



*Rudd & Company* PLLC  
Certified Public Accountants • Business Consultants

RAFTER J IMPROVEMENT AND SERVICE DISTRICT

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BASIC FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2006

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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, 2006, 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, 2006 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 September 14, 2006 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*

September 14, 2006

BASIC FINANCIAL STATEMENTS

RAFTER J IMPROVEMENT AND SERVICE DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

ASSETS	
Current Assets:	
Cash and Investments	\$ 1,094,615
Receivables:	
Intergovernmental	2,500
Total Current Assets	1,097,115
Noncurrent Assets:	
Capital Assets:	
Construction in Progress	296,966
Depreciable Capital Assets	330,928
Loan Origination Fee	7,500
Accumulated Depreciation and Amortization	(19,353)
Total Noncurrent Assets	616,041
TOTAL ASSETS	1,713,156
LIABILITIES	
Current Liabilities:	
Current Portion of Long-term Obligations	-
Noncurrent Liabilities:	
Noncurrent Portion of Long-term Obligations	221,416
TOTAL LIABILITIES	221,416
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	394,625
Unrestricted	1,097,115
TOTAL NET ASSETS	\$ 1,491,740

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, 2006

OPERATING REVENUES:	
Homeowners Contribution	\$ 480,176
Assessments	307,086
State Grants	94,184
Water Fees	33,286
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TOTAL OPERATING REVENUES	914,732
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OPERATING EXPENSES:	
Road Maintenance and Repair	21,644
Utilities	15,429
Depreciation and Amortization	13,446
Water System Repair	12,436
Professional Services	11,710
Insurance	4,153
General and Administrative	2,367
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TOTAL OPERATING EXPENSES	81,185
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OPERATING INCOME	833,547
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NON-OPERATING REVENUES (LOSSES):	
HOA Transfer	84,334
Interest Income	30,771
Valuation Change	(6,008)
Loss on Disposal of Assets	(43,828)
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TOTAL NON-OPERATING REVENUES	65,269
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NET INCOME	898,816
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TOTAL NET ASSETS - BEGINNING	592,924
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TOTAL NET ASSETS - ENDING	\$ 1,491,740

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

RAFTER J IMPROVEMENT AND SERVICE DISTRICT  
BALANCE SHEET  
JUNE 30, 2006

<u>ASSETS</u>	
Cash and Investments	\$ 1,094,615
Receivables:	
Intergovernmental	2,500
<hr/>	
TOTAL ASSETS	\$ 1,097,115
<hr/> <hr/>	
<u>LIABILITIES AND FUND EQUITY</u>	
LIABILITIES	\$ -
UNRESTRICTED FUND BALANCE	1,097,115
<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,097,115
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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, 2006

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$1,097,115
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$635,394 and the accumulated depreciation and amortization is \$19,353.	616,041
Certain liabilities are not financial resources and are reported as Noncurrent Liabilities	<u>(221,416)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$1,491,740</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, 2006

REVENUES:	
Rafter J Homeowners Contribution	\$ 480,176
Property Taxes - Special Assessment	307,086
WWDC Construction Grant	94,184
Water Fees	33,286
Interest Income	30,771
<b>TOTAL REVENUES</b>	<b>945,503</b>
EXPENDITURES:	
Capital Improvements	266,193
Cost of Well Abandoned	43,828
Road and Water System Repairs	34,080
Utilities	15,429
Professional Services	11,710
Valuation Change	6,008
Liability Insurance	4,153
General and Administrative	2,367
<b>TOTAL EXPENDITURES</b>	<b>383,768</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>561,735</b>
OTHER FINANCING SOURCES:	
HOA Transfer	84,334
Drinking Water Loan	74,960
Clean Water Loan	27,820
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>187,114</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>748,849</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>348,266</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 1,097,115</b>

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, 2006

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 748,849
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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	266,193
Depreciation and amortization expense	(13,446)

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

Drinking Water Loan	(74,960)
Clean Water Loan	(27,820)
Valuation Change	-
	-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 898,816
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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, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 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 activities and 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 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide 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 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.

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, 2006 the carrying amount of the ISD's bank deposits was \$978,114 and the respective bank balances totaled \$983,055. Of the total bank balance, \$200,000 was insured through the FDIC and the remaining was secured by pledged securities at Jackson State Bank.

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, 2006, are based on the assessed values and tax revenues established in 2005. 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, 2005	Additions	Dispositions	Balance June 30, 2006
Sewer Lifts	\$ 64,736	\$ 21,053	\$ --	\$ 85,789
Drinking Water System	--	245,139	--	245,139
Construction In Progress	296,965	--	--	296,965
Loan Origination Fee	7,500	--	--	7,500
	<u>\$ 369,201</u>	<u>\$ 266,192</u>	<u>\$ --</u>	<u>\$ 635,393</u>
Accumulated Depreciation	\$ 5,907	\$ 13,446	\$ --	\$ 19,353

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 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 \$52,232 and increased during the year by \$27,820 to an end of year loan balance of \$80,052.

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. Beginning loan balance was \$66,404 and increased during the year by \$74,960 to an end of year loan balance of \$141,364.

REQUIRED SUPPLEMENTARY INFORMATION



RAFTER J IMPROVEMENT AND SERVICE DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2006

	Original and Final Budgeted Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Drinking Water Loan	\$ 1,000,000	\$ 74,960	\$ (925,040)
Clean Water Loan	850,000	27,820	(822,180)
Homeowners Contributions	482,565	480,176	(2,389)
HOA Transfer	-	84,334	84,334
State Grants	399,467	94,184	(305,283)
Assessments	343,000	307,086	(35,914)
Services and Fees	13,050	33,286	20,236
Interest Income	1,500	30,771	29,271
<b>TOTAL REVENUES</b>	<b>3,089,582</b>	<b>1,132,617</b>	<b>(1,956,965)</b>
<b>EXPENDITURES:</b>			
Drinking Water - Const-ISD	1,000,000	135,097	864,903
Clean Water - Const-ISD	850,000	20,000	830,000
WWDC Construction - ISD	399,467	43,828	355,639
Water Control	50,000	26,762	23,238
Professional Services	48,000	11,710	36,290
Utilities	30,000	15,429	14,571
Water System	29,500	8,164	21,336
Roads	25,700	21,644	4,056
Sewer System	14,250	1,517	12,733
General and Administrative	3,400	2,367	1,033
Liability Insurance	2,600	4,153	(1,553)
Miscellaneous	1,150	2,755	(1,605)
HOA Asset Transfer	-	84,334	(84,334)
<b>TOTAL EXPENDITURES</b>	<b>2,454,067</b>	<b>377,760</b>	<b>2,076,307</b>
<b>OPERATING INCOME</b>	<b>635,515</b>	<b>754,857</b>	<b>119,342</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bond Valuation Change	-	(6,008)	(6,008)
<b>NET INCOME</b>	<b>635,515</b>	<b>748,849</b>	<b>113,334</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>-</b>	<b>348,266</b>	<b>348,266</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 635,515</b>	<b>\$ 1,097,115</b>	<b>\$ 461,600</b>

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, 2006, which collectively comprise the Rafter J Improvement and Service District's basic financial statements and have issued our report thereon dated September 14, 2006. 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

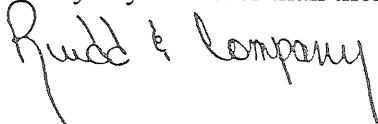
In planning and performing our audit, we considered Rafter J Improvement and Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal 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 September 14, 2006.

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.

A handwritten signature in cursive script that reads "Rudd & Company". The signature is written in dark ink and is positioned above the date.

September 14, 2006