



**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, 2007

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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, 2007, 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.

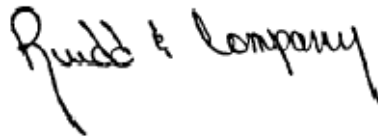
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 opinions.

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, 2007, 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 September 18, 2007 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 agreements and other matters. 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 principles 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 combining and individual nonmajor fund financial statements and supplementary information listed in the table of contents, 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 to the right of the date.

September 18, 2007

## 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, 2007.

### Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2007 by \$5,481,290. Of this amount, \$810,712 of unrestricted net assets may be used to meet the District's ongoing obligations.
- The District's net assets increased by \$1,814,405 as a result of this year's operations.
- The unreserved fund balance for the general fund was \$631,575 or 8.5% of the total general fund expenditures.

### 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 \$5,481,290 at the close of the most recent fiscal year.

#### Net Assets

	Governmental Activities	
	2007	2006
Current and other assets	\$ 14,639,645	\$ 14,983,055
Capital assets	9,319,315	7,243,667
Total assets	<u>23,958,960</u>	<u>22,226,722</u>
Current liabilities	1,785,084	1,424,885
Long-term liabilities	16,692,586	17,134,952
Total liabilities	<u>18,477,670</u>	<u>18,559,837</u>
Net assets:		
Invested in capital assets, net of related debt	3,664,762	2,217,651
Restricted	1,005,816	722,400
Unrestricted	810,712	726,834
Total net assets	<u>\$ 5,481,290</u>	<u>\$ 3,666,885</u>

A portion of the District’s net assets (67%) 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 (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$810,712 may be used to meet the District’s ongoing obligations to students, employees, and creditors.



## Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues:		
Program Revenues:		
Charges for services	\$ 176,964	\$ 144,078
Operating grants and contributions	1,203,181	1,160,316
General Revenues:		
Property tax	2,017,048	3,548,124
State Support	6,981,283	3,893,262
Other	1,228,659	688,385
Total Revenues	11,607,135	9,434,165
Expenses:		
Instructional	5,329,503	5,548,857
Pupil Support	778,281	815,658
Staff Support	59,499	48,961
General Administration	237,174	239,478
School Administration	590,318	598,034
Operation	905,118	949,225
Transportation	569,338	562,446
Non-Instructional	70,333	250,467
Interest	629,377	433,100
Depreciation	204,857	415,036
Child Nutrition Services	418,932	376,634
Total Expenses	9,792,730	10,237,896
Increase (Decrease) in Net Assets	\$ 1,814,405	\$ (803,731)

### 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 \$631,575. The unreserved and undesignated fund balance increased by \$305,018 during the current fiscal year.

Expenditures for general District purposes totaled \$7,408,601, a decrease of 4.2% during the current fiscal year.

The capital projects fund has a total fund balance of \$11,397,942, the majority of which is restricted for construction of facilities, purchase of equipment and related expenditures. The fund balance decreased by \$1,091,623 during the current year.

The debt service fund has a total fund balance of \$370,163, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance increased by \$220,296 during the current year.

The child nutrition fund has a total fund balance of \$84,646, all of which is reserved for the child nutrition program. The fund balance decreased by \$7,423 during the current year.

### **General Fund Budgetary Highlights**

There were amendments made to the original budget.

During the year actual revenues exceeded the final budgetary estimates by \$345,608 in the general fund.

During the current fiscal year, the \$345,608 positive budget to actual variance in total general fund revenues, and the \$341,097 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, 2007 are outlined below:

**Capital Assets**  
(Net of depreciation)

	Governmental Activities	
	2007	2006
Land	\$ 951,000	\$ 951,000
Construction in progress	2,309,688	107,038
Buildings and improvements	8,188,478	8,188,478
Furniture and equipment	4,843,033	4,765,178
	16,292,199	14,011,694
Accumulated depreciation	(6,972,884)	(6,768,027)
	\$ 9,319,315	\$ 7,243,667

**Debt Administration.**

Outstanding debt at June 30, 2007 is outlined below:

**Outstanding Debt**

	Governmental Activities	
	2007	2006
General obligation bonds	\$ 16,175,000	\$ 16,585,000
Note payable	64,349	94,736
Compensated absences	93,800	76,694
Bond Premium, net of amortization	359,437	378,522
	\$ 16,692,586	\$ 17,134,952

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, 2007

ASSETS	GOVERNMENTAL ACTIVITES
CASH AND INVESTMENTS	\$ 13,558,015
RECEIVABLES:	
Property Taxes	709,057
State of Idaho	203,307
Other	65,822
BOND ISSUE COSTS: Net of Amortization	103,444
CAPITAL ASSETS:	
Land	951,000
Construction in Progress	2,309,688
Buildings & Equipment , Net of Depreciation	6,058,627
TOTAL ASSETS	\$ 23,958,960
LIABILITIES	
Accounts Payable	\$ 356,314
Salary Contracts Payable	961,973
Deferred Revenue	78,316
Interest Payable	388,481
Long-term Liabilities:	
Portion due or payable within one year:	
Bonds, capital leases, and contracts	231,186
Portion due or payable after one year:	
Bonds, capital leases, and contracts	16,101,963
Bond Premium, Net of Amortization	359,437
TOTAL LIABILITIES	18,477,670
NET ASSETS	
Invested in capital assets, net of related debt	3,664,762
Restricted for:	
Debt service	501,933
Capital projects	503,883
Unrestricted	810,712
TOTAL NET ASSETS	\$ 5,481,290

