



Rudd & Company PLLC
Certified Public Accountants • Business Consultants

RAFTER J IMPROVEMENT AND SERVICE DISTRICT

BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2005

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Rafter J Improvement and Service District as of and for the year ended June 30, 2005, which comprise the Rafter J Improvement and Service District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Rafter J Improvement and Service District as of June 30, 2005 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 October 5, 2005 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.

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
October 5, 2005

BASIC FINANCIAL STATEMENTS

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	
Current Assets:	
Cash and Investments	\$ 345,766
Receivables:	
Intergovernmental	2,500
Total Current Assets	348,266
Noncurrent Assets:	
Capital Assets:	
Construction in Progress	296,965
Depreciable Capital Assets	64,736
Loan Origination Fee	7,500
Accumulated Depreciation	(5,907)
Total Noncurrent Assets	363,294
TOTAL ASSETS	711,560
LIABILITIES	
Current Liabilities:	
Current Portion of Long-term Obligations	-
Total Current Liabilities	-
Noncurrent Liabilities:	
Noncurrent Portion of Long-term Obligations	118,636
Total Noncurrent Liabilities	118,636
TOTAL LIABILITIES	118,636
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	244,658
Unrestricted	348,266
TOTAL NET ASSETS	\$ 592,924

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

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

OPERATING REVENUES:	
Property Taxes	\$ 303,521
State Grants	152,033
Assessments	104,000
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TOTAL OPERATING REVENUES	559,554
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OPERATING EXPENSES:	
Professional Services	15,970
Insurance and Repairs	8,028
Depreciation	3,393
General and Administrative	2,836
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TOTAL OPERATING EXPENSES	30,227
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OPERATING INCOME	529,327
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NON-OPERATING REVENUES:	
Interest Income	1,580
<hr/>	
TOTAL NON-OPERATING REVENUES	1,580
<hr/>	
NET INCOME	530,907
<hr/>	
TOTAL NET ASSETS - BEGINNING	62,017
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TOTAL NET ASSETS - ENDING	\$ 592,924
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The Accompanying Notes are an Integral Part of the Financial Statements.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
BALANCE SHEET
JUNE 30, 2005

<u>ASSETS</u>	
Cash and Investments	\$ 345,766
Receivables:	
Intergovernmental	2,500
<u>TOTAL ASSETS</u>	<u>\$ 348,266</u>
<u>LIABILITIES AND FUND EQUITY</u>	
LIABILITIES	\$ -
UNRESTRICTED FUND BALANCE	348,266
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 348,266</u>

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

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2005

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$348,266
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$369,201 and the accumulated depreciation is \$5,907.	363,294
Certain liabilities are not financial resources and are reported as Noncurrent Liabilities	<u>(118,636)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$592,924</u></u>

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
 YEAR ENDED JUNE 30, 2005

REVENUES:	
Property Taxes - Special Assessment	\$ 303,521
WWDC Construction Grant	152,033
Rafter J Homeowners Contribution	104,000
Interest Income	1,580
<hr/>	
TOTAL REVENUES	561,134
<hr/>	
EXPENDITURES:	
Professional Services	15,970
Water System	5,325
General and Administrative	2,835
Liability Insurance	2,553
Miscellaneous	150
Capital Improvements	296,965
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TOTAL EXPENDITURES	323,798
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EXCESS OF REVENUES OVER EXPENDITURES	237,336
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OTHER FINANCING SOURCES (USES):	
Drinking Water Loan	66,404
Clean Water Loan	52,231
Loan Origination Fee	(7,500)
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TOTAL OTHER FINANCING SOURCES	111,135
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EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	348,471
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FUND BALANCE AT BEGINNING OF YEAR	(205)
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FUND BALANCE AT END OF YEAR	\$ 348,266
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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 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$348,471
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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	296,965
Depreciation expense	(3,393)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Drinking Water Loan	(66,405)
Clean Water Loan	(52,231)
Loan Origination Fees	<u>7,500</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$530,907</u></u>
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The Accompanying Notes are an Integral Part of the Financial Statements.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rafter J Improvement and Service District 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 Jackson, 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 changes in net assets) report information on all of the non-fiduciary activities of the Primary Government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 expense 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 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 the Rafter J ISD receives cash.

