverse 911 system. The FCC mandated narrow banding and all licenses and repeaters were updated to be compatible with that mandate.

The County Road and Bridge department purchased a new road grader to assist with the needs of rural County roads for repair and maintenance. Flooding in the Elba area has necessitated culvert repair and replacement. Work on bridge construction in the Almo area began in fiscal year 2011 and will continue as permits for construction allow. Cooperative work with the City of Rocks continues for road maintenance and snow removal. The Idaho Transportation Department reached an agreement with the County to take over the Idaho Highway 77 Spur known as the Elba-Almo Highway. In a cooperative agreement, the County will provide plowing of snow with ITD providing sand and salt.

Cassia County completed the purchase of the former Swenson's Market and parking lot for remodeling to create a new Justice Center to house court functions. Solving security issues, which would have presented a high degree of difficulty in the present courthouse, will be appropriately addressed in the proposed facility. The County has prudently placed funds in reserve each fiscal year for this identified need. Environment studies, architectural propositions, and construction work began at the onset of fiscal year 2012. Vacating areas of the present courthouse will facilitate elimination of other rented facilities for the Prosecuting Attorney, for the Public Defender, and for the University of Idaho Extension Office.

The dedication, experience, and ability of Deputy Auditors, Cara Petterson and Kris Zanone are reflected in the high quality of service they provide Cassia County in successfully safeguarding the assets of Cassia County. This office will continue to conduct in-house auditing in areas where the need arises and where quality control and efficiency can be improved. We have budgeted additional dollars to have our outside auditor, Evans and Poulsen CPA's do selected auditing where areas of concern can be identified and corrections made. The Adult Misdemeanor Probation Department and the Mini-Cassia Criminal Justice Center were randomly selected by the outside auditor to conduct more detailed auditing. The cooperation of both departments was greatly appreciated and suggestions were made to alter current procedures to improve accountability, promote cost savings, and emphasize efficiency.

The submission of this annual financial report for Cassia County is, hereby, offered to the Board of County Commissioners, interested parties, and the citizens of Cassia County for their consideration.

Respectfully,



Joseph W. Larsen

Cassia County ClerkEx-officio Auditor

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cassia County, ID

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of Cassia County (the "County"), as of and for the fiscal year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the County's 2011 financial statements and, in our report dated February 21, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, each major fund, the aggregate remaining fund information and the discretely presented component unit of Cassia County as of September 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, and combining and individual nonmajor fund and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund and fiduciary fund financial statements 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Evans & Poulsen

EVANS & POULSEN

February 12, 2013

***Cassia County
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2012***

The management of Cassia County offers this narrative overview, analysis, and accompanying financial statements for the fiscal year ended September 30, 2012. Included are financial performance and activities of the governmental services of Cassia County from October 1, 2011, through September 30, 2012. The County implemented the reporting model as adopted by the Governmental Accounting Standards Board (GASB) in their statement. Please read this statement in conjunction with the County's financial statement which immediately follows this section.

Elected Officials

A political subdivision of the State of Idaho, Cassia County consisted of the following elected Officials at fiscal year ended September 30, 2012:

Board of County Commissioners: Dennis Crane (Chairman), Paul Christensen, and Bob Kunau.

The Board of County Commissioners is the chief executive officers and the governing body of the County. As such, they carry out county legislative duties, set general county policy, and establish terms and conditions of county employment and administrative responsibilities.

Clerk of the District Court: Joseph W. Larsen

The Clerk of the District Court serves also as ex-officio Auditor, ex-officio Recorder, Chief Elections Officer, and Clerk of the Board of County Commissioners.

Assessor: Dwight Davis

The Assessor determines property valuations, administers the property taxation system, and provides vehicle registration.

Treasurer: Patty Justesen

The Treasurer is the County Tax Collector and ex-officio public administrator.

Prosecuting Attorney: Alfred E. Barrus

The Prosecuting Attorney prosecutes crimes and is counsel to the county government.

Sheriff: Randy Kidd

The Sheriff is the Chief law enforcement officer of the county

Coroner: Craig Rinehart

The Coroner determines and certifies the manner and cause of death

Goals

It is the goal of each elected official, each department head, and every employee of Cassia County to provide the best possible service to every member of the public, in a courteous, equitable, efficient, effective way. Further, it is the goal of the County to utilize the revenues of the County in the most efficient way to allow each elected official to fulfill their respective duties as prescribed in the Idaho Code. Further, it is the objective of every elected official to collect revenues as allowed by law, including taxes, fees, and fines. They are to be used in the most effective way to help pay for the cost of all services rendered to the public. The County is accountable to the taxpayers and citizens of Cassia County and all members of the public.

The goal of our county to provide the best possible service with the revenues available continues to be a challenge. There remains substantial fiscal issues in the global, the Federal, the State, and with municipalities. The trickle-down effect is present with continuing low interest rates on savings, consistently high unemployment, legislative exemptions, declining federally funded local programs, diminished financial support to state, skyrocketing healthcare costs, increased property insurance rates, increased indigent medical costs, and unfunded State and Federal mandates.

In particular, with the looming implementation of the Affordable Care Act, commonly called Obamacare, as a Federal requirement for all employers for their employees, financial ramifications will need to be factored into county budgeting. Successful implementation and integration with Cassia County's current hybrid self-insurance plan will require careful consideration and prudent comparative.

The funding and construction of the new Cassia County Judicial Center has been critical for the required security of administering justice on behalf of court personnel, the legal community, and the citizens and the community at large. Prudence and sensitivity towards the taxpayer with the funding of this venture and a goal for the least amount of financial impact to other ongoing functions of the County is paramount.



Cassia County Judicial Center

Elimination of expenditures for the housing of County services currently operating outside the present courthouse remains an important goal by moving those services to the courthouse. Said services include the office of the Prosecuting Attorney, Public Defender, and the University of Idaho Extension Office.

Economic Conditions and Outlook

Located in South Central Idaho on the Snake River Plain, Cassia County is primarily an agricultural, livestock, and residential area. Retail and service industries are important secondary sources of employment and tax revenue. Urban development and construction has only improved

slightly in recent years despite recruiting efforts of local municipalities for economic expansion. Additionally, there have been renewed and concerted efforts of commerce and industry advocates to reduce substantially or even eliminate personal property taxation in the State of Idaho to theoretically entice the conducting of business within the State. The impact of that consideration could result in a significant tax shift to small business owners and homeowners.

Considering the aforementioned factors, the prospects of improvement in the future is uncertain at best and will likely have adverse effects and impact funding to counties with existing levying limitations, decreased tax revenues, reduction in Federal payments in lieu of taxes (PILT) for BLM and U.S. Forest Service lands, increased statutory requirements for services to citizens, and the continual increase in costs for administering justice.

Government-wide Financial Statements

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

Taxation and Finance: Counties, as political subdivisions of the State of Idaho, but with closer relationships with the people, have a right and a responsibility to raise the necessary revenues in order to finance critical, basic public services of a wide variety, many of which are federally or state mandated.

Property Taxes raise a substantial amount of money and are in fact, the largest single source of county tax revenue. The assessment of property is completed on a timely basis utilizing the most accurate procedures and in accordance with the standards of the International Association of Assessing Officers. Property tax revenues continue to be insufficient to support all the functions of local government and the supplementary payments from the Federal government in lieu of taxes will experience reductions.

The collection of property taxes is administered and completed by the County Treasurer.

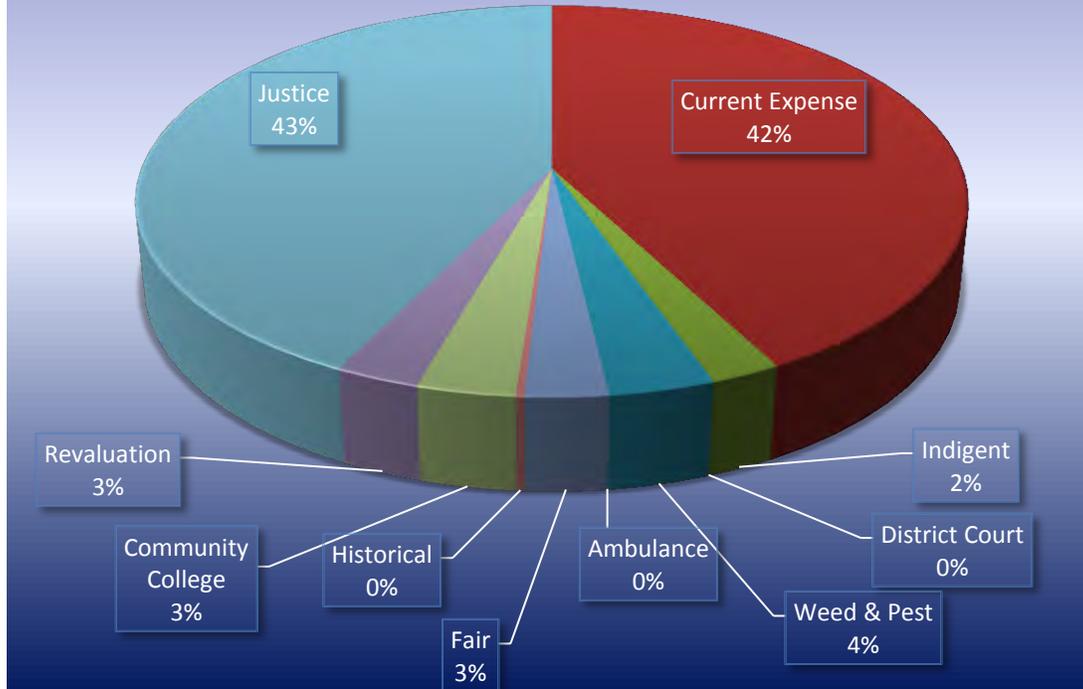
Fund Financial Statements

Fund financial statements are accounting devices that the County uses to track sources of funding and spending for specific programs and to demonstrate compliance with various regulatory requirements. Fund financial statements generally report operation in more detail than the government-wide statements. This statement focuses on its most significant or "major" funds and not on the County as a whole.