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

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	\$ 5,329,503	\$ 14,770	\$ 657,780	\$ (4,656,953)
Pupil support	778,281	-	296,086	(482,195)
Staff support	59,499	-	-	(59,499)
General administration	237,174	-	-	(237,174)
School administration	590,318	-	-	(590,318)
Operation	905,118	-	-	(905,118)
Transportation	569,338	-	-	(569,338)
Non-instructional	70,333	-	-	(70,333)
Interest on long-term debt	629,377	-	-	(629,377)
Depreciation - unallocated*	204,857	-	-	(204,857)
Child nutrition services	418,932	162,194	249,315	(7,423)
Total Governmental Activities	\$ 9,792,730	\$ 176,964	\$ 1,203,181	(8,412,585)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				268,582
Property taxes, levied for capital outlay				409,954
Property taxes, levied for debt service				1,338,512
Other Local Support				599,155
State Support				6,981,283
Unrestricted Investment Earnings				629,504
Total General Revenues				10,226,990
Change in Net Assets				1,814,405
Net Assets - Beginning				3,666,885
Net Assets - Ending				\$ 5,481,290

\* 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, 2007

ASSETS	General Fund	Child Nutrition Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
CASH AND INVESTMENTS	\$ 1,221,765	\$ 105,333	\$ 459,474	\$ 11,665,347	\$ 106,096	\$ 13,558,015
DUE FROM OTHER FUNDS	23,427	-	-	-	-	23,427
RECEIVABLES:						
Property Taxes	153,549	-	425,123	130,385	-	709,057
State of Idaho	118,567	-	-	-	84,740	203,307
Other	55,113	5,795	-	-	4,914	65,822
<b>TOTAL ASSETS</b>	<b>\$ 1,572,421</b>	<b>\$ 111,128</b>	<b>\$ 884,597</b>	<b>\$ 11,795,732</b>	<b>\$ 195,750</b>	<b>\$ 14,559,628</b>
<b>LIABILITIES AND FUND BALANCES</b>						
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 23,427	\$ 23,427
Accounts Payable	-	-	-	351,443	4,871	356,314
Salary Contracts Payable	848,938	26,482	-	-	86,553	961,973
Interest Payable	-	-	382,664	5,817	-	388,481
Deferred Revenues	91,908	-	131,770	40,530	78,316	342,524
<b>TOTAL LIABILITIES</b>	<b>940,846</b>	<b>26,482</b>	<b>514,434</b>	<b>397,790</b>	<b>193,167</b>	<b>2,072,719</b>
FUND BALANCES:						
Reserved for:						
Retirement of long-term debt	-	-	370,163	-	-	370,163
Construction commitments	-	-	-	11,397,942	-	11,397,942
Unreserved:						
Undesignated	631,575	-	-	-	-	631,575
Undesignated, reported in special revenue funds	-	84,646	-	-	2,583	87,229
<b>TOTAL FUND BALANCES</b>	<b>631,575</b>	<b>84,646</b>	<b>370,163</b>	<b>11,397,942</b>	<b>2,583</b>	<b>12,486,909</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,572,421</b>	<b>\$ 111,128</b>	<b>\$ 884,597</b>	<b>\$ 11,795,732</b>	<b>\$ 195,750</b>	<b>\$ 14,559,628</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, 2007

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 12,486,909
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$16,292,199 and the accumulated depreciation is \$6,972,884.	9,319,315
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(16,333,149)
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 \$6,408.	103,444
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 \$22,266.	(359,437)
Property tax revenue is recognized when earned rather than when available.	<u>264,208</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 5,481,290</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, 2007

