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TETON COUNTY SCHOOL DISTRICT NO. 401

DRIGGS, IDAHO

**Basic Financial Statements
and
Supplementary Information
with
Independent Auditors' Report**

Year Ended June 30, 2010

giving direction to your future

TETON COUNTY SCHOOL DISTRICT NO. 401

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June 30, 2010

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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, 2010, 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.

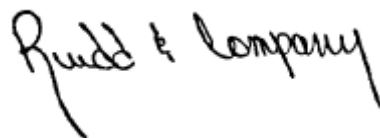
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2010 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 36 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Teton County School District No. 401's financial statements as a whole. The combining and individual nonmajor fund financial statements and the additional supplementary information are presented for purposes of additional analysis and are not a required part of the 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 Organization*, and is not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Rudd & Company". The signature is written in dark ink and is positioned centrally below the main body of text.

September 9, 2010

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis
June 30, 2010

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, 2010.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2010 by \$10,396,632. Of this amount, \$2,949,402 of unrestricted net assets may be used to meet the District's ongoing obligations.
- The District's net assets increased by \$1,163,545 as a result of this year's operations.
- The unreserved fund balance for the general fund was \$2,198,794 or 22% of the total general fund expenditures.
- Construction on the new Teton Middle School was completed during the year.

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 12-14 of this report.

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2010

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-one 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, the capital projects fund, and the plant facility 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 15-16 and 18-19 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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2010

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 21 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 22-34 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 42-50 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 \$10,396,632 at the close of the most recent fiscal year.

Net Assets	Governmental Assets	
	2010	2009
Current and Other Assets	\$ 5,441,028	\$ 4,563,885
Capital Assets	22,227,085	22,429,249
Total Assets	27,668,113	26,993,134
Current Liabilities	2,134,113	2,043,750
Long-term Liabilities	15,137,368	15,716,297
Total Liabilities	17,271,481	17,760,047
Net Assets		
Invested in capital assets, net of related debt	6,626,683	6,325,411
Restricted	820,547	897,432
Unrestricted	2,949,402	2,010,244
Total Net Assets	\$ 10,396,632	\$ 9,233,087

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2010

A portion of the District's net assets (64%) 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 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$2,949,402 may be used to meet the District's ongoing obligations to students, employees, and creditors.

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2010

Changes in Net Assets	Governmental Activities	
	2010	2009
Revenues		
Program revenues		
Charges for services	\$ 326,944	\$ 350,539
Operating grants and contributions	2,613,309	1,141,726
General revenues		
Property tax	4,360,629	3,800,846
State support	7,032,875	8,224,474
Other	536,169	476,748
Total Revenues	<u>14,869,926</u>	<u>13,994,333</u>
Expenses		
Instructional	7,111,049	6,815,716
Pupil support	799,358	649,283
Staff support	377,086	344,610
General administration	373,711	346,274
School administration	754,300	649,996
Operation	1,757,367	1,384,982
Transportation	699,505	711,588
Non-instructional	14,705	14,539
Interest	661,384	909,724
Depreciation	580,828	268,272
Child nutrition services	577,088	549,165
Total Expenses	<u>13,706,381</u>	<u>12,644,149</u>
Increase in Net Assets	<u>\$ 1,163,545</u>	<u>\$ 1,350,184</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2010

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 \$2,198,794. The unreserved and undesignated fund balance increased by \$837,872 during the current fiscal year.

Expenditures for general District purposes totaled \$9,861,810, an increase of 5% during the current fiscal year.

The plant facility fund has a total fund balance of \$11,559, the majority of which is restricted for construction of facilities, purchase of equipment and related expenditures. The fund balance decreased by \$17,755 during the current year.

The capital construction fund has a total fund balance of \$0 and is restricted for the construction of Teton Middle School. The fund balance decreased by \$82,453 during the current year.

The debt service fund has a total fund balance of \$422,002, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance increased by \$56,944 during the current year.

The child nutrition fund has a total fund balance of \$70,191, all of which is reserved for the child nutrition program. The fund balance increased by \$11,647 during the current year.

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2010

General Fund Budgetary Highlights

There were amendments made to the original budget.

During the year actual revenues exceeded the final budgetary estimates by \$71,475 in the general fund.

During the current fiscal year, the \$71,475 positive budget to actual variance in total general fund revenues, and the \$893,854 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, 2010 are outlined below:

Capital Assets (Net of Depreciation)	Governmental Activities	
	2010	2009
Land	\$ 951,000	\$ 951,000
Buildings and improvements	23,826,570	23,646,108
Furniture and equipment	5,486,102	5,287,900
	30,263,672	29,885,008
Accumulated depreciation	(8,036,587)	(7,455,759)
Total Capital Assets, Net of Depreciation	\$ 22,227,085	\$ 22,429,249

TETON COUNTY SCHOOL DISTRICT NO. 401
Management's Discussion and Analysis (continued)
June 30, 2010

Debt Administration

Outstanding debt at June 30, 2010 is outlined below:

Outstanding Debt	Governmental Activities	
	2010	2009
General obligation bonds	\$ 15,295,000	\$ 15,775,000
Compensated absences	90,187	100,030
Bond premium, net of amortization	302,181	321,267
	<u>\$ 15,687,368</u>	<u>\$ 16,196,297</u>

