



RUDD & COMPANY PLLC
certified public accountants | business consultants

TETON COUNTY SCHOOL DISTRICT NO. 401

DRIGGS, IDAHO

BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2008

giving direction to your future

TETON COUNTY SCHOOL DISTRICT NO. 401

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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, 2008, which collectively comprise the 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.

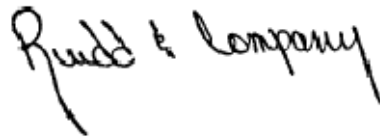
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2008, and the respective changes in financial position there of 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 4, 2008 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are 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 required 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 black ink that reads "Rudd & Company". The signature is written in a cursive, flowing style.

September 4, 2008

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, 2008.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2008 by \$7,882,903. Of this amount, \$1,969,707 of unrestricted net assets may be used to meet the District's ongoing obligations.
- The District's net assets increased by \$2,401,613 as a result of this year's operations.
- The unreserved fund balance for the general fund was \$1,586,238 or 18% 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 15 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 16-27 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 financial statements. Combining fund statements and schedules can be found on pages 33-37 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 \$7,882,903 at the close of the most recent fiscal year.

Net Assets

	Governmental Activities	
	2008	2007
Current and other assets	\$ 11,437,788	\$ 14,639,645
Capital assets	15,555,405	9,319,315
Total assets	<u>26,993,193</u>	<u>23,958,960</u>
Current liabilities	2,901,279	1,785,084
Long-term liabilities	16,209,011	16,692,586
Total liabilities	<u>19,110,290</u>	<u>18,477,670</u>
Net assets:		
Invested in capital assets, net of related debt	(788,919)	3,664,762
Restricted	6,702,115	1,005,816
Unrestricted	1,969,707	810,712
Total net assets	<u>\$ 7,882,903</u>	<u>\$ 5,481,290</u>

A portion of the District's net assets (-10%) 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 (85%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$1,969,707 may be used to meet the District's ongoing obligations to students, employees, and creditors.

Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues:		
Charges for services	\$ 247,634	\$ 176,964
Operating grants and contributions	941,837	1,203,181
General Revenues:		
Property tax	3,896,350	2,017,048
State Support	7,976,157	6,981,283
Other	1,175,930	1,228,659
	14,237,908	11,607,135
Total Revenues		
Expenses:		
Instructional	6,417,178	5,329,503
Pupil Support	626,067	778,281
Staff Support	368,897	59,499
General Administration	353,860	237,174
School Administration	651,331	590,318
Operation	1,266,799	905,118
Transportation	646,808	569,338
Non-Instructional	13,346	70,333
Interest	813,814	629,377
Depreciation	214,603	204,857
Child Nutrition Services	463,592	418,932
	11,836,295	9,792,730
Total Expenses		
Increase (Decrease) in Net Assets	\$ 2,401,613	\$ 1,814,405

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 \$1,586,238. The unreserved and undesignated fund balance increased by \$954,663 during the current fiscal year.

Expenditures for general District purposes totaled \$9,077,331, an increase of 23% during the current fiscal year.

The capital construction fund has a total fund balance of \$6,291,882, the majority of which is restricted for construction of facilities, purchase of equipment and related expenditures. The fund balance decreased by \$4,642,708 during the current year.

The debt service fund has a total fund balance of \$411,967, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance increased by \$41,804 during the current year.

The child nutrition fund has a total fund balance of \$33,752, all of which is reserved for the child nutrition program. The fund balance decreased by \$50,888 during the current year.

General Fund Budgetary Highlights

There were amendments made to the original budget.

During the year actual revenues were less than the final budgetary estimates by \$27,274 in the general fund.

During the current fiscal year, the \$27,274 negative budget to actual variance in total general fund revenues, and the \$1,189,758 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, 2008 are outlined below:

Capital Assets
(Net of depreciation)

	Governmental Activities	
	2008	2007
Land	\$ 951,000	\$ 951,000
Construction in progress	6,660,221	2,309,688
Buildings and improvements	10,138,447	8,188,478
Furniture and equipment	4,993,224	4,843,033
	22,742,892	16,292,199
Accumulated depreciation	(7,187,487)	(6,972,884)
	\$ 15,555,405	\$ 9,319,315
Total capital assets, net of depreciation		

Debt Administration.

Outstanding debt at June 30, 2008 is outlined below:

Outstanding Debt

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 15,975,000	\$ 16,175,000
Note payable	33,264	64,349
Compensated absences	93,660	93,800
Bond Premium, net of amortization	340,351	359,437
	\$ 16,442,275	\$ 16,692,586

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, 2008

ASSETS	GOVERNMENTAL ACTIVITIES
CASH AND INVESTMENTS	\$ 9,560,778
RECEIVABLES:	
Property Taxes	1,487,259
State of Idaho	131,849
Other	159,951
BOND ISSUE COSTS: Net of Amortization	97,951
CAPITAL ASSETS:	
Land	951,000
Construction in Progress	6,660,221
Buildings & Equipment , Net of Depreciation	7,944,184
TOTAL ASSETS	\$ 26,993,193
LIABILITIES	
Accounts Payable	\$ 939,987
Short-term Note Payable	250,000
Salary Contracts Payable	1,117,394
Deferred Revenue	65,220
Interest Payable	295,414
Long-term Liabilities:	
Portion due or payable within one year:	
Bonds, capital leases, and contracts	233,264
Portion due or payable after one year:	
Bonds, capital leases, and contracts	15,868,660
Bond Premium, Net of Amortization	340,351
TOTAL LIABILITIES	19,110,290
NET ASSETS	
Invested in capital assets, net of related debt	(788,919)
Restricted for:	
Debt service	594,720
Capital projects	6,107,395
Unrestricted	1,969,707
TOTAL NET ASSETS	\$ 7,882,903