	General Fund	Child Nutrition Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Local Sources:						
Property taxes	\$ 482,574	\$ -	\$ 1,269,710	\$ 389,406	\$ -	\$ 2,141,690
Earnings on investments	91,736	-	-	537,768	-	629,504
Lunch sales	-	158,940	-	-	-	158,940
Other	347,855	3,254	-	251,300	14,770	617,179
State Sources:						
State apportionment	6,844,165	-	-	-	-	6,844,165
Other	137,118	-	-	-	311,785	448,903
Federal Sources:						
Educational programs and other	14,021	249,315	-	-	628,060	891,396
<b>TOTAL REVENUES</b>	<b>7,917,469</b>	<b>411,509</b>	<b>1,269,710</b>	<b>1,178,474</b>	<b>954,615</b>	<b>11,731,777</b>
<b>EXPENDITURES:</b>						
Current:						
Instructional	4,557,613	-	-	-	754,784	5,312,397
Pupil support	482,195	-	-	-	296,086	778,281
Staff support	59,499	-	-	-	-	59,499
General administration	237,174	-	-	-	-	237,174
School administration	590,318	-	-	-	-	590,318
Operation	905,118	-	-	-	-	905,118
Transportation	569,338	-	-	-	-	569,338
Non-instructional	7,346	418,932	1,500	61,487	-	489,265
Debt Service:						
Principal	-	-	410,000	30,386	-	440,386
Interest	-	-	637,914	5,055	-	642,969
Capital outlay	-	-	-	2,280,505	-	2,280,505
<b>TOTAL EXPENDITURES</b>	<b>7,408,601</b>	<b>418,932</b>	<b>1,049,414</b>	<b>2,377,433</b>	<b>1,050,870</b>	<b>12,305,250</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>508,868</b>	<b>(7,423)</b>	<b>220,296</b>	<b>(1,198,959)</b>	<b>(96,255)</b>	<b>(573,473)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	383,028	-	-	107,336	479,542	969,906
Transfers Out	(586,878)	-	-	-	(383,028)	(969,906)
<b>NET CHANGE IN FUND BALANCES</b>	<b>305,018</b>	<b>(7,423)</b>	<b>220,296</b>	<b>(1,091,623)</b>	<b>259</b>	<b>(573,473)</b>
<b>FUND BALANCE BEGINNING 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>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 631,575</b>	<b>\$ 84,646</b>	<b>\$ 370,163</b>	<b>\$ 11,397,942</b>	<b>\$ 2,583</b>	<b>\$ 12,486,909</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, 2007

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(573,473)
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.		2,075,649
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.		(124,643)
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.		(17,106)
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.		440,386
Governmental funds report bond issue costs as an expenditure, while these costs are amortized over the term of the bond as an increase in interest expense in the government-wide statements.		(5,493)
Governmental funds report bond premiums as an other financing source, while the premium is amortized over the term of the bond as a decrease in interest expense in the government-wide statements.		<u>19,085</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,814,405</u></u>

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, 2007

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Local Sources:				
Property Taxes	\$ 3,081,045	\$ 306,605	\$ 482,574	\$ 175,969
Earnings on investments	22,000	60,000	91,736	31,736
Other	502,472	373,000	347,855	(25,145)
State Sources:				
State apportionment	2,904,758	6,736,756	6,844,165	107,409
Other	943,295	83,000	137,118	54,118
Federal Sources:				
Educational programs and other	25,300	12,500	14,021	1,521
<b>TOTAL REVENUES</b>	<b>7,478,870</b>	<b>7,571,861</b>	<b>7,917,469</b>	<b>345,608</b>
<b>EXPENDITURES:</b>				
Current:				
Instructional	4,642,725	4,646,713	4,557,613	89,100
Pupil Support	532,548	506,451	482,195	24,256
Staff Support	53,006	52,005	59,499	(7,494)
General Administration	246,184	237,961	237,174	787
School Administration	588,688	591,145	590,318	827
Operation	953,484	944,268	905,118	39,150
Transportation	560,186	569,133	569,338	(205)
Non-Instructional	10,739	10,597	7,346	3,251
Contingency	-	191,425	-	191,425
<b>TOTAL EXPENDITURES</b>	<b>7,587,560</b>	<b>7,749,698</b>	<b>7,408,601</b>	<b>341,097</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(108,690)</b>	<b>(177,837)</b>	<b>508,868</b>	<b>686,705</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	334,770	383,028	383,028	-
Transfers Out	(476,080)	(531,748)	(586,878)	(55,130)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(250,000)</b>	<b>(326,557)</b>	<b>305,018</b>	<b>631,575</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>250,000</b>	<b>326,557</b>	<b>326,557</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 631,575</b>	<b>\$ 631,575</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, 2007

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Local Sources:				
Lunch Sales	\$ 135,000	\$ 135,000	\$ 158,940	\$ 23,940
Other	2,000	2,000	3,254	1,254
Federal Sources:				
Educational programs and other	215,000	215,000	249,315	34,315
<b>TOTAL REVENUES</b>	<b>352,000</b>	<b>352,000</b>	<b>411,509</b>	<b>59,509</b>
<b>EXPENDITURES:</b>				
Current:				
Non-instructional	420,800	442,069	418,932	23,137
Capital Outlay	2,000	2,000	-	2,000
<b>TOTAL EXPENDITURES</b>	<b>422,800</b>	<b>444,069</b>	<b>418,932</b>	<b>25,137</b>
<b>NET CHANGE</b>				
<b>IN FUND BALANCE</b>	<b>(70,800)</b>	<b>(92,069)</b>	<b>(7,423)</b>	<b>84,646</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>70,800</b>	<b>92,069</b>	<b>92,069</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 84,646</b>	<b>\$ 84,646</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, 2007

