

THOMPSON PALMER AND ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

RAFTER J IMPROVEMENT AND
SERVICE DISTRICT

Basic Financial Statements and
Supplementary Information
with Independent Accountant's Review Report

YEAR END JUNE 30, 2016

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Financial Statements Contents
June 30, 2016

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

September 6, 2016

To the Directors, Rafter J Improvement and Service District
2951 Big Trail Drive
Jackson, Wyoming 83001

We have reviewed 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the representation of management. We have not compiled, reviewed or audited the required supplementary information, and, accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on it.

Omitted Required Information

Management of Rafter J Improvement and Service District has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Thompson Palmer & Associates PC

Thompson Palmer & Associates, P.C.
Certified Public Accountants

Basic Financial Statements

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Statement of Net Assets
June 30, 2016

Assets

Current Assets

Cash and investments	\$ 906,812
Inventory	6,669
Receivables	
Trade receivables	18,532
Other receivables	-
Prepaid expenses	7,575
Total Current Assets	<u>939,588</u>

Noncurrent Assets

Capital Assets:

Depreciable capital assets	8,117,002
Accumulated depreciation and amortization	<u>(2,756,548)</u>
Total Noncurrent Assets	<u>5,360,454</u>
Total Assets	<u>6,300,042</u>

Liabilities

Current Liabilities

Accounts payable	3,124
Current portion of long term liabilities	<u>78,200</u>
Total Current Liabilities	81,324

Noncurrent Liabilities

Notes payable	159,529
Current maturities	<u>(78,200)</u>
Total Noncurrent Liabilities	<u>81,329</u>
Total Liabilities	<u>162,653</u>

Net Assets

Invested in capital assets	5,200,925
Unrestricted	<u>936,464</u>
Total Net Assets	<u>\$ 6,137,389</u>

See Accompanying Notes to the Financial Statements and
Independent Accountants Review Report.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Statement of Activities and Changes in Net Assets
June 30, 2016

Program Expenses

Maintenance and Operation District:	
General and administrative	\$ 101,566
Interest	8,560
Road, water, and sewer system repair	71,845
Depreciation and amortization	535,998
Professional services	17,215
Total Program Expenses	<u>735,184</u>

Program Revenues

Charges for Services:	
Property tax assessments	457,709
Water fees, and meter charges	110,092
Total Program Revenues	<u>567,801</u>

Net Program Revenues (Loss)	<u>(167,383)</u>
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General Revenues

Interest income	674
Total General Revenues	<u>674</u>

Decrease in Net Assets	(166,709)
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Total Net Assets – Beginning of Year	<u>6,304,098</u>
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Total Net Assets – End of Year	<u>\$ 6,137,389</u>
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See Accompanying Notes to the Financial Statements and
Independent Accountants Review Report.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
 Balance Sheet – Governmental Fund
 June 30, 2016

Assets

Cash and investments	\$ 906,812
Inventory	6,669
Receivable:	
Trade receivable	18,532
Other receivable	-
Prepaid expenses	7,575
Total Assets	<u>\$ 939,588</u>

Liabilities and Fund Equity

Accounts Payable	<u>\$ 3,124</u>
Fund Balances:	
Non-spendable	6,669
Committed	605,462
Assigned	301,328
Unassigned	<u>23,005</u>
Total Fund Balance	<u>936,464</u>
Total Liabilities and Fund Balance	<u>\$ 939,588</u>

See Accompanying Notes to the Financial Statements and
 Independent Accountants Review Report.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Assets
June 30, 2016

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

Total Fund Balance – Governmental Fund	\$ 936,464
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$8,117,002 and the accumulated depreciation and amortization is \$2,756,548.

5,360,454

Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(159,529)

Total Net Assets – Governmental Activities	<u>\$ 6,137,389</u>
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See Accompanying Notes to the Financial Statements and
Independent Accountants Review Report.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
 Statement of Revenues, Expenditures and Change in Fund Balance
 Government Fund
 June 30, 2016

Revenues	
Property taxes – special assessment	\$ 457,709
Interest income	674
Water fees, and meter charges	<u>110,092</u>
Total Revenues	<u>568,475</u>
Expenditures	
Capital improvements	37,143
Loan principal payments	75,193
General and administrative	101,566
Road, water, and sewer system repair	71,845
Interest	8,560
Professional services	<u>17,215</u>
Total Expenditures	<u>311,522</u>
Excess of Revenue and other sources over Expenditures and other uses	<u>256,953</u>
Fund Balances at Beginning of Year	<u>679,511</u>
Fund Balances at End of Year	<u>\$ 936,464</u>

See Accompanying Notes to the Financial Statements and
 Independent Accountants Review Report.

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
 June 30, 2016

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 256,953
<p>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.</p>	
Capital expenditures capitalized as fixed assets	37,143
Depreciation and amortization expense	(535,998)
<p>Expenses in the Statement of Activities that do not provide current financial resources are not reported as expenses in the funds.</p>	
Principal payments on loan	<u>75,193</u>
Change in Net Assets of Governmental Activities	<u>\$ (166,709)</u>

See Accompanying Notes to the Financial Statements and
 Independent Accountants Review Report.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Notes to the Financial Statements
June 30, 2016

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 segments 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.

