



**RUDD & COMPANY** PLLC  
*certified public accountants* | *business consultants*

TETON COUNTY SCHOOL DISTRICT NO. 401

DRIGGS, IDAHO

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BASIC FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2006

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*giving direction to your future*

TETON COUNTY SCHOOL DISTRICT NO. 401

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Teton County School District No. 401  
Driggs, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Teton County School District No. 401 as of and for the year ended June 30, 2006, which collectively comprise the school district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Teton County School District No. 401 management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

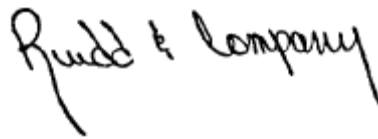
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, each major fund, and the aggregate remaining fund information of Teton County School District No. 401 at June 30, 2006, and the respective changes in financial position there of and the respective budgetary comparison for the general fund, child nutrition fund, debt service fund and capital project fund 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 August 15, 2006 on our consideration of Teton County School District No. 401 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principals generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Teton County School District No. 401's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the 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 also not a required part of the basic financial statements of Teton County School District No. 401. The combining and individual nonmajor fund financial statements and 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 cursive script that reads "Rudd & Company". The signature is written in dark ink and is positioned centrally on the page.

August 15, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Teton County School District #401, we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2006.

### Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2006 by \$3,666,885. Of this amount, \$726,834 of unrestricted net assets may be used to meet the District's ongoing obligations.
- The District's net assets decreased by \$803,731 as a result of this year's operations.
- The unreserved fund balance for the general fund was \$326,557 or 4.22% of the total general fund expenditures.
- The District issued \$12,000,000 of general obligation bonds to be used in the construction of a new middle school and an addition to the high school.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* present information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the child nutrition fund, and the capital projects fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund and all special revenue funds. A budgetary comparison statement has been provided for each major fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

**Fiduciary fund.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-30 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds and are presented immediately following the notes to the financials statements. Combining fund statements and schedules can be found on pages 31-35 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,666,885 at the close of the most recent fiscal year.

#### Net Assets

	Governmental Activities	
	2006	2005
Current and other assets	\$ 14,983,055	\$ 3,334,502
Capital assets	7,243,667	7,349,043
Total assets	<u>22,226,722</u>	<u>10,683,545</u>
Current liabilities	1,424,885	1,462,499
Long-term liabilities	17,134,952	4,750,430
Total liabilities	<u>18,559,837</u>	<u>6,212,929</u>
Net assets:		
Invested in capital assets, net of related debt	2,217,651	2,178,908
Restricted	722,400	590,929
Unrestricted	726,834	1,700,779
Total net assets	<u>\$ 3,666,885</u>	<u>\$ 4,470,616</u>

A portion of the District's net assets (60%) reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (20%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$726,834 may be used to meet the District's ongoing obligations to students, employees, and creditors.



## Changes in Net Assets

	Governmental Activities	
	2006	2005
Revenues:		
Program Revenues:		
Charges for services	\$ 144,078	\$ 146,311
Operating grants and contributions	1,160,316	1,203,460
General Revenues:		
Property tax	3,548,124	3,216,988
Other	4,581,647	4,596,132
Total Revenues	9,434,165	9,162,891
Expenses:		
Instructional	5,548,857	5,482,792
Pupil Support	815,658	601,151
Staff Support	48,961	140,058
General Administration	239,478	151,771
School Administration	598,034	564,904
Operation	949,225	879,935
Transportation	562,446	477,286
Non-Instructional	250,467	276,121
Interest	433,100	156,472
Depreciation	415,036	396,302
Child Nutrition Services	376,634	357,928
Total Expenses	10,237,896	9,484,720
Decrease in Net Assets	\$ (803,731)	\$ (321,829)

### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities and post employment obligations that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

*General fund.* The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved and undesignated fund balance was \$326,557. The unreserved and undesignated fund balance decreased by \$942,918 during the current fiscal year.

Expenditures for general District purposes totaled \$7,733,885, an increase of 5% during the current fiscal year.

The capital projects fund has a total fund balance of \$12,489,565, the majority of which is restricted for construction of facilities, purchase of equipment and related expenditures. The fund balance increased by \$12,397,441 during the current year.

The debt service fund has a total fund balance of \$149,867, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance decreased by \$254,549 during the current year.

The child nutrition fund has a total fund balance of \$92,069, all of which is reserved for the child nutrition program. The fund balance decreased by \$23,952 during the current year.

### **General Fund Budgetary Highlights**

There were amendments made to the original budget.

During the year final budgeted revenues exceeded the original budgetary estimates by \$110,880.

During the current fiscal year, the \$110,880 positive budget to actual variance in total general fund revenues, and the \$215,677 positive budget to actual variance in total general fund expenditures, are largely a result of state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Program revenues are budgeted to spend all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenues received but not spent are restricted and deferred to the subsequent year.

### **Capital Asset and Debt Administration**

**Capital Assets.** The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2006 are outlined below:

**Capital Assets**  
(Net of depreciation)

	Governmental Activities	
	2006	2005
Land	\$ 951,000	\$ 951,000
Construction in progress	107,038	--
Buildings and improvements	8,188,478	8,150,968
Furniture and equipment	4,765,178	4,633,302
	14,011,694	13,735,270
Accumulated depreciation	(6,768,027)	(6,386,227)
	\$ 7,243,667	\$ 7,349,043
Total capital assets, net of depreciation		

**Debt Administration.** On March 7, 2006, the public voted to authorize the District to issue \$12,000,000 general obligation bonds to construct a new middle school and to construct an addition to the high school.

**Outstanding Debt**

	Governmental Activities	
	2006	2005
General obligation bonds	\$ 16,585,000	\$ 4,975,000
Note payable	94,736	124,765
Compensated absences	76,694	70,370
Bond Premium, net of amortization	378,522	--
	\$ 17,134,952	\$ 5,170,135

Additional information on the District's long-term debt can be found in the basic financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of the Teton School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Office, Teton School District, P.O. Box 775, Driggs, ID 83452.