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Local Sources:			
Property Taxes	\$ 1,306,000	\$ 1,269,710	\$ (36,290)
<b>TOTAL REVENUES</b>	<b>1,306,000</b>	<b>1,269,710</b>	<b>(36,290)</b>
<b>EXPENDITURES:</b>			
Current:			
Non-instructional	3,000	1,500	1,500
Debt Service:			
Principal	411,311	410,000	1,311
Interest	894,582	637,914	256,668
<b>TOTAL EXPENDITURES</b>	<b>1,308,893</b>	<b>1,049,414</b>	<b>259,479</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,893)</b>	<b>220,296</b>	<b>223,189</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>149,867</b>	<b>149,867</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 146,974</b>	<b>\$ 370,163</b>	<b>\$ 223,189</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, 2007

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Local Sources:				
Property Taxes	\$ 400,000	\$ 400,000	\$ 389,406	\$ (10,594)
Earnings on investments	520,283	551,500	537,768	(13,732)
Other	-	251,200	251,300	100
<b>TOTAL REVENUES</b>	<b>920,283</b>	<b>1,202,700</b>	<b>1,178,474</b>	<b>(24,226)</b>
<b>EXPENDITURES:</b>				
Current:				
Non-Instructional	-	-	61,487	(61,487)
Debt Service:				
Principal	30,030	30,386	30,386	-
Interest	4,748	5,055	5,055	-
Capital Outlay	4,065,834	4,299,965	2,280,505	2,019,460
<b>TOTAL EXPENDITURES</b>	<b>4,100,612</b>	<b>4,335,406</b>	<b>2,377,433</b>	<b>1,957,973</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(3,180,329)</b>	<b>(3,132,706)</b>	<b>(1,198,959)</b>	<b>1,933,747</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	95,521	107,336	107,336	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,084,808)</b>	<b>(3,025,370)</b>	<b>(1,091,623)</b>	<b>1,933,747</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>12,529,708</b>	<b>12,489,565</b>	<b>12,489,565</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 9,444,900</b>	<b>\$ 9,464,195</b>	<b>\$ 11,397,942</b>	<b>\$ 1,933,747</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, 2007

ASSETS	AGENCY FUNDS
CASH AND INVESTMENTS	\$ 60,378
<b>TOTAL ASSETS</b>	<b>\$ 60,378</b>
LIABILITIES	
DUE TO STUDENT GROUPS	\$ 60,378
<b>TOTAL LIABILITIES</b>	<b>\$ 60,378</b>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

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 *child nutrition fund* accounts for the revenues and expenses associated with the operation of the District's food services.
- The *debt service fund* accounts for the accumulation of resources for, and the payment of long-term debt principal and interest.
- 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.

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

Additionally, the District reports the following fund types:

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

### 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, 2007, the carrying amount of the District's deposits was \$72,649 and the respective bank balances totaled \$147,150. 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, 2007, \$47,150 of the District's total deposits of \$147,150 were not covered by federal depository insurance, and thus were exposed to custodial credit risk.
3. Investments – As of June 30, 2007, the District had the following investments:

Investment Type	S&P Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	n/a	\$ 8,553,622	\$ 7,190,842	\$ 1,362,780	\$ --	\$ --
State Investment Pool	AAAf	4,992,122	4,992,122	--	--	--
U.S. Treasuries		\$ 13,545,744	\$ 12,182,964	\$ 1,362,780	\$ --	\$ --

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, 2007, had a weighted average maturity of 91 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	\$ 13,558,015
Cash and Investments reported of the statement of fiduciary net assets	<u>60,378</u>
	<u>\$ 13,618,393</u>
Investments categorized	\$ 13,545,744
Deposits categorized	<u>72,649</u>
	<u>\$ 13,618,393</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, 2007, are generally based on the assessed values and tax levies established in 2006

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, 2007 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	2,202,650	--	2,309,688
 Total capital assets, not being depreciated	 \$ 1,058,038	 \$ 2,202,650	 \$ --	 \$ 3,260,688
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,188,478	\$ --	\$ --	\$ 8,188,478
Furniture and equipment	4,765,178	77,855	--	4,843,033
 Total capital assets, being depreciated	 12,953,656	 77,855	 --	 13,031,511
Accumulated depreciation for:				
Buildings and improvements	(2,281,679)	(163,770)	--	(2,445,449)
Furniture and equipment	(4,486,348)	(41,087)	--	(4,527,435)
 Total accumulated depreciation	 (6,768,027)	 (204,857)	 --	 (6,972,884)
 Total capital assets, being depreciated, net	 <u>\$ 6,185,629</u>			 <u>\$ 6,058,627</u>

#### 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

Bonds outstanding at June 30, 2007, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
General Obligation Refunding Bonds, 2006 Issue (Original amount--\$4,390,000)	2.00% to 3.90%	2008 to 2017	\$ 4,175,000
General Obligation Bonds, 2007 Issue Original amount--\$12,000,000)	4.00% to 5.00%	2008 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>
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
2012	630,000	653,168	1,283,168
Thereafter	14,115,000	5,025,104	19,140,104
	<u>\$16,175,000</u>	<u>\$ 8,877,442</u>	<u>\$25,052,442</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
2008	\$ 31,568	\$ 2,109	\$ 33,677
2009	32,781	896	33,677
	<u>\$ 64,349</u>	<u>\$ 3,005</u>	<u>\$ 67,354</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, 2007:

	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, 2006	\$ 330,000	\$ 4,255,000	\$ 12,000,000	\$ 94,736	\$ 76,694	\$ 16,756,430
Obligations Incurred	--	--	--	--	17,106	17,106
Obligations Paid	(330,000)	(80,000)	--	(30,387)	--	(440,387)
Long-term Obligations June 30, 2007	\$ --	\$ 4,175,000	\$ 12,000,000	\$ 64,349	\$ 93,800	\$ 16,333,149

9. RETIREMENT PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI based plan, 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 on the PERSI website or in print 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, 2007, 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 \$569,502, \$581,673, and \$609,352 for the years ended June 30, 2007, 2006, and 2005, respectively.

10. NON-MONETARY TRANSACTIONS

The District received commodities from the U.S. Government valued at \$36,348. The value was determined by confirmation with the State of Idaho Department of Education.

11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The interfund balances at June 30, 2007 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 23,427	\$ --
Non-Major Funds:		
Driver's Education	--	1,119
Vocational Education	--	6,841
School Technology	--	2,405
Carl Perkins	--	2,706
Title III	--	1,886
Medicaid Administration	--	8,470
	<u>\$ 23,427</u>	<u>\$ 23,427</u>

Balances are a result from the time lag between the dates that the reimbursable expenditures occur and payments between funds are made. All balances are expected to be eliminated during the next fiscal year.

11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (Continued)

The District expenditures exceeded the budgeted amounts in the following funds during the year ended June 30, 2007:

<u>Fund</u>	<u>Amount Exceeded</u>
Medicaid Administration Fund.....\$	56,274
Title VI-B Fund .....	17,268
Title I Fund .....	8,197
Drug Free School Fund .....	574

Deficits in Individual Funds

There were no fund deficits at June 30, 2007.

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	\$ 383,028	\$ 586,878
Capital Project Fund	107,339	--
 <u>Non Major Funds:</u>		
Facility Maintenance	310,169	372,288
School Technology	60,055	--
Medicaid Administration	50,574	--
Title VIB	17,268	--
Title VIB Preschool	13,056	--
Title I – Migrant	11,544	--
Title I	8,197	--
Title II-A	6,294	--
Carl Perkins	1,474	--
Title III	911	--
Federal Forest	--	10,740
	<u>\$ 969,909</u>	<u>\$ 969,906</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, 2007

ASSETS	Federal Forest Fund	School Facility Maintenance Fund	Driver Education Fund	Vocational Education Fund	School Technology Fund	Substance Abuse Prevention Fund	Title I Fund
CASH AND INVESTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,261
RECEIVABLES:							
State of Idaho	-	-	4,625	9,182	7,617	-	47,414
Other	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,625</b>	<b>\$ 9,182</b>	<b>\$ 7,617</b>	<b>\$ -</b>	<b>\$ 96,675</b>
<b>LIABILITIES AND FUND BALANCES</b>							
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ 1,119	\$ 6,841	\$ 2,405	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-	-
Salary Contracts Payable	-	-	923	1,427	5,212	-	21,346
Deferred Revenues	-	-	-	914	-	-	75,329
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>2,042</b>	<b>9,182</b>	<b>7,617</b>	<b>-</b>	<b>96,675</b>
FUND BALANCES:							
Unreserved:							
Undesignated	-	-	2,583	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>2,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,625</b>	<b>\$ 9,182</b>	<b>\$ 7,617</b>	<b>\$ -</b>	<b>\$ 96,675</b>

Title I Migrant Fund	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	Medicaid Administration Fund	Total Nonmajor Governmental Funds
\$ 5,489	\$ 36,183	\$ 4,366	\$ -	\$ -	\$ -	\$ 10,797	\$ -	\$ -	106,096
-	-	-	-	-	3,127	-	-	12,775	84,740
-	-	-	-	4,914	-	-	-	-	4,914
<u>\$ 5,489</u>	<u>\$ 36,183</u>	<u>\$ 4,366</u>	<u>\$ -</u>	<u>\$ 4,914</u>	<u>\$ 3,127</u>	<u>\$ 10,797</u>	<u>\$ -</u>	<u>\$ 12,775</u>	<u>\$ 195,750</u>
<hr/>									
\$ -	\$ -	\$ -	\$ -	\$ 2,706	\$ 1,886	\$ -	\$ -	\$ 8,470	\$ 23,427
-	566	-	-	-	-	-	-	4,305	4,871
5,489	33,593	4,366	-	2,159	1,241	10,797	-	-	86,553
-	2,024	-	-	49	-	-	-	-	78,316
<u>5,489</u>	<u>36,183</u>	<u>4,366</u>	<u>-</u>	<u>4,914</u>	<u>3,127</u>	<u>10,797</u>	<u>-</u>	<u>12,775</u>	<u>193,167</u>
<hr/>									
-	-	-	-	-	-	-	-	-	2,583
<hr/>									
-	-	-	-	-	-	-	-	-	2,583
<hr/>									
<u>\$ 5,489</u>	<u>\$ 36,183</u>	<u>\$ 4,366</u>	<u>\$ -</u>	<u>\$ 4,914</u>	<u>\$ 3,127</u>	<u>\$ 10,797</u>	<u>\$ -</u>	<u>\$ 12,775</u>	<u>\$ 195,750</u>