County Funds

The taxing funds listed below have their own levy limits which are set by the Idaho State Legislature and cannot be intermingled. Those levy funds are derived from property tax revenues. The Major Funds listed reflect the 2012 County Tax Levy for each dollar of Assessed Market Value for FY2012.

2012 CASSIA COUNTY FUND PROPORTION OF OVERALL LEVY



**2012 County Levy Rate:
.003622930**

Cassia County Revenue Funds or Fee Collection Funds

Solid Waste Collection
Snowmobile
Domestic Abuse
Cigarette Tax
Forest Service
Juvenile Justice Lottery Tax

Sheriff Drug Enforcement
Waterways
EMS
Grants
Interlock Fund

911 Emergency Services
Industrial Property Litigation
Noxious Weed Support
Disaster Services Support
Court Facilities
Misdemeanor Probation Fund

Revenues for Major Funds are:

Cash Forward (referred to as Fund Balance)

Revenue other:

State Sales Tax
State Liquor Allocation
State Sales Tax

Federal Payment in Lieu of Taxes
 State Licenses & Fees
 County Licenses & Fees
 Interest on Investments
 Gross Elected Tax
 Federal Reimbursements
 Receipts
 Agricultural Equipment Property Tax Replacement
 Property Tax Levy

Financial Information

Accounting System and Budgetary Control: In developing and evaluating the County’s accounting system, consideration is given to the adequacy of internal accounting controls. Internal control is a process affected by the County’s governing board, elected officials, administration, department heads, and staff. It is designed to provide reasonable, but not absolute, assurance regarding the achievements of objectives in the following categories:

- 1) the effectiveness and efficiency of operations
- 2) reliability of financial reporting
- 3) compliance with applicable laws and regulations.

The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit likely to be derived and that the evaluation of costs and benefits require estimates and judgments by management.

Budgetary control is maintained by the issuance of monthly financial statements which reflect current and year to date expenditures and encumbrances, in comparison to budgeted amounts. The portion of the year gone is compared to the portion of the budget amount expended when presented to the Board for authorization of payment. Anticipated expenditures are reviewed to determine that sufficient funds will be available prior to issuance of purchase approval or other commitments.

The financial statements meet requirements as set forth by the Governmental Accounting Standards Board (GASB) and with Generally Accepted Accounting Principles (GAAP) as applied to government units.

COUNTY FUNDS FINANCIAL ANALYSIS

Major Funds – The major funds are the maintenance and operation funds for the County. The two largest funds that contain the main operations of the major departments of the county, including employees, salaries, benefits and operations are Current Expense (General) Fund and Justice Fund.

Here are some comparisons that give a picture of the County’s financial status.

Remaining Cash Balance:

	<u>FY Ending 9-30-11</u>	<u>FY Ending 9-30-12</u>	<u>\$ Change</u>	<u>% Change</u>
Current Expense:	\$ 1,032,044.21	\$ 1,084,125.10	\$ 52,080.89	+5.05%
Justice:	\$ 1,161,569.21	\$ 562,470.72	(\$ 562,465.67)	-51.58%

This gives an indication that the measures imposed by management in Fiscal Year 2012 had a positive impact with carryover balances in the Current Expense Fund. However, it should be noted that the actual dollar amount increase in the Current Expense Fund also reflects proper management of department budgets even in light of the receipt of unanticipated revenues and unspent budgeted amounts.

Over the years, the Justice Fund remaining balances have steadily decreased, largely due to increased court-related costs, an increase in crime-related court cases, escalating law enforcement activity and incarceration costs. It is important to note that the Jail Bond payments were completed in 2006, but elevated costs for security, maintenance, and personnel at the Criminal Justice Center, along with law enforcement and court costs, continue to press funding closer and closer to levy limits with the Justice Fund. It should also be noted that \$98,773.45 in Justice Funds for Fiscal Year 2012 were actually received following the end of the 2012 Fiscal Year. Also, budgeted revenue for Fiscal Year 2012 for receipt of taxes, lottery proceeds, sales tax, grants, and the County's law enforcement agreement with the City of Burley netted \$340,572.04 less than in Fiscal Year 2011. The critical issues remain that the levy limit for Justice Fund is looming closer each year and costs to administer Justice are escalating upward. Measures will need to be taken by management to adjust spending in the Justice Fund to reflect those facts.

The contract negotiated each year by the City of Burley with Cassia County for providing law enforcement services has undeniably provided financial advantages to both entities. Mutual benefits come by the minimizing of duplicated service, through reduction in costs of operating expenditures, and from the benefits derived from overall economy of scales. However, each of the past two years the difference between identifiable costs related to providing increased needs for contracted services by the County to the City of Burley and the disproportionate contractual revenues derived from that agreement have likely increased the burden on County taxpayers outside of the City of Burley. FY2013 is the final year of a Cops Grant in the amount of \$30,000 received by the County to fund an officer that has been used as a benefit to the City of Burley to decrease their contractually agreed to amount to the County. The costs related to funding that officer will be an additional burden not offset in the future by the culmination of that grant. With safety a fundamental priority to all of Cassia County's citizens, the costs of affording that protection continues to escalate as the volume and seriousness of criminal activity intensifies. That in turn presents additional financial demands from the criminal justice system with incarcerations as well as escalating costs for administering juvenile, magistrate, district and problem-solving courts. Critical is the inching closer to the levy limits to fund these mandated expenditures.

The overall analysis is that the expenditures in the Current Expense Fund and the Justice Fund have increased dramatically. This is reflective on the increase in costs to provide all normal, basic services to the citizens of Cassia County. With Cassia County currently undertaking the construction of the new Judicial Center to accomplish security concerns and with the decrease in available funding, it is increasingly important that auditing scrutiny and more thorough review of expenditure authorizations from department heads and the Board of County Commissioners continue going forward.

It is the feeling of the budget officer that current economic and financial situations not only warrant but may require reductions in expenditures in all feasible areas of non-required or mandated services and personnel. The fund balances for the Current Expense Fund and the Justice Fund are projected to experience even further decreases for the fiscal year ending September 30, 2013.

The expenditures for indigent medical costs have increased due to ever escalating costs of healthcare. There remains tremendous uncertainty as to the status of current Indigent statutes and procedures with the passage of the Affordable Care Act that will be implemented during 2014. The State of Idaho will decide during 2013 whether or not to adopt a State-run exchange and Medicaid expansion. All of which could easily result in a massive statutory overhaul for how indigency is handled by counties.

My observation is that the County Commissioners need to continue taking necessary steps to scrutinize spending as the authorizing body. Decreased funding that is anticipated in the future from both the Federal and State Government should require all optional services and personnel expenses to be seriously evaluated for elimination prior to a financial dilemma rather than as a result of one. Prudent spending is mandatory to insure deliverance of required County services and to minimize potential necessary workforce reductions.

In the past, the receipt of fully funded PILT has been a tremendous boost to the fund balances to allow response to emergencies that may occur during the year. However, proposed federal funding cuts will undoubtedly cause up to a 15% decrease in PILT funds that the County receives. Loss of funding could compromise a healthy fund balance and could potentially put the County at risk in making budget adjustments during the year. It is more paramount than ever that the Board of County Commissioners makes a continued concentrated effort in establishing as well as holding to the confines of a realistic approved budget. Department heads need to monitor spending and be frugal with purchases of items that are not operationally essential, which will assist in bringing the County closer to a sounder fund balance.

Cassia County does not have a fixed salary scale with grades and steps although the budget officer still would recommend such. At the request of the Board of County Commissioners, the Auditor's Office will continue to research and propose for consideration for a grade and step method for employee compensation equity. During this fiscal year, employee compensation experienced an approved relatively small increase that was based on subjective department head evaluations. The County has a superior partially self-funded benefits package. Increased employee participation has been necessitated by the ever-increasing costs to insure and for astronomical healthcare costs. Additionally, the reserve fund balance to meet those County obligations has been dangerously compromised by increased claims from health plan participants. In light of those financial concerns, it is recommended that there be a willingness of the Board of County Commissioners to place all options on the table with the services and workforce of the County, as is the case with State and Federal government, to decrease costs and for appropriate accountability to the taxpayers of Cassia County.

Idaho Law allows counties to levy for 3% over the highest of the last 3 years non-exempt property tax budget; plus New Construction roll values times the previous year's non-exempt tax levy; plus value of property newly annexed in the previous year times the previous year's non-exempt levy; plus any recaptured foregone amount; minus agricultural equipment exemption replacement and property tax relief monies.

The non-property tax portion of the budget has no percentage limit; however, it is limited to the anticipated increase of the other revenues.

The Board of County Commissioners continue with increased diligence in requiring justification from any department requesting increases in personnel costs and operating expenditures.

The County functioned much the same in 2012 as it did in previous years. I did observe some appreciable increase in expenditures over revenues. Grant funding in each area had decreased to some degree and PILT fund balances have dramatically dropped amid the prospects of decreased federal funding which could indisputably present a huge impact on the day-to-day functionality of Cassia County. A focus for FY2013 will be a concentration on random internal auditing of certain functions of many departments, verification of all contracted obligations of the county, required documentation of all expenditures relating to petty cash and credit cards, and timely response from all department heads to accomplish this. The Auditor's Office procedures will be for appropriately applying relevant accounting principles and standards as well as to refine applicable tax rule compliance.