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

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	\$ 6,417,178	\$ 70,500	\$ 497,139	\$ (5,849,539)
Pupil support	626,067	-	209,128	(416,939)
Staff support	368,897	-	-	(368,897)
General administration	353,860	-	-	(353,860)
School administration	651,331	-	-	(651,331)
Operation	1,266,799	-	-	(1,266,799)
Transportation	646,808	-	-	(646,808)
Non-instructional	13,346	-	-	(13,346)
Interest on long-term debt	813,814	-	-	(813,814)
Depreciation - unallocated*	214,603	-	-	(214,603)
Child nutrition services	463,592	177,134	235,570	(50,888)
Total Governmental Activities	\$ 11,836,295	\$ 247,634	\$ 941,837	(10,646,824)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				2,409,460
Property taxes, levied for capital outlay				405,675
Property taxes, levied for debt service				1,081,215
Other Local Support				537,272
State Support				7,976,157
Unrestricted Investment Earnings				638,658
Total General Revenues				13,048,437
Change in Net Assets				2,401,613
Net Assets - Beginning				5,481,290
Net Assets - Ending				\$ 7,882,903

* 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, 2008

ASSETS	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facility Fund	Capital Construction Fund	Other Governmental Funds	Total Governmental Funds
CASH AND INVESTMENTS	\$ 1,773,105	\$ 63,542	\$ 450,515	\$ -	\$ 7,180,859	\$ 92,757	\$ 9,560,778
DUE FROM OTHER FUNDS	98,585	-	-	-	-	-	98,585
RECEIVABLES:							
Property Taxes	889,864	-	437,883	159,512	-	-	1,487,259
State of Idaho	99,450	-	-	-	-	32,399	131,849
Other	83,413	-	-	-	14,558	61,980	159,951
TOTAL ASSETS	\$ 2,944,417	\$ 63,542	\$ 888,398	\$ 159,512	\$ 7,195,417	\$ 187,136	\$ 11,438,422
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ -	\$ 69,513	\$ -	\$ 29,072	\$ 98,585
Accounts Payable	13,702	-	-	22,750	903,535	-	939,987
Short-term Note Payable	-	-	-	250,000	-	-	250,000
Salary Contracts Payable	997,118	29,784	-	-	-	90,492	1,117,394
Interest Payable	-	-	293,678	1,736	-	-	295,414
Deferred Revenues	347,359	-	182,753	65,513	-	65,220	660,845
TOTAL LIABILITIES	1,358,179	29,784	476,431	409,512	903,535	184,784	3,362,225
FUND BALANCES:							
Reserved for:							
Retirement of long-term debt	-	-	411,967	-	-	-	411,967
Construction commitments	-	-	-	(250,000)	6,291,882	-	6,041,882
Unreserved:							
Undesignated	1,586,238	-	-	-	-	-	1,586,238
Undesignated, reported in special revenue funds	-	33,758	-	-	-	2,352	36,110
TOTAL FUND BALANCES	1,586,238	33,758	411,967	(250,000)	6,291,882	2,352	8,076,197
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,944,417	\$ 63,542	\$ 888,398	\$ 159,512	\$ 7,195,417	\$ 187,136	\$ 11,438,422

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, 2008

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$	8,076,197
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$22,742,892 and the accumulated depreciation is \$7,187,487.		15,555,405
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(16,101,924)
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 \$11,901.		97,951
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 \$41,351.		(340,351)
Property tax revenue is recognized when earned rather than when available.		595,625
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	7,882,903

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, 2008

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facility Fund	Capital Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Local Sources:							
Property taxes	\$ 2,154,007	\$ -	\$ 1,030,232	\$ 380,692	\$ -	\$ -	\$ 3,564,931
Earnings on investments	115,415	-	-	-	523,243	-	638,658
Lunch sales	-	174,107	-	-	-	-	174,107
Other	530,672	3,027	-	6,600	-	70,500	610,799
State Sources:							
State apportionment	7,407,479	-	-	-	-	-	7,407,479
Other	276,616	-	40,478	-	-	251,584	568,678
Federal Sources:							
Educational programs and other	12,533	235,570	-	-	-	693,734	941,837
TOTAL REVENUES	10,496,722	412,704	1,070,710	387,292	523,243	1,015,818	13,906,489
EXPENDITURES:							
Current:							
Instructional	5,514,778	-	-	-	-	902,540	6,417,318
Pupil support	416,939	-	-	-	-	209,128	626,067
Staff support	368,897	-	-	-	-	-	368,897
General administration	353,860	-	-	-	-	-	353,860
School administration	651,331	-	-	-	-	-	651,331
Operation	1,112,872	-	-	133,266	20,661	-	1,266,799
Transportation	646,808	-	-	-	-	-	646,808
Non-instructional	11,846	463,592	1,500	-	-	-	476,938
Debt Service:							
Principal	-	-	200,000	31,085	-	-	231,085
Interest	-	-	827,406	-	-	-	827,406
Capital outlay	-	-	-	1,305,403	5,145,290	-	6,450,693
TOTAL EXPENDITURES	9,077,331	463,592	1,028,906	1,469,754	5,165,951	1,111,668	18,317,202
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,419,391	(50,888)	41,804	(1,082,462)	(4,642,708)	(95,850)	(4,410,713)
OTHER FINANCING SOURCES (USES):							
Transfers In	337,559	-	-	369,109	-	478,625	1,185,293
Transfers Out	(802,287)	-	-	-	-	(383,006)	(1,185,293)
NET CHANGE IN FUND BALANCES	954,663	(50,888)	41,804	(713,353)	(4,642,708)	(231)	(4,410,713)
FUND BALANCE BEGINNING OF YEAR	631,575	84,646	370,163	463,353	10,934,590	2,583	12,486,910
FUND BALANCE END OF YEAR	\$ 1,586,238	\$ 33,758	\$ 411,967	\$ (250,000)	\$ 6,291,882	\$ 2,352	\$ 8,076,197