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, 2010

Assets	Governmental Activities
Cash and Investments	\$ 2,744,312
Receivables	
Property taxes	2,203,761
State of Idaho	209,753
Other	196,236
Bond Issue Costs, Net of Amortization	86,966
Capital Assets	
Land	951,000
Buildings and equipment , net of depreciation	<u>21,276,085</u>
Total Assets	<u>\$ 27,668,113</u>
 Liabilities	
Accounts payable	\$ 34,082
Salary contracts payable	1,269,076
Deferred revenue	791
Interest payable	280,164
Long-term liabilities:	
Portion due or payable within one year:	
Bonds, capital leases, and contracts	550,000
Portion due or payable after one year:	
Bonds, capital leases, and contracts	14,835,187
Bond issue premium, net of amortization	<u>302,181</u>
Total Liabilities	<u>\$ 17,271,481</u>

Net Assets	Governmental Activities
Invested in capital assets, net of related debt	\$ 6,626,683
Restricted for:	
Debt service	721,878
Capital projects	98,669
Unrestricted	<u>2,949,402</u>
 Total Net Assets	 <u>\$ 10,396,632</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Statement of Activities
Year Ended June 30, 2010

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	\$ 7,111,049	\$ 145,509	\$ 1,750,048	\$ (5,215,492)
Pupil support	799,358	-	455,961	(343,397)
Staff support	377,086	-	-	(377,086)
General administration	373,711	-	-	(373,711)
School administration	754,300	-	-	(754,300)
Operation	1,757,367	-	-	(1,757,367)
Transportation	699,505	-	-	(699,505)
Non-instructional	14,705	-	-	(14,705)
Interest on				
long-term debt	661,384	-	-	(661,384)
Depreciation -				
unallocated*	580,828	-	-	(580,828)
Child nutrition services	577,088	181,435	407,300	11,647
Total Governmental Activities	\$ 13,706,381	\$ 326,944	\$ 2,613,309	(10,766,128)
General Revenues:				
Taxes:				
				2,772,130
				387,313
				1,201,186
				528,542
				7,032,875
				7,627
				11,929,673
				1,163,545
				9,233,087
				\$ 10,396,632

* 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, 2010

Assets	General Fund	Child Nutrition Fund
Cash and Investments	\$ 2,243,095	\$ 101,511
Due from Other Funds	229,409	-
Receivables		
Property taxes	1,370,200	-
State of Idaho	172,876	-
Other	4,396	8,806
Total Assets	<u>\$ 4,019,976</u>	<u>\$ 110,317</u>
Liabilities and Fund Balances		
Liabilities		
Due to other funds	\$ -	\$ -
Accounts payable	29,805	-
Salary contracts payable	1,118,174	40,126
Interest payable	-	-
Deferred revenues	673,203	-
Total Liabilities	<u>1,821,182</u>	<u>40,126</u>
Fund Balances		
Reserved for		
Retirement of long-term debt	-	-
Construction commitments	-	-
Unreserved		
Undesignated	2,198,794	-
Undesignated, reported in special revenue funds	-	70,191
Total Fund Balances	<u>2,198,794</u>	<u>70,191</u>
Total Liabilities and Fund Balances	<u>\$ 4,019,976</u>	<u>\$ 110,317</u>

Debt Service Fund	Capital Construction Fund	Plant Facility Fund	Other Governmental Funds	Total Governmental Funds
\$ 375,838	\$ -	\$ -	\$ 23,868	\$ 2,744,312
-	-	-	-	229,409
626,204	-	207,357	-	2,203,761
-	-	-	36,877	209,753
-	-	-	183,034	196,236
\$ 1,002,042	\$ -	\$ 207,357	\$ 243,779	\$ 5,583,471
\$ -	\$ -	\$ 104,788	\$ 124,621	\$ 229,409
-	-	3,900	377	34,082
-	-	-	110,776	1,269,076
280,164	-	-	-	280,164
299,876	-	87,110	791	1,060,980
580,040	-	195,798	236,565	2,873,711
422,002	-	-	-	422,002
-	-	11,559	-	11,559
-	-	-	-	2,198,794
-	-	-	7,214	77,405
422,002	-	11,559	7,214	2,709,760
\$ 1,002,042	\$ -	\$ 207,357	\$ 243,779	\$ 5,583,471

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, 2010

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

Total Fund Balance - Governmental Funds	\$	2,709,760
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$30,263,672 and the accumulated depreciation is \$8,036,587.		22,227,085
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(15,385,187)
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 \$22,886.		86,966
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 \$79,522.		(302,181)
Property tax revenue is recognized when earned rather than when available.		<u>1,060,189</u>
	<u>\$</u>	<u>10,396,632</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
Governmental Funds
Year Ended June 30, 2010

	General Fund	Child Nutrition Fund
Revenues		
Local sources		
Property taxes	\$ 2,683,152	\$ -
Earnings on investments	7,627	-
Lunch sales	-	170,186
Other	506,696	11,249
State sources		
State apportionment	6,696,548	-
Other	208,711	-
Federal sources		
Educational programs and other	1,078,486	407,300
Total Revenues	<u>11,181,220</u>	<u>588,735</u>
Expenditures		
Current		
Instructional	5,969,454	-
Pupil support	343,397	-
Staff support	377,086	-
General administration	373,711	-
School administration	754,300	-
Operation	1,310,571	-
Transportation	699,505	-
Non-instructional	13,205	577,088
Debt Service		
Principal	-	-
Interest	-	-
Capital outlay	20,581	-
Total Expenditures	<u>9,861,810</u>	<u>577,088</u>
Excess (Deficiency) of Revenues over Expenditures	1,319,410	11,647
Other Financing Sources (Uses)		
Transfers in	32,020	-
Transfers out	<u>(513,558)</u>	<u>-</u>
Net Change in Fund Balances	837,872	11,647
Fund Balance Beginning of Year	<u>1,360,922</u>	<u>58,544</u>
Fund Balance End of Year	<u>\$ 2,198,794</u>	<u>\$ 70,191</u>