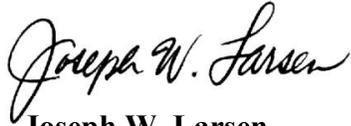
Cassia County has purchasing procedures enumerated by the Personnel Policy Handbook which functions very well. Inventory procedures with the Auditor's office have improved appreciably with more precise reporting and a more accurate record of the inventory of each department. Each department head conducts an annual inventory of the department property and returns the completed inventory listing, including any changes of that listing to the Auditor's Office. There is also an inventory update sheet which is used for additions, deletions, retired and moved inventory items. These inventory lists and updated sheets are kept as a permanent record of County property and that property's attendant expenditures. This is in compliance with the requirements of GASB-34 and procedures are, and will continue to be implemented, to make this a better process.

The Board of County Commissioners, as it pertains to financial issues for the future, will be looking at providing superior service to the public, providing employee retention incentives, and continuing to evaluate and act upon courthouse security measures for both employees and patrons. Other considerations are for appropriate further improvement of our GIS system and the County E-911 telephone system.

The County relies considerably on the payment of property taxes and consistently receives in excess of a 90% tax collection. This is imperative to the funding of legitimate County expenditures and to the elected officials and employees who continue to do their best to provide a superior service to the public. The Assessor's Office has been required to resolve only a small number of Protests of Valuation of Property Tax Assessments during the annual Board of Equalization hearing period. The Board of County Commissioners hears appeals during the Board of Equalization hearing period which has experienced minimal requirements of the Board. Cassia County appraisers continue with the challenge with revaluation of properties to a fair value relative to the market. The challenge continues to be that there are people who have occupied the same property for long periods of time, possibly on fixed incomes, who continue to have property tax increases even with the homeowner's exemptions and circuit breaker benefits. Personal property taxation will continue to be a major item of discussion and potential legislation during the 2013 State legislative session which has included the prospects of elimination of all or some portions of personal property taxes.

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances. Any questions or request for additional information should be directed to the Cassia County Clerk.

Respectfully Submitted,

A handwritten signature in black ink that reads "Joseph W. Larsen". The signature is written in a cursive style with a large, prominent initial 'J'.

Joseph W. Larsen
Cassia County Clerk
ex-officio Auditor
1459 Overland Avenue
Burley, Idaho, 83318
(208) 878-5231
cassiaclerk@cassiacounty.org

BASIC FINANCIAL STATEMENTS

CASSIA COUNTY

Statement of Net Assets
September 30, 2012

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>Governmental Activities</u>		<u>Fair Board</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
ASSETS				
Cash and Investments	\$ 7,693,716	\$ 7,682,152	\$ 87,218	\$ 97,367
Receivables:				
Taxes	245,867	239,815	-	-
Other	-	-	-	-
Prepaid Expenses	77,506	71,034	-	-
Due From Other Governments	-	-	-	-
Inventory - Note 1	-	-	-	-
Restricted Assets:				
Cash	9,960	-	-	-
Taxes Receivable	-	-	-	-
Capital Assets - Note 3:				
Land	1,667,051	1,667,051	-	-
Other Capital Assets, Net of Depreciation	3,710,695	3,579,420	49,280	40,800
Other Assets	-	-	-	-
Total assets	13,404,795	13,239,472	136,498	138,167
LIABILITIES				
Vouchers Payable and Accrued Liabilities	222,365	382,465	-	-
Deferred Revenue	-	-	-	-
Interest Payable	707	982	-	-
Long-Term Liabilities - Note 4:				
Due Within One Year	26,193	24,872	-	-
Due in More Than One Year	37,792	63,985	-	-
Total liabilities	287,057	472,304	-	-
NET ASSETS				
Invested in Capital Assets, net of related debt	5,313,761	5,157,614	49,280	40,800
Restricted for:				
Debt Service	-	-	-	-
Unrestricted	7,803,977	7,609,554	87,218	97,367
Total Net Assets	\$ 13,117,738	\$ 12,767,168	\$ 136,498	\$ 138,167

See accompanying notes to the financial statements.

CASSIA COUNTY

Combining Balance Sheet
Governmental Funds
September 30, 2012

	<u>General Fund</u>	<u>Jail Trust</u>	<u>Solid Waste</u>	<u>Justice</u>	<u>PILT</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Govt Funds 2012</u>	<u>Total Govt Funds 2011</u>
ASSETS								
Cash and investments	\$ 1,092,460	\$ 813,641	\$ 343,091	\$ 562,471	\$ 505,995	\$ 4,376,058	\$ 7,693,716	\$ 7,682,152
Receivables:								
Taxes	39,301	-	43,910	105,030	-	57,626	245,867	239,815
Other	-	-	-	-	-	-	-	-
Prepaid expenses	77,506	-	-	-	-	-	77,506	71,034
Due from other governments	-	-	-	-	-	-	-	-
Due from other funds	132,869	-	-	-	-	20,512	153,381	-
Restricted assets	-	-	-	-	-	9,960	9,960	-
Total assets	\$ 1,342,136	\$ 813,641	\$ 387,001	\$ 667,501	\$ 505,995	\$ 4,464,156	\$ 8,180,430	\$ 7,993,001
LIABILITIES AND FUND EQUITY								
Liabilities:								
Vouchers payable	\$ 25,502	\$ 10	\$ -	\$ 89,163	\$ -	\$ 72,160	\$ 186,835	\$ 351,426
Accrued liabilities	10,846	-	-	14,640	-	10,044	35,530	31,039
Due to other funds	-	-	-	-	-	153,381	153,381	-
Deferred revenue	34,742	-	38,756	92,887	-	51,041	217,426	222,151
Total liabilities	71,090	10	38,756	196,690	-	286,626	593,172	604,616
Fund Balance:								
Reserved - Special purpose	-	-	-	-	-	46,461	46,461	46,461
Unreserved								
General	1,271,046	-	-	-	-	-	1,271,046	1,136,967
Special revenue	-	813,631	348,245	470,811	505,995	4,131,069	6,269,751	6,204,957
Total fund balances	1,271,046	813,631	348,245	470,811	505,995	4,177,530	7,587,258	7,388,385
Total liabilities and fund balances	\$ 1,342,136	\$ 813,641	\$ 387,001	\$ 667,501	\$ 505,995	\$ 4,464,156	\$ 8,180,430	\$ 7,993,001

See accompanying notes to the financial statements.

CASSIA COUNTY

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities September 30, 2012

Total Governmental Fund Balances	\$ 7,587,258
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.	5,377,746
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	217,426
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	
Note Payable to Southern Idaho Regional Solid Waste District	(63,985)
Accrued Interest Payable	<u>(707)</u>
Net Assets of Governmental Activities	<u>\$ 13,117,738</u>

See accompanying notes to the financial statements.

CASSIA COUNTY

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2012

	General Fund	Jail Trust	Solid Waste	Justice	PILT	Other Governmental Funds	Total Govt Funds 2012	Total Govt Funds 2011
Revenues:								
Taxes - property	\$ 1,042,805	\$ -	\$ 567,820	\$ 2,083,173	\$ -	\$ 1,185,459	\$ 4,879,257	\$ 4,676,238
Taxes - sales and other	391,795	-	-	677,646	-	203,086	1,272,527	1,211,137
Payment in lieu of taxes	-	-	-	-	2,032,442	-	2,032,442	1,899,214
Fees and fines	418,078	1,136,415	33,560	203,713	-	1,193,256	2,985,022	2,716,753
Intergovernmental	-	703,056	-	1,379,790	-	2,237,669	4,320,515	4,587,599
Interest	20,306	-	-	-	-	1,281	21,587	177,724
Grants and miscellaneous	31,407	35,052	-	320,858	-	444,947	832,264	1,064,385
Total revenues	1,904,391	1,874,523	601,380	4,665,180	2,032,442	5,265,698	16,343,614	16,333,050
Expenditures:								
General government	2,210,873	-	-	-	-	2,251,856	4,462,729	4,818,697
Indigent Assistance	-	-	-	-	-	456,069	456,069	682,963
Highways and roads	-	-	-	-	-	462,273	462,273	335,760
Public safety	-	-	-	7,859,641	-	917,734	8,777,375	8,771,144
Other public service	-	-	724,672	-	-	1,026,205	1,750,877	1,705,629
Culture and recreation	-	-	-	-	-	142,918	142,918	124,633
Debt Service	-	-	-	-	-	-	-	-
Total expenditures	2,210,873	-	724,672	7,859,641	-	5,257,055	16,052,241	16,438,826
Excess of rev over(under) expend	(306,482)	1,874,523	(123,292)	(3,194,461)	2,032,442	8,643	291,373	(105,776)
Other financing sources (uses)								
Transfers in	440,561	1,154,111	-	3,771,702	-	365,000	5,731,374	6,524,774
Transfers out	-	(2,561,025)	(90,000)	(1,138,445)	(1,825,000)	(209,404)	(5,823,874)	(6,612,828)
Sale of capital assets	-	-	-	-	-	-	-	-
Total other fin sources(uses)	440,561	(1,406,914)	(90,000)	2,633,257	(1,825,000)	155,596	(92,500)	(88,054)
Net change in fund balances	134,079	467,609	(213,292)	(561,204)	207,442	164,239	198,873	(193,830)
Fund balance - beginning	1,136,967	346,022	561,537	1,032,015	298,553	4,013,291	7,388,385	7,582,215
Fund balance - ending	\$ 1,271,046	\$ 813,631	\$ 348,245	\$ 470,811	\$ 505,995	\$ 4,177,530	\$ 7,587,258	\$ 7,388,385

See accompanying notes to the financial statements.

CASSIA 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 September 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 198,873

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 of capital outlay less depreciation expense in the current period:

Fixed asset additions	\$	645,307	
Depreciation expense		(514,032)	
			131,275

Because governmental funds report capital outlays as expenditures, when capital assets are sold the proceeds are recorded as revenue. In the statement of activities, a gain or loss on the sale of the asset is reported based on net proceeds and adjusted basis of the asset.