BASIC FINANCIAL STATEMENTS

TETON COUNTY SCHOOL DISTRICT NO. 401  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

ASSETS	GOVERNMENTAL ACTIVITIES
CASH AND INVESTMENTS	\$ 13,412,774
RECEIVABLES:	
Property Taxes	1,296,896
State of Idaho	152,737
Other	11,712
BOND ISSUE COSTS: Net of Amortization	108,936
CAPITAL ASSETS:	
Land	951,000
Construction in Progress	107,038
Buildings & Equipment , Net of Depreciation	6,185,629
TOTAL ASSETS	\$ 22,226,722
LIABILITIES	
Accounts Payable	\$ 23,661
Salary Contracts Payable	968,326
Deferred Revenue	78,316
Interest Payable	354,582
Long-term Liabilities:	
Portion due or payable within one year:	
Bonds, capital leases, and contracts	441,186
Portion due or payable after one year:	
Bonds, capital leases, and contracts	16,315,244
Bond Premium, Net of Amortization	378,522
TOTAL LIABILITIES	18,559,837
NET ASSETS	
Invested in capital assets, net of related debt	2,217,651
Restricted for:	
Debt service	212,853
Capital projects	509,547
Unrestricted	726,834
TOTAL NET ASSETS	\$ 3,666,885

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities:				
Instructional	\$ 5,548,857	\$ 7,955	\$ 684,901	\$ (4,856,001)
Pupil support	815,658	-	236,066	(579,592)
Staff support	48,961	-	-	(48,961)
General administration	239,478	-	-	(239,478)
School administration	598,034	-	-	(598,034)
Operation	949,225	-	-	(949,225)
Transportation	562,446	-	-	(562,446)
Non-instructional	250,467	-	-	(250,467)
Interest on long-term debt	433,100	-	-	(433,100)
Depreciation - unallocated*	415,036	-	-	(415,036)
Child nutrition services	376,634	136,123	239,349	(1,162)
<b>Total Governmental Activities</b>	<b>\$ 10,237,896</b>	<b>\$ 144,078</b>	<b>\$ 1,160,316</b>	<b>(8,933,502)</b>
General Revenues:				
Taxes:				
				2,805,607
				179,325
				563,192
				606,049
				3,893,262
				82,336
				8,129,771
				(803,731)
				4,470,616
				\$ 3,666,885

\* This amount excludes the depreciation that is included in direct expenses of various programs.

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

ASSETS	General Fund	Child Nutrition Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
CASH AND INVESTMENTS	\$ 410,015	\$ 98,239	\$ 354,367	\$12,473,115	\$ 96,268	\$13,432,004
RECEIVABLES:						
Property Taxes	1,023,735	-	207,251	65,910	-	1,296,896
State of Idaho	70,385	-	-	-	82,352	152,737
Other	-	7,959	-	-	3,753	11,712
<b>TOTAL ASSETS</b>	<b>\$ 1,504,135</b>	<b>\$ 106,198</b>	<b>\$ 561,618</b>	<b>\$12,539,025</b>	<b>\$ 182,373</b>	<b>\$14,893,349</b>
<b>LIABILITIES AND FUND BALANCES</b>						
LIABILITIES:						
Checks Drawn in Excess of Bank Balance	\$ -	\$ -	\$ -	\$ -	\$ 19,230	\$ 19,230
Accounts Payable	-	-	-	23,661	-	23,661
Salary Contracts Payable	871,694	14,129	-	-	82,503	968,326
Interest Payable	-	-	348,765	5,817	-	354,582
Deferred Revenues	305,884	-	62,986	19,982	78,316	467,168
<b>TOTAL LIABILITIES</b>	<b>1,177,578</b>	<b>14,129</b>	<b>411,751</b>	<b>49,460</b>	<b>180,049</b>	<b>1,832,967</b>
FUND BALANCES:						
Reserved for:						
Retirement of long-term debt	-	-	149,867	-	-	149,867
Construction commitments	-	-	-	12,489,565	-	12,489,565
Unreserved:						
Undesignated	326,557	-	-	-	-	326,557
Undesignated, reported in special revenue funds	-	92,069	-	-	2,324	94,393
<b>TOTAL FUND BALANCES</b>	<b>326,557</b>	<b>92,069</b>	<b>149,867</b>	<b>12,489,565</b>	<b>2,324</b>	<b>13,060,382</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,504,135</b>	<b>\$ 106,198</b>	<b>\$ 561,618</b>	<b>\$12,539,025</b>	<b>\$ 182,373</b>	<b>\$14,893,349</b>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 13,060,382
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$14,011,694 and the accumulated depreciation is \$6,768,027.	7,243,667
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(16,756,430)
Bond issuance costs reported as an expenditure in the fund financial statements are capitalized in the government-wide statements. The total costs are \$109,852 and the accumulated amortization is \$915.	108,936
Bond premium reported as a revenue in the fund financial statements is capitalized in the government-wide statements. The total premium is \$381,703 and the accumulated amortization is \$3,181.	(378,522)
Property tax revenue is recognized when earned rather than when available.	<u>388,852</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,666,885</u></u>

