

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

**AUDITED FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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CHALLIS JOINT SCHOOL DISTRICT NO. 181

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## **FINANCIAL SECTION**

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## Independent Auditor's Report

Board of Trustees  
Challis Joint School District No. 181

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Challis Joint School District No. 181 (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Basis for Qualified Opinion on Governmental Activities**

Management believes the costs of implementing GASB 45 (having actuarial calculations performed for other post-employment benefits) cannot be justified at this time. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities has not been determined.

## **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of the School, as of June 30, 2017, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the School as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of employer’s share of net pension liability, and schedule of employer contributions listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be 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, and 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 inquiries 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.

Management has not included the management’s discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not 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,

and historical context. Our opinion on the basic financial statements is not affected by not including this information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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* in considering the School's internal control over financial reporting and compliance.

#### ***Quest CPAs PLLC***

Payette, Idaho  
September 29, 2017

## **BASIC FINANCIAL STATEMENTS**

# CHALLIS JOINT SCHOOL DISTRICT NO. 181

## Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets	
Cash & Investments	\$2,121,401
Receivables:	
Local Sources	134,022
State Sources	81,553
Federal Sources	36,314
Total Current Assets	<u>2,373,290</u>
Noncurrent Assets	
Nondepreciable Capital Assets	39,133
Depreciable Net Capital Assets	1,206,711
Total Noncurrent Assets	<u>1,245,844</u>
<b>Total Assets</b>	<u>3,619,134</u>
<b>Deferred Outflows of Resources</b>	
Pension Sources	878,110
<b>Total Deferred Outflows of Resources</b>	<u>878,110</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$4,497,244</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$8
Salaries & Benefits Payable	438,036
Unspent Grant Allocation	23,352
Total Current Liabilities	<u>461,396</u>
Noncurrent Liabilities	
Net Pension Liability	1,318,203
Total Noncurrent Liabilities	<u>1,318,203</u>
<b>Total Liabilities</b>	<u>1,779,599</u>
<b>Deferred Inflows of Resources</b>	
Pension Sources	431,133
<b>Total Deferred Inflows of Resources</b>	<u>431,133</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>2,210,732</u>
<b>Net Position</b>	
Net Investment in Capital Assets	1,245,844
Restricted:	
Special Programs	1,373,489
Capital Projects	525,888
Unrestricted (Deficit)	<u>(858,709)</u>
<b>Total Net Position</b>	<u>2,286,512</u>
<b>Total Liabilities and Deferred Inflows of Resources and Net Position</b>	<u>\$4,497,244</u>

See Accompanying Notes

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Activities  
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions		
<b>Governmental Activities</b>					
Instructional Programs					
Elementary School	\$921,086		\$75,181		(\$845,905)
Secondary School	750,827	\$3,450	39,197		(708,180)
Vocational-Technical	96,904		29,143		(67,761)
Special Education	195,986		100,815		(95,171)
Special Education Preschool	5,212		4,977		(235)
Interscholastic	57,233				(57,233)
School Activity	1,345				(1,345)
Support Service Programs					
Attendance - Guidance - Health	207,925		119,528		(88,397)
Special Education Support Services	44,290		209		(44,081)
Instruction Improvement	38,881		36,561		(2,320)
Educational Media	45,885				(45,885)
Instruction-Related Technology	77,513		52,418		(25,095)
Board of Education	39,834				(39,834)
District Administration	118,471		8,311		(110,160)
School Administration	259,913				(259,913)
Business Operation	94,725				(94,725)
Administrative Technology	111,553		845		(110,708)
Buildings - Care	332,906				(332,906)
Maintenance - Non-Student Occupied	4,164				(4,164)
Maintenance - Student Occupied	177,836				(177,836)
Maintenance - Grounds	24,044				(24,044)
Pupil-To-School Transportation	306,773				(306,773)
Pupil-Activity Transportation	34,248	14,556			(19,692)
General Transportation	13,671				(13,671)
Non-Instructional Programs					
Child Nutrition	152,876	51,298	82,740		(18,838)
Capital Assets - Student Occupied	33,247				(33,247)
Capital Assets - Non-Student Occupied	0				0
<b>Total</b>	<u>\$4,147,348</u>	<u>\$69,304</u>	<u>\$549,925</u>	<u>\$0</u>	<u>(3,528,119)</u>
<b>General Revenues</b>					
					475,417
					118,671
					2,677,658
					0
					<u>3,271,746</u>
<b>Change in Net Position</b>					
					(256,373)
<b>Net Position - Beginning</b>					
					<u>2,542,885</u>
<b>Net Position - Ending</b>					
					<u>\$2,286,512</u>

