



**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, 2009**

*giving direction to your future*

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Table of Contents**  
**Year Ended June 30, 2009**

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**Independent Auditors' Report**..... 1-2

**Basic Financial Statements**

Statement of Net Assets..... 3  
Statement of Activities and Changes in Net Assets ..... 4  
  
Balance Sheet – Governmental Fund ..... 5  
  
Reconciliation of the Balance Sheet of the Governmental Fund to  
the Statement of Net Assets ..... 6  
  
Statement of Revenues, Expenditures, and Changes in Fund  
Balance – Governmental Fund..... 7  
  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of the Governmental Fund to the  
Statement of Activities..... 8  
  
Notes to Financial Statements ..... 9-13

**Required Supplementary Information**

Statement of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual..... 14

**Schedule of Expenditures of Federal Awards** ..... 15

**Note to the Schedule of Expenditures of Federal Awards**..... 16

**Report on Compliance and on Internal Control over Financial  
Reporting based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*** ..... 17-18

**Report on Compliance with Requirements Applicable to Each Major  
Program and Internal Control over Compliance in Accordance with  
OMB Circular A-133** ..... 19-20

**Schedule of Findings and Questioned Costs** ..... 21-22



## 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, 2009, 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.

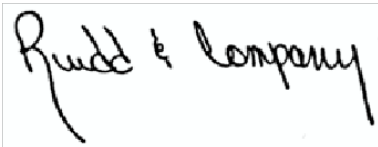
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Rafter J Improvement and Service District as of June 30, 2009 and the respective changes in financial position and 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 10, 2009 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Rafter J Improvement and Service District basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Rafter J Improvement and Service District. The schedule of expenditures of federal awards 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.

A handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive, flowing style.

November 10, 2009

## **Basic Financial Statements**

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Statement of Net Assets**  
**June 30, 2009**

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**Assets**

Current Assets	
Cash and investments	\$ 2,520,256
Receivables:	
Trade receivable	1,348
Intergovernmental	<u>2,500</u>
Total Current Assets	<u>2,524,104</u>
Noncurrent Assets	
Capital Assets:	
Construction in progress	4,104,789
Depreciable capital assets	341,939
Loan origination fee	7,500
Accumulated depreciation and amortization	<u>(74,823)</u>
Total Noncurrent Assets	<u>4,379,405</u>
Total Assets	<u>6,903,509</u>

**Liabilities**

Current Liabilities	
Accounts payable	397,205
Current portion of long-term obligations	<u>-</u>
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	<u>1,688,142</u>
Total Liabilities	<u>2,085,347</u>

**Net Assets**

Invested in capital assets, net of related debt	2,294,058
Unrestricted	<u>2,524,104</u>
Total Net Assets	<u>\$ 4,818,162</u>

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, 2009**

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Program Expenses

Maintenance and Operations of District:

Water system maintenance	\$ 33,419
General and administrative	25,836
Sewer system maintenance	24,264
Professional services	22,552
Depreciation and amortization	18,816
Road maintenance	8,014
Insurance	3,623
Miscellaneous	3,019
Finance charge	600
Utilities	401
Total Program Expenses	<u>140,544</u>

Program Revenues

Charges for Services:

Property tax assessments	306,650
Homeowners association fees	270,000
Other revenues	180,132
Water fees	14,950

Capital Grants and Contributions:

State grants	1,427,138
Total Program Revenues	<u>2,198,871</u>

Net Program Revenues

2,058,327

General Revenues

Interest income	37,712
Valuation change	(1,210)
Total General Revenues	<u>36,502</u>

Increase in Net Assets

2,094,829

Total Net Assets - Beginning of Year

2,723,333

Total Net Assets - End of Year

\$ 4,818,162

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

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Balance Sheet - Governmental Fund**  
**June 30, 2009**

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**Assets**

Cash and investments	\$ 2,520,256
Receivables:	
Trade receivable	1,348
Intergovernmental	<u>2,500</u>
Total Assets	<u>\$ 2,524,104</u>

**Liabilities and Fund Equity**

Liabilities	\$ 397,205
Unreserved Fund Balance	<u>2,126,899</u>
Total Liabilities and Fund Balance	<u>\$ 2,524,104</u>