The Accompany Notes are an Integral Part of the Financial Statements



TETON COUNTY SCHOOL DISTRICT NO. 401  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General Fund	Child Nutrition Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Local Sources:						
Property taxes	\$ 2,809,963	\$ -	\$ 572,077	\$ 181,860	\$ -	\$ 3,563,900
Earnings on investments	25,407	-	-	56,929	-	82,336
Lunch sales	-	134,344	-	-	-	134,344
Other	350,484	1,779	-	255,565	83,701	691,529
State Sources:						
State apportionment	2,876,576	-	-	-	-	2,876,576
Other	967,140	-	-	49,546	128,702	1,145,388
Federal Sources:						
Educational programs and other	12,768	239,349	-	-	703,751	955,868
<b>TOTAL REVENUES</b>	<b>7,042,338</b>	<b>375,472</b>	<b>572,077</b>	<b>543,900</b>	<b>916,154</b>	<b>9,449,941</b>
<b>EXPENDITURES:</b>						
Current:						
Instructional	4,731,217	-	-	-	811,313	5,542,530
Pupil support	579,592	-	-	-	236,066	815,658
Staff support	48,961	-	-	-	-	48,961
General administration	239,478	-	-	-	-	239,478
School administration	598,034	-	-	-	-	598,034
Operation	949,225	-	-	-	-	949,225
Transportation	562,446	-	-	-	-	562,446
Non-instructional	24,932	376,634	4,280	221,255	-	627,101
Debt Service:						
Principal	-	-	390,000	30,030	-	420,030
Interest	-	-	432,346	3,020	-	435,366
Bond issuance costs	-	-	-	109,852	-	109,852
Capital outlay	-	22,790	-	286,870	-	309,660
<b>TOTAL EXPENDITURES</b>	<b>7,733,885</b>	<b>399,424</b>	<b>826,626</b>	<b>651,027</b>	<b>1,047,379</b>	<b>10,658,341</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(691,547)</b>	<b>(23,952)</b>	<b>(254,549)</b>	<b>(107,127)</b>	<b>(131,225)</b>	<b>(1,208,400)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from Bond Issue	-	-	-	12,000,000	-	12,000,000
Premium on Issuance of Bonds	-	-	-	381,703	-	381,703
Transfers In	10,634	-	-	122,865	139,140	272,639
Transfers Out	(262,005)	-	-	-	(10,634)	(272,639)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(942,918)</b>	<b>(23,952)</b>	<b>(254,549)</b>	<b>12,397,441</b>	<b>(2,719)</b>	<b>11,173,303</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>1,269,475</b>	<b>116,021</b>	<b>404,416</b>	<b>92,124</b>	<b>5,043</b>	<b>1,887,079</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 326,557</b>	<b>\$ 92,069</b>	<b>\$ 149,867</b>	<b>\$ 12,489,565</b>	<b>\$ 2,324</b>	<b>\$ 13,060,382</b>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
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           \$ 11,173,303

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 depreciation exceeded capital outlays in the current period. (105,378)

Property tax revenues received prior to the year for which they are levied are reported as deferred revenue in the governmental funds. The change however is recorded as revenues in the statement of activities. (15,776)

Compensated absences (a long-term liability) is not due and payable in the current period and therefore is not reported as an expenditure in the governmental funds. (6,324)

Governmental funds report repayment of bond principal as an expenditure in the fund financial statements. These payments are shown as reductions in long-term debt in the government-wide statements. Interest is recognized as it accrues regardless of when it is due. 420,030

Governmental funds report bond proceeds as an other financing source, while the government-wide statements show the proceeds as an increase in long-term debt. (12,000,000)

Governmental funds report bond issue costs as an expenditure, while these costs are amortized over the term of the bond in the government-wide statements. 108,936

Governmental funds report bond premiums as an other financing source, while the premium is amortized over the term of the bond in the government-wide statements. (378,522)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (803,731)

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES--BUDGET AND ACTUAL--GENERAL FUND  
YEAR ENDED JUNE 30, 2006

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Local Sources:				
Property Taxes	\$ 2,837,453	\$ 2,737,453	\$ 2,809,963	\$ 72,510
Earnings on investments	35,000	20,000	25,407	5,407
Other	330,000	320,000	350,484	30,484
State Sources:				
State apportionment	2,855,944	2,855,586	2,876,576	20,990
Other	943,119	973,119	967,140	(5,979)
Federal Sources:				
Educational programs and other	70,000	25,300	12,768	(12,532)
<b>TOTAL REVENUES</b>	<b>7,071,516</b>	<b>6,931,458</b>	<b>7,042,338</b>	<b>110,880</b>
<b>EXPENDITURES:</b>				
Current:				
Instructional	4,880,512	4,757,919	4,731,217	26,702
Pupil Support	404,213	384,376	579,592	(195,216)
Staff Support	252,998	245,098	48,961	196,137
General Administration	253,494	248,494	239,478	9,016
School Administration	588,017	593,369	598,034	(4,665)
Operation	925,734	938,545	949,225	(10,680)
Transportation	523,393	553,327	562,446	(9,119)
Non-Instructional	45,808	26,505	24,932	1,573
Contingency	308,248	198,565	-	198,565
<b>TOTAL EXPENDITURES</b>	<b>8,182,417</b>	<b>7,946,198</b>	<b>7,733,885</b>	<b>212,313</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,110,901)</b>	<b>(1,014,740)</b>	<b>(691,547)</b>	<b>323,193</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	10,395	10,634	10,634	-
Transfers Out	(299,494)	(265,369)	(262,005)	3,364
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,400,000)</b>	<b>(1,269,475)</b>	<b>(942,918)</b>	<b>326,557</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>1,400,000</b>	<b>1,269,475</b>	<b>1,269,475</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 326,557</b>	<b>\$ 326,557</b>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES--BUDGET AND ACTUAL--CHILD NUTRITION FUND  
 YEAR ENDED JUNE 30, 2006

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Local Sources:				
Lunch Sales	\$ 130,000	\$ 130,000	\$ 134,344	\$ 4,344
Other	2,500	2,500	1,779	(721)
Federal Sources:				
Educational programs and other	200,000	200,000	239,349	39,349
<b>TOTAL REVENUES</b>	<b>332,500</b>	<b>332,500</b>	<b>375,472</b>	<b>42,972</b>
<b>EXPENDITURES:</b>				
Current:				
Non-instructional	412,500	418,521	376,634	41,887
Capital Outlay	20,000	30,000	22,790	7,210
<b>TOTAL EXPENDITURES</b>	<b>432,500</b>	<b>448,521</b>	<b>399,424</b>	<b>49,097</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(100,000)</b>	<b>(116,021)</b>	<b>(23,952)</b>	<b>(6,125)</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>100,000</b>	<b>116,021</b>	<b>116,021</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,069</b>	<b>\$ (6,125)</b>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES--BUDGET AND ACTUAL--DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2006

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Local Sources:				
Property Taxes	\$ 549,635	\$ 549,635	\$ 572,077	\$ 22,442
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>549,635</b>	<b>549,635</b>	<b>572,077</b>	<b>22,442</b>
<b>EXPENDITURES:</b>				
Current:				
Non-instructional	1,030	2,030	4,280	(2,250)
Debt Service:				
Principal	410,000	390,000	390,000	-
Interest	139,635	148,654	432,346	(283,692)
<b>TOTAL EXPENDITURES</b>	<b>550,665</b>	<b>540,684</b>	<b>826,626</b>	<b>(285,942)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,030)</b>	<b>8,951</b>	<b>(254,549)</b>	<b>(261,250)</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>391,573</b>	<b>404,416</b>	<b>404,416</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 390,543</b>	<b>\$ 413,367</b>	<b>\$ 149,867</b>	<b>\$ (261,250)</b>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES--BUDGET AND ACTUAL--CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2006