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, 2008

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (4,410,713)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	6,236,090
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.	331,419
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.	140
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.	231,085
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>\$ 2,401,613</u>

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, 2008

<u>ASSETS</u>	<u>AGENCY FUNDS</u>
CASH AND INVESTMENTS	\$ 119,851
<u>TOTAL ASSETS</u>	<u>\$ 119,851</u>
<u>LIABILITIES</u>	
DUE TO STUDENT GROUPS	\$ 119,851
<u>TOTAL LIABILITIES</u>	<u>\$ 119,851</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 *plant facility 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 *capital construction fund* accounts for resources accumulated and payments made for major construction projects of 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.

The following is a reconciliation of revenues and expenditures as reported under generally accepted accounting standards and the amounts reported in comparison with budget reported on page 29:

	Reported Amounts	Commodities Received	Amounts Reported in Comparison with Budget
Child Nutrition Fund			
Total Revenues	\$ 412,704	\$ 40,095	\$ 372,609
Total Expenditures	\$ 463,592	\$ 40,095	\$ 423,497

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 to reflect beginning fund balances and adjust for additional local and state revenues.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2008, the carrying amount of the District's deposits was \$302,612 and the respective bank balances totaled \$573,032. 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, 2008, \$473,032 of the District's total deposits of \$573,032 were not covered by federal depository insurance, and thus were exposed to custodial credit risk.
3. Investments – As of June 30, 2008, 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	\$ 1,402,632	\$ 1,402,632	\$ --	\$ --	\$ --
State Investment Pool	AAAf	7,975,385	7,975,385	--	--	--
U.S. Treasuries		\$ 9,378,017	\$ 9,378,017	\$ --	\$ --	\$ --

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, 2008, 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	\$ 9,560,778
Cash and Investments reported of the statement of fiduciary net assets	<u>119,851</u>
	<u>\$ 9,680,629</u>
Investments categorized	\$ 9,378,017
Deposits categorized	<u>302,612</u>
	<u>\$ 9,680,629</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, 2008, are generally based on the assessed values and tax levies established in 2007.

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. COMMITMENTS

The District is in the process of constructing a new middle school. In conjunction with this project, the District has entered into a construction contract with Ormond Builders, Inc. at a bid price, including change orders, of \$11,056,158. The balance remaining on the contract as of June 30, 2008 was \$6,704,704. Bond proceeds are being used to fund the construction.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 951,000	\$ --	\$ --	\$ 951,000
Construction in Progress	2,309,688	6,300,502	(1,949,969)	6,660,221
 Total capital assets, not being depreciated	 \$ 3,260,688	 \$ 6,300,502	 \$ (1,949,969)	 \$ 7,611,221
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,188,478	\$ 1,949,969	\$ --	\$ 10,138,447
Furniture and equipment	4,843,033	150,191	--	4,993,224
 Total capital assets, being depreciated	 13,031,511	 2,100,160	 --	 15,131,671
Accumulated depreciation for:				
Buildings and improvements	(2,445,449)	(163,769)	--	(2,609,218)
Furniture and equipment	(4,527,435)	(50,834)	--	(4,578,269)
 Total accumulated depreciation	 (6,972,884)	 (214,603)	 --	 (7,187,487)
 Total capital assets, being depreciated, net	 <u>\$ 6,058,627</u>			 <u>\$ 7,944,184</u>

6. SHORT-TERM FINANCING

During the current fiscal year the District arranged for a \$250,000 short-term note payable with the Bank of Commerce. The note bears interest at a rate of 4% and matures on June 3, 2008. Proceeds from the note were used to finance construction projects of the District.

7. 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.

8. GENERAL OBLIGATION BONDS PAYABLE

Bonds outstanding at June 30, 2008, were as follows:

Description	Interest Rates	Maturity Dates	Amount
General Obligation Refunding Bonds, 2006 Issue (Original amount--\$4,390,000)	2.00% to 3.90%	2009 to 2017	\$ 3,975,000
General Obligation Bonds, 2007 Issue Original amount--\$12,000,000)	4.00% to 5.00%	2009 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:

Fiscal Year	Principal	Interest	Total
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
2013	690,000	633,205	1,323,205
Thereafter	13,425,000	4,391,899	17,816,899
	<u>\$ 15,975,000</u>	<u>\$ 7,959,049</u>	<u>\$ 23,934,049</u>

9. 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.