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, 2009**

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

Total Fund Balance - Governmental Fund	\$2,126,899
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$4,454,228 and the accumulated depreciation and amortization is \$74,823.	4,379,405
Certain liabilities are not financial resources and are reported as Noncurrent Liabilities	<u>(1,688,142)</u>
Total Net Assets - Governmental Activities	<u>\$4,818,162</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**  
**Governmental Fund**  
**Year Ended June 30, 2009**

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Revenues	
State grants	1,427,138
Property taxes - special assessment	306,650
Rafter J Homeowners Association fees	270,000
Other revenues	180,132
Interest income	37,712
Water fees	14,950
	<hr/>
Total Revenues	2,236,582
	<hr/>
Expenditures	
Capital improvements	3,173,306
Road, water, and sewer system repairs	65,697
General and administrative	25,836
Professional services	22,552
Insurance	3,623
Miscellaneous	3,019
Finance charge	600
Utilities	401
	<hr/>
Total Expenditures	3,295,034
	<hr/>
Excess of Expenditures over Revenues	(1,058,452)
	<hr/>
Other Financing Sources (Uses)	
Drinking water loan	1,035,328
Clean water loan	228,075
WWDC tank loan	93,628
Valuation change	(1,209)
	<hr/>
Total Other Financing Sources	1,355,822
	<hr/>
Excess of Revenues and Other Sources over Expenditures and Other Uses	297,370
	<hr/>
Fund Balance at Beginning of Year	1,829,529
	<hr/>
Fund Balance at End of Year	\$ 2,126,899
	<hr/>

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, 2009**

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

Net Changes in Fund Balances - Total Governmental Funds \$ 297,370

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	3,173,306
Depreciation and amortization expense	(18,816)

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

Drinking Water Loan	(1,035,328)
Clean Water Loan	(228,075)
WWDC tank loan	<u>(93,628)</u>

Change in Net Assets of Governmental Activities \$2,094,829

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

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**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, 2009, to better reflect classification of expenses and revenues as described above.

**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.

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**1. Summary of Significant Accounting Policies (continued)**

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, and 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**

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.

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**1. Summary of Significant Accounting Policies (continued)**

**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, 2009. 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, 2009, the carrying amount of the District's deposits was \$2,387,889 and the respective bank balances totaled \$2,202,455. Of the bank balances \$500,000 were insured. The remaining balances were secured by pledged securities at Wells Fargo 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, 2009, \$1,702,455 of the District's total deposits of \$2,202,455 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.
3. Investments – As of June 30, 2009, the District invested \$132,367 in money market accounts and bonds. Fair market was substantially equal to the carrying amount of the investments. The money market account of \$5,832 has a maturity of less than one year. The bonds of \$126,535 are all federal government and agency bonds rated at AAA to Aaa. They have the following maturities: \$- of 0-5 years, \$40,038 of 6-15 years and \$86,497 of 16 or more years.

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**2. Cash and Short-Term Investments (continued)**

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, 2009:

Cash and Investments reported on the statement of net assets	<u>\$ 2,520,256</u>
Deposits	\$ 2,387,889
Investments	<u>132,367</u>
Total cash and investments	<u>\$ 2,520,256</u>

**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, 2009, are based on a flat rate assessment. Such amounts will be recognized as revenues in the fiscal year they become available.

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2009**

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**4. Capital Assets**

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Dispositions	Balance June 30, 2009
Sewer Lifts	\$ 85,789	\$ --	\$ --	\$ 85,789
Drinking Water System	245,139	11,011	--	256,150
Construction In Progress	942,494	3,162,295	--	4,104,789
Loan Origination Fee	7,500	--	--	7,500
	<u>\$ 1,280,922</u>	<u>\$ 3,173,306</u>	<u>\$ --</u>	<u>\$ 4,454,228</u>
Accumulated Depreciation	\$ 56,007	\$ 18,816	\$ --	\$ 74,823

There are no completed 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 and one note to the Wyoming Water Development Commission. The EPA 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 \$133,615 and increased during the year by \$228,075 to an end-of-year loan balance of \$361,690.

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 \$197,495 and increased during the year by \$1,035,328 to an end-of-year loan balance of \$1,232,823

Wyoming Water Development Commission Loan Fund. A maximum of \$165,000 with annual principal and interest at four (4) percent to begin on the first anniversary of the date the Commission determines benefits accrue. Beginning loan balance was \$0 and increased during the year by \$93,628 to an end-of-year loan balance of \$93,628.