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2017

	<b>General Fund</b>	<b>Forest Reserve Fund</b>	<b>Child Nutrition Fund</b>	<b>Plant Facilities Fund</b>
<b>Assets</b>				
Cash & Investments	\$213,256	\$1,266,262	\$5,174	\$7,607
Receivables:				
Local Sources	119,257			14,765
State Sources	71,215			
Federal Sources				
Due From Other Funds	16,515			
<b>Total Assets</b>	<u>\$420,243</u>	<u>\$1,266,262</u>	<u>\$5,174</u>	<u>\$22,372</u>
<b>Liabilities</b>				
Accounts Payable			\$8	
Due To Other Funds				
Salaries & Benefits Payable	\$409,135		5,166	
Unspent Grant Allocation				
<b>Total Liabilities</b>	<u>409,135</u>	<u>\$0</u>	<u>5,174</u>	<u>\$0</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Tax Revenues	11,108			1,409
<b>Total Deferred Inflows of Resources</b>	<u>11,108</u>	<u>0</u>	<u>0</u>	<u>1,409</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs		1,266,262		
Capital Projects				20,963
Unassigned				
<b>Total Fund Balances</b>	<u>0</u>	<u>1,266,262</u>	<u>0</u>	<u>20,963</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$420,243</u>	<u>\$1,266,262</u>	<u>\$5,174</u>	<u>\$22,372</u>

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2017

	<b>Bus Depreciation Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash & Investments	\$504,925	\$124,177	\$2,121,401
Receivables:			
Local Sources		0	134,022
State Sources		10,338	81,553
Federal Sources		36,314	36,314
Due From Other Funds		0	16,515
<b>Total Assets</b>	<u>\$504,925</u>	<u>\$170,829</u>	<u>\$2,389,805</u>
<b>Liabilities</b>			
Accounts Payable		\$0	\$8
Due To Other Funds		16,515	16,515
Salaries & Benefits Payable		23,735	438,036
Unspent Grant Allocation		23,352	23,352
<b>Total Liabilities</b>	<u>\$0</u>	<u>63,602</u>	<u>477,911</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Tax Revenues		0	12,517
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>12,517</u>
<b>Fund Balances</b>			
Restricted:			
Special Programs		107,227	1,373,489
Capital Projects	504,925	0	525,888
Unassigned		0	0
<b>Total Fund Balances</b>	<u>504,925</u>	<u>107,227</u>	<u>1,899,377</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$504,925</u>	<u>\$170,829</u>	<u>\$2,389,805</u>

Balance Sheet - Governmental Funds

June 30, 2017

**Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities**

<b>Total Governmental Fund Balances</b>	\$1,899,377
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,245,844
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	12,517
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Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds.	(871,226)
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<b>Net Position of Governmental Activities</b>	<u><u>\$2,286,512</u></u>
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**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended June 30, 2017

	<u>General Fund</u>	<u>Forest Reserve Fund</u>	<u>Child Nutrition Fund</u>	<u>Plant Facilities Fund</u>
<b>Revenues</b>				
Local Taxes	\$426,473			\$49,932
Other Local Revenue	85,081	(\$33,297)	\$51,298	385
State Revenue	2,677,658			
Federal Revenue		16,170	82,740	
<b>Total Revenues</b>	<u>3,189,212</u>	<u>(17,127)</u>	<u>134,038</u>	<u>50,317</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	816,978			
Secondary School	727,732			
Vocational-Technical	67,761			
Special Education	95,171			
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health	90,676			
Special Education Support Services	44,081			
Instruction Improvement	1,900			
Educational Media	33,618			
Instruction-Related Technology	20,968			
Board of Education	39,834			
District Administration	110,160			
School Administration	259,913			
Business Operation	94,725			
Administrative Technology	110,708			
Buildings - Care	316,607			
Maintenance - Non-Student Occupied	4,164			
Maintenance - Student Occupied	177,836			
Maintenance - Grounds	614,760			
Pupil-To-School Transportation	269,985			
Pupil-Activity Transportation				
General Transportation	13,671			
Non-Instructional Programs				
Child Nutrition			152,876	
Capital Assets - Student Occupied				58,255
Capital Assets - Non-Student Occupied				
<b>Total Expenditures</b>	<u>3,911,248</u>	<u>0</u>	<u>152,876</u>	<u>58,255</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(722,036)	(17,127)	(18,838)	(7,938)
<b>Other Financing Sources (Uses)</b>				
Transfers In	768,985	11,655	18,838	
Transfers Out	(129,825)	(756,739)		
<b>Total Other Financing Sources (Uses)</b>	<u>639,160</u>	<u>(745,084)</u>	<u>18,838</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(82,876)	(762,211)	0	(7,938)
<b>Fund Balances - Beginning</b>	82,876	2,028,473	0	28,901
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$1,266,262</u>	<u>\$0</u>	<u>\$20,963</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended June 30, 2017