Difference in gain or loss on sale of capital assets	-
--	---

Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered as "available" revenues in the governmental funds.

(4,725)

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Repayment of loan principal	24,872
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In the statement of activities, interest is accrued on outstanding debt, whereas in government funds, interest is expensed when due.

275

Change in Net Assets of Governmental Activities

\$ 350,570

See accompanying notes to the financial statements.

CASSIA COUNTY

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget: Favorable (Unfavorable)	2011 Actual
Revenues:					
Taxes - property	\$ 1,012,977	\$ 1,012,977	\$ 1,042,805	\$ 29,828	\$ 877,297
Taxes - sales and other	340,000	340,000	391,795	51,795	356,379
Fees and fines	520,745	520,745	418,078	(102,667)	423,632
Intergovernmental	-	-	-	-	-
Interest	120,000	120,000	20,306	(99,694)	173,819
Grants and miscellaneous	3,314	3,314	31,407	28,093	9,870
Total revenues	1,997,036	1,997,036	1,904,391	(92,645)	1,840,997
Expenditures:					
General government:					
Commissioners	114,550	114,550	111,327	3,223	108,268
Auditor	195,800	195,800	157,177	38,623	182,633
Treasurer	171,800	171,800	163,212	8,588	164,956
Assessor	352,300	352,300	328,222	24,078	342,824
Ag. extension	178,580	178,580	174,189	4,391	173,161
Buildings	403,950	403,950	181,964	221,986	166,221
Board of health	105,091	105,091	105,091	-	101,406
Planning and zoning	251,785	251,785	221,641	30,144	223,622
General	527,000	527,000	384,460	142,540	316,708
Civil defense	19,460	19,460	7,960	11,500	12,897
Elections	97,300	97,300	88,669	8,631	47,411
County Administration	319,850	319,850	280,034	39,816	257,228
Veterans officer	7,234	7,234	6,927	307	6,673
Total expenditures	2,744,700	2,744,700	2,210,873	533,827	2,104,008
Excess of rev over(under) expend	(747,664)	(747,664)	(306,482)	441,182	(263,011)
Other financing sources (uses):					
Transfers in	350,000	350,000	440,561	90,561	283,810
Transfers out	(30,000)	(30,000)	-	30,000	(30,000)
Sale of capital assets	-	-	-	-	-
Total other fin sources(uses)	320,000	320,000	440,561	120,561	-
Net change in fund balances	(427,664)	(427,664)	134,079	561,743	(9,201)
Fund balance - beginning	1,136,967	1,136,967	1,136,967	-	1,146,168
Fund balance - ending	\$ 709,303	\$ 709,303	\$ 1,271,046	\$ 561,743	\$ 1,136,967

See accompanying notes to the financial statements.

CASSIA COUNTY

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Jail Trust - Special Revenue Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget: Favorable (Unfavorable)	2011 Actual
Revenues:					
Taxes - property	-	-	\$ -	\$ -	\$ -
Taxes - sales and other	-	-	-	-	-
Fees and fines	718,000	718,000	1,136,415	418,415	801,527
Intergovernmental	703,056	703,056	703,056	-	690,694
Grants and miscellaneous	30,000	30,000	35,052	5,052	35,127
Total revenues	1,451,056	1,451,056	1,874,523	423,467	1,527,348
Expenditures:					
Public safety:					
Miscellaneous	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess of rev over(under) expend	1,451,056	1,451,056	1,874,523	423,467	1,527,348
Other financing sources (uses):					
Transfers in	1,178,445	1,178,445	1,154,111	(24,334)	1,203,536
Transfers out	(2,708,916)	(2,708,916)	(2,561,025)	147,891	(2,534,878)
Sale of capital assets	-	-	-	-	-
Total other fin sources(uses)	(1,530,471)	(1,530,471)	(1,406,914)	123,557	(1,331,342)
Net change in fund balances	(79,415)	(79,415)	467,609	547,024	196,006
Fund balance - beginning	346,022	346,022	346,022	-	150,016
Fund balance - ending	\$ 266,607	\$ 266,607	\$ 813,631	\$ 547,024	\$ 346,022

See accompanying notes to the financial statements.

CASSIA COUNTY

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Solid Waste - Special Revenue Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget: Favorable (Unfavorable)	2011 Actual
Revenues:					
Taxes/use fees	\$ 585,400	\$ 585,400	\$ 601,380	\$ 15,980	\$ 593,120
Miscellaneous	-	-	-	-	169,273
Total revenues	585,400	585,400	601,380	15,980	762,393
Expenditures:					
Landfill costs	724,671	724,671	724,672	(1)	677,815
Risk Management & Insurance	-	-	-	-	-
Remote Site Collection	-	-	-	-	-
Total expenditures	724,671	724,671	724,672	(1)	677,815
Excess of rev over(under) expend	(139,271)	(139,271)	(123,292)	15,979	84,578
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(90,000)	(90,000)	-
Sale of capital assets	-	-	-	-	-
Total other fin sources(uses)	-	-	(90,000)	(90,000)	-
Net change in fund balances	(139,271)	(139,271)	(213,292)	(74,021)	84,578
Fund balance - beginning	561,537	561,537	561,537	-	476,959
Fund balance - ending	\$ 422,266	\$ 422,266	\$ 348,245	\$ (74,021)	\$ 561,537

See accompanying notes to the financial statements.

CASSIA COUNTY

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Justice - Special Revenue Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget: Favorable (Unfavorable)	2011 Actual
Revenues:					
Taxes - property	\$ 2,010,000	\$ 2,010,000	\$ 2,083,173	\$ 73,173	\$ 2,055,327
Taxes - sales and other	550,000	550,000	677,646	127,646	655,585
Fees and fines	207,110	207,110	203,713	(3,397)	218,917
Intergovernmental	1,558,083	1,558,083	1,379,790	(178,293)	1,779,943
Grants and miscellaneous	317,988	317,988	320,858	2,870	265,170
Total revenues	4,643,181	4,643,181	4,665,180	21,999	4,974,942
Expenditures:					
Public safety:					
District Court	455,650	455,650	425,956	29,694	451,641
Conflict Public Defender	95,000	95,000	70,228	24,772	-
Juvenile justice	105,000	111,600	111,600	-	181,893
Prosecuting attorney	450,975	450,975	416,253	34,722	419,155
Public defender	480,550	480,550	473,724	6,826	543,763
Coroner	34,350	36,450	36,331	119	34,674
Law buildings	36,000	36,000	26,234	9,766	26,856
Sheriff patrol	1,920,682	1,920,682	1,891,338	29,344	1,934,126
Investigations	468,000	468,000	462,260	5,740	410,865
Dispatch	405,100	405,100	389,079	16,021	391,755
Administration	653,800	653,800	627,885	25,915	660,332
Detention center	2,708,916	2,708,916	2,592,590	116,326	2,497,819
Juvenile center	336,164	336,164	336,163	1	411,600
Total expenditures	8,150,187	8,158,887	7,859,641	299,246	7,964,479
Excess of rev over(under) expend	(3,507,006)	(3,515,706)	(3,194,461)	321,245	(2,989,537)
Other financing sources (uses):					
Transfers in	3,908,916	3,908,916	3,771,702	(137,214)	4,522,428
Transfers out	(1,138,445)	(1,138,445)	(1,138,445)	-	(1,156,754)
Sale of capital assets	-	-	-	-	-
Total other fin sources(uses)	2,770,471	2,770,471	2,633,257	(137,214)	3,365,674
Net change in fund balances	(736,535)	(745,235)	(561,204)	184,031	376,137
Fund balance - beginning	1,032,015	1,032,015	1,032,015	-	655,878
Fund balance - ending	\$ 295,480	\$ 286,780	\$ 470,811	\$ 184,031	\$ 1,032,015

See accompanying notes to the financial statements.

CASSIA COUNTY

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
PILT - Expendable Trust Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget: Favorable (Unfavorable)	2011 Actual
Revenues:					
Payment in lieu of taxes	\$ 1,890,000	\$ 1,890,000	\$ 2,032,442	\$ 142,442	\$ 1,899,214
Miscellaneous	-	-	-	-	-
Total revenues	1,890,000	1,890,000	2,032,442	142,442	1,899,214
Expenditures:					
Other public service	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess of rev over(under) expend	1,890,000	1,890,000	2,032,442	142,442	1,899,214
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(1,825,000)	(1,825,000)	(1,825,000)	-	(2,635,000)
Sale of capital assets	-	-	-	-	-
Total other fin sources(uses)	(1,825,000)	(1,825,000)	(1,825,000)	-	(2,635,000)
Net change in fund balances	65,000	65,000	207,442	142,442	(735,786)
Fund balance - beginning	298,553	298,553	298,553	-	1,034,339
Fund balance - ending	\$ 363,553	\$ 363,553	\$ 505,995	\$ 142,442	\$ 298,553

See accompanying notes to the financial statements.

CASSIA COUNTY

Statement of Fiduciary Net Assets
Agency Funds
September 30, 2012

	Total Agency Funds
ASSETS	
Cash and Investments	\$ 296,302
Other Assets	-
Total assets	<u>296,302</u>
LIABILITIES	
Vouchers Payable and Accrued Liabilities	300,861
Deferred Revenue	-
Total liabilities	<u>300,861</u>
NET ASSETS	
Held in Trust	<u>(4,559)</u>
Total Net Assets	<u>\$ (4,559)</u>

See accompanying notes to the financial statements.