## **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, 2009**

	<b>Original Budgeted Amount</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Drinking water loan	\$ 1,365,870	\$ 1,035,328	\$ (330,542)
Clean water loan	768,437	228,075	(540,362)
Homeowners Association fees	270,000	270,000	-
State grants	526,111	1,427,138	901,027
Assessments	294,200	306,650	12,450
Water tank loan	165,000	93,628	(71,372)
Interest income	75,000	37,712	(37,288)
Services and fees	13,500	14,950	1,450
Other revenues	-	180,132	180,132
	<u>3,478,118</u>	<u>3,593,613</u>	<u>115,495</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Drinking water - Const-ISD	1,364,017	2,055,208	(691,191)
Clean water - Const-ISD	766,995	547,814	219,181
WWDC construction - ISD	525,071	558,190	(33,119)
Water system maintenance	84,100	33,419	50,681
Sewer system maintenance	28,700	24,264	4,436
Road maintenance	26,400	20,107	6,293
General and administrative	27,700	25,836	1,864
Professional services	25,500	22,552	2,948
Liability insurance	5,500	3,623	1,877
Sewer system	1,000	-	1,000
Miscellaneous	700	3,019	(2,319)
Utilities	500	401	99
Demo project	-	-	-
Finance charge	-	600	(600)
	<u>2,856,183</u>	<u>3,295,033</u>	<u>(438,850)</u>
<b>Total Expenditures</b>			
Operating Income	<u>621,935</u>	<u>298,580</u>	<u>(323,355)</u>
<b>Other Financing Sources</b>			
Bond valuation change	<u>-</u>	<u>(1,210)</u>	<u>(1,210)</u>
<b>Excess of Revenues and Other Sources over Expenditures and Other Uses</b>			
	621,935	297,370	(324,565)
Fund Balance at Beginning of Year	<u>2,196,979</u>	<u>1,829,529</u>	<u>(367,450)</u>
Fund Balance at End of Year	<u>\$ 2,818,914</u>	<u>\$ 2,126,899</u>	<u>\$ (692,015)</u>

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

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	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Revenues Cash Basis</u>
<b>Environmental Protection Agency</b>			
Passed Through the Office of State Lands and Investments:			
Capitalization Grants for Clean Water	66.458	228,075	228,075
* Capitalization Grants for Drinking Water	66.468	<u>1,035,328</u>	<u>1,035,328</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 1,263,403</u>	<u>\$ 1,263,403</u>

\* Major Funds

**RAFTER J IMPROVEMENT AND SERVICE DISTRICT**  
**Note to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

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1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rafter J Improvement and Service District and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements



**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, 2009, which collectively comprise the Rafter J Improvement and Service District's basic financial statements and have issued our report thereon dated November 10, 2009. 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 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.

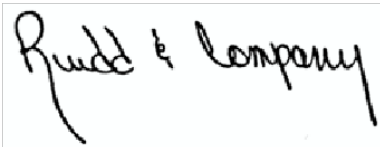
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 10, 2009.

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 black ink that reads "Rudd & Company". The signature is written in a cursive style and is contained within a rectangular box.

November 10, 2009



**Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of Rafter J Improvement and Service District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Rafter J Improvement and Service District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rafter J Improvement and Service District's management. Our responsibility is to express an opinion on Rafter J Improvement and Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rafter J Improvement and Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rafter J Improvement and Service District's compliance with those requirements.

In our opinion, Rafter J Improvement and Service District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control over Compliance

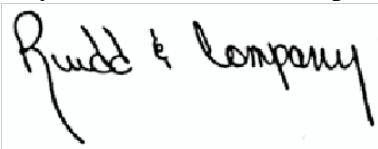
The management of Rafter J Improvement and Service District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rafter J Improvement and Service District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of Rafter J Improvement and Service District's internal control over compliance.

*A control deficiency* in an entity's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

*A material weakness* is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management 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 black ink that reads "Rudd & Company". The signature is written in a cursive style and is contained within a rectangular box.

November 10, 2009



RAFTER J IMPROVEMENT AND SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA Number(s)

Name of Federal Program

66.468

Capitalization Grants for Drinking Water

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

No

Section II – Financial Statement Finding

None

Section III – Federal Award Findings and Questioned Costs

None