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Local Sources:				
Property Taxes	\$ 175,000	\$ 175,000	\$ 181,860	\$ 6,860
Earnings on investments	2,500	3,000	56,929	53,929
Other	1,200	255,665	255,565	(100)
State Sources:				
Other	49,000	49,546	49,546	-
<b>TOTAL REVENUES</b>	<b>227,700</b>	<b>483,211</b>	<b>543,900</b>	<b>60,689</b>
<b>EXPENDITURES:</b>				
Current:				
Non-Instructional	-	-	221,255	(221,255)
Debt Service:				
Principal	30,030	30,030	30,030	-
Interest	4,748	4,748	3,020	1,728
Bond Issuance Costs	-	-	109,852	(109,852)
Capital Outlay	401,787	663,422	286,870	376,552
<b>TOTAL EXPENDITURES</b>	<b>436,565</b>	<b>698,200</b>	<b>651,027</b>	<b>47,173</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(208,865)</b>	<b>(214,989)</b>	<b>(107,127)</b>	<b>107,862</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Bond Issue	-	-	12,000,000	(12,000,000)
Premium on Issuance of Bonds	-	-	381,703	(381,703)
Transfers In	122,865	122,865	122,865	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(86,000)</b>	<b>(92,124)</b>	<b>12,397,441</b>	<b>(12,273,841)</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>86,000</b>	<b>92,124</b>	<b>92,124</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,489,565</b>	<b>\$ (12,273,841)</b>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS  
JUNE 30, 2006

<u>ASSETS</u>	<u>AGENCY FUNDS</u>
CASH AND INVESTMENTS	\$ 53,865
<u>TOTAL ASSETS</u>	<u>\$ 53,865</u>
<u>LIABILITIES</u>	
DUE TO STUDENT GROUPS	\$ 53,865
<u>TOTAL LIABILITIES</u>	<u>\$ 53,865</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Teton County School 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 more significant accounting policies of the District are described below.

The Board of School Trustees, a five-member group, has responsibilities for all activities relating to public elementary and secondary school education within the jurisdiction of Teton County School District No. 401. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. The Board is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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 District.

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 students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 is the fiduciary fund financial statement. 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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 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. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.
- The *debt service fund* accounts for the accumulation of resources for, and the payment of long-term debt principal and interest.
- The *child nutrition fund* accounts for the revenues and expenses associated with the operation of the District's food services.

Additionally, the District reports the following fund types:

- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf student groups.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Budgetary Policy

The District prepares budgets for all the governmental fund types. Such budgets are adopted on a basis generally consistent with generally accepted accounting principles.

Under Idaho law, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Under certain unusual circumstances, the District is allowed to reopen and amend its budget. Expenditures are not to exceed the budgeted amounts, except as allowed by law for certain events. The original budget was amended during the year.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is not considered necessary at present to assure effective budgetary control or to facilitate effective cash planning and control.

### Inventories

The governmental funds of the District use the purchase method, whereby inventory items are considered expenditures when purchased. They are not included in the balance sheet of the general fund because the amounts on hand at year-end are immaterial.

### Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Busses	10
Furniture	10
Equipment	10
Vehicles	8
Computer equipment	5

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires 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.

### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

## 2. CASH AND INVESTMENTS

The District is authorized under Idaho Code to invest in cash, certificates of deposit, U.S. Government securities, commercial paper, and repurchase agreements. All investments must be held by or registered in the name of the District.

Cash balances of most of the District funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's cash balance. The District maintains checking accounts with one of the local banks. All excess funds are invested with the State Treasurer's pooled cash investment account. This account invests in time certificates of deposit, local government tax anticipation notes, federal loans, U.S. treasury notes and other U.S. governmental securities. Information regarding insurance or collateralization of amounts invested in the pooled accounts is not available.

The District'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.

1. Deposits – At June 30, 2006, the carrying amount of the District's deposits was \$136,362 and the respective bank balances totaled \$211,632. Of the bank balances, \$100,000 were insured or collateralized with pooled securities held by the pledging financial institution in the name of the District.
2. Custodial Credit Risk, Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2006, \$111,632 of the District's total deposits of \$211,632 were not covered by federal depository insurance, and thus were exposed to custodial credit risk.
3. Investments – As of June 30, 2006, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 11,293,107	\$ 2,739,485	\$ 8,553,622	\$ --	\$ --
State Investment Pool	2,037,170	2,037,170	--	--	--
	\$ 13,330,277	\$ 4,776,655	\$ 8,553,622	\$ --	\$ --

4. Custodial Credit Risk, Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment.

2. CASH AND SHORT-TERM INVESTMENTS (Continued)

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. Because the State Investment Pool as of June 30, 2006, had a weighted average maturity of 135 days, it was presented as an investment with a maturity of less than one year.
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 Idaho statute that outlines qualifying investment options.

Reconciliation of deposits categorization:

Cash and Investments reported on the statement of net assets	\$ 13,412,774
Cash and Investments reported of the statement of fiduciary net assets	<u>53,865</u>
	<u>\$ 13,466,639</u>
Investments categorized	\$ 13,330,277
Deposits categorized	<u>136,362</u>
	<u>\$ 13,466,639</u>

3. PROPERTY TAXES

Property taxes of the District are based on the assessments against property owners as of the first Monday in January of the calendar year in which the fiscal year commences. Tax levies on such assessed values are certified to the counties prior to the commencement of the fiscal year. Taxes are collected by Teton County and are remitted to the District primarily in January of the fiscal year and the July following. Accordingly, the tax revenues for the fiscal year ended June 30, 2006, are generally based on the assessed values and tax levies established in 2005

The District defers recognition of revenues relating to property taxes assessed but not collected within 60 days of the fiscal year-end. Such amounts will be recognized as revenues in the fiscal year they become available.