Debt Service Fund	Capital Construction Fund	Plant Facility Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,213,420	\$ -	\$ 408,700	\$ -	\$ 4,305,272
-	-	-	-	7,627
-	-	-	-	170,186
-	-	21,846	145,509	685,300
-	-	-	-	6,696,548
-	-	-	127,616	336,327
-	-	-	1,127,523	2,613,309
<u>1,213,420</u>	<u>-</u>	<u>430,546</u>	<u>1,400,648</u>	<u>14,814,569</u>
-	-	-	1,151,438	7,120,892
-	-	-	455,961	799,358
-	-	-	-	377,086
-	-	-	-	373,711
-	-	-	-	754,300
-	5,396	441,400	-	1,757,367
-	-	-	-	699,505
1,500	-	-	-	591,793
480,000	-	-	-	480,000
674,976	-	-	-	674,976
-	77,057	281,026	-	378,664
<u>1,156,476</u>	<u>82,453</u>	<u>722,426</u>	<u>1,607,399</u>	<u>14,007,652</u>
56,944	(82,453)	(291,880)	(206,751)	806,917
-	-	274,125	239,433	545,578
-	-	-	(32,020)	(545,578)
56,944	(82,453)	(17,755)	662	806,917
<u>365,058</u>	<u>82,453</u>	<u>29,314</u>	<u>6,552</u>	<u>1,902,843</u>
\$ 422,002	\$ -	\$ 11,559	\$ 7,214	\$ 2,709,760

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, 2010

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

Net Change in Fund Balance - Governmental Funds	\$	806,917
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.		(202,164)
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.		55,357
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.		9,843
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.		480,000
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.		19,085
		<hr/>
Change in Net Assets of Governmental Activities	\$	<hr/> 1,163,545 <hr/>

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, 2010

Assets	Agency Funds
Cash and Investments	\$ 92,020
Total Assets	\$ 92,020
Liabilities	
Due to Student Groups	\$ 92,020
Total Liabilities	\$ 92,020

The Accompanying Notes are an Integral Part of the Financial Statements

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements
June 30, 2010

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

- The *capital construction fund* accounts for resources accumulated and payments made for major construction projects of the District.

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, except that the commodities received for the child nutrition program are not budgeted.

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 37:

	<u>Reported Amounts</u>	<u>Commodities Received</u>	<u>Amounts Reported in Comparison with Budget</u>
Child Nutrition Fund			
Total revenues	\$ 588,735	\$ (57,828)	\$ 530,907
Total expenditures	\$ 577,088	\$ (57,828)	\$ 519,260

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

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.

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:

Buildings.....	50 yrs
Busses.....	10 yrs
Furniture.....	10 yrs
Equipment.....	10 yrs
Vehicles.....	8 yrs
Computer equipment.....	5 yrs

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

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) up to \$250,000 per depository.

1. Deposits – At June 30, 2010, the carrying amount of the District's deposits was \$636,875 and the respective bank balances totaled \$782,371. Of the bank balances, \$250,000 were insured or collateralized with pooled securities held by the pledging financial institution in the name of the District.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

2. Cash and Short-Term Investments (continued)

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, 2010, \$532,371 of the District’s total deposits of \$782,371 were not covered by federal depository insurance, and thus were exposed to custodial credit risk.
3. Investments – As of June 30, 2010, 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
State Investment Pool	AAAf	\$ 2,199,457	\$ 2,199,457	\$ -	\$ -	\$ -

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.
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, 2010, had a weighted average maturity of 82 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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

2. Cash and Short-Term Investments (continued)

Reconciliation of deposits categorization:

Cash and investments reported on the statement of net assets	\$ 2,744,312
Cash and investments reported on the statement of fiduciary net assets	<u>92,020</u>
	<u>\$ 2,836,332</u>
Investments categorized	\$ 2,199,457
Deposits categorized	<u>636,875</u>
	<u>\$ 2,836,332</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, 2010, are generally based on the assessed values and tax levies established in 2009.

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 951,000	\$ -	\$ -	\$ 951,000
Total Capital Assets, Not Being Depreciated	<u>\$ 951,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 951,000</u>
Capital Assets, Being Depreciated				
Buildings and improvements	\$ 23,646,108	\$ 180,462	\$ -	\$ 23,826,570
Furniture and equipment	5,287,900	198,202	-	5,486,102
Total Capital Assets, Being Depreciated	<u>28,934,008</u>	<u>378,664</u>	<u>-</u>	<u>29,312,672</u>
Accumulated Depreciation for				
Buildings and improvements	(2,811,988)	(475,930)	-	(3,287,918)
Furniture and equipment	(4,643,771)	(104,898)	-	(4,748,669)
Total Accumulated Depreciation	<u>(7,455,759)</u>	<u>(580,828)</u>	<u>-</u>	<u>(8,036,587)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 21,478,249</u>			<u>\$ 21,276,085</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

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, 2010, were as follows:

	Intrest Rates	Maturity Dates	Amount
General Obligation Refunding Bonds, 2004 Issue (Original amount--\$4,390,000)	2.00% to 3.90%	2011 to 2017	\$ 3,355,000
General Obligation Bonds, 2006 Issue (Original amount--\$12,000,000)	4.00% to 5.00%	2011 to 2026	\$ 11,940,000

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.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