CASSIA COUNTY

Notes to Financial Statements
September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cassia County have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities, provided they do not conflict with or contradict GASB pronouncements. A description of the reporting entity and the significant accounting policies of the County is as follows:

A. Reporting Entity

These financial statements present Cassia County (the primary government) and the Cassia County Fair Board (the County's component unit). The primary government includes all funds, departments, boards and agencies for which the County elected officials are financially accountable and are not legally separate from the County. The component unit is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

The three member Board of County Commissioners is the legislative and executive body of the County. The County Clerk also serves as Auditor and Recorder, and is the chief fiscal officer. Other elected officials include the Assessor, Prosecutor, Sheriff, Coroner and Treasurer, who also serves as Tax Collector.

B. Government-Wide Financial Statements

The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all of the nonfiduciary activities of the primary government and component unit.

The statement of net assets presents the financial condition of the governmental activities for the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

CASSIA COUNTY

Notes to Financial Statements
September 30, 2012

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and other revenues if they are collected within 90 days of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental funds:

General Fund (Current Expense Fund)

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

Jail Trust

The Jail Trust Fund accounts for the revenue generating activities of the County jail.

Solid Waste Fund

The Solid Waste Fund accounts for the County's activities related to the regional landfill.

Justice Fund

The Justice Fund accounts for the law enforcement activities of the County.

Payment in Lieu of Taxes Fund (PILT)

The PILT Fund accounts for the in-lieu-of taxes received from the federal government.

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the County are all classified as agency funds. Agency funds are used to report resources held by the County in a purely custodial capacity.

Component units are either legally separate organizations for which the elected officials of the County are financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete.

CASSIA COUNTY

Notes to Financial Statements
September 30, 2012

E. Deposits and Investments

Deposits: Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County has no deposit policy for custodial credit risk. At year end, \$4,086,131 of the County's bank balance, including amounts held in agency funds, was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments: Custodial credit risk, in the case of investments, is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the County held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Avg Maturity (years)</u>
Idaho State Local Government Investment Pool	\$ 2,467	0.4
Federal Government Agency Bonds	2,051,556	5.1
Total Fair Value	\$ 2,054,023	

The Idaho State Investment Pool is an unrated external investment pool sponsored by the Idaho State Treasurer's Office. It is classified as "Investment in an External Investment Pool" and is exempt from custodial credit risk and concentration of credit risk reporting. Interest rate risk is summarized as follows: Asset-backed securities are reported using weighted average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

The Federal Government Agency Bonds are subject to custodial credit risk to the extent that the combined balance exceeds \$500,000 because the related securities are uninsured (when in excess of the SIPC limit of \$500,000), unregistered and held by a third party which is the counterparty for these particular investments.

Credit Risk: The County's policy is to comply with Idaho State statutes which authorize the County to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

F. Inventory

Inventories at year end are considered immaterial and have not been accounted for.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, lighting systems and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation are removed, and any gain or loss arising from its disposal is credited or charged to operations. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

CASSIA COUNTY

Notes to Financial Statements September 30, 2012

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Capital assets are reported net of accumulated depreciation on the statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25-40 years
Improvements	10-45 years
Infrastructure	10-45 years
Equipment	3-10 years

H. Long-Term Liabilities

Long-term liabilities consist of bonds, notes, and other indebtedness including material liabilities associated with compensated absences. See note 4.

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

I. Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the County Auditor's office, after consultation with the various department heads, submits to the county commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. At the regular commissioner's meeting on the 1st Monday in August the tentative budget is submitted to the commissioners and cleared for publication and public comment.
3. A public hearing is held at the regular commissioners' meeting on the 1st Monday in September.
4. The budget is finalized and legally adopted on the 2nd Monday in September.
5. Revisions to the budget can only be made by court order, public hearing or certain emergencies as defined by law. The budgetary data presented in the accompanying financial statements has been amended following these procedures.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Special Revenue Funds.

The basis of accounting used in preparing the budgets of the County are generally consistent with the basis of accounting used in other financial reporting used by the County.

J. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

The hours earned under the County's vacation and sick pay policy are non-vesting accumulations. These accumulations are not material and have not been accrued into these

K. Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the County.

CASSIA COUNTY

Notes to Financial Statements
September 30, 2012

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

M. Application of Restricted or Unrestricted Resources

The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2: PROPERTY TAXES

Property taxes are levied on the fourth Monday of November and are payable in two equal installments - December 20 and June 20. Property taxes attach as an enforceable lien on the property immediately upon delinquency. The County assesses, bills and collects its own property taxes as well as taxes for several school districts, cities, highway districts, fire districts, cemetery districts, two small special districts, two flood control districts and a library district. Collection of the County taxes and remittance of them to the various districts are accounted for in the Cassia County Tax Collector Agency Fund and the Taxing District Agency Fund. Property tax revenues are recognized when levied to the extent that they result in current receipts.

NOTE 3: CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 9/30/11	Additions	Deletions	Balance 9/30/12
<u>Governmental Activities</u>				
Cost / Historical Value:				
Land (non-depreciable)	\$ 1,667,051	\$ -	\$ -	\$ 1,667,051
Buildings	3,670,965	-	-	3,670,965
Improvements other than buildings	528,187	53,317	(48,342)	533,162
Construction in Process	-	78,384	-	78,384
Infrastructure assets	9,545,477	-	-	9,545,477
Equipment/Vehicles	3,268,289	513,606	(210,279)	3,571,616
Total	18,679,969	645,307	(258,621)	19,066,655
Accumulated Depreciation:				
Buildings	1,554,604	83,502	-	1,638,106
Improvements other than buildings	440,430	36,830	(48,342)	428,918
Infrastructure assets	9,367,585	28,089	-	9,395,674
Equipment/Vehicles	2,070,879	365,611	(210,279)	2,226,211
Total	13,433,498	514,032	(258,621)	13,688,909

CASSIA COUNTY

Notes to Financial Statements
September 30, 2012

Net Book Value:

Land (non-depreciable)	1,667,051	-	-	1,667,051
Buildings	2,116,361	(83,502)	-	2,032,859
Improvements other than buildings	87,757	16,487	-	104,244
Construction in Process	-	78,384	-	78,384
Infrastructure assets	177,892	(28,089)	-	149,803
Equipment/Vehicles	1,197,410	147,995	-	1,345,405
Total	\$ 5,246,471	\$ 131,275	\$ -	\$ 5,377,746

<u>Component Unit</u>	Balance 9/30/11	Additions	Deletions	Balance 9/30/12
Cost / Historical Value:				
Land (non-depreciable)	\$ -	\$ -	-	-
Equipment/Vehicles	100,821	18,579	-	119,400
Total	100,821	18,579	-	119,400
Accumulated Depreciation:				
Equipment/Vehicles	60,021	10,099	-	70,120
Total	60,021	10,099	-	70,120
Net Book Value:				
Land (non-depreciable)	-	-	-	-
Equipment/Vehicles	40,800	8,480	-	49,280
Total	\$ 40,800	\$ 8,480	\$ -	\$ 49,280

All assets are being depreciated using the straight line method over the respective estimated lives described in Note 1. Infrastructure assets consist mainly of roads and bridges.

Depreciation was charged to functions/programs of the governmental activities as follows:

General Government	\$ 90,486
Highways and Roads	57,773
Public Safety	337,592
Other Public Service	14,557
Culture & Recreation	13,624
Total Governmental Activities Depreciation	\$ 514,032

NOTE 4: LONG-TERM DEBT

In 1995 the County agreed to pay the Southern Idaho Regional Solid Waste District for costs the District incurred to close the County's landfill. The costs, plus interest at 5.31%, were to be repaid over 18 years 6 months. The note is being serviced by the Solid Waste Special Revenue Fund.

CASSIA COUNTY

Notes to Financial Statements
September 30, 2012

The annual requirements to amortize this note are as follows:

FYE Sept. 30:	Principal	Interest	Total
2013	26,193	2,006	28,199
2014	27,584	2,006	29,590
2015	10,208	542	10,750
2016	-	-	-
2017	-	-	-
Total	\$ 63,985	\$ 4,554	\$ 68,539

As of September 30, 2012, the note described above is the only long-term debt obligation of the County. The following is a summary of changes in long-term debt:

	Balance at 9/30/2011	Additions	Reductions	Balance at 9/30/2012
Landfill Closure Note	\$ 88,857	\$ -	\$ (24,872)	\$ 63,985
	\$ 88,857	\$ -	\$ (24,872)	\$ 63,985

NOTE 5: PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on member's years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the County and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2012, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The County's employer contributions required and paid were \$560,279, \$563,636, and \$537,324 for the three years ended September 30, 2012, 2011 and 2010 respectively.

NOTE 6: LITIGATION

There are currently several cases pending against Cassia County. All are either being defended by the County's liability carrier or the County. With the exception of a \$1,000 deductible per case, any potential loss would be covered by the County's insurance carrier.

CASSIA COUNTY

Notes to Financial Statements
September 30, 2012

NOTE 7: RISK MANAGEMENT/INSURANCE COVERAGE

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 transferred most of its risk by purchasing commercial insurance. Workman's Compensation insurance is purchased through the Idaho State Insurance Fund. All other insurance has been purchased through ICRMP and expires October 1, but is renewed annually. The policy coverages include: Buildings, Structures and Personal Property/Automobile Physical Damage; Comprehensive General Liability; Automobile Liability; Errors and Omissions; Crime; Boiler and Machinery.

NOTE 8: FUND DEFICITS

As of September 30, 2012, County Roads had a deficit balance of \$7,936.

NOTE 9: EXPENDITURES IN EXCESS OF BUDGET

During the year ended September 30, 2012, no funds had expenditures in excess of total budget.

NOTE 10: CONTINGENT LIABILITIES / COMMITMENTS

The County is contingently liable for the closure and post-closure expenses of the Southern Idaho Regional Solid Waste District, should they default. Information regarding the closure and post-closure expenses can be obtained from the general purpose financial statements of the Southern Idaho Regional Solid Waste District.