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 951,000	\$ --	\$ --	\$ 951,000
Construction in Progress	--	107,038	--	107,038
<b>Total capital assets, not being depreciated</b>	<b>\$ 951,000</b>	<b>\$ 107,038</b>	<b>\$ --</b>	<b>\$ 1,058,038</b>
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,150,968	\$ 37,510	\$ --	\$ 8,188,478
Furniture and equipment	4,633,302	165,111	(33,235)	4,765,178
<b>Total capital assets, being depreciated</b>	<b>12,784,270</b>	<b>202,621</b>	<b>(33,235)</b>	<b>12,953,656</b>
Accumulated depreciation for:				
Buildings and improvements	(2,117,910)	(163,769)	--	(2,281,679)
Furniture and equipment	(4,268,317)	(251,266)	33,235	(4,486,348)
<b>Total accumulated depreciation</b>	<b>(6,386,227)</b>	<b>(415,035)</b>	<b>33,235</b>	<b>(6,768,027)</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 6,398,043</b>			<b>\$ 7,243,667</b>

#### 5. GENERAL OBLIGATION SCHOOL REFUNDING BONDS

On April 1, 2004, the District issued \$4,390,000 in general obligation bonds with an average interest of 2.6 percent to advance refund \$4,390,000 of outstanding 1996 series bonds with an average interest rate of 5.5 percent. The net proceeds were placed in escrow with Wells Fargo Bank, National Association to establish an irrevocable trust escrow fund consisting of cash and noncallable direct full faith and credit obligations of the United States of America. The escrow shall be used to refund \$4,390,000 of the outstanding series 1996 bonds and that amount shall be considered defeased and the liability for those bonds has been removed from the financial statements.

6. GENERAL OBLIGATION BONDS PAYABLE

The District issued \$12,000,000 (net of a premium of \$381,703) of 2006 Series General Obligation Bonds during the current fiscal year. The District now has three general obligation issues outstanding.

Bonds outstanding at June 30, 2006, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
General Obligation Bonds, 1996 Issue (Original amount--\$7,000,000)	5.20% to 6.00%	2006 to 2007	\$ 330,000
General Obligation Refunding Bonds, 2005 Issue (Original amount--\$4,390,000)	1.40% to 3.25%	2006 to 2017	\$ 4,255,000
General Obligation Bonds, 2006 Issue (Original amount--\$12,000,000)	4.00% to 5.00%	2007 to 2026	\$ 12,000,000

The amount to be provided for bond requirements in the accompanying financial statements represents the charge to be made for property taxes in future years to meet maturing bond requirements.

The annual requirements to amortize the above bond issues are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 410,000	\$ 613,155	\$ 1,023,155
2008	200,000	918,393	1,118,393
2009	200,000	924,192	1,124,192
2010	480,000	684,193	1,164,193
2011	550,000	672,392	1,222,392
Thereafter	14,745,000	5,678,272	20,423,272
	<u>\$ 16,585,000</u>	<u>\$ 9,490,597</u>	<u>\$26,075,597</u>

7. NOTE PAYABLE

Note payable to Zion's Bank with annual payments based upon a variable rate of interest at 75% of the prime lending rate determined as of the first business day of each month. Annual payments are due each July 1 with the final payment due July 1, 2008.

7. NOTE PAYABLE (Continued)

The annual requirements to amortize the above note are as follows:

Fiscal Year	Principal	Interest	Total
2007	\$ 30,563	\$ 2,114	\$ 33,677
2008	31,568	2,109	33,677
2009	32,605	1,072	33,677
	<u>\$ 94,736</u>	<u>\$ 6,295</u>	<u>\$ 101,031</u>

8. CHANGES IN LONG-TERM DEBT

The following is a summary of the District's long-term transactions for the year ended June 30, 2006:

	1996 G.O. Bonds	2005 G.O. Refunding Bonds	2006 G.O. Bonds	Zion's Note Payable	Compensated Absences Payable	Total
Long-term Obligations June 30, 2005	\$ 645,000	\$ 4,330,000	--	\$ 124,765	\$ 70,370	\$ 5,170,135
Obligations Incurred	--	--	12,000,000	--	6,324	12,006,324
Obligations Paid	(315,000)	(75,000)	--	(30,030)	--	(420,030)
Long-term Obligations June 30, 2006	<u>\$ 330,000</u>	<u>\$ 4,255,000</u>	<u>\$ 12,000,000</u>	<u>\$ 94,736</u>	<u>\$ 76,694</u>	<u>\$ 16,756,430</u>

9. RETIREMENT PLAN

Public Employee Retirement System of Idaho - The Public Employee System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provision is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.



9. RETIREMENT PLAN (Continued)

After 5 years of credited services, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0 % (2.3 % Police/Firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of Teton School District No. 401 and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2006, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.65% for police/firefighters. The employer rates as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. Teton School District No. 401 contributions required and paid were \$581,673, \$609,352 and \$501,345 for the years ended June 30, 2006, 2005, and 2004, respectively.

10. NON-MONETARY TRANSACTIONS

The District received commodities from the U.S. Government valued at \$24,331. The value was determined by confirmation with the State of Idaho Department of Education.

11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The District expenditures exceeded the budgeted amounts in the following funds during the year ended June 30, 2006:

<u>Fund</u>	<u>Amount Exceeded</u>
Debt Service Fund.....	\$ 285,942
Vocational Education Fund .....	5,751
Medicaid Administration Fund.....	2,507
Title I Fund.....	569
Drug Free School Fund.....	561
Title VI-B Fund.....	555
Title II-A Fund.....	89

Deficits in Individual Funds

There were no fund deficits at June 30, 2006.

## 12. INTERFUND TRANSFERS

A summary of interfund transfers by fund is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Major Funds:</u>		
General	\$ 10,634	\$ 262,005
Capital Project Fund	122,865	--
<u>Non Major Funds:</u>		
Title I – Migrant	40,507	--
Title VIB	--	--
School Technology	88,706	--
Federal Forest	--	10,634
Drivers Education	--	--
Title VIB Preschool	4,190	--
Title III	1,572	--
Title II-A	2,404	--
Medicaid Administration	1,761	--
	<u>\$ 272,639</u>	<u>\$ 272,639</u>

Transfers were made to move bus depreciation to the capital project plant facility fund and cover costs of salaries, benefits and operating costs of special revenue funds.