6. General Obligation Bonds Payable (continued)

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>
2011	\$ 550,000	\$ 682,392	\$ 1,232,392
2012	630,000	653,168	1,283,168
2013	690,000	633,205	1,323,205
2014	750,000	609,824	1,359,824
2015	825,000	576,675	1,401,675
Thereafter	<u>11,850,000</u>	<u>3,205,400</u>	<u>15,055,400</u>
	<u>\$ 15,295,000</u>	<u>\$ 6,360,664</u>	<u>\$ 21,655,664</u>

7. Changes in Long-term Debt

The following is a summary of the District's long-term transactions for the year ended June 30, 2010:

	<u>2004 G.O. Refunding Bonds</u>	<u>2006 G.O. Bonds</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
Long-term Obligations June 30, 2009	\$ 3,785,000	\$ 11,990,000	\$ 100,030	\$ 15,875,030
Obligations Incurred	-	-	-	-
Obligaitons Paid	<u>(430,000)</u>	<u>(50,000)</u>	<u>(9,843)</u>	<u>(489,843)</u>
Long-term Obligations June 30, 2010	<u>\$ 3,355,000</u>	<u>\$ 11,940,000</u>	<u>\$ 90,187</u>	<u>\$ 15,385,187</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

8. 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, 2010, 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 \$728,086, \$696,664, and \$649,219, for the three years ended June 30, 2010, 2009, and 2008, respectively.

9. Non-monetary Transactions

The District received commodities from the U.S. Government valued at \$57,828. The value was determined by confirmation with the State of Idaho Department of Education.

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

10. Other Required Individual Fund Disclosures

The District expenditures exceeded the budgeted amounts in the following fund during the year ended June 30, 2010:

Fund	Amount Exceeded
Medicaid Administration.....	\$ 21,184

Deficits in Individual Funds

There were no fund deficits at June 30, 2010.

11. Interfund Transfers

The interfund balances at June 30, 2010 were as follows:

	Interfund Receivables	Interfund Payables
Major Funds		
General Fund	\$ 229,409	\$ -
Plant Facility Fund	-	104,788
Non-major Funds		
Vocational Education Fund	-	6,761
Title I Fund	-	26,736
Title IB Fund	-	20,402
Carl Perkins Grant Fund	-	6,164
Title III Fund	-	164
Title IIA Fund	-	8,039
Title IID Technology Fund	-	31,364
Medicaid Administration Fund	-	24,991
	\$ 229,409	\$ 229,409

TETON COUNTY SCHOOL DISTRICT NO. 401
Notes to Financial Statements (continued)
June 30, 2010

11. Interfund Transfers (continued)

Balances 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.

A summary of interfund transfers by fund is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds		
General	\$ 32,020	\$ 513,558
Plant Facility	274,125	-
Non Major Funds		
Federal Forest	-	32,020
School Technology	203,409	-
Title VI B - Preschool	301	-
Medicaid Administration	35,723	-
	<u>\$ 545,578</u>	<u>\$ 545,578</u>

Transfers were made to move bus depreciation to the plant facility fund and to cover costs of salaries, benefits and operating costs of special revenue 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, 2010

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive Negative
Revenues				
Local sources				
Property taxes	\$ 2,619,750	\$ 2,753,686	\$ 2,683,152	\$ (70,534)
Earnings on investments	50,000	6,000	7,627	1,627
Other	285,750	348,000	506,696	158,696
State sources				
State apportionment	7,607,955	7,777,532	6,696,548	(1,080,984)
Other	177,500	212,621	208,711	(3,910)
Federal sources				
Educational programs and other	-	11,906	1,078,486	1,066,580
Total Revenues	10,740,955	11,109,745	11,181,220	71,475
Expenditures				
Current				
Instructional	6,077,456	6,062,404	5,969,454	92,950
Pupil support	362,957	345,275	343,397	1,878
Staff support	491,944	494,703	377,086	117,617
General administration	369,599	379,816	373,711	6,105
School administration	684,101	754,367	754,300	67
Operation	1,398,737	1,393,999	1,310,571	83,428
Transportation	761,135	770,556	699,505	71,051
Non-instructional	14,028	15,120	13,205	1,915
Capital outlay	-	-	20,581	(20,581)
Contingency	984,517	539,424	-	539,424
Total Expenditures	11,144,474	10,755,664	9,861,810	893,854
Excess (Deficiency) of Revenues over Expenditures	(403,519)	354,081	1,319,410	965,329
Other Financing Sources (Uses)				
Transfers in	35,000	32,020	32,020	-
Transfers (out)	(281,481)	(579,639)	(513,558)	66,081
Net Change in Fund Balances	(650,000)	(193,538)	837,872	1,031,410
Fund Balance, Beginning of Year	650,000	1,360,922	1,360,922	-
Fund Balance, End of Year	\$ -	\$ 1,167,384	\$ 2,198,794	\$ 1,031,410

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, 2010

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Lunch sales	190,000	\$ 190,000	\$ 170,186	\$ (19,814)
Other	3,000	8,000	11,249	3,249
Federal sources				
Educational programs and other	270,000	270,000	349,472	79,472
Total Revenues	<u>463,000</u>	<u>468,000</u>	<u>530,907</u>	<u>62,907</u>
Expenditures				
Current				
Non-instructional	493,000	526,544	519,260	7,284
Total Expenditures	<u>493,000</u>	<u>526,544</u>	<u>519,260</u>	<u>7,284</u>
Net Change in Fund Balances	(30,000)	(58,544)	11,647	70,191
Fund Balance, Beginning of Year	<u>30,000</u>	<u>58,544</u>	<u>58,544</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,191</u>	<u>\$ 70,191</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
Debt Service Fund
Year Ended June 30, 2010