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

Fiscal Year	Principal	Interest	Total
2009	\$ 33,264	\$ 1,736	\$ 35,000
	\$ 33,264	\$ 1,736	\$ 35,000

10. CHANGES IN LONG-TERM DEBT

The following is a summary of the District's long-term transactions for the year ended June 30, 2008:

	2005 G.O. Refunding Bonds	2006 G.O. Bonds	Zion’s Note Payable	Compensated Absences Payable	Total
Long-term Obligations June 30, 2007	\$ 4,175,000	\$ 12,000,000	\$ 64,349	\$ 93,800	\$ 16,333,149
Obligations Incurred	--	--	--	--	--
Obligations Paid	(200,000)	--	(31,085)	(140)	(231,225)
Long-term Obligations June 30, 2008	\$ 3,975,000	\$ 12,000,000	\$ 33,264	\$ 93,660	\$ 16,101,924

11. 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. 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.

PERSI issues publically available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined 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, 2008, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. Teton School District No. 401 employer contributions required and paid were \$649,219, \$569,502, and \$581,673 for the three years ended June 30, 2008, 2007, and 2006, respectively.

12. NON-MONETARY TRANSACTIONS

The District received commodities from the U.S. Government valued at \$40,095. The value was determined by confirmation with the State of Idaho Department of Education.

13. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The interfund balances at June 30, 2008 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 98,585	\$ --
Plant Facility Fund	--	69,513
Non-Major Funds:		
Driver's Education	--	2,615
Vocational Education	--	13,118
Carl Perkins	--	11,070
Medicaid Administration	--	2,269
	<u>\$ 98,585</u>	<u>\$ 98,585</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.

The District expenditures exceeded the budgeted amounts in the following funds during the year ended June 30, 2008:

<u>Fund</u>	<u>Amount Exceeded</u>
Title VI-B Preschool Fund	\$ 581
Title I Fund	438
Drug Free School Fund	750
Title II-A.....	5,108

Deficits in Individual Funds

The plant facility fund ended the year with a \$250,000 deficit. The District expects to eliminate this deficit in the next fiscal year through receipt of funds or by fund transfer.

14. 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	\$ 337,559	\$ (802,287)
Plant Facility Fund	369,109	--
<u>Non Major Funds:</u>		
Facility Maintenance	266,678	(372,288)
School Technology	150,159	--
Medicaid Administration	14,416	--
Title VIB Preschool	28,917	--
Title I – Migrant	6,742	--
Title II-A	4,195	--
Title III	7,518	--
Federal Forest	--	(10,718)
	<u>\$ 1,185,293</u>	<u>\$ (1,185,293)</u>

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

15. RESTATEMENT OF PRIOR PERIOD FUND BALANCES

During the current fiscal year, the beginning fund balances of the Plant Facility Fund and the Capital Construction Fund were shown separately on the fund financial statements to better reflect the specific capital project activity accounted for in each fund. The balances had been previously reported in a combined balance called capital projects funds.

REQUIRED SUPPLEMENTARY INFORMATION

TETON COUNTY SCHOOL DISTRICT NO. 401
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES--BUDGET AND ACTUAL--GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Local Sources:				
Property Taxes	\$ 2,018,350	\$ 2,318,352	\$ 2,154,007	\$ (164,345)
Earnings on investments	80,000	105,000	115,415	10,415
Other	322,161	413,250	530,672	117,422
State Sources:				
State apportionment	6,959,208	7,415,110	7,407,479	(7,631)
Other	277,599	259,751	276,616	16,865
Federal Sources:				
Educational programs and other	12,500	12,533	12,533	-
TOTAL REVENUES	9,669,818	10,523,996	10,496,722	(27,274)
EXPENDITURES:				
Current:				
Instructional	5,248,187	5,583,496	5,514,778	68,718
Pupil Support	384,758	418,598	416,939	1,659
Staff Support	416,318	444,783	368,897	75,886
General Administration	320,464	355,126	353,860	1,266
School Administration	669,470	664,743	651,331	13,412
Operation	1,018,166	1,100,809	1,112,872	(12,063)
Transportation	630,133	666,918	646,808	20,110
Non-Instructional	12,782	12,662	11,846	816
Contingency	844,027	1,019,954	-	1,019,954
TOTAL EXPENDITURES	9,544,305	10,267,089	9,077,331	1,189,758
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	125,513	256,907	1,419,391	1,162,484
OTHER FINANCING SOURCES (USES):				
Transfers In	10,740	10,718	337,559	326,841
Transfers Out	(336,253)	(899,200)	(802,287)	96,913
NET CHANGE IN FUND BALANCES	(200,000)	(631,575)	954,663	1,586,238
FUND BALANCE BEGINNING OF YEAR	200,000	631,575	631,575	-
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ 1,586,238	\$ 1,586,238

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, 2008

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Local Sources:				
Lunch Sales	\$ 150,000	\$ 150,000	\$ 174,107	\$ 24,107
Other	3,000	3,000	3,027	27
Federal Sources:				
Educational programs and other	215,000	215,000	195,475	(19,525)
TOTAL REVENUES	368,000	368,000	372,609	4,609
EXPENDITURES:				
Current:				
Non-instructional	465,248	452,646	423,497	29,149
TOTAL EXPENDITURES	465,248	452,646	423,497	29,149
NET CHANGE IN FUND BALANCE	(97,248)	(84,646)	(50,888)	33,758
FUND BALANCE BEGINNING OF YEAR	97,248	84,646	84,646	-
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ 33,758	\$ 33,758