SUPPLEMENTARY INFORMATION

TETON COUNTY SCHOOL DISTRICT NO. 401  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

ASSETS	Federal Forest Fund	Driver Education Fund	Vocational Education Fund	School Technology Fund	Substance Abuse Prevention Fund	Title I Fund	Title I Migrant Fund
CASH AND INVESTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,043	\$ 8,409
RECEIVABLES:							
State of Idaho	-	6,750	15,267	6,735	-	47,811	-
Other	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 6,750</b>	<b>\$ 15,267</b>	<b>\$ 6,735</b>	<b>\$ -</b>	<b>\$ 100,854</b>	<b>\$ 8,409</b>
<b>LIABILITIES AND FUND BALANCES</b>							
LIABILITIES:							
Checks Drawn in Excess of Bank	\$ -	\$ 3,337	\$ 12,254	\$ 1,527	\$ -	\$ -	\$ -
Salary Contracts Payable	-	1,089	2,099	5,208	-	25,525	8,409
Deferred Revenues	-	-	914	-	-	75,329	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>4,426</b>	<b>15,267</b>	<b>6,735</b>	<b>-</b>	<b>100,854</b>	<b>8,409</b>
FUND BALANCES:							
Unreserved:							
Undesignated	-	2,324	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>2,324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 6,750</b>	<b>\$ 15,267</b>	<b>\$ 6,735</b>	<b>\$ -</b>	<b>\$ 100,854</b>	<b>\$ 8,409</b>

Title VIB Fund	Title VIB Preschool Fund	Title V-A Fund	Carl Perkins Grant Fund	Title III Fund	Title IIA Fund	Drug Free Schools Fund	Title II-D Technology Fund	Medicaid Administration Fund	Total Nonmajor Governmental Funds
\$ 13,869	\$ 2,723	\$ -	\$ -	\$ 334	\$ 10,361	\$ -	\$ -	\$ 7,529	\$ 96,268
1,689	-	-	-	3,540	-	560	-	-	82,352
-	-	-	3,753	-	-	-	-	-	3,753
<u>\$ 15,558</u>	<u>\$ 2,723</u>	<u>\$ -</u>	<u>\$ 3,753</u>	<u>\$ 3,874</u>	<u>\$ 10,361</u>	<u>\$ 560</u>	<u>\$ -</u>	<u>\$ 7,529</u>	<u>\$ 182,373</u>
<hr/>									
\$ -	\$ -	\$ -	\$ 1,552	\$ -	\$ -	\$ 560	\$ -	\$ -	\$ 19,230
13,534	2,723	-	2,152	3,874	10,361	-	-	7,529	82,503
2,024	-	-	49	-	-	-	-	-	78,316
<u>15,558</u>	<u>2,723</u>	<u>-</u>	<u>3,753</u>	<u>3,874</u>	<u>10,361</u>	<u>560</u>	<u>-</u>	<u>7,529</u>	<u>180,049</u>
<hr/>									
-	-	-	-	-	-	-	-	-	2,324
<hr/>									
-	-	-	-	-	-	-	-	-	2,324
<hr/>									
<u>\$ 15,558</u>	<u>\$ 2,723</u>	<u>\$ -</u>	<u>\$ 3,753</u>	<u>\$ 3,874</u>	<u>\$ 10,361</u>	<u>\$ 560</u>	<u>\$ -</u>	<u>\$ 7,529</u>	<u>\$ 182,373</u>

TETON COUNTY SCHOOL DISTRICT NO. 401  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	Federal Forest Fund	Drivers Education Fund	Vocational Education Fund	School Technology Fund	Substance Abuse Prevention Fund	Title I Fund	Title I Migrant Fund
<b>REVENUES:</b>							
Local Sources:							
Other	\$ -	\$ 7,955	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources:							
Other	-	12,875	34,975	57,692	23,160	-	-
Federal Sources:							
Educational Programs and other	10,634	-	-	-	-	277,863	26,251
<b>TOTAL REVENUES</b>	<b>10,634</b>	<b>20,830</b>	<b>34,975</b>	<b>57,692</b>	<b>23,160</b>	<b>277,863</b>	<b>26,251</b>
<b>EXPENDITURES:</b>							
Current:							
Instructional	-	23,549	34,975	-	23,160	277,863	66,758
Pupil Support	-	-	-	146,398	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>23,549</b>	<b>34,975</b>	<b>146,398</b>	<b>23,160</b>	<b>277,863</b>	<b>66,758</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>10,634</b>	<b>(2,719)</b>	<b>-</b>	<b>(88,706)</b>	<b>-</b>	<b>-</b>	<b>(40,507)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In	-	-	-	88,706	-	-	40,507
Transfers Out	(10,634)	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(2,719)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>-</b>	<b>5,043</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ -</b>	<b>\$ 2,324</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Title VIB Fund	Title VIB Preschool Fund	Title V-A Innovative Fund	Carl Perkins Grant Fund	Title III Fund	Title IIA Fund	Drug Free Schools Fund	Title II-D Technology Administration Fund	Medicaid Fund	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,746	\$ 83,701
-	-	-	-	-	-	-	-	-	128,702
247,656	16,172	4,774	20,706	21,507	59,851	10,950	7,387	-	703,751
247,656	16,172	4,774	20,706	21,507	59,851	10,950	7,387	75,746	916,154
247,656	20,362	-	20,706	23,079	62,255	10,950	-	-	811,313
-	-	4,774	-	-	-	-	7,387	77,507	236,066
247,656	20,362	4,774	20,706	23,079	62,255	10,950	7,387	77,507	1,047,379
-	(4,190)	-	-	(1,572)	(2,404)	-	-	(1,761)	(131,225)
-	4,190	-	-	1,572	2,404	-	-	1,761	139,140
-	-	-	-	-	-	-	-	-	(10,634)
-	-	-	-	-	-	-	-	-	(2,719)
-	-	-	-	-	-	-	-	-	5,043
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,324

TETON COUNTY SCHOOL DISTRICT NO. 401  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 STUDENT ACTIVITIES - AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2006