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Property taxes	\$ 1,224,592	\$ 1,224,592	\$ 1,213,420	\$ (11,172)
Total Revenues	<u>1,224,592</u>	<u>1,224,592</u>	<u>1,213,420</u>	<u>(11,172)</u>
Expenditures				
Current				
Non-instructional	3,000	3,000	1,500	1,500
Debt service				
Principal	480,000	430,000	480,000	(50,000)
Interest	679,893	729,893	674,976	54,917
Total Expenditures	<u>1,162,893</u>	<u>1,162,893</u>	<u>1,156,476</u>	<u>6,417</u>
Net Change in Fund Balances	61,699	61,699	56,944	(4,755)
Fund Balance, Beginning of Year	<u>451,866</u>	<u>365,058</u>	<u>365,058</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 513,565</u>	<u>\$ 426,757</u>	<u>\$ 422,002</u>	<u>\$ (4,755)</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
Capital Construction Fund
Year Ended June 30, 2010

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Operation	-	-	5,396	(5,396)
Capital outlay	-	82,453	77,057	5,396
Total Expenditures	-	82,453	82,453	-
Net Change in Fund Balances	-	(82,453)	(82,453)	-
Fund Balance, Beginning of Year	-	-	82,453	82,453
Fund Balance, End of Year	\$ -	\$ (82,453)	\$ -	\$ 82,453

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, 2010

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive Negative
Revenues				
Local sources				
Property taxes	400,000	\$ 400,000	\$ 408,700	\$ 8,700
Other	-	22,146	21,846	(300)
Total Revenues	<u>400,000</u>	<u>422,146</u>	<u>430,546</u>	<u>8,400</u>
Expenditures				
Current				
Operation	-	-	441,400	(441,400)
Capital outlay	<u>478,000</u>	<u>788,630</u>	<u>281,026</u>	<u>507,604</u>
Total Expenditures	<u>478,000</u>	<u>788,630</u>	<u>722,426</u>	<u>66,204</u>
Excess (Deficiency) of Revenues over Expenditures	(78,000)	(366,484)	(291,880)	74,604
Other Financing Sources (Uses)				
Transfers in	<u>78,000</u>	<u>337,170</u>	<u>274,125</u>	<u>(63,045)</u>
Net Change in Fund Balances	-	(29,314)	(17,755)	11,559
Fund Balance, Beginning of Year	<u>-</u>	<u>29,314</u>	<u>29,314</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,559</u>	<u>\$ 11,559</u>

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, 2010

	Federal Forest Fund	Driver Education Fund	Vocational Education Fund	School Technology Fund
Assets				
Cash and Investments	\$ -	\$ 5,364	\$ -	\$ 10,267
Receivables				
State of Idaho	-	3,375	8,511	-
Other	-	-	-	-
Total Assets	\$ -	\$ 8,739	\$ 8,511	\$ 10,267
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ -	\$ 6,761	\$ -
Accounts payable	-	377	-	-
Salary contracts payable	-	1,148	1,750	10,267
Deferred revenues	-	-	-	-
Total Liabilities	-	1,525	8,511	10,267
Fund Balances				
Unreserved				
Undesignated	-	7,214	-	-
Total Fund Balances	-	7,214	-	-
Total Liabilities and Fund Balances	\$ -	\$ 8,739	\$ 8,511	\$ 10,267

Substance Abuse Prevention Fund	Title I Fund	Title I-B Fund	Title VIB Fund	Title VIB Preschool Fund	Title V-A Innovative Fund
\$ -	\$ -	\$ -	\$ 6,508	\$ 938	\$ 791
-	-	-	-	-	-
-	54,922	29,868	39,867	4,300	-
\$ -	\$ 54,922	\$ 29,868	\$ 46,375	\$ 5,238	\$ 791
\$ -	\$ 26,736	\$ 20,402	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	28,186	9,466	46,375	5,238	-
-	-	-	-	-	791
-	54,922	29,868	46,375	5,238	791
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ 54,922	\$ 29,868	\$ 46,375	\$ 5,238	\$ 791

TETON COUNTY SCHOOL DISTRICT NO. 401
Combining Balance Sheet – Nonmajor Governmental Funds (continued)
June 30, 2010

	Carl Perkins Grant Fund	Title III Fund	Title IIA Fund	Drug Free Schools Fund
Assets				
Cash and Investments	\$ -	\$ -	\$ -	\$ -
Receivables				
State of Idaho	-	-	-	-
Other	6,164	3,363	13,186	-
Total Assets	\$ 6,164	\$ 3,363	\$ 13,186	\$ -
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ 6,164	\$ 164	\$ 8,039	\$ -
Accounts payable	-	-	-	-
Salary contracts payable	-	3,199	5,147	-
Deferred revenues	-	-	-	-
Total Liabilities	6,164	3,363	13,186	-
Fund Balances				
Unreserved				
Undesignated	-	-	-	-
Total Fund Balances	-	-	-	-
Total Liabilities and Fund Balances	\$ 6,164	\$ 3,363	\$ 13,186	\$ -

Title IID Technology Fund	Medicaid Administration Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 23,868
-	24,991	36,877
<u>31,364</u>	<u>-</u>	<u>183,034</u>
\$ 31,364	\$ 24,991	\$ 243,779
\$ 31,364	\$ 24,991	\$ 124,621
-	-	377
-	-	110,776
<u>-</u>	<u>-</u>	<u>791</u>
<u>31,364</u>	<u>24,991</u>	<u>236,565</u>
<u>-</u>	<u>-</u>	<u>7,214</u>
<u>-</u>	<u>-</u>	<u>7,214</u>
\$ 31,364	\$ 24,991	\$ 243,779