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, 2008

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Local Sources:				
Property Taxes	\$ 1,084,392	\$ 1,084,392	\$ 1,030,232	\$ (54,160)
State Sources:				
Other	40,000	40,478	40,478	-
TOTAL REVENUES	1,124,392	1,124,870	1,070,710	(54,160)
EXPENDITURES:				
Current:				
Non-instructional	-	-	1,500	(1,500)
Debt Service:				
Principal	414,311	414,311	200,000	214,311
Interest	705,082	705,082	827,406	(122,324)
TOTAL EXPENDITURES	1,119,393	1,119,393	1,028,906	90,487
NET CHANGE				
IN FUND BALANCE	4,999	5,477	41,804	36,327
FUND BALANCE BEGINNING OF YEAR	370,163	370,163	370,163	-
FUND BALANCE END OF YEAR	\$ 375,162	\$ 375,640	\$ 411,967	\$ 36,327

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--PLANT FACILITY FUND
YEAR ENDED JUNE 30, 2008

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Local Sources:				
Property Taxes	\$ 400,000	\$ 400,000	\$ 380,692	\$ (19,308)
Other	268,131	256,600	6,600	(250,000)
State Sources:				
Other	63,245	105,610	-	(105,610)
TOTAL REVENUES	731,376	762,210	387,292	(374,918)
EXPENDITURES:				
Current:				
Operation	-	-	133,266	(133,266)
Debt Service:				
Principal	31,085	31,085	31,085	-
Interest	4,105	4,105	-	4,105
Capital Outlay	1,459,261	1,814,934	1,305,403	509,531
TOTAL EXPENDITURES	1,494,451	1,850,124	1,469,754	380,370
EXCESS OF REVENUES OVER EXPENDITURES	(763,075)	(1,087,914)	(1,082,462)	5,452
OTHER FINANCING SOURCES (USES):				
Transfers In	90,828	624,561	369,109	(255,452)
NET CHANGE IN FUND BALANCE	(672,247)	(463,353)	(713,353)	(250,000)
FUND BALANCE BEGINNING OF YEAR	672,247	463,353	463,353	-
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ (250,000)	\$ (250,000)

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 CONSTRUCTION FUND
 YEAR ENDED JUNE 30, 2008

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Local Sources:				
Earnings on investments	\$ 335,748	\$ 519,748	\$ 523,243	\$ 3,495
TOTAL REVENUES	335,748	519,748	523,243	3,495
EXPENDITURES:				
Current:				
Operation	-	-	20,661	(20,661)
Capital Outlay	5,705,518	5,726,732	5,145,290	581,442
TOTAL EXPENDITURES	5,705,518	5,726,732	5,165,951	560,781
NET CHANGE IN FUND BALANCE	(5,369,770)	(5,206,984)	(4,642,708)	564,276
FUND BALANCE BEGINNING OF YEAR	10,548,999	10,934,590	10,934,590	-
FUND BALANCE END OF YEAR	\$ 5,179,229	\$ 5,727,606	\$ 6,291,882	\$ 564,276

The Accompanying Notes are an Integral Part of the Financial Statements

SUPPLEMENTARY INFORMATION

TETON COUNTY SCHOOL DISTRICT NO. 401
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

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	\$ -	\$ -	\$ -	\$ -	\$ 104	\$ -	\$ 19,390
RECEIVABLES:							
State of Idaho	-	-	5,688	15,647	8,795	-	-
Other	-	-	-	-	-	-	46,113
TOTAL ASSETS	\$ -	\$ -	\$ 5,688	\$ 15,647	\$ 8,899	\$ -	\$ 65,503
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ 2,615	\$ 13,118	\$ -	\$ -	\$ -
Salary Contracts Payable	-	-	721	1,615	8,899	-	22,994
Deferred Revenues	-	-	-	914	-	-	42,509
TOTAL LIABILITIES	-	-	3,336	15,647	8,899	-	65,503
FUND BALANCES:							
Unreserved:							
Undesignated	-	-	2,352	-	-	-	-
TOTAL FUND BALANCES	-	-	2,352	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 5,688	\$ 15,647	\$ 8,899	\$ -	\$ 65,503