	June 30, 2005	Additions	Deductions	June 30, 2006
<b>TETON HIGH SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 71,755	\$ 275,397	\$ 305,266	\$ 41,886
LIABILITIES:				
Due to Student Groups	\$ 71,755	\$ 275,397	\$ 305,266	\$ 41,886
<b>TETON MIDDLE SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 11,075	\$ 39,582	\$ 42,683	\$ 7,974
LIABILITIES:				
Due to Student Groups	\$ 11,075	\$ 39,582	\$ 42,683	\$ 7,974
<b>VICTOR ELEMENTARY SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 1,636	\$ 13,736	\$ 13,875	\$ 1,497
LIABILITIES:				
Due to Student Groups	\$ 1,636	\$ 13,736	\$ 13,875	\$ 1,497
<b>TETONIA ELEMENTARY SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 1,737	\$ 9,737	\$ 9,413	\$ 2,061
LIABILITIES:				
Due to Student Groups	\$ 1,737	\$ 9,737	\$ 9,413	\$ 2,061
<b>DRIGGS ELEMENTARY SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 726	\$ 18,013	\$ 18,292	\$ 447
LIABILITIES:				
Due to Student Groups	\$ 726	\$ 18,013	\$ 18,292	\$ 447
<b>TOTAL ALL SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 86,929	\$ 356,465	\$ 389,529	\$ 53,865
LIABILITIES:				
Due to Student Groups	\$ 86,929	\$ 356,465	\$ 389,529	\$ 53,865



TETON COUNTY SCHOOL DISTRICT NO. 401  
 ACTIVITY IN TAXES RECEIVABLE ACCOUNTS BY FUND  
 YEAR ENDED JUNE 30, 2006

	General Fund	Debt Service Fund	Capital Project Fund
<hr/>			
TETON COUNTY			
Balance at June 30, 2005	\$ 948,568	\$ 213,549	\$ 67,756
Add - Taxes Assessed for 2005 (Net of Cancellations)	2,805,606	563,192	179,326
Less - Collections Received	2,730,439	569,490	181,172
<hr/>			
Balance at June 30, 2006	\$ 1,023,735	\$ 207,251	\$ 65,910
<hr/>			

TETON COUNTY SCHOOL DISTRICT NO. 401  
 GENERAL BONDED DEBT  
 FUTURE PRINCIPAL AND INTEREST REQUIREMENTS  
 JUNE 30, 2006

ANNUAL PAYMENT				
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation School Bonds Series 1996	5.200%	2007	330,000	17,160
			\$ 330,000	\$ 17,160

ANNUAL PAYMENT				
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation Refunding School Bonds Series 2004	1.400%	2007	80,000	122,475
	2.000%	2008	200,000	346,355
	2.000%	2009	190,000	352,355
	2.000%	2010	430,000	113,555
	3.000%	2011	440,000	104,955
	2.500%	2012	450,000	91,755
	2.750%	2013	460,000	80,505
	3.900%	2014	475,000	67,855
	3.000%	2015	495,000	47,850
	3.125%	2016	510,000	33,000
	3.250%	2017	525,000	17,063
			\$ 4,255,000	\$ 1,377,723

(Continued)

TETON COUNTY SCHOOL DISTRICT NO. 401  
GENERAL BONDED DEBT  
FUTURE PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2006

	ANNUAL PAYMENT			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation Refunding	4.000%	2007	-	473,520
School Bonds	4.000%	2008	-	572,038
Series 2006	4.000%	2009	10,000	571,837
	4.000%	2010	50,000	570,638
	4.000%	2011	110,000	567,437
	4.250%	2012	180,000	561,413
	4.250%	2013	230,000	552,700
	4.250%	2014	275,000	541,969
	4.250%	2015	330,000	528,825
	4.250%	2016	385,000	513,050
	4.500%	2017	435,000	494,788
	5.000%	2018	1,000,000	460,000
	5.000%	2019	1,135,000	406,625
	5.000%	2020	1,225,000	347,625
	5.000%	2021	1,320,000	284,000
	4.250%	2022	1,000,000	229,750
	5.000%	2023	1,000,000	183,500
	5.000%	2024	1,050,000	132,250
	5.000%	2025	1,105,000	78,375
	4.375%	2026	1,160,000	25,375
			\$ 12,000,000	\$ 8,095,714

TETON COUNTY SCHOOL DISTRICT NO. 401  
TETON HIGH SCHOOL ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS  
YEAR ENDED JUNE 30, 2006

Name of Organization	Balance June 30, 2005	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2006
Athletics	\$ -	\$ 14,593	\$ 15,054	\$ 1,423	\$ 962
Boy's Coaches	-	1,490	1,490	-	-
Baseball	-	2,605	4,355	1,750	-
Softball	-	2,874	8,892	6,018	-
Boys Basketball	-	8,527	9,095	568	-
Cheerleaders	6,224	9,563	11,830	-	3,957
Drill Team	5,459	12,549	11,698	20	6,330
Girls Basketball	-	8,760	7,027	(1,733)	-
Football	-	8,499	6,436	(2,063)	-
Track	-	903	2,494	1,375	(216)
Cross Country	-	527	1,877	1,350	-
Volleyball	-	3,339	4,937	1,598	-
Soccer	-	1,197	6,259	5,062	-
Wrestling	-	4,820	7,777	2,957	-
Class of 2004	1,000	-	-	-	1,000
Class of 2006	2,380	12,465	14,790	(55)	-
Class of 2007	1,884	2,953	1,626	-	3,211
Class of 2008	876	1,794	774	-	1,896
Class of 2009	-	624	218	-	406
FFA	2,553	2,239	1,839	-	2,953
Honor Society	7,537	7,919	9,646	-	5,810
BPA	292	4,098	4,307	-	83
Debate	-	4,056	6,267	(102)	(2,313)
Quiz Bowl	1	183	321	-	(137)
Agriculture	420	8,870	8,090	(25)	1,175
Art	187	4,411	4,552	(240)	(194)
Family/Consumer	52	3,688	3,141	(470)	129
Woods	1,658	5,294	6,709	(117)	126
Business Department	165	437	-	(70)	532

(Continued)

TETON COUNTY SCHOOL DISTRICT NO. 401  
TETON HIGH SCHOOL ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS  
YEAR ENDED JUNE 30, 2006