	<u>Bus Depreciation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local Taxes		\$0	\$476,405
Other Local Revenue	\$9,717	74,791	187,975
State Revenue		205,441	2,883,099
Federal Revenue		245,574	344,484
<b>Total Revenues</b>	<u>9,717</u>	<u>525,806</u>	<u>3,891,963</u>
<b>Expenditures</b>			
Instructional Programs			
Elementary School		103,851	920,829
Secondary School		22,886	750,618
Vocational-Technical		29,143	96,904
Special Education		100,815	195,986
Special Education Preschool		5,212	5,212
Interscholastic		57,233	57,233
School Activity		1,345	1,345
Support Service Programs			
Attendance - Guidance - Health		117,249	207,925
Special Education Support Services		209	44,290
Instruction Improvement		36,981	38,881
Educational Media		12,267	45,885
Instruction-Related Technology		56,545	77,513
Board of Education		0	39,834
District Administration		8,311	118,471
School Administration		0	259,913
Business Operation		0	94,725
Administrative Technology		845	111,553
Buildings - Care		16,299	332,906
Maintenance - Non-Student Occupied		0	4,164
Maintenance - Student Occupied		0	177,836
Maintenance - Grounds		1,575	616,335
Pupil-To-School Transportation	106,900	0	376,885
Pupil-Activity Transportation		34,248	34,248
General Transportation		0	13,671
Non-Instructional Programs			
Child Nutrition		0	152,876
Capital Assets - Student Occupied		0	58,255
Capital Assets - Non-Student Occupied		0	0
<b>Total Expenditures</b>	<u>106,900</u>	<u>605,014</u>	<u>4,834,293</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	(97,183)	(79,208)	(942,330)
<b>Other Financing Sources (Uses)</b>			
Transfers In	19,696	99,291	918,465
Transfers Out		(31,901)	(918,465)
<b>Total Other Financing Sources (Uses)</b>	<u>19,696</u>	<u>67,390</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>(77,487)</u>	<u>(11,818)</u>	<u>(942,330)</u>
<b>Fund Balances - Beginning</b>	582,412	119,045	2,841,707
<b>Fund Balances - Ending</b>	<u>\$504,925</u>	<u>\$107,227</u>	<u>\$1,899,377</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2017

Page 3 of 3

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities**

**Net Change in Fund Balances - Total Governmental Funds** (\$942,330)

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

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. 687,411

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (988)

Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds. (466)

**Change in Net Position of Governmental Activities** (\$256,373)

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Fiduciary Net Position

June 30, 2017

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds - Student Activity</b>	<b>Total</b>
<b>Assets</b>			
Cash & Investments	\$1,057,717	\$90,262	\$1,147,979
<b>Total Assets</b>	<u>\$1,057,717</u>	<u>\$90,262</u>	<u>\$1,147,979</u>
<b>Liabilities</b>			
Due to Student Groups		\$90,262	\$90,262
<b>Total Liabilities</b>	<u>\$0</u>	<u>90,262</u>	<u>90,262</u>
<b>Net Position</b>			
Restricted:			
Trust Activities	1,057,717		1,057,717
<b>Total Net Position</b>	<u>1,057,717</u>	<u>0</u>	<u>1,057,717</u>
<b>Total Liabilities and Net Position</b>	<u>\$1,057,717</u>	<u>\$90,262</u>	<u>\$1,147,979</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2017

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Contributions	\$31,065
Investment Income (Loss)	18,453
<b>Total Additions</b>	<u>49,518</u>
<b>Deductions</b>	
Trust Expenses	34,240
<b>Total Deductions</b>	<u>34,240</u>
<b>Change in Net Position</b>	15,278
Transfers In	2,946
Transfers Out	(2,946)
<b>Net Position - Beginning</b>	<u>1,042,439</u>
<b>Net Position - Ending</b>	<u><u>\$1,057,717</u></u>

# CHALLIS JOINT SCHOOL DISTRICT NO. 181

## Notes to Financial Statements

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** – Challis Joint School District No. 181 (the School) provides public school educational services as authorized by Section 33 of Idaho Code. The School's boundaries for taxing and school enrollment purposes are located within Custer and Lemhi Counties.