TETON COUNTY SCHOOL DISTRICT NO. 401  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	Federal Forest Fund	School Facility Maintenance Fund	Drivers Education Fund	Vocational Education Fund	School Technology Fund	Substance Abuse Prevention Fund	Title I Fund
<b>REVENUES:</b>							
Local Sources:							
Other	\$ -	\$ -	\$ 9,627	\$ -	\$ -	\$ -	\$ -
State Sources:							
Other	-	62,119	10,500	30,592	57,446	25,428	-
Federal Sources:							
Educational Programs and other	10,740	-	-	-	-	-	218,363
<b>TOTAL REVENUES</b>	<b>10,740</b>	<b>62,119</b>	<b>20,127</b>	<b>30,592</b>	<b>57,446</b>	<b>25,428</b>	<b>218,363</b>
<b>EXPENDITURES:</b>							
Current:							
Instructional	-	-	19,868	30,592	-	25,428	226,560
Pupil Support	-	-	-	-	117,501	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>19,868</b>	<b>30,592</b>	<b>117,501</b>	<b>25,428</b>	<b>226,560</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>10,740</b>	<b>62,119</b>	<b>259</b>	<b>-</b>	<b>(60,055)</b>	<b>-</b>	<b>(8,197)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In	-	310,169	-	-	60,055	-	8,197
Transfers Out	(10,740)	(372,288)	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>259</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>2,324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,583</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Title I Migrant Fund	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 Administration Fund	Medicaid Administration Fund	Total Nonmajor Governmental Funds
\$ -	\$ 5,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,770
-	-	-	-	-	-	-	-	125,700	311,785
29,658	244,686	15,967	2,311	19,963	18,200	58,251	9,921	-	628,060
29,658	249,829	15,967	2,311	19,963	18,200	58,251	9,921	125,700	954,615
41,202	267,097	29,023	-	21,437	19,111	64,545	9,921	-	754,784
-	-	-	2,311	-	-	-	-	176,274	296,086
41,202	267,097	29,023	2,311	21,437	19,111	64,545	9,921	176,274	1,050,870
(11,544)	(17,268)	(13,056)	-	(1,474)	(911)	(6,294)	-	(50,574)	(96,255)
11,544	17,268	13,056	-	1,474	911	6,294	-	50,574	479,542
-	-	-	-	-	-	-	-	-	(383,028)
-	-	-	-	-	-	-	-	-	259
-	-	-	-	-	-	-	-	-	2,324
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,583

TETON COUNTY SCHOOL DISTRICT NO. 401  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 STUDENT ACTIVITIES - AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2007

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2007</u>
<b>TETON HIGH SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 41,886	\$ 292,294	\$ 285,877	\$ 48,303
LIABILITIES:				
Due to Student Groups	\$ 41,886	\$ 292,294	\$ 285,877	\$ 48,303
<b>TETON MIDDLE SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 7,974	\$ 46,099	\$ 45,942	\$ 8,131
LIABILITIES:				
Due to Student Groups	\$ 7,974	\$ 46,099	\$ 45,942	\$ 8,131
<b>VICTOR ELEMENTARY SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 1,497	\$ 14,081	\$ 14,149	\$ 1,429
LIABILITIES:				
Due to Student Groups	\$ 1,497	\$ 14,081	\$ 14,149	\$ 1,429
<b>TETONIA ELEMENTARY SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 2,061	\$ 11,526	\$ 11,860	\$ 1,727
LIABILITIES:				
Due to Student Groups	\$ 2,061	\$ 11,526	\$ 11,860	\$ 1,727
<b>DRIGGS ELEMENTARY SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 447	\$ 9,398	\$ 9,057	\$ 788
LIABILITIES:				
Due to Student Groups	\$ 447	\$ 9,398	\$ 9,057	\$ 788
<b>TOTAL ALL SCHOOL ACTIVITY FUND</b>				
ASSETS:				
Cash	\$ 53,865	\$ 373,398	\$ 366,885	\$ 60,378
LIABILITIES:				
Due to Student Groups	\$ 53,865	\$ 373,398	\$ 366,885	\$ 60,378



TETON COUNTY SCHOOL DISTRICT NO. 401  
 ACTIVITY IN TAXES RECEIVABLE ACCOUNTS BY FUND  
 YEAR ENDED JUNE 30, 2007

	General Fund	Debt Service Fund	Capital Project Fund
TETON COUNTY			
Balance at June 30, 2006	\$ 1,023,735	\$ 207,251	\$ 65,910
Add - Taxes Assessed for 2006 (Net of Cancellations)	268,703	1,338,539	409,903
Less - Collections Received	1,138,889	1,120,667	345,429
Balance at June 30, 2007	\$ 153,549	\$ 425,123	\$ 130,384