Name of Organization	Balance June 30, 2005	Cash Receipts	Cash Disbursements	Cash Transfers	Balance June 30, 2006
ASB	294	11,205	764	(10,735)	-
Student Council	1,498	6,952	8,378	400	472
Yearbook 2006	-	11,977	6,760	(513)	4,704
Yearbook 2005	13,222	3,005	26,360	1,004	(9,129)
Yearbook II	209	11,060	9,896	(1,193)	180
Newspaper	772	1,448	2,709	-	(489)
Bookstore	865	20,387	20,496	(675)	81
Building Rental	579	3,211	3,501	-	289
Community Education	324	-	-	(324)	-
High School Office	142	5,086	5,145	(32)	51
Office II	3,653	1,670	2,607	(1,216)	1,500
Sales Tax	98	2,612	5,572	2,879	17
Vending	2,228	21,191	15,427	(7,421)	571
Scholarship Fund	14,984	16,429	17,100	-	14,313
Drivers Ed	-	7,930	7,955	25	-
Drama	-	3,429	2,007	(118)	1,304
Music	336	6,343	7,513	563	(271)
Environmental Science	56	-	54	-	2
Latino Club	662	778	563	-	877
Library	1,045	1,153	900	20	1,318
Natural Helpers	-	74	58	-	16
Basin High School	-	180	-	90	270
Petty Cash	100	-	-	-	100
	<u>\$ 71,755</u>	<u>\$ 275,397</u>	<u>\$ 305,266</u>	<u>\$ -</u>	<u>\$ 41,886</u>

TETON COUNTY SCHOOL DISTRICT NO. 401  
TETON MIDDLE SCHOOL ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS  
YEAR ENDED JUNE 30, 2006

Name of Organization	Balance June 30, 2005	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2006
General Account	\$ 789	\$ 239	\$ 639	\$ -	\$ 389
Rent	-	770	770	-	-
Winter Sports	-	9,851	9,484	(367)	-
Insurance	-	-	303	303	-
Library	700	486	354	-	832
Photo	342	1,094	367	(641)	428
Vending	1,946	2,217	3,956	213	420
Art	5	550	506	(44)	5
Yearbook	528	2,623	3,288	137	-
Student Dues	3,117	8,363	9,549	(408)	1,523
Latino Club	-	313	-	(100)	213
Music	(352)	1,160	713	-	95
Office	4,000	3,841	3,994	-	3,847
General Athletics	-	80	1,049	969	-
Football	-	900	636	(264)	-
Wrestling	-	799	548	(251)	-
Boys Basketball	-	304	965	661	-
Girls Basketball	-	545	756	211	-
Cheer	-	19	63	44	-
Track	-	1,239	556	(683)	-
Volleyball	-	396	304	-	92
Student Council	-	377	400	100	77
TP	-	74	21	-	53
Heifer Foundation	-	880	1,000	120	-
Charitable Donations	-	2,462	2,462	-	-
	<u>\$ 11,075</u>	<u>\$ 39,582</u>	<u>\$ 42,683</u>	<u>\$ -</u>	<u>\$ 7,974</u>

TETON COUNTY SCHOOL DISTRICT NO. 401  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2006

	Federal CFDA Number	Expenditures	Revenues Cash Basis
<b>U.S. Department of Agriculture:</b>			
Passed Through State Department of Education:			
Commodities	10.550	\$ 24,331	\$ 24,331
School Breakfast Program	10.553	37,748	37,748
School Lunch Program	10.555	166,717	166,717
Special Milk Program for Children	10.556	2,594	2,594
Summer Food Service Program	10.559	8,587	8,587
Passed Through Fremont County:			
Federal Forest	10.665	10,634	10,634
TOTAL DEPARTMENT OF AGRICULTURE		250,611	250,611
<b>U.S. Department of Education:</b>			
Passed Through State Department of Education:			
* Title I-Basic	84.010	277,863	291,300
* Title I-Migrant	84.011	26,251	26,251
Title VI-B	84.027	247,656	247,991
Perkins III	84.048	20,706	26,230
Title VI-B - Preschool	84.173	16,172	16,168
Drug Free Schools	84.186	10,950	10,389
Innovative Education Program	84.298	4,774	4,774
Technology Literacy Challenge	84.318	7,387	7,387
English Language Acquisitions Grant	84.365	21,507	17,967
Improving Teacher Quality	84.367	59,851	59,851
TOTAL DEPARTMENT OF EDUCATION		693,117	708,308
<b>U.S. Department of Health and Human Services:</b>			
Passed Through State Department of Health and Welfare:			
Temporary Assistance for Needy Families	93.558	12,768	12,768
TOTAL FEDERAL ASSISTANCE		\$ 956,496	\$ 971,687
* Major Federal Program			

TETON COUNTY SCHOOL DISTRICT NO. 401  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Teton County School District No. 401 and is presented in accordance with the modified accrual basis of accounting. The information in this schedule 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 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***

The Board of Trustees  
Teton County School District No. 401  
Driggs, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Teton County School District No. 401 as of and for the year ended June 30, 2006, which collectively comprise Teton County School District No. 401's basic financial statements and have issued our report thereon dated August 15, 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

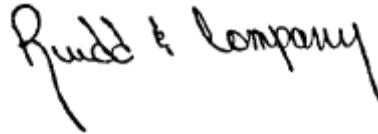
In planning and performing our audit, we considered Teton County School District No. 401's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one of 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 considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Teton County School District No. 401's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use 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, flowing style.

August 15, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Teton County School District No. 401  
Driggs, Idaho

Compliance

We have audited the compliance of Teton County School District No. 401 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, 2006. Teton County School District No. 401's major federal programs are identified in the summary of auditor's 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 Teton County School District No. 401's management. Our responsibility is to express an opinion on Teton County School District No. 401 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 Teton County School District No. 401'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 Teton County School District No. 401's compliance with those requirements.

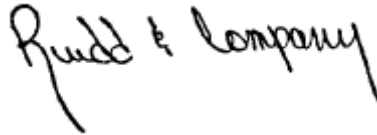
In our opinion, Teton County School District No. 401 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## Internal Control Over Compliance

The management of Teton County School District No. 401 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 Teton County School District No. 401'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing in their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weakness.

This report is intended solely for the information and use 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 cursive script that reads "Rudd & Company". The signature is written in dark ink and is positioned to the right of the date.

August 15, 2006

TETON COUNTY SCHOOL DISTRICT #401  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006

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 or 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

84.010  
84.011

Title I-Basic  
Title I-Migrant

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

\$300,000

Auditee qualified as low-risk auditee?

Yes