These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to school districts. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

**Basic Financial Statements - Government-Wide Statements** – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the School's activities are categorized as governmental activities.

In the government-wide statement of net position, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

The School reports expenditures in accordance with the State Department of Education's "Idaho Financial Accounting Reporting Management System" (IFARMS). IFARMS categorizes all expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities. Fiduciary funds are not included in the government-wide statements.

**Basic Financial Statements - Fund Financial Statements** – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred

## CHALLIS JOINT SCHOOL DISTRICT NO. 181

### Notes to Financial Statements

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outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Major governmental funds of the School include:

*General Fund* – The general fund is the School's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the forest reserve fund, used primarily for major capital outlay, and the child nutrition fund, which serves to account for providing nutritional meals to students (including subsidized meals).

*Capital Projects Funds* – Capital projects funds are used to account for the acquisition of capital assets. Major capital project funds include plant facilities fund, used to account for the maintenance of facilities and other capital assets and the bus depreciation fund, used to account for the acquisition of transportation equipment.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. Fiduciary funds of the School include:

*Private Purpose Trust Funds* – Private purpose trust funds are used to account for the assets, and related income producing and disbursement activities, for which the School acts as a trustee.

*Agency Funds* – Agency funds are used to account for assets held by the School on behalf of students.

**Basis of Accounting** – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Activities in the government-wide and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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### Notes to Financial Statements

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The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

**Cash and Investments** – Nearly all the cash and investment balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is paid to the general fund unless Idaho Code specifies otherwise. Investments include the local government investment pool, reported and measured at amortized cost following the provisions of GASB 79 which provide for consistent measurement of investment value amongst pool participants. Investments also include the diversified bond fund and are stated at fair value using the market approach and Level 2 inputs (inputs other than quoted prices included in Level 1 that are observable for an asset, liability, either directly or indirectly). The fair value of the diversified bond fund is not the same as the value of its shares.

**Receivables** – Receivables are reported net of any estimated uncollectible amounts.

**Inventories** – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

**Capital Assets and Depreciation** – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight line method, except for certain transportation vehicles which use the declining balance method.

**Compensated Absences** – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded.

**Pensions** – For purposes of measuring the net pension liability and pension expense/revenue, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (the Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows/Inflows of Resources** – The School's financial statements may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption

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### Notes to Financial Statements

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of net assets that apply to a future period. Deferred inflows of resources represent an acquisition of net assets that apply to a future period. Deferred outflows/inflows of resources generally represent amounts that are not available in the current period.

**Net Position** – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

**Fund Balance Classifications** – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources then assigned resources before using unassigned resources.

**Property Taxes** – The School is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20<sup>th</sup> and June 20<sup>th</sup>. A lien is filed on real property three years from the date of delinquency.

**Contingent Liabilities** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

**Interfund Activity** – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make

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Notes to Financial Statements

estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentrations of Credit Risk** – The School maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The School does not have a formal policy concerning concentrations of credit risk.

**Risk Management** – The School is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

**Nonmonetary Transactions** – Items received via food commodities programs are recognized at their stated fair market value.

**Subsequent Events** – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

**B. CASH AND INVESTMENTS**

Cash and investments consist of the following at year end:

Cash - Deposits	\$634,885
Investments - Local Government Investment Pool	413,799
Investments - Diversified Bond Fund	<u>2,220,696</u>
<b>Total</b>	<u><u>\$3,269,380</u></u>

**Deposits** – At year end, the carrying amounts of the School's deposits were \$634,885 and the bank balances were \$796,677. Of the bank balances, \$250,000 was insured and the remainder was uninsured and uncollateralized.

Change in fair value of investments (for investments that are recorded at fair value) during the year consists of the following:

Fair value - ending	\$2,220,696
Plus proceeds from investments sold during the year	450,000
Less cost of investments purchased during the year	(44,009)
Less fair value - beginning	<u>(2,708,315)</u>
<b>Total</b>	<u><u>(\$81,628)</u></u>

**Investments** – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Government, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest

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Notes to Financial Statements

rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

The local government investment pool and diversified bond fund are managed by the state treasurer's office and are invested in accordance with state statutes and regulations. More information on the local governmental investment pool and diversified bond fund including regulatory information, restriction on withdrawals, and rating and risk information can be found at [sto.idaho.gov](http://sto.idaho.gov). Government accounting standards board statements requires government entities to disclose credit quality ratings, concentration of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool and diversified bond fund are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements.