The Rafter J ISD reports the following major governmental fund:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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

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 Department of Audit. The Budgetary Comparison Schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis.

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 Rafter J ISD's cash accounts are insured through the Federal Deposit Insurance Corporation (at banks) and the Federal Savings and Loan Insurance Corporation (at savings and loans organizations) up to \$100,000 per depository. As of June 30, 2005 the carrying amount of the ISD's bank deposits was \$345,766 and the respective bank balances totaled \$348,863. Of the total bank balance, \$100,000 was insured through the FDIC. The remaining was uninsured or uncollateralized.

3. PROPERTY TAXES

Property taxes of the 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, 2005, are based on the assessed values and tax revenues established in 2004. Such amounts will be recognized as revenues in the fiscal year they become available.

4. PROPERTY, PLANT AND EQUIPMENT

A summary of the detail in Property, Plant and Equipment is as follows:

	Balance June 30, 2004	Additions	Dispositions	Balance June 30, 2005
Sewer Lifts	\$ 64,736	\$ --	\$ --	\$ 64,736
Construction In Progress	--	296,965	--	296,965
Loan Origination Fee	--	7,500	--	7,500
	<u>\$ 64,736</u>	<u>\$ 304,466</u>	<u>\$ --</u>	<u>\$ 369,201</u>
Accumulated Depreciation	\$ 2,514	\$ 3,393	\$ --	\$ 5,907

5. LONG-TERM DEBT

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 the Rafter J ISD is putting in and are subject to Single Audit reporting requirements. No payments are due on the notes until the completion of the projects (expected to be in the next two to four years). The loan 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. Loan balance is currently at \$52,232.

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 not later than one year after substantial completion of the project. Loan balance is currently at \$66,404.

REQUIRED SUPPLEMENTARY INFORMATION

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2005

	Original and Final Budgeted Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
OPERATING REVENUES:			
Property Taxes	\$ 304,500	\$ 303,521	\$ (979)
State Grants	153,000	152,033	(967)
Assessments	104,000	104,000	-
Drinking Water	67,000	66,404	(596)
Clean Water	53,000	52,231	(769)
Interest Income	1,300	1,580	280
TOTAL OPERATING REVENUES	682,800	679,769	(3,031)
OPERATING EXPENSES:			
WWDC Construction - ISD	153,000	152,033	967
Drinking Water - Const-ISD	67,000	66,404	596
Clean Water - Const-ISD	53,000	52,231	769
Professional Services	43,000	42,267	733
Water System	5,500	5,325	175
General and Administrative	5,000	2,835	2,165
Liability Insurance	-	2,553	(2,553)
Miscellaneous	1,000	150	850
TOTAL OPERATING EXPENSES	327,500	323,798	3,702
OPERATING INCOME	355,300	355,971	671
OTHER FINANCING SOURCES (USES):			
Loan Origination Fee	(7,500)	(7,500)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(7,500)	(7,500)	-
NET INCOME	347,800	348,471	671
FUND BALANCE AT BEGINNING OF YEAR	-	(205)	(205)
FUND BALANCE AT END OF YEAR	\$ 347,800	\$ 348,266	\$ 466

OTHER SUPPLEMENTARY INFORMATION

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 the Rafter J Improvement and Service District, as of and for the year ended June 30, 2005, which collectively comprise the Rafter J Improvement and Service District's basic financial statements and have issued our report thereon dated October 5, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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. However, we noted certain matters that we reported to management of Rafter J Improvement and Service District in a separate letter dated October 5, 2005.

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.

Rudd & Company
October 5, 2005