TETON COUNTY SCHOOL DISTRICT NO. 401
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010

	Federal Forest Fund	Drivers Education Fund	Vocational Education Fund	School Technology Fund
Revenues				
Local sources				
Other	\$ -	\$ 14,193	\$ -	\$ -
State sources				
Other	-	12,076	29,855	59,764
Federal sources				
Educational programs and other	32,020	-	-	-
Total Revenues	32,020	26,269	29,855	59,764
Expenditures				
Current				
Instructional	-	25,607	29,855	-
Pupil support	-	-	-	263,173
Total Expenditures	-	25,607	29,855	263,173
Excess (Deficiency) of Revenues over Expenditures	32,020	662	-	(203,409)
Other Financing Sources (Uses)				
Transfers in	-	-	-	203,409
Transfers out	(32,020)	-	-	-
Net Change in Fund Balances	-	662	-	-
Fund Balance, Beginning of Year	-	6,552	-	-
Fund Balance, End of Year	\$ -	\$ 7,214	\$ -	\$ -

Substance Abuse Prevention Fund	Title I Fund	Title I-B Fund	Title VIB Fund	Title VIB Preschool Fund	Title V-A Innovative Fund
\$ -	\$ -	\$ -	\$ 5,615	\$ -	\$ -
25,921	-	-	-	-	-
-	311,433	168,155	457,329	29,505	-
25,921	311,433	168,155	462,944	29,505	-
25,921	311,433	168,155	462,944	29,806	-
-	-	-	-	-	-
25,921	311,433	168,155	462,944	29,806	-
-	-	-	-	(301)	-
-	-	-	-	301	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TETON COUNTY SCHOOL DISTRICT NO. 401
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (continued)
Year Ended June 30, 2010

	Carl Perkins Grant Fund	Title III Fund	Title IIA Fund	Drug Free Schools Fund
Revenues				
Local sources				
Other	\$ -	\$ -	\$ -	\$ -
State sources				
Other	-	-	-	-
Federal sources				
Educational programs and other	22,259	22,143	46,294	7,021
Total Revenues	<u>22,259</u>	<u>22,143</u>	<u>46,294</u>	<u>7,021</u>
Expenditures				
Current				
Instructional	22,259	22,143	46,294	7,021
Pupil support	-	-	-	-
Total Expenditures	<u>22,259</u>	<u>22,143</u>	<u>46,294</u>	<u>7,021</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Title IID Technology Fund	Medicaid Administration Fund	Total Nonmajor Governmental Funds
\$ -	\$ 125,701	\$ 145,509
-	-	127,616
<u>31,364</u>	<u>-</u>	<u>1,127,523</u>
<u>31,364</u>	<u>125,701</u>	<u>1,400,648</u>
-	-	1,151,438
<u>31,364</u>	<u>161,424</u>	<u>455,961</u>
<u>31,364</u>	<u>161,424</u>	<u>1,607,399</u>
-	(35,723)	(206,751)
-	35,723	239,433
<u>-</u>	<u>-</u>	<u>(32,020)</u>
-	-	662
<u>-</u>	<u>-</u>	<u>6,552</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,214</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
Combining Statement of Changes in Assets and Liabilities – Student Activities
Agency Funds
Year Ended June 30, 2010

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
Teton High School				
Activity Fund				
Assets				
Cash	\$ 81,890	\$ 285,067	\$ 300,033	\$ 66,924
Liabilities				
Due to student groups	\$ 81,890	\$ 285,067	\$ 300,033	\$ 66,924
Teton Middle School				
Activity Fund				
Assets				
Cash	\$ 11,513	\$ 53,346	\$ 50,803	\$ 14,056
Liabilities				
Due to student groups	\$ 11,513	\$ 53,346	\$ 50,803	\$ 14,056
Victor Elementary School				
Activity Fund				
Assets				
Cash	\$ 1,926	\$ 23,786	\$ 19,227	\$ 6,485
Liabilities				
Due to student groups	\$ 1,926	\$ 23,786	\$ 19,227	\$ 6,485
Tetonia Elementary School				
Activity Fund				
Assets				
Cash	\$ 3,203	\$ 12,994	\$ 12,191	\$ 4,006
Liabilities				
Due to student groups	\$ 3,203	\$ 12,994	\$ 12,191	\$ 4,006
Driggs Elementary School				
Activity Fund				
Assets				
Cash	\$ 1,060	\$ 11,383	\$ 11,894	\$ 549
Liabilities				
Due to student groups	\$ 1,060	\$ 11,383	\$ 11,894	\$ 549
Total - All School Activity Funds				
Assets				
Cash	\$ 99,592	\$ 386,576	\$ 394,148	\$ 92,020
Liabilities				
Due to student groups	\$ 99,592	\$ 386,576	\$ 394,148	\$ 92,020

TETON COUNTY SCHOOL DISTRICT NO. 401
Activity in Taxes Receivable Accounts by Fund
Year Ended June 30, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facility Fund</u>
Teton County			
Balance at June 30, 2009	\$ 1,144,587	\$ 611,219	\$ 211,190
Add - Taxes Assessed for 2009 (Net of Cancellations)	2,822,805	1,170,073	373,626
Less - Collections Received	<u>2,597,192</u>	<u>1,155,088</u>	<u>377,459</u>
Balance at June 30, 2010	<u>\$ 1,370,200</u>	<u>\$ 626,204</u>	<u>\$ 207,357</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
General Bonded Debt – Future Principal and Interest Requirements
June 30, 2010