Title I-B Fund	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
\$ 13,850	\$ 3,823	\$ 30,828	\$ 6,612	\$ 791	\$ -	\$ 4,125	\$ 13,234	\$ -	\$ -	\$ 92,757
-	-	-	-	-	-	-	-	-	2,269	32,399
-	-	4,698	-	-	11,169	-	-	-	-	61,980
<u>\$ 13,850</u>	<u>\$ 3,823</u>	<u>\$ 35,526</u>	<u>\$ 6,612</u>	<u>\$ 791</u>	<u>\$ 11,169</u>	<u>\$ 4,125</u>	<u>\$ 13,234</u>	<u>\$ -</u>	<u>\$ 2,269</u>	<u>\$ 187,136</u>
<hr/>										
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,070	\$ -	\$ -	\$ -	\$ 2,269	\$ 29,072
-	3,823	28,469	6,612	-	-	4,125	13,234	-	-	90,492
13,850	-	7,057	-	791	99	-	-	-	-	65,220
<u>13,850</u>	<u>3,823</u>	<u>35,526</u>	<u>6,612</u>	<u>791</u>	<u>11,169</u>	<u>4,125</u>	<u>13,234</u>	<u>-</u>	<u>2,269</u>	<u>184,784</u>
<hr/>										
-	-	-	-	-	-	-	-	-	-	2,352
-	-	-	-	-	-	-	-	-	-	2,352
<u>\$ 13,850</u>	<u>\$ 3,823</u>	<u>\$ 35,526</u>	<u>\$ 6,612</u>	<u>\$ 791</u>	<u>\$ 11,169</u>	<u>\$ 4,125</u>	<u>\$ 13,234</u>	<u>\$ -</u>	<u>\$ 2,269</u>	<u>\$ 187,136</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Federal Forest Fund	School Facility Maintenance Fund	Drivers Education Fund	Vocational Education Fund	School Technology Fund	Substance Abuse Prevention Fund	Title I Fund
REVENUES:							
Local Sources:							
Other	\$ -	\$ -	\$ 10,196	\$ -	\$ -	\$ -	\$ -
State Sources:							
Other	-	105,610	12,062	41,848	58,969	32,345	-
Federal Sources:							
Educational Programs and other	10,718	-	-	-	-	-	242,127
TOTAL REVENUES	10,718	105,610	22,258	41,848	58,969	32,345	242,127
EXPENDITURES:							
Current:							
Instructional	-	-	22,489	41,848	-	32,345	242,127
Pupil Support	-	-	-	-	209,128	-	-
TOTAL EXPENDITURES	-	-	22,489	41,848	209,128	32,345	242,127
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,718	105,610	(231)	-	(150,159)	-	-
OTHER FINANCING SOURCES (USES):							
Transfers In	-	266,678	-	-	150,159	-	-
Transfers Out	(10,718)	(372,288)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	(231)	-	-	-	-
FUND BALANCE BEGINNING OF YEAR	-	-	2,583	-	-	-	-
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ 2,352	\$ -	\$ -	\$ -	\$ -

Title I-B Fund	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 Fund	Medicaid Administration Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 4,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,458	\$ 70,500
-	-	-	-	-	-	-	-	750	-	251,584
60,139	19,351	239,466	15,897	1,543	22,041	15,337	58,647	8,468	-	693,734
60,139	19,351	244,312	15,897	1,543	22,041	15,337	58,647	9,218	55,458	1,015,818
60,139	26,093	244,312	44,814	1,543	22,041	22,855	62,842	9,218	69,874	902,540
-	-	-	-	-	-	-	-	-	-	209,128
60,139	26,093	244,312	44,814	1,543	22,041	22,855	62,842	9,218	69,874	1,111,668
-	(6,742)	-	(28,917)	-	-	(7,518)	(4,195)	-	(14,416)	(95,850)
-	6,742	-	28,917	-	-	7,518	4,195	-	14,416	478,625
-	-	-	-	-	-	-	-	-	-	(383,006)
-	-	-	-	-	-	-	-	-	-	(231)
-	-	-	-	-	-	-	-	-	-	2,583
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,352

TETON COUNTY SCHOOL DISTRICT NO. 401
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 STUDENT ACTIVITIES - AGENCY FUNDS
 YEAR ENDED JUNE 30, 2008

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
TETON HIGH SCHOOL ACTIVITY FUND				
ASSETS:				
Cash	\$ 48,303	\$ 354,520	\$ 299,707	\$ 103,116
LIABILITIES:				
Due to Student Groups	\$ 48,303	\$ 354,520	\$ 299,707	\$ 103,116
TETON MIDDLE SCHOOL ACTIVITY FUND				
ASSETS:				
Cash	\$ 8,131	\$ 46,776	\$ 42,698	\$ 12,209
LIABILITIES:				
Due to Student Groups	\$ 8,131	\$ 46,776	\$ 42,698	\$ 12,209
VICTOR ELEMENTARY SCHOOL ACTIVITY FUND				
ASSETS:				
Cash	\$ 1,429	\$ 16,557	\$ 16,566	\$ 1,420
LIABILITIES:				
Due to Student Groups	\$ 1,429	\$ 16,557	\$ 16,566	\$ 1,420
TETONIA ELEMENTARY SCHOOL ACTIVITY FUND				
ASSETS:				
Cash	\$ 1,727	\$ 11,839	\$ 11,017	\$ 2,549
LIABILITIES:				
Due to Student Groups	\$ 1,727	\$ 11,839	\$ 11,017	\$ 2,549
DRIGGS ELEMENTARY SCHOOL ACTIVITY FUND				
ASSETS:				
Cash	\$ 788	\$ 9,867	\$ 10,098	\$ 557
LIABILITIES:				
Due to Student Groups	\$ 788	\$ 9,867	\$ 10,098	\$ 557
TOTAL ALL SCHOOL ACTIVITY FUND				
ASSETS:				
Cash	\$ 60,378	\$ 439,559	\$ 380,086	\$ 119,851
LIABILITIES:				
Due to Student Groups	\$ 60,378	\$ 439,559	\$ 380,086	\$ 119,851