TETON COUNTY SCHOOL DISTRICT NO. 401  
GENERAL BONDED DEBT  
FUTURE PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2007

	ANNUAL PAYMENT			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation Refunding	2.000%	2008	200,000	346,355
School Bonds	2.000%	2009	190,000	352,355
Series 2004	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
			\$ 4,175,000	\$ 1,255,248

(Continued)

TETON COUNTY SCHOOL DISTRICT NO. 401  
GENERAL BONDED DEBT  
FUTURE PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2007

	ANNUAL PAYMENT			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation Refunding	4.000%	2008	-	572,038
School Bonds	4.000%	2009	10,000	571,837
Series 2006	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	\$ 7,622,194

TETON COUNTY SCHOOL DISTRICT NO. 401  
TETON HIGH SCHOOL ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS  
YEAR ENDED JUNE 30, 2007

Name of Organization	Balance June 30, 2006	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2007
Athletics	\$ 962	\$ 33,164	\$ 51,169	\$ 17,043	\$ -
Baseball Travel	-	431	-	(431)	-
Baseball Camp	-	147	166	19	-
Baseball Spirit Packs	-	1,302	1,395	(166)	(259)
Softball Travel	-	479	-	(479)	-
Softball Spirit Packs	-	1,158	941	35	252
Boys Basketball Travel	-	542	-	(542)	-
Boys Basketball Camp	-	28	-	65	93
Boys Basketball Spirit Pac	-	905	952	47	-
Cheerleaders	3,957	13,113	10,444	(170)	6,456
Drill Team	6,330	15,997	18,658	170	3,839
Golf Travel	-	500	-	(500)	-
Golf Spirit Packs	-	345	375	15	(15)
Girls Basketball Travel	-	470	-	(470)	-
Girls Basketball Camp	-	514	1,486	1,115	143
Girls Basketball Spirit Pac	-	550	610	60	-
Football Travel	-	781	-	(781)	-
Football Camp	-	1,650	1,802	-	(152)
Football Spirit Packs	-	4,031	3,594	-	437
Track Travel	(216)	888	1,575	903	-
Track Spirit Packs	-	576	492	-	84
Cross Country Travel	-	240	-	(240)	-
Volleyball Travel	-	230	-	(230)	-
Volleyball Camp	-	470	209	-	261
Volleyball Spirit Packs	-	1,438	1,289	-	149
Soccer Travel	-	390	-	(390)	-
Soccer Spirit Packs	-	372	242	-	130
Wrestling Travel	-	723	-	(723)	-
Wrestling Camp	-	212	90	-	122
Wrestling Spirit Packs	-	3,256	3,585	222	(107)
Class of 2004	1,000	-	-	-	1,000
Class of 2007	3,211	12,495	13,083	(144)	2,479
Class of 2008	1,896	2,561	1,118	(417)	2,922
Class of 2009	406	1,558	153	(300)	1,511
Class of 2010	-	1,247	28	(200)	1,019

(Continued)

TETON COUNTY SCHOOL DISTRICT NO. 401  
TETON HIGH SCHOOL ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS  
YEAR ENDED JUNE 30, 2007

Name of Organization	Balance June 30, 2006	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2007
FFA	2,953	3,270	2,372	5	3,856
Honor Society	5,810	6,314	7,134	11	5,001
BPA	83	2,668	2,581	-	170
Debate Travel	(2,313)	360	-	1,953	-
Quiz Bowl	(137)	75	53	137	22
Agriculture	1,175	10,098	11,812	(126)	(665)
Art	(194)	3,535	3,251	(258)	(168)
Family/Consumer	129	3,223	2,316	(267)	769
Woods	126	6,142	6,065	(224)	(21)
Business Department	532	517	500	(60)	489
ASB	-	15,135	25	(15,110)	-
Yearbook 2007	-	21,317	7,660	(650)	13,007
Yearbook 2006	4,704	3,645	19,194	(226)	(11,071)
Yearbook 2005	(9,129)	-	-	-	(9,129)
Student Council	472	6,856	8,189	1,100	239
Yearbook II	180	7,326	6,873	(54)	579
Newspaper	(489)	5,064	4,285	(290)	-
Newspaper II	-	126	383	702	445
Bookstore	81	13,204	11,230	(1,610)	445
Building Rental	289	1,475	1,716	-	48
Winter Sports	-	10,370	9,933	25	462
High School Office	51	5,039	4,843	(115)	132
Office II	1,500	1,547	466	-	2,581
Sales Tax	17	3,484	5,783	2,420	138
Vending	571	11,143	9,805	(1,381)	528
Sched Change/Reprint	-	4,505	15	(1,400)	3,090
Book Damage/Replace	-	1,254	-	806	2,060
Scholarship Fund	14,313	5,810	7,355	-	12,768
Drivers Ed	-	10,022	9,932	(90)	-
Drama	1,304	2,734	4,733	695	-
Music Department	(271)	3,370	3,612	513	-
Science Club	2	115	25	-	92
Latino Club	877	1,163	2,513	6	(467)
Library	1,318	1,215	1,617	-	916
Natural Helpers	16	308	281	-	43
Interact Club	-	500	-	-	500
National Forensics	-	15,862	15,839	(23)	-
Basin High School	270	740	30	-	980
Petty Cash	100	-	-	-	100
	<u>\$ 41,886</u>	<u>\$ 292,294</u>	<u>\$ 285,877</u>	<u>\$ -</u>	<u>\$ 48,303</u>