The County has entered into an agreement with Burley Highway District and Albion Highway District to share maintenance and snow removal costs associated with the Howell Canyon Road. The County is contingently liable for approximately \$65,000 per year, its share of the costs as stated in the current agreement.

The County has entered into agreements with several service providers for medical, dental, ambulance, software support and consulting services. All such agreements may be cancelled by either party with 30 days written notice. The County is contingently liable for payments of approximately \$35,000 per month under the terms of these agreements.

The County is contingently liable to provide law enforcement services within the Burley City limits under the terms of an agreement with the City of Burley. The County has also contracted with a service provider for inmate meals at the Mini-Cassia Criminal Justice center. The price of the meals varies depending on the inmate population. The contract term is one year, but may be cancelled by either party with 90 days written notice.

NOTE 11: UNCOLLECTED RECEIVABLES

The financial statements do not include an accrual for billed but uncollected amounts relating to inmate housing, indigent assistance and other fees associated with law enforcement. Because the probability of collection is low, and because of the difficulty in determining a reasonable allowance, the County only records these amounts as they are collected.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 12, 2013, the audit report date. Subsequent to year end, the County awarded the Cassia County Judicial Center project to Starr Corp at a bid amount of approximately \$1.8 million.

CASSIA COUNTY

Notes to Financial Statements
September 30, 2012

NOTE 13: DUE TO/FROM OTHER FUND

The County Roads fund borrowed \$132,869 from the General Fund in order to purchase a motor grader. The amount is to be repaid in six annual installments of \$22,926, which includes interest at 1%. Also, the Boat License fund owes \$20,512 to the Snow Mobile License fund for Snow Mobile License money incorrectly deposited in the Boat License fund.

CASSIA COUNTY

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2012

	Indigent	District Court	County Roads	Weed & Pest	Ambulance Service	Fair Exhibit	Historical Society	Jr. College	Revaluation	911 Commun.
ASSETS										
Cash and investments	\$ 402,871	\$ 329,420	\$ 123,938	\$ 289,468	\$ 269,034	\$ 50,649	\$ 2,198	\$ 190,734	\$ 169,680	\$ 610,561
Receivables:										
Taxes	14,676	-	-	7,689	9,601	5,553	534	11,630	7,931	-
Other	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Restricted assets	-	-	9,960	-	-	-	-	-	-	-
Total assets	\$ 417,547	\$ 329,420	\$ 133,898	\$ 297,157	\$ 278,635	\$ 56,202	\$ 2,732	\$ 202,364	\$ 177,611	\$ 610,561
LIABILITIES AND FUND EQUITY										
Liabilities:										
Vouchers payable	\$ 7,900	\$ 1,976	\$ 8,965	\$ 7,087	\$ 26,517	\$ -	\$ -	\$ -	\$ -	\$ 4,988
Accrued liabilities	3,013	6,519	-	512	-	-	-	-	-	-
Due to other funds	-	-	132,869	-	-	-	-	-	-	-
Deferred revenue	12,982	-	-	6,835	8,460	4,932	472	10,322	7,031	-
Total liabilities	23,895	8,495	141,834	14,434	34,977	4,932	472	10,322	7,031	4,988
Fund Balance:										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	393,652	320,925	(7,936)	282,723	243,658	51,270	2,260	192,042	170,580	605,573
Total fund balances	393,652	320,925	(7,936)	282,723	243,658	51,270	2,260	192,042	170,580	605,573
Total liab. and fund bal.	\$ 417,547	\$ 329,420	\$ 133,898	\$ 297,157	\$ 278,635	\$ 56,202	\$ 2,732	\$ 202,364	\$ 177,611	\$ 610,561

See accompanying notes to the financial statements.

CASSIA COUNTY

Combining Balance Sheet
 Nonmajor Governmental Funds (continued, page 2 of 3)
 September 30, 2012

	County Elections	Boat License	Snow Mobile License	Drivers License	Police Reserve	Juvenile Justice	Court Interlock	EMS Fees	Narc. Seized Assets	Bond Int & Redempt.	Drug Task Force
ASSETS											
Cash and investments	\$ 58,267	\$ 4,952	\$ 54,176	\$ 16,395	\$ -	\$ -	\$ 3,725	\$ 21,903	\$ 54,880	\$ -	\$ 95,356
Receivables:											
Taxes	-	-	-	-	-	-	-	-	-	12	-
Other	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	20,512	-	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 58,267	\$ 4,952	\$ 74,688	\$ 16,395	\$ -	\$ -	\$ 3,725	\$ 21,903	\$ 54,880	\$ 12	\$ 95,356
LIABILITIES AND FUND EQUITY											
Liabilities:											
Vouchers payable	\$ 116	\$ 2,273	\$ 85	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	20,512	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	7	-
Total liabilities	116	22,785	85	-	-	-	-	-	-	7	95
Fund Balance:											
Reserved	-	-	-	-	-	-	-	-	-	5	-
Unreserved	58,151	(17,833)	74,603	16,395	-	-	3,725	21,903	54,880	-	95,261
Total fund balances	58,151	(17,833)	74,603	16,395	-	-	3,725	21,903	54,880	5	95,261
Total liab. and fund bal.	\$ 58,267	\$ 4,952	\$ 74,688	\$ 16,395	\$ -	\$ -	\$ 3,725	\$ 21,903	\$ 54,880	\$ 12	\$ 95,356

See accompanying notes to the financial statements.

CASSIA COUNTY

Combining Balance Sheet
 Nonmajor Governmental Funds (continued, page 3 of 3)
 September 30, 2012

	DARE Trust	Court Facilities	Auction Excess	Physical Facilities	Jail Commissary	Invasive Species	Cassia County Benefits	Adult Misdemeanor Probation	Widow's Benefit	Warrant Redemption	Total Nonmajor Governmental Funds
ASSETS											
Cash and investments	\$ 3,077	\$ 168,779	\$ 47,852	\$ 1,222,913	\$ -	\$ (1,248)	\$ 130,651	\$ 34,952	\$ 18,138	\$ 2,737	\$ 4,376,058
Receivables:											
Taxes	-	-	-	-	-	-	-	-	-	-	57,626
Other	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	20,512
Restricted assets	-	-	-	-	-	-	-	-	-	-	9,960
Total assets	\$ 3,077	\$ 168,779	\$ 47,852	\$ 1,222,913	\$ -	\$ (1,248)	\$ 130,651	\$ 34,952	\$ 18,138	\$ 2,737	\$ 4,464,156
LIABILITIES AND FUND EQUITY											
Liabilities:											
Vouchers payable	\$ -	\$ -	\$ -	\$ 10,047	\$ -	\$ 22	\$ -	\$ 2,089	\$ -	\$ -	\$ 72,160
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	10,044
Due to other funds	-	-	-	-	-	-	-	-	-	-	153,381
Deferred revenue	-	-	-	-	-	-	-	-	-	-	51,041
Total liabilities	-	-	-	10,047	-	22	-	2,089	-	-	286,626
Fund Balance:											
Reserved	-	-	46,456	-	-	-	-	-	-	-	46,461
Unreserved	3,077	168,779	1,396	1,212,866	-	(1,270)	130,651	32,863	18,138	2,737	4,131,069
Total fund balances	3,077	168,779	47,852	1,212,866	-	(1,270)	130,651	32,863	18,138	2,737	4,177,530
Total liab. and fund bal.	\$ 3,077	\$ 168,779	\$ 47,852	\$ 1,222,913	\$ -	\$ (1,248)	\$ 130,651	\$ 34,952	\$ 18,138	\$ 2,737	\$ 4,464,156

See accompanying notes to the financial statements.

CASSIA COUNTY

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended September 30, 2012

	Indigent	District Court	County Roads	Weed & Pest	Ambulance Service	Fair Exhibit	Historical Society	Jr. College	Revaluation	911 Commun.
Revenues:										
Taxes - property	\$ 196,605	\$ 67	\$ 40,623	\$ 159,294	\$ 239,639	\$ 120,603	\$ 11,456	\$ 249,573	\$ 167,599	\$ -
Taxes - sales and other	42,571	-	8,553	26,777	35,008	19,728	1,821	41,013	27,614	-
Fees and fines	-	202,948	-	-	-	-	-	-	-	268,043
Intergovernmental	-	-	172,315	-	-	-	-	86,334	-	-
Interest	-	-	-	-	-	-	-	-	-	1,281
Grants and miscellaneous	215,075	254	38,348	9,298	-	-	-	-	800	-
Total revenues	454,251	203,269	259,839	195,369	274,648	140,331	13,277	376,920	196,013	269,324
Expenditures:										
General government	-	-	-	-	-	-	-	-	-	-
Indigent Assistance	456,069	-	-	-	-	-	-	-	-	-
Highways and roads	-	-	462,273	-	-	-	-	-	-	-
Public safety	-	-	-	-	179,398	-	-	-	-	161,416
Other public service	-	188,483	-	220,466	-	-	-	307,650	237,536	-
Culture and recreation	-	-	-	-	-	49,808	12,500	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Total expenditures	456,069	188,483	462,273	220,466	179,398	49,808	12,500	307,650	237,536	161,416
Excess of revenues over (under) expenditures	(1,818)	14,786	(202,434)	(25,097)	95,250	90,523	777	69,270	(41,523)	107,908
Other financing sources (uses)										
Transfers in	-	-	140,000	-	90,000	20,000	-	50,000	65,000	-
Transfers out	-	(31)	-	-	-	(92,500)	-	-	-	(90,515)
Proceeds from sale of cap. assets	-	-	-	-	-	-	-	-	-	-
Total other fin. sources (uses)	-	(31)	140,000	-	90,000	(72,500)	-	50,000	65,000	(90,515)
Net change in fund balances	(1,818)	14,755	(62,434)	(25,097)	185,250	18,023	777	119,270	23,477	17,393
Fund balance - beginning	395,470	306,170	54,498	307,820	58,408	33,247	1,483	72,772	147,103	588,180
Fund balance - ending	\$ 393,652	\$ 320,925	\$ (7,936)	\$ 282,723	\$ 243,658	\$ 51,270	\$ 2,260	\$ 192,042	\$ 170,580	\$ 605,573

See accompanying notes to the financial statements.