TETON COUNTY SCHOOL DISTRICT NO. 401
ACTIVITY IN TAXES RECEIVABLE ACCOUNTS BY FUND
YEAR ENDED JUNE 30, 2008

	General Fund	Debt Service Fund	Plant Facility Fund
<hr/>			
TETON COUNTY			
Balance at June 30, 2007	\$ 153,549	\$ 425,123	\$ 130,384
Add - Taxes Assessed for 2007 (Net of Cancellations)	2,393,584	1,120,823	413,392
Less - Collections Received	1,657,269	1,108,063	384,264
<hr/>			
Balance at June 30, 2008	\$ 889,864	\$ 437,883	\$ 159,512
<hr/>			

TETON COUNTY SCHOOL DISTRICT NO. 401
GENERAL BONDED DEBT
FUTURE PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2008

	ANNUAL PAYMENT			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation Refunding	2.000%	2009	190,000	352,355
School Bonds	2.000%	2010	430,000	113,555
Series 2004	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
			\$ 3,975,000	\$ 908,893

(Continued)

TETON COUNTY SCHOOL DISTRICT NO. 401
GENERAL BONDED DEBT
FUTURE PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2008

	ANNUAL PAYMENT			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation Refunding	4.000%	2009	10,000	571,837
School Bonds	4.000%	2010	50,000	570,638
Series 2006	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	\$ 7,050,156

TETON COUNTY SCHOOL DISTRICT NO. 401
TETON HIGH SCHOOL ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS
YEAR ENDED JUNE 30, 2008

Name of Organization	Balance June 30, 2007	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2008
Athletics	\$ -	\$ 34,954	\$ 45,388	\$ 12,666	\$ 2,232
Baseball Travel	-	570	570	-	-
Baseball Camp	-	50	-	-	50
Baseball Spirit Packs	(259)	2,529	2,591	(136)	(457)
Softball Travel	-	482	485	3	-
Softball Spirit Packs	252	1,439	1,409	(80)	202
Boys Basketball Travel	-	445	470	25	-
Boys Basketball Camp	93	2,193	1,281	-	1,005
BBB Spirit Packs	-	572	752	(10)	(190)
Cheerleaders	6,456	17,456	18,464	357	5,805
Drill Team	3,839	16,923	16,939	(172)	3,651
Golf Travel	-	430	430	-	-
Golf Spirit Packs	(15)	55	558	-	(518)
Girls Basketball Travel	-	602	624	22	-
Girls Basketball Camp	143	2,732	1,232	-	1,643
GBB Spirit Packs	-	872	858	40	54
Football Travel	-	765	765	-	-
Football Camp	(152)	2,598	2,446	-	-
Football Spirit Packs	437	5,078	5,606	(10)	(101)
Track Travel	-	720	770	50	-
Track Spirit Packs	84	595	451	2	230
Cross Country Travel	-	250	430	180	-
X Cntry Food/Uniform	-	1,275	776	(255)	244
Volleyball Travel	-	257	307	50	-
Volleyball Camp	261	-	-	-	261
Volleyball Spirit Packs	149	979	1,059	(52)	17
Soccer Travel	-	334	346	12	-
Soccer Spirit Packs	130	333	-	-	463
Wrestling Travel	-	675	645	5	35
Wrestling Camp	122	-	-	-	122
Wrestling Spirit Packs	(107)	3,448	3,680	(9)	(348)
Class of 2004	1,000	-	-	-	1,000
Class of 2007	2,479	-	1,855	(624)	-
Class of 2008	2,922	4,485	3,521	(2,899)	987
Class of 2009	1,511	3,227	2,341	(385)	2,012
Class of 2010	1,019	2,478	690	(397)	2,410
Class of 2011	-	1,220	168	(339)	713
FFA	3,856	2,797	2,945	(5)	3,703
Honor Society	5,001	7,836	4,406	500	8,931
BPA	170	1,913	1,695	206	594
Debate Travel	-	622	542	(70)	10
Quiz Bowl	22	193	150	-	65

(Continued)

TETON COUNTY SCHOOL DISTRICT NO. 401
TETON HIGH SCHOOL ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS
YEAR ENDED JUNE 30, 2008

Name of Organization	Balance June 30, 2007	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2008
Agriculture	(665)	7,220	4,794	35	1,796
Art	(168)	3,802	3,373	(160)	101
Family/Consumer	769	2,145	2,014	(224)	676
Woods	(21)	3,005	1,519	(225)	1,240
Business Department	489	398	220	(49)	618
ASB	-	13,860	40	(13,748)	72
Yearbook 2008	-	14,451	-	(591)	13,860
Yearbook 2007	13,007	2,705	18,515	(80)	(2,883)
Yearbook 2006	(11,071)	170	-	-	(10,901)
Yearbook 2005	(9,129)	9,129	-	-	-
Student Council	239	16,318	14,517	3,440	5,480
Yearbook II	579	1,599	2,817	1,453	814
Newspaper	-	1,119	213	559	1,465
Newspaper II	445	756	1,169	(32)	-
Bookstore	445	28,015	26,970	(1,530)	(40)
Donations	-	21,252	14,332	(3,710)	3,210
Senior Sneak	-	5,000	7,259	2,259	-
Building Rental	48	2,480	2,528	-	-
Winter Sports	462	11,770	11,657	-	575
High School Office	132	6,064	5,864	133	465
Office II	2,581	-	-	-	2,581
Sales Tax	138	3,665	6,475	2,877	205
Vending	528	10,289	8,433	(219)	2,165
Sched Change/Reprint	3,090	4,754	4,366	(137)	3,341
Book Damage/Replace	2,060	1,365	345	-	3,080
Scholarship Fund	12,768	24,300	4,800	-	32,268
Drivers Ed	-	10,505	10,537	32	-
IDLA	-	1,085	2,660	1,525	(50)
Drama	-	3,480	2,301	(103)	1,076
Music Department	-	12,878	10,502	(135)	2,241
Science Club	92	222	192	-	122
Latino Club	(467)	72	42	-	(437)
Latino Scholarship	-	1,064	-	-	1,064
Library	916	1,021	708	-	1,229
Natural Helpers	43	-	-	(43)	-
Interact Club	500	-	88	-	412
National Forensics	-	2,197	1,933	(2)	262
Basin High School	980	1,983	879	-	2,084
Petty Cash	100	-	-	-	100
	<u>\$ 48,303</u>	<u>\$ 354,520</u>	<u>\$ 299,707</u>	<u>\$ -</u>	<u>\$ 103,116</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
TETON MIDDLE SCHOOL ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND TRANSFERS
YEAR ENDED JUNE 30, 2008