TETON COUNTY SCHOOL DISTRICT NO. 401  
TETON MIDDLE SCHOOL ACTIVITY FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS  
YEAR ENDED JUNE 30, 2007

Name of Organization	Balance June 30, 2006	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2007
General Account	\$ 389	\$ 2,180	\$ 3,256	\$ 700	\$ 13
Rent	-	2,085	1,645	(440)	-
Winter Sports	-	10,094	9,238	(856)	-
Insurance	-	-	158	158	-
Library	832	318	345	-	805
Photo	428	15	187	-	256
Vending	420	2,446	2,523	26	369
Special Education	-	482	472	-	10
Art	5	737	717	-	25
Yearbook	-	2,863	722	-	2,141
Student Dues	1,523	10,854	11,406	(298)	673
Latino Club	213	96	-	(186)	123
Music	95	1,710	2,092	300	13
Office	3,847	3,500	3,348	(700)	3,299
General Athletics	-	326	2,318	2,092	100
Football	-	1,275	707	(568)	-
Wrestling	-	1,339	344	(995)	-
Boys Basketball	-	491	935	444	-
Girls Basketball	-	822	1,126	304	-
Cheer	-	965	1,093	-	(128)
Track	-	1,007	331	(676)	-
Volleyball	92	552	171	(187)	286
Student Council	77	92	48	-	121
TP	53	398	1,122	696	25
Heifer Foundation	-	-	-	-	-
Charitable Donations	-	1,452	1,638	186	-
	<u>\$ 7,974</u>	<u>\$ 46,099</u>	<u>\$ 45,942</u>	<u>\$ -</u>	<u>\$ 8,131</u>

TETON COUNTY SCHOOL DISTRICT NO. 401  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2007

	Federal CFDA Number	Expenditures	Revenues Cash Basis
<b>U.S. Department of Agriculture:</b>			
Passed Through State Department of Education:			
* Commodities	10.550	\$ 36,348	\$ 36,348
* School Breakfast Program	10.553	42,010	42,010
* School Lunch Program	10.555	162,766	162,766
* Special Milk Program for Children	10.556	2,397	2,397
* Summer Food Service Program	10.559	8,024	8,024
Passed Through Fremont County:			
Federal Forest	10.665	10,740	10,740
TOTAL DEPARTMENT OF AGRICULTURE		262,285	262,285
<b>U.S. Department of Justice:</b>			
Passed Through State Department of Education:			
Enforcing Underage Drinking Laws	16.727	709	709
<b>U.S. Department of Transportation:</b>			
Passed Through State Department of Education:			
State and Community Highway Safety	20.600	425	425
<b>U.S. Department of Education:</b>			
Passed Through State Department of Education:			
Title I-Basic	84.010	226,560	218,760
Title I-Migrant	84.011	41,202	29,658
Title VI-B	84.027	267,097	246,375
Perkins III	84.048	21,437	18,802
Title VI-B - Preschool	84.173	29,023	15,967
Drug Free Schools	84.186	9,921	9,347
Innovative Education Program	84.298	2,311	2,311
English Language Acquisitions Grant	84.365	19,111	18,613
Improving Teacher Quality	84.367	64,545	58,251
TOTAL DEPARTMENT OF EDUCATION		681,207	618,084
<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	11,349	11,349
TOTAL FEDERAL ASSISTANCE		\$ 955,975	\$ 892,852

\* Major Federal Program

TETON COUNTY SCHOOL DISTRICT NO. 401  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007, which collectively comprise Teton County School District No. 401's basic financial statements and have issued our report thereon dated September 18, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

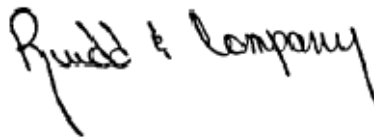
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted certain matters that we reported to management of Teton County School District No. 401 in a separate letter dated September 18, 2007.

This report is intended solely for the information and use of the audit committee, school board, 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 "Ruedd & Company". The signature is written in a cursive, flowing style.

September 18, 2007



**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, 2007. 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, 2007.

## Internal Control Over Compliance

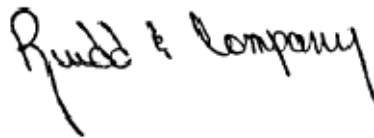
The management of Teton County School District No. 401 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Teton County School District No. 401's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Teton County School District No. 401's internal control over compliance

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board, 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.



September 18, 2007

TETON COUNTY SCHOOL DISTRICT #401  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
10.550	Commodities
10.553	School Breakfast Program
10.555	School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Fund Service Program

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

\$300,000

Auditee qualified as low-risk auditee?

Yes