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation				
Refunding	3.000%	2011	\$ 440,000	\$ 104,955
School Bonds	2.500%	2012	450,000	91,755
Series 2004	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
			<u>\$ 3,355,000</u>	<u>\$ 442,983</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
General Bonded Debt – Future Principal and Interest Requirements (continued)
June 30, 2010

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
General Obligation				
School Bonds	4.000%	2011	110,000	567,437
Series 2006	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
			<u>\$ 11,940,000</u>	<u>\$ 5,907,681</u>

TETON COUNTY SCHOOL DISTRICT NO. 401
Teton High School Activity Fund
Statement of Cash Receipts Disbursements and Transfers
Year Ended June 30, 2010

Name of Organization	Balance June 30, 2009	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2010
Athletics	\$ 1,592	\$ 41,441	\$ 46,265	\$ 3,295	\$ 63
Jr. Class T-shirts	-	1,011	932	(56)	23
Baseball Travel	-	550	50	(475)	25
Baseball Camp	50	-	46	-	4
Baseball Spirit Packs	(1,074)	274	361	1,194	33
Softball Travel	-	621	501	(70)	50
Softball Spirit Packs	641	97	90	(648)	-
Boys Basketball Travel	25	153	-	(178)	-
Boys Basketball Camp	631	1,687	862	-	1,456
BBB Spirit Packs	(32)	12	156	178	2
Cheerleaders	(1,804)	7,513	7,206	-	(1,497)
Drill Team	3,718	6,630	8,962	(138)	1,248
Golf Travel	-	325	-	(295)	30
Golf Spirit Packs	(288)	20	-	295	27
Girls Basketball Travel	-	644	619	-	25
Girls Basketball Camp	3,640	2,090	1,077	(1,168)	3,485
GBB Spirit Packs	(171)	1,266	2,220	1,075	(50)
Football Travel	-	1,350	25	(1,300)	25
Football Camp	(584)	2,040	1,335	(25)	96
Football Spirit Packs	(1,739)	1,840	2,855	2,754	-
Track Travel	-	1,410	25	(1,335)	50
Track Spirit Packs	345	239	119	(316)	149
Cross Country Travel	-	1,075	1,075	-	-
X Cntry Food/Uniform	244	-	244	-	-
Volleyball Travel	-	621	621	-	-
Volleyball Camp	(545)	555	236	226	-
Volleyball Spirit Packs	483	1,291	1,026	(288)	460
Soccer Travel	-	1,059	898	(136)	25
Soccer Spirit Packs	(226)	394	242	74	-
Girls Soccer Spirit Packs	-	642	664	22	-
Boys Soccer camp	-	5,449	3,701	19	1,767
Wrestling Travel	-	580	-	(621)	(41)
Wrestling Camp	122	28	133	-	17
Wrestling Spirit Packs	(447)	727	621	641	300
Class of 2004	1,000	-	-	-	1,000
Class of 2008	1,012	-	-	-	1,012
Class of 2009	1,488	-	387	-	1,101
Class of 2010	3,318	2,443	10,452	4,691	-
Class of 2011	1,703	3,823	1,717	(262)	3,547
Class of 2012	305	2,050	372	(265)	1,718
Class of 2013	-	719	182	(217)	320
FFA	3,477	1,900	1,773	(35)	3,569
FCCLA	(897)	1,853	842	120	234
Honor Society	10,452	7,236	17,329	-	359
BPA	480	7,989	8,236	-	233
Debate Travel	-	1,125	25	(1,050)	50
Debate Club	-	439	142	11	308

TETON COUNTY SCHOOL DISTRICT NO. 401
Teton High School Activity Fund
Statement of Cash Receipts Disbursements and Transfers (continued)
Year Ended June 30, 2010

Name of Organization	Balance June 30, 2009	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2010
Quiz Bowl	26	50	126	196	146
Quiz Bowl Travel	-	275	325	50	-
Agriculture	3,096	5,307	5,359	44	3,088
Art	212	3,264	3,260	(135)	81
Family/Consumer	374	3,826	3,404	(151)	645
Woods	471	2,104	2,463	(70)	42
Business Department	931	408	10	31	1,360
ASB	-	3,491	-	(3,486)	5
Yearbook II	3,099	2,396	5,265	(230)	-
Yearbook 2006	(10,901)	-	-	-	(10,901)
Yearbook 2007	(2,883)	-	-	-	(2,883)
Yearbook 2008	(561)	100	-	-	(461)
Yearbook 2009	13,863	4,004	16,882	(985)	-
Yearbook 2010	-	14,466	2,515	(5)	11,946
Student Council	2,535	4,829	6,557	1,020	1,827
Newspaper	797	1,630	194	60	2,293
Newspaper II	135	-	-	-	135
Bookstore	(671)	11,942	10,612	160	819
Donations	6,227	8,486	6,870	-	7,843
Senior Sneak	-	5,093	115	(4,978)	-
Building Rental	-	317	317	-	-
Auditorium Rental	(308)	2,135	1,351	-	476
Winter Sports	617	12,236	11,941	-	912
High School Office	113	9,812	10,788	18	(845)
Office II	18	-	-	(18)	-
Sales Tax	365	2,572	6,563	3,626	-
Vending	1,996	8,018	8,514	(137)	1,363
Sched. Change/Reprint	4,462	1,848	5,742	(178)	390
Book Damage/Replace	4,138	1,251	1,556	-	3,833
Scholarship Fund	14,118	14,536	12,600	-	16,054
Drivers Ed	1,200	13,542	14,402	(140)	200
IDLA	100	3,925	4,027	2	-
Drama	241	195	138	(3)	295
Play Club	2,479	3,509	3,869	-	2,119
Music Department	3,385	22,845	23,619	(204)	2,407
Science Club	92	154	-	(246)	-
Latino Club	(267)	-	-	267	-
Latino Scholarship	1,814	-	1,814	-	-
Library	1,058	1,106	1,412	(149)	603
Interact Club	442	146	588	-	-
National Forensics	(44)	-	174	(10)	(228)
Basin High School	2,102	2,038	2,037	(66)	2,037
Petty Cash	100	-	-	-	100
	\$ 81,890	\$ 285,067	\$ 300,033	\$ -	\$ 66,924