CASSIA COUNTY

Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Nonmajor Governmental Funds (continued, page 2 of 3)
 Year Ended September 30, 2012

	County Elections	Boat License	Snow Mobile License	Drivers License	Police Reserve	Juvenile Justice	Court Interlock	EMS Fees	Narc. Seized Assets	Bond Int & Redempt.	Drug Task Force
Revenues:											
Taxes - property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - sales and other	-	-	-	-	-	-	-	-	-	-	-
Fees and fines	-	46,505	25,262	211,400	-	-	1,968	7,186	-	-	9,762
Intergovernmental	81,743	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Grants and miscellaneous	-	7,118	6,000	-	-	-	-	-	-	-	-
Total revenues	81,743	53,623	31,262	211,400	-	-	1,968	7,186	-	-	9,762
Expenditures:											
General government	44,475	-	-	199,036	-	-	-	-	-	-	-
Indigent Assistance	-	-	-	-	-	-	-	-	-	-	-
Highways and roads	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	6,500	2,058	-	12,437
Other public service	-	-	-	-	-	-	1,408	-	-	-	-
Culture and recreation	-	60,779	19,831	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	44,475	60,779	19,831	199,036	-	-	1,408	6,500	2,058	-	12,437
Excess of revenues over (under) expenditures	37,268	(7,156)	11,431	12,364	-	-	560	686	(2,058)	-	(2,675)
Other financing sources (uses)											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	(10,677)	-	-	-	-	-	-	-	-	-
Proceeds from sale of cap. assets	-	-	-	-	-	-	-	-	-	-	-
Total other fin. sources (uses)	-	(10,677)	-	-	-	-	-	-	-	-	-
Net change in fund balances	37,268	(17,833)	11,431	12,364	-	-	560	686	(2,058)	-	(2,675)
Fund balance - beginning	20,883	-	63,172	4,031	-	-	3,165	21,217	56,938	5	97,936
Fund balance - ending	\$ 58,151	\$ (17,833)	\$ 74,603	\$ 16,395	\$ -	\$ -	\$ 3,725	\$ 21,903	\$ 54,880	\$ 5	\$ 95,261

See accompanying notes to the financial statements.

CASSIA COUNTY

Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Nonmajor Governmental Funds (continued, page 3 of 3)
 Year Ended September 30, 2012

	DARE Trust	Court Facilities	Auction Excess	Physical Facilities	Jail Commissary	Invasive Species	Cassia County Benefits	Adult Misdemeanor Probation	Widow's Benefit	Warrant Redemption	Total Nonmajor Governmental Funds
Revenues:											
Taxes - property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,185,459
Taxes - sales and other	-	-	-	-	-	-	-	-	-	-	203,086
Fees and fines	-	10,360	-	-	-	-	-	409,822	-	-	1,193,256
Intergovernmental	-	-	-	11,698	-	-	1,885,579	-	-	-	2,237,669
Interest	-	-	-	-	-	-	-	-	-	-	1,281
Grants and miscellaneous	2,467	-	4,970	43,356	15,635	65,864	-	35,753	9	-	444,947
Total revenues	2,467	10,360	4,970	55,054	15,635	65,864	1,885,579	445,575	9	-	5,265,698
Expenditures:											
General government	-	-	-	113,502	-	-	1,894,843	-	-	-	2,251,856
Indigent Assistance	-	-	-	-	-	-	-	-	-	-	456,069
Highways and roads	-	-	-	-	-	-	-	-	-	-	462,273
Public safety	4,179	-	-	-	-	-	-	551,746	-	-	917,734
Other public service	-	-	3,528	-	-	67,134	-	-	-	-	1,026,205
Culture and recreation	-	-	-	-	-	-	-	-	-	-	142,918
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	4,179	-	3,528	113,502	-	67,134	1,894,843	551,746	-	-	5,257,055
Excess of revenues over (under) expenditures	(1,712)	10,360	1,442	(58,448)	15,635	(1,270)	(9,264)	(106,171)	9	-	8,643
Other financing sources (uses)											
Transfers in	-	-	-	-	-	-	-	-	-	-	365,000
Transfers out	-	-	(46)	-	(15,635)	-	-	-	-	-	(209,404)
Proceeds from sale of cap. assets	-	-	-	-	-	-	-	-	-	-	-
Total other fin. sources (uses)	-	-	(46)	-	(15,635)	-	-	-	-	-	155,596
Net change in fund balances	(1,712)	10,360	1,396	(58,448)	-	(1,270)	(9,264)	(106,171)	9	-	164,239
Fund balance - beginning	4,789	158,419	46,456	1,271,314	-	-	139,915	139,034	18,129	2,737	4,013,291
Fund balance - ending	\$ 3,077	\$ 168,779	\$ 47,852	\$ 1,212,866	\$ -	\$ (1,270)	\$ 130,651	\$ 32,863	\$ 18,138	\$ 2,737	\$ 4,177,530

See accompanying notes to the financial statements.

CASSIA COUNTY

Combining Statement of Fiduciary Net Assets
 Agency Funds
 September 30, 2012

	Range Improv Fund	Assessor Trust Fund	State Fund	Water Districts Fund	Court Trust	Taxing Districts Fund	Court Bonds
ASSETS							
Cash and Investments	\$ -	\$ 172,919	\$ 7		\$ -	\$ -	\$ 30,902
Other Assets	-	-	-	-	-	-	-
Total assets	-	172,919	7	-	-	-	30,902
LIABILITIES							
Vouchers Payable	-	83	7	9	-	28,993	-
Accrued liabilities	-	172,836	-	-	1,278	-	9,962
Deferred Revenue	-	-	-	-	-	-	-
Total liabilities	-	172,919	7	9	1,278	28,993	9,962
NET ASSETS							
Held in Trust	-	-	-	(9)	(1,278)	(28,993)	20,940
Total Net Assets	\$ -	\$ -	\$ -	\$ (9)	\$ (1,278)	\$ (28,993)	\$ 20,940

See accompanying notes to the financial statements.

CASSIA COUNTY

Combining Statement of Fiduciary Net Assets
 Agency Funds (continued, page 2 of 2)
 September 30, 2012

	Court Restitution	Judgments Trust	Box Elder Bookmobile	Sheriffs Account	Tax Collector Account	Total Agency Funds
ASSETS						
Cash and Investments	\$ 897	\$ -	\$ 6,991	\$ 3,230	\$ 81,356	\$ 296,302
Other Assets	-	-	-	-	-	-
Total assets	897	-	6,991	3,230	81,356	296,302
LIABILITIES						
Vouchers Payable	3,107	-	-	3,230	81,356	116,785
Accrued liabilities	-	-	-	-	-	184,076
Deferred Revenue	-	-	-	-	-	-
Total liabilities	3,107	-	-	3,230	81,356	300,861
NET ASSETS						
Held in Trust	(2,210)	-	6,991	-	-	(4,559)
Total Net Assets	\$ (2,210)	\$ -	\$ 6,991	\$ -	\$ -	\$ (4,559)

See accompanying notes to the financial statements.

Evans & Poulsen P.A.

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

Board of Commissioners
Cassia County, ID

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of Cassia County (the "County"), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

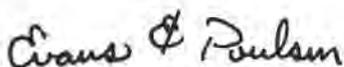
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



EVANS & POULSEN, PA

February 12, 2013

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Jeffrey D. Poulsen, CPA

February 12, 2013

Board of Commissioners and
County Clerk/Auditor/Recorder
Cassia County, Idaho

Dear Commissioners and Clerk/Auditor/Recorder:

We have conducted an audit of the financial statements of Cassia County, Idaho for the year ended September 30, 2012 and have issued our report thereon dated February 12, 2013. In planning and performing our audit we considered the County's internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control of the County. However, in performing our audit we developed recommendations to improve internal control, as listed below. These recommendations are separate from our audit report and do not affect our conclusions and opinions reached during the performance of the audit.

Finding – Adult Misdemeanor Probation saw a decrease in revenues of approximately \$15,000 while expenses increased approximately \$72,000. This resulted in a cash decrease of \$110,000 for the 2012 fiscal year, leaving a cash balance at September 30, 2012 of only \$35,000. The department is now unable to fund current operations due to a cash shortfall.

Recommendation – We recommend that Adult Misdemeanor Probation expenditures be closely monitored and limited in order to avoid an even larger cash shortfall. In addition, the budgeted revenues and expenditures should be closely reviewed to determine what is causing the shortfall and steps that can be taken to prevent a shortfall in the future.

Finding – Upon review of the accounting records of the Criminal Justice Center, it was discovered that amounts collected for commissary and phone card sales have not been remitted to the auditor's office for proper receipt and recording on the County's centralized accounting records. This appears to be the result of a software program currently in use that does not provide adequate information to properly reconcile all receipts at the jail.

Recommendation – The jail should, as soon as possible, convert to a software program that will accurately account for and reconcile all receipts. Further, all receipts should be reconciled and remitted to the auditor's office for proper receipt and recording on the County's centralized accounting records.

Finding – It was noted during our audit that the policy for proper approval of inmate medical services may need to be better clarified with the hospital.

Recommendation – The policy for approving inmate medical services should be clearly communicated to the hospital and other medical service providers, in writing, and strictly followed.

Finding – During our audit we noted that the County may be paying more than necessary for prescription medications provided to the inmates of the jail.

Recommendation – The County should determine if more cost effective alternatives are available for the prescription medications provided to the inmates.