Name of Organization	Balance June 30, 2007	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2008
General Account	\$ 13	\$ 474	\$ 120	\$ -	\$ 367
Rent	-	2,009	2,009	-	-
Winter Sports	-	12,302	11,658	(644)	-
Insurance	-	66	337	271	-
Library	805	472	433	-	844
Photo	256	45	-	-	301
Vending	369	1,684	1,867	(7)	179
Special Education	10	-	17	7	-
Art	25	973	917	-	81
Yearbook	2,141	3,142	4,669	-	614
Student Dues	673	10,249	5,859	(595)	4,468
Latino Club	123	507	-	-	630
Music	13	1,548	1,926	365	-
Office	3,299	3,419	2,523	-	4,195
General Athletics	100	54	1,170	1,068	52
Football	-	1,075	886	(189)	-
Wrestling	-	1,716	998	(718)	-
Boys Basketball	-	438	1,220	782	-
Girls Basketball	-	790	1,392	602	-
Cheer	(128)	200	-	-	72
Track	-	1,779	285	(1,494)	-
Volleyball	286	568	539	(51)	264
Student Council	121	1,595	2,319	603	-
TP	25	-	-	-	25
Nancy Shirts	-	1,671	1,554	-	117
	<u>\$ 8,131</u>	<u>\$ 46,776</u>	<u>\$ 42,698</u>	<u>\$ -</u>	<u>\$ 12,209</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2008

	Federal CFDA Number	Expenditures	Revenues Cash Basis
U.S. Department of Agriculture:			
Passed Through State Department of Education:			
School Breakfast Program	10.553	\$ 33,013	\$ 33,013
School Lunch Program	10.555	199,825	199,825
Special Milk Program for Children	10.556	2,732	2,732
Summer Food Service Program	10.559	5,795	5,795
Passed Through Teton County:			
Federal Forest	10.665	10,718	10,718
TOTAL DEPARTMENT OF AGRICULTURE		252,083	252,083
U.S. Department of Justice:			
Passed Through State Department of Education:			
Enforcing Underage Drinking Laws	16.727	469	469
U.S. Department of Transportation:			
Passed Through State Department of Education:			
State and Community Highway Safety	20.601	281	281
U.S. Department of Education:			
Passed Through State Department of Education:			
Title I-Basic	84.010	242,127	210,608
Title I-Migrant	84.011	19,351	19,351
* Title VI-B	84.027	239,466	239,466
Perkins III	84.048	22,042	20,750
* Title VI-B - Preschool	84.173	15,897	15,897
Drug Free Schools	84.186	8,468	8,468
Innovative Education Program	84.298	1,543	2,334
Reading First Grant	84.357	60,138	73,989
English Language Acquisitions Grant	84.365	18,465	18,465
Improving Teacher Quality	84.367	58,647	58,647
TOTAL DEPARTMENT OF EDUCATION		686,144	667,975
U.S. Department of Health and Human Services:			
Passed Through State Department of Health and Welfare:			
Temporary Assistance for Needy Families	93.558	1,418	1,418
Social Services Block Grant	93.867	8,357	8,357
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		9,775	9,775
TOTAL FEDERAL ASSISTANCE		\$ 948,752	\$ 930,583

* Major Federal Program

TETON COUNTY SCHOOL DISTRICT NO. 401
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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, 2008, which collectively comprise Teton County School District No. 401's basic financial statements and have issued our report thereon dated September 4, 2008. 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.

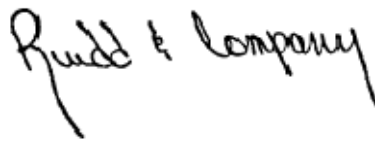
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 4, 2008.

This report is intended solely for the information and use of management, the Board, others within the entity 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".

September 4, 2008



**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, 2008. 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, 2008.

Internal Control Over Compliance

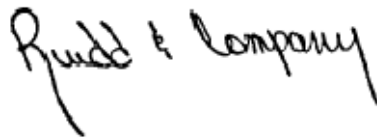
The management of Teton County School District No. 401 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Teton County 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 management, the Board, others within the entity 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 4, 2008

TETON COUNTY SCHOOL DISTRICT #401
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

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

Special Education Cluster (IDEA)

84.027

Special Education
Handicapped – State Grants, Part B IDEA

84.173

Special Education
Handicapped – Preschool Grants

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

\$300,000

Auditee qualified as low-risk auditee?

Yes