TETON COUNTY SCHOOL DISTRICT NO. 401
Teton Middle School Activity Fund
Statement of Cash Receipts Disbursements and Transfers
Year Ended June 30, 2010

Name of Organization	Balance June 30, 2009	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2010
General Account	\$ 3	\$ -	\$ 1,276	\$ 1,373	\$ 100
Winter Sports	-	14,194	13,723	(471)	-
Insurance	-	227	331	104	-
Library	517	83	33	-	567
Photo	1,508	901	50	-	2,359
Vending	453	1,310	1,495	-	268
Art	-	318	204	(114)	-
Yearbook	1,335	3,423	3,505	-	1,253
Student Dues	3,003	11,676	8,059	(2,696)	3,924
Latino Club	82	350	-	(35)	397
Debate	-	54	90	36	-
Music	485	9,377	9,794	-	68
Office	3,497	4,110	4,531	-	3,076
Wrestling	-	1,323	1,197	(126)	-
Boys Basketball	-	520	1,497	977	-
Girls Basketball	-	460	880	420	-
Cheer	667	541	74	(166)	968
Track	138	1,640	715	(600)	463
Volleyball	48	724	380	-	392
Student Council	(280)	237	1,255	1,298	-
Gifted	-	164	-	-	164
Nancy Shirts	57	-	-	-	57
Charitable Donation	-	1,714	1,714	-	-
	\$ 11,513	\$ 53,346	\$ 50,803	\$ -	\$ 14,056

TETON COUNTY SCHOOL DISTRICT NO. 401
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Revenues Cash Basis</u>
U.S. Department of Agriculture			
Passed Through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 82,578	\$ 82,578
School Lunch Program	10.555	312,668	312,668
Special Milk Program for Children	10.556	3,501	3,501
Passed Through Teton County			
Federal Forest	10.665	32,020	32,020
		<u>430,767</u>	<u>430,767</u>
Total Department of Agriculture			
U.S. Department of Education			
Passed Through State Department of Education:			
* State Fiscal Stabilization Fund ARRA	84.394A	1,067,973	1,067,973
* Title I Part A Cluster			
Title I-Basic	84.010	273,833	223,187
Title I-ARRA	84.389A	37,600	37,600
* Special Education Cluster			
Title VI-B	84.027	312,003	273,926
Title VI-B - Preschool	84.173	20,756	16,155
Title VI-B ARRA	84.391A	145,326	145,326
Title VI-B Preschool ARRA	84.392A	9,050	9,050
Perkins III	84.048	22,259	20,783
Drug Free Schools	84.186	7,021	7,021
Reading First Grant	84.357	168,155	138,287
English Language Acquisitions Grant	84.365	22,143	18,780
Improving Teacher Quality	84.367	46,294	33,109
State Wide Data Systems	84.372	3,000	3,000
		<u>2,135,413</u>	<u>1,994,197</u>
Total Department of Education			
U.S. Department of Health and Human Services			
Passed Through State Department of Health and Welfare			
Social Services Block Grant	93.867	10,513	10,513
		<u>10,513</u>	<u>10,513</u>
Total Department of Health and Human Services			
		<u>\$ 2,576,693</u>	<u>\$ 2,435,477</u>
Total Federal Assistance			

* Major Federal Program

TETON COUNTY SCHOOL DISTRICT NO. 401
Note to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

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 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, 2010, which collectively comprise Teton County School District No. 401's basic financial statements and have issued our report thereon dated September 9, 2010. 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 Teton County School District No. 401's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

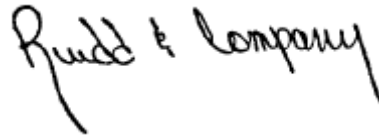
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 or other matters 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 9, 2010.

This report is intended solely for the information and use of management, the Board, others within the District and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 9, 2010



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Teton County School District No. 401's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Teton County School District No. 401's major federal programs for the year ended June 30, 2010. 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, 2010.

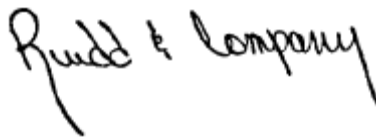
Internal Control over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies in internal control over compliance that might be deficiencies, 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 District and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 9, 2010

TETON COUNTY SCHOOL DISTRICT NO. 401
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

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

TETON COUNTY SCHOOL DISTRICT NO. 401
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2010

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
84.394A	State Fiscal Stabilization – ARRA
Title I Part A Cluster	
84.010	Title I Basic
84.389A	Title I – ARRA
Special Education Cluster	
84.027	Title VI-B
84.173	Title VI-B Preschool
84.391A	Title VI-B – ARRA
84.392A	Title VI-B Preschool - ARRA
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes