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RAFTER J IMPROVEMENT AND SERVICE DISTRICT

BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2007

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Directors
Rafter J Improvement and Service District
Jackson, Wyoming

We have audited the accompanying financial statements of the governmental activities and the major fund of Rafter J Improvement and Service District as of and for the year ended June 30, 2007, which comprise Rafter J Improvement and Service District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rafter J Improvement and Service District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Rafter J Improvement and Service District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007 on our consideration of the Rafter J Improvement and Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The budgetary comparison information, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Rafter J Improvement and Service District has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Rudd & Company

November 21, 2007

BASIC FINANCIAL STATEMENTS

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS		
Current Assets:		
Cash and Investments	$	1,624,477
Receivables:		
Trade Receivable		624
Intergovernmental		2,500
Total Current Assets		1,627,601
Noncurrent Assets:		
Capital Assets:		
Construction in Progress		397,904
Depreciable Capital Assets		330,928
Loan Origination Fee		7,500
Accumulated Depreciation and Amortization		(37,680)
Total Noncurrent Assets		698,652
TOTAL ASSETS		2,326,253
LIABILITIES		
Current Liabilities:		
Accounts Payable		728
Current Portion of Long-term Obligations		-
Noncurrent Liabilities:		
Noncurrent Portion of Long-term Obligations		289,942
TOTAL LIABILITIES		290,670
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		408,710
Unrestricted		1,626,873
TOTAL NET ASSETS	$	2,035,583

The Accompanying Notes are an Integral Part of the Financial Statements.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007

PROGRAM EXPENSES:		
Maintenance and Operations of District:		
Water System Maintenance	$	25,213
Sewer System Maintenance		18,472
Depreciation and Amortization		18,327
Professional Services		7,314
Insurance		4,516
Road Maintenance		3,900
General and Administrative		1,132
Demo Project Expense		1,104
Utilities		357
TOTAL PROGRAM EXPENSES		80,335
PROGRAM REVENUES:		
Charges for Services:		
Assessments		306,789
Water Fees		13,755
Homeowners Association Fees		200,000
Capital Grants and Contributions:		
State Grants		31,537
TOTAL PROGRAM REVENUES		552,081
NET PROGRAM REVENUES		471,746
GENERAL REVENUES:		
Interest Income		69,393
Valuation Change		2,704
TOTAL GENERAL REVENUES		72,097
INCREASE IN NET ASSETS		543,843
TOTAL NET ASSETS - BEGINNING OF THE YEAR		1,491,740
TOTAL NET ASSETS - END OF THE YEAR	$	2,035,583

The Accompanying Notes are an Integral Part of the Financial Statements.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2007

ASSETS		
Cash and Investments	$	1,624,477
Receivables:		
Trade Receivable		624
Intergovernmental		2,500
TOTAL ASSETS	$	1,627,601
LIABILITIES AND FUND EQUITY		
LIABILITIES	$	728
UNRESERVED FUND BALANCE		1,626,873
TOTAL LIABILITIES AND FUND BALANCE	$	1,627,601

The Accompanying Notes are an Integral Part of the Financial Statements.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	$ 1,626,873
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is $736,332 and the accumulated depreciation and amortization is $37,680.	698,652
Certain liabilities are not financial resources and are reported as Noncurrent Liabilities	(289,942)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	$ 2,035,583

The Accompanying Notes are an Integral Part of the Financial Statements.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2007

REVENUES:		
Property Taxes - Special Assessment	$	306,789
Rafter J Homeowners Association Fees		200,000
Interest Income		69,393
WWDC Construction Grant		31,537
Water Fees		13,755
TOTAL REVENUES		621,474
EXPENDITURES:		
Capital Improvements		100,939
Road, Water, and Sewer System Repairs		47,585
Professional Services		7,314
Liability Insurance		4,516
General and Administrative		1,132
Demo Project Expense		1,104
Utilities		357
TOTAL EXPENDITURES		162,947
EXCESS OF REVENUES OVER EXPENDITURES		458,527
OTHER FINANCING SOURCES:		
Valuation Change		2,704
Drinking Water Loan		30,118
Clean Water Loan		38,409
TOTAL OTHER FINANCING SOURCES		71,231
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		529,758
FUND BALANCE AT BEGINNING OF YEAR		1,097,115
FUND BALANCE AT END OF YEAR	$	1,626,873

The Accompanying Notes are an Integral Part of the Financial Statements.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 529,758
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are reduced by depreciation in the current period.	
Capital expenditures capitalized as fixed assets	100,939
Depreciation and amortization expense	(18,327)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Drinking Water Loan	(30,118)
Clean Water Loan	(38,409)
Valuation Change	-
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 543,843

The Accompanying Notes are an Integral Part of the Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Rafter J Improvement and Service District (ISD) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Rafter J Improvement and Service District are described below.

Reporting Entity

Rafter J Improvement and Service District was created in 1998 as a separate legal entity to provide for improvements and services of local necessity and convenience for the Rafter J Subdivision located in Teton County, Wyoming. These improvements are funded through grants and property tax levies on the Rafter J Subdivision residents.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the non-fiduciary activities of the Primary Government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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. 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 meet 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. The statement of activities has been changed for the year ended June 30, 2007, to better reflect classification of expenses and revenues as described above.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 proprietary fund and 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. 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, early retirement, arbitrage rebates, and post employment healthcare benefits, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be accrued as revenue of the current period. All other revenue items are considered to be measurable and available only when Rafter J ISD receives cash.

Rafter J ISD reports the following major governmental fund:

- The General Fund is the District's primary operating fund and is used for all financial resources of the District.

Property, Plant and Equipment

Property, plant and equipment are defined as assets with an initial individual cost of more than $5,000, with an estimated useful life in excess of two years. Depreciation is provided on property, plant and equipment using the straight-line method over the estimated useful lives of the related assets:

Infrastructure.. 20 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Policy

The Rafter J ISD must prepare a budget showing in reasonable detail the various functions and matters proposed to be covered by the budget, establishing the estimated income and costs for the year. The budget shall be filed with and shall follow a format acceptable to the director of the State Audit Department. The Budgetary Comparison Schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis. The budget was amended during the year.

Cash Equivalents

Cash and investments are combined on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. For purposes of the statements of cash flows, cash and cash equivalents are all cash deposits and highly liquid investments with an original maturity of three months or less.

Use of Estimates

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

2. CASH AND SHORT-TERM INVESTMENTS

The District adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for the year ended June 30, 2007. This statement establishes and modifies disclosure requirements related to investment and deposit risk; accordingly, the note disclosures on cash and investments are in conformity with the provisions of GASB Statement No. 40.

1. Deposits – At June 30, 2007, the carrying amount of the District's deposits were $1,505,864 and the respective bank balances totaled $1,513,953. Of the bank balances $200,000 were insured. The remaining balances were secured by pledged securities at Jackson State Bank.

2. Custodial Credit Risk, Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2007, $1,313,953 of the District's total deposits of $1,513,953 was not covered by federal depository insurance. Jackson State Bank has securities pledged to cover the remaining balances in the event that a failure occurs.

2. CASH AND SHORT-TERM INVESTMENTS (Continued)

3. Investments – As of June 30, 2007, the District invested $118,613 in money market accounts and bonds. Fair market was substantially equal to the carrying amount of the investments. The money market account of $3,309 has a maturity of less than one year. The bonds of $115,304 are all federal government and agency bonds rated at AAA to Aaa. They have the following maturities: $19,929 of 0-5 years, $57,575 of 6-15 years and $37,800 of 16 or more years.

4. Custodial Credit Risk, Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of the investments. The District has most of its funds in cash or cash equivalents which are secured by either federal depositor insurance or securities pledged by the bank.

5. Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the District structures its portfolio so that securities mature to meet cash requirements for ongoing operations.

6. Credit Risk – Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. It is the District's policy to limit investments to the safest types of securities and to diversify the District's investment portfolio so that potential losses on securities will be minimized. The District follows Wyoming statute that outlines qualifying investment options.

The following is a reconciliation of the District's deposit and investment balance as of June 30, 2007:

Cash and Investments reported on the statement of net assets	$ 1,624,477
Deposits	$ 1,505,864
Investments	118,613
Total cash and investments	$ 1,624,477

3. PROPERTY TAXES

Property taxes of Rafter J ISD are based on the assessments against property owners. Tax levies on such assessed values are certified to the County prior to the commencement of the fiscal year. Taxes are collected by Teton County and remitted to the ISD throughout the year. Accordingly, the tax revenues for the fiscal year ended June 30, 2007, are based on the assessed values and tax revenues established in 2006. Such amounts will be recognized as revenues in the fiscal year they become available.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

		Balance June 30, 2006		Additions		Dispositions		Balance June 30, 2007
Sewer Lifts	$	85,789	$	--	$	--	$	85,789
Drinking Water System		245,139		--		--		245,139
Construction In Progress		296,965		100,939		--		397,904
Loan Origination Fee		7,500		--		--		7,500
	$	635,393	$	100,939	$	--	$	736,332
Accumulated Depreciation	$	19,353	$	18,327	$	--	$	37,680

There are no capital assets not being depreciated.

5. LONG-TERM OBLIGATIONS

Rafter J Improvement and Service District's long-term debt consists of two notes to the Environmental Protection Agency. These notes are for the Clean Water (sewer) and Drinking Water systems that Rafter J ISD is developing and are subject to Single Audit reporting requirements. No payments are due on the notes until the completion of the projects (expected to be within the next two to four years). The specifics on each loan are as follows:

Clean Water State Revolving Loan Fund. A maximum of $850,000 with annual principal and interest at two and one-half (2.5) percent to begin not later than one year after substantial completion of the project. Beginning loan balance was $80,051 and increased during the year by $38,409 to an end-of-year loan balance of $118,460.

Drinking Water State Revolving Loan Fund. A maximum of $1,500,000 with annual principal and interest at two and one-half (2.5) percent to begin no later than one year after substantial completion of the project. Beginning loan balance was $141,364 and increased during the year by $30,118 to an end-of-year loan balance of $171,482.

REQUIRED SUPPLEMENTARY INFORMATION

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007

	Original Budgeted Amount	Amended Budgeted Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Drinking Water Loan	$ 1,422,000	$ 1,422,000	$ 30,118	$ (1,391,882)
Clean Water Loan	822,000	822,000	38,409	(783,591)
Homeowners Association Fees	200,000	200,000	200,000	-
State Grants	305,283	305,283	31,537	(273,746)
Assessments	288,000	288,000	306,789	18,789
Services and Fees	13,600	13,600	13,755	155
Interest Income	25,000	25,000	69,393	44,393
TOTAL REVENUES	3,075,883	3,075,883	690,001	(2,385,882)
EXPENDITURES:				
Drinking Water - Const-ISD	1,422,000	1,422,000	30,496	1,391,504
Clean Water - Const-ISD	822,000	822,000	38,883	783,117
WWDC Construction - ISD	305,283	305,283	31,560	273,723
Professional Services	28,500	28,500	7,314	21,186
Utilities	25,000	500	357	143
Water System Maintenance	51,000	60,000	25,213	34,787
Road Maintenance	25,200	25,200	3,900	21,300
Sewer System Maintenance	17,700	32,000	18,472	13,528
Demo Project	-	1,200	1,104	96
General and Administrative	4,400	4,400	1,100	3,300
Liability Insurance	5,000	5,000	4,516	484
Miscellaneous	700	700	32	668
TOTAL EXPENDITURES	2,706,783	2,706,783	162,947	2,543,836
OPERATING INCOME	369,100	369,100	527,054	157,954
				-
OTHER FINANCING SOURCES (USES):				
Bond Valuation Change	-	-	2,704	2,704
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	369,100	369,100	529,758	160,658
FUND BALANCE AT BEGINNING OF YEAR	-	-	1,097,115	1,097,115
FUND BALANCE AT END OF YEAR	$ 369,100	$ 369,100	$ 1,626,873	$ 1,257,773

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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*

To the Board of Directors
Rafter J Improvement and Service District
Jackson, Wyoming

We have audited the financial statements of the governmental activities and the major fund of Rafter J Improvement and Service District, as of and for the year ended June 30, 2007, which collectively comprise the Rafter J Improvement and Service District's basic financial statements and have issued our report thereon dated November 21, 2007. 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 Rafter J Improvement and Service District'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 Rafter J Improvement and Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rafter J Improvement and Service District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Rafter J Improvement and Service District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Rafter J Improvement and Service District's financial statements that is more than inconsequential will not be prevented or detected by Rafter J Improvement and Service District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Rafter J Improvement and Service District's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Rafter J Improvement and Service District'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.

We noted certain matters that we reported to the management of Rafter J Improvement and Service District, in a separate letter dated November 21, 2007.

This report is intended solely for the information and use of the management, the Board of Directors, 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.

November 21, 2007 Rudd & Company