Finding – Our audits of the Extension Office and the Fair revealed that the processes currently used for billing and collection of accounts receivable do not include the use of a billing software, but instead use spreadsheets, word documents or other manual methods. This results in a higher risk of error related to accounts receivable. In one instance, we discovered at the Extension Office that an amount had been billed but not collected. The amount has since been collected after bringing it to the attention of management.

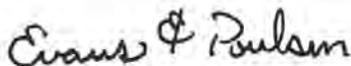
Recommendation – Both offices should consider the use of billing software to reduce the risk of errors related to billing and collection of accounts receivable. This would provide for a complete and accurate record of all amounts billed and a report of uncollected amounts could be generated at any time.

Finding – Upon review of the financial records of the Sherriff's office it was discovered that the ability exists to reprint a check with the same check number as a previously issued check. This allows for an uncashed check to be reprinted with a different payee.

Recommendation – We recommend that the system be modified to restrict the ability to reprint a check with a check number that has already been used, requiring that an uncashed check be voided and reissued with a new check number.

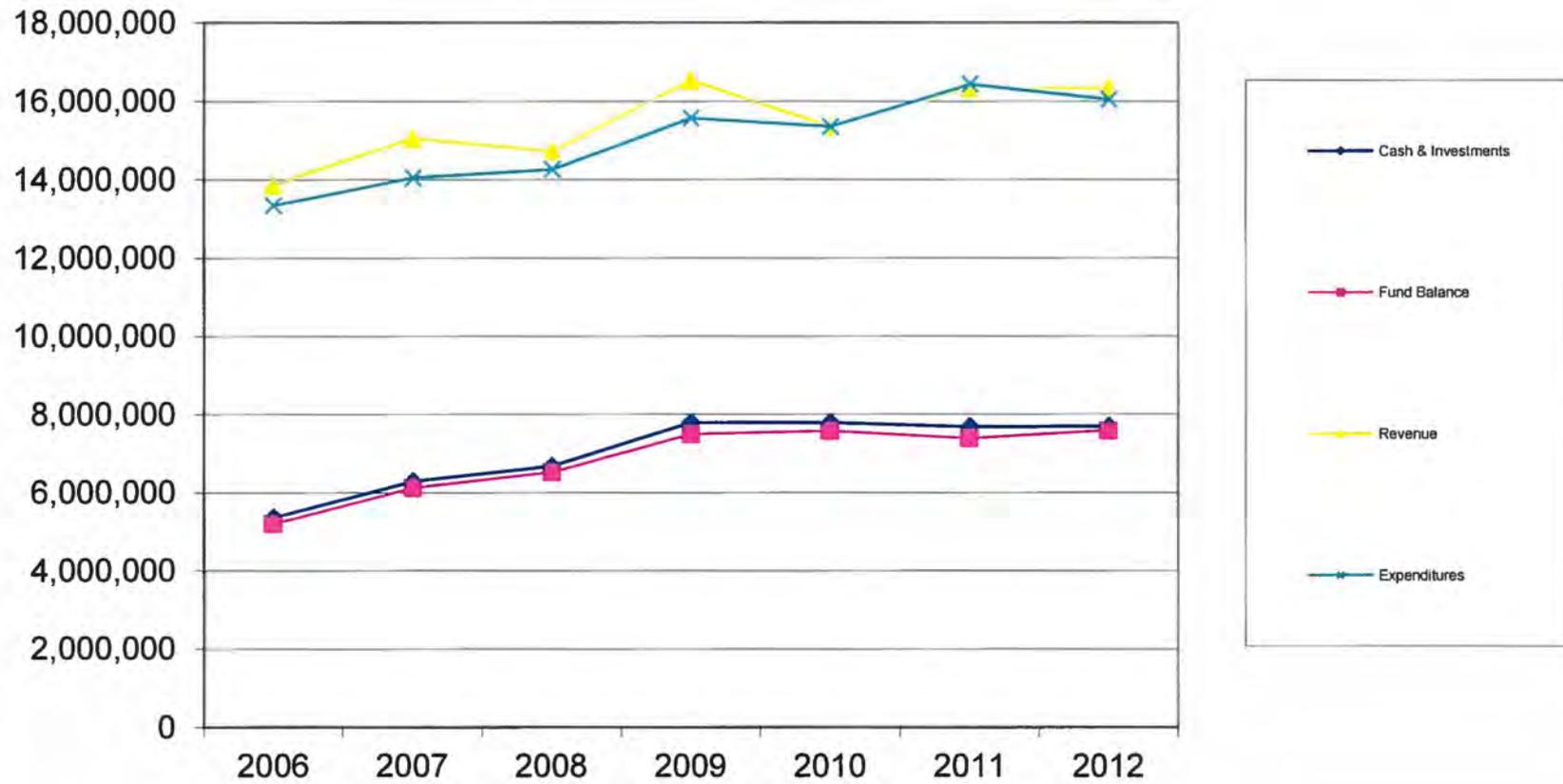
Finding – Several in-kind grants had not been recorded in the County's financial records prior to the audit. This is a repeat finding.

Recommendation – We recommend that the County monitor federal grants throughout the year that are issued through the State using the State's website, and properly record and account for all such grants.

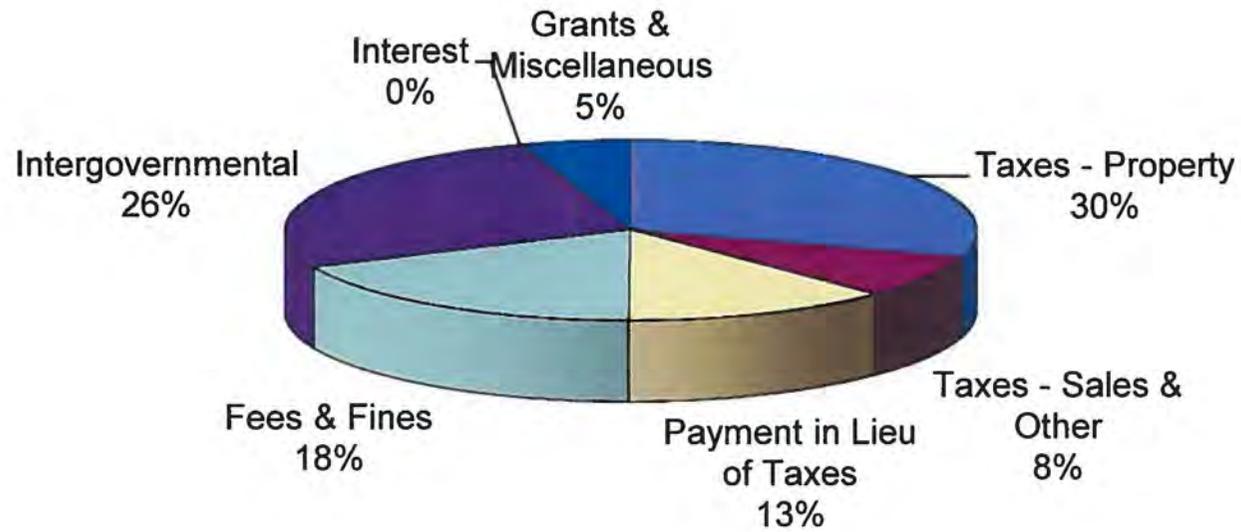


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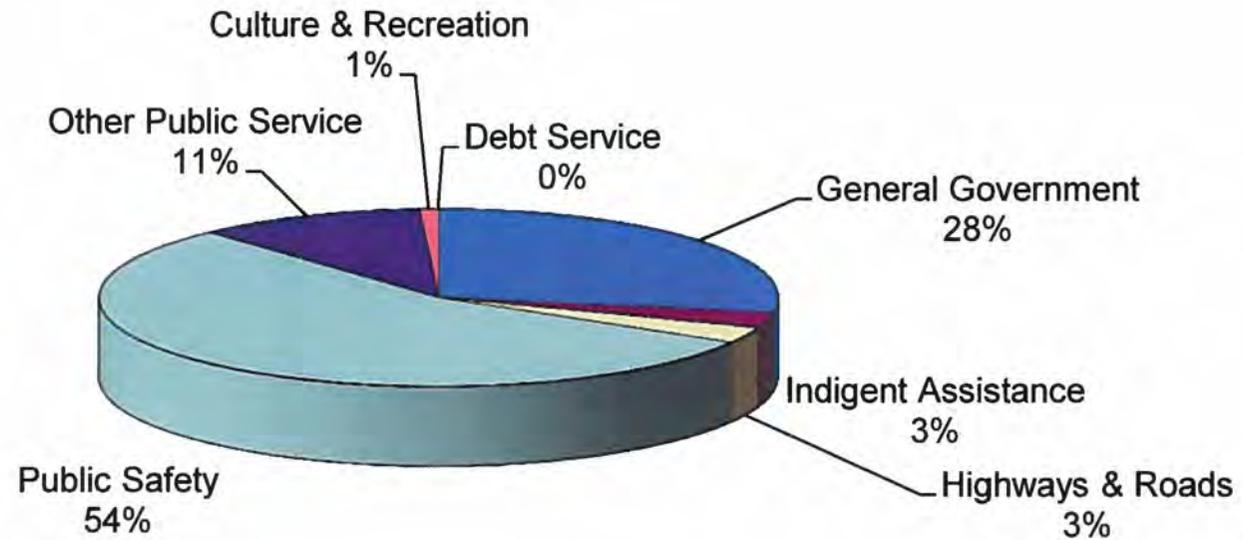
CASSIA COUNTY GOVERNMENTAL FUNDS



**CASSIA COUNTY REVENUES FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 2012**



**CASSIA COUNTY EXPENDITURES FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 2011**



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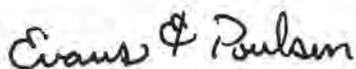
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