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 the Financial Statements
June 30, 2016

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..... 15-20 years

Inventory

Inventory, is defined as assets utilized as rotatable parts in repairs and maintenance and are presented at historical cost.

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. The original budget was amended on January 28, 2016.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Notes to the Financial Statements
June 30, 2016

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, 2016. 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, 2016, the carrying amount of the District's deposits was \$906,790 and the respective bank balances totaled \$907,516. Of the bank balances \$250,000 were insured. The remaining balances were secured by pledged securities at the Bank of Jackson Hole.
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, 2016, \$657,516 of the District's total deposits of \$907,516 was not covered by federal depository insurance. Bank of Jackson Hole has securities pledged to cover the remaining balances in the event that a failure occurs.
3. 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

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Notes to the Financial Statements
June 30, 2016

2. Cash and Short-Term Investments (continued)

4. 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.
5. 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, 2016:

Cash and Investments reported on the statement of net assets	<u>\$ 906,812</u>
Deposits	\$ 906,790
Petty cash	<u>22</u>
Total cash and investments	<u>\$ 906,812</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, 2016, 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 the Financial Statements
June 30, 2016

4. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2014	Additions	Dispositions	Balance June 30, 2015
Sewer System	\$1,542,241	\$ -	\$ -	\$1,542,241
Drinking Water	3,053,221	-	-	3,053,221
Water System / Tanks / Wells	1,622,587	37,143	-	1,659,730
Roads	1,803,008	-	-	1,803,008
Other Improvements	56,522	-	-	56,522
Office Equipment	2,279	-	-	2,279
	<u>\$8,079,858</u>	<u>\$ 37,143</u>	<u>\$ -</u>	<u>\$8,117,001</u>
Accumulated Depreciation and Amortization	<u>\$2,220,550</u>	<u>\$ 535,998</u>	<u>\$ -</u>	<u>\$2,756,548</u>

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 one contract payable to Teton County, Wyoming. The specifics on each loan are as follows:

The agreement dated July 16, 2002, in the amount of \$940,410, was for road improvements and water meter installation. The loan calls for annual payments of \$83,983 over a 15 year term. The loan is paid through a special property tax assessment. The collection of the taxes and loan payments are managed by Teton County, Wyoming. The current balance is \$159,529.

Long-term obligations activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Dispositions	Balance June 30, 2016	Current Portion
Teton County	<u>\$ 234,722</u>	<u>\$ -</u>	<u>\$ 75,193</u>	<u>\$ 159,529</u>	<u>\$ 78,200</u>

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Notes to the Financial Statements
June 30, 2016

5. Long-Term Obligations (Continued)

Annual debt services to maturity are as follows:

Year Ending June 30th	Governmental Activities	
	Principal	Interest
2017	\$ 78,200	\$ 5,552
2018	81,329	2,424
Total	<u>\$ 159,529</u>	<u>\$ 7,976</u>

6. Subsequent Events

In preparing the financial statements, the District has evaluated events and transaction for potential recognition or disclosure through September 6, 2016, the date the financial statements were issued.

7. Budget

The District expenditures were within budget in the general fund during the year ended June 30, 2016.

8. Management Discussion and Analysis

The omission of the Management Discussion and Analysis is a common practice among entities that are similar in size and operations to that of the District. Management does not feel that the omission has a material effect on the presentation of the financial statements as a whole.

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Notes to the Financial Statements
June 30, 2016

9. Fund Balances

Fund balance is classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

Non-spendable fund balance – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors, or laws, or regulations of other governments, or through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action of the government’s highest level of decision making authority.

Assigned fund balance – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

Detail of constraints on fund balances of governmental funds:

Fund Balances:

Non-spendable:

Inventory	\$ 6,669
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Committed:

Infrastructure improvement project	605,462
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Assigned:

Money market and checking	301,328
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Unassigned:

23,005

Total fund balance

<u>\$ 936,464</u>

Required Supplementary Information

RAFTER J IMPROVEMENT AND SERVICE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgeted Basis</u>	<u>Variance with Final Budget</u>
Revenues				
Assessments	\$450,378	\$450,378	\$457,709	\$ 7,331
Water fees	120,081	120,081	110,092	(9,989)
Interest Income	621	621	674	53
Total Revenue	<u>571,080</u>	<u>571,080</u>	<u>568,475</u>	<u>(2,605)</u>
Expenditures				
Capital improvements	71,345	73,345	37,143	36,202
Loan principal payments	-	-	75,193	(75,193)
General and administrative	114,926	114,926	101,566	13,360
Road, water, and sewer system repairs	224,957	247,957	71,845	176,112
Interest	-	-	8,560	(8,560)
Professional services	30,000	30,000	17,215	12,785
Total Expenditures	<u>441,228</u>	<u>466,228</u>	<u>311,522</u>	<u>154,706</u>
Operating Income	<u>129,852</u>	<u>104,852</u>	<u>256,953</u>	<u>152,101</u>
Other Financing Sources	-	-	-	-
Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over expenditures and Other Uses	129,852	104,852	256,953	152,101
Fund Balance at Beginning of Year	<u>679,511</u>	<u>679,511</u>	<u>679,511</u>	<u>-</u>
Fund Balance at End of Year	<u>\$809,363</u>	<u>\$784,363</u>	<u>\$936,464</u>	<u>\$152,101</u>