**C. RECEIVABLES**

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Local Sources				
Local Taxes	\$119,257		\$14,765	\$134,022
<b>Total</b>	<u>\$119,257</u>		<u>\$14,765</u>	<u>\$134,022</u>
State Sources				
Foundation Program	\$71,215			\$71,215
Special Programs		\$10,338		10,338
<b>Total</b>	<u>\$71,215</u>	<u>\$10,338</u>		<u>\$81,553</u>
Federal Sources				
Special Programs		\$36,314		\$36,314
<b>Total</b>		<u>\$36,314</u>		<u>\$36,314</u>

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**D. CAPITAL ASSETS**

A summary of capital assets for the year is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Nondepreciable Capital Assets</b>				
Land	\$39,133			\$39,133
<b>Total</b>	<u>39,133</u>	<u>\$0</u>	<u>\$0</u>	<u>39,133</u>
<b>Depreciable Capital Assets</b>				
Buildings	7,713,113	641,055		8,354,168
Equipment	502,858			502,858
Transportation	1,098,620	106,900		1,205,520
Subtotal	<u>9,314,591</u>	<u>747,955</u>	<u>0</u>	<u>10,062,546</u>
<b>Accumulated Depreciation</b>				
Buildings	7,538,945	16,489		7,555,434
Equipment	442,248	7,267		449,515
Transportation	814,098	36,788		850,886
Subtotal	<u>8,795,291</u>	<u>60,544</u>	<u>0</u>	<u>8,855,835</u>
<b>Total</b>	<u>519,300</u>	<u>687,411</u>	<u>0</u>	<u>1,206,711</u>
<b>Net Capital Assets</b>	<u>\$558,433</u>	<u>\$687,411</u>	<u>\$0</u>	<u>\$1,245,844</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$23,756
Pupil-To-School Transportation	36,788
<b>Total</b>	<u>\$60,544</u>

**E. PENSION PLAN**

*Plan Description*

The School contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

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### Notes to Financial Statements

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Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

#### *Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

#### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The School's contributions were \$207,211 for the year ended June 30, 2017.

#### *Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of

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Notes to Financial Statements

contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the School’s proportion was 0.0650273 percent.

For the year ended June 30, 2017, the School recognized pension expense (revenue) of \$207,677. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$131,349
Changes in assumptions or other inputs	\$29,303	
Net difference between projected and actual earnings on pension plan investments	641,596	299,784
Employer contributions subsequent to the measurement date	207,211	
<b>Total</b>	<u>\$878,110</u>	<u>\$431,133</u>

\$207,211 reported as deferred outflows of resources related to pensions resulting from School contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending June 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 for the measurement period June 30, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended</u>	
6/30/18	\$1,340
6/30/19	1,340
6/30/20	152,934
6/30/21	84,153
<b>Total</b>	<u>\$239,766</u>

*Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year’s

## CHALLIS JOINT SCHOOL DISTRICT NO. 181

### Notes to Financial Statements

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earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The total pension liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

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### Notes to Financial Statements

<b>Capital Market Assumptions</b>				
<b>Asset Class</b>	<b>Expected Return*</b>	<b>Expected Risk</b>	<b>Strategic Normal</b>	<b>Strategic Ranges</b>
Equities			70%	66% - 77%
Broad Domestic Equities	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
			<b>Expected Real</b>	<b>Expected Risk</b>
<b>Total Fund</b>	<b>Expected Return*</b>	<b>Expected Inflation</b>	<b>Return</b>	<b>Risk</b>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

\*Expected arithmetic return net of fees and expenses

#### **Actuarial Assumptions**

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>	<b>7.10%</b>

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

*Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Notes to Financial Statements

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
School's proportionate share of the net pension liability (asset)	\$2,585,847	\$1,318,203	\$264,018

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

**F. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at year end consist of the following:

	<b>Due From Fund</b>	
	Nonmajor Governmental	<b>Total</b>
<b>Due To Fund</b>		
General	\$16,515	\$16,515
<b>Total</b>	<b>\$16,515</b>	<b>\$16,515</b>

These interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

Interfund transfers during the year consist of the following:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Purpose</b>
General	\$768,985	\$129,825	Depreciation, benefits, support, indirect costs
Forest Reserve	11,655	756,739	Support
Child Nutrition	18,838		Benefits
Bus Depreciation	19,696		Depreciation
Nonmajor Governmental	99,291	31,901	Support, indirect costs
<b>Total Governmental</b>	<b>918,465</b>	<b>918,465</b>	
Private Purpose Trust	2,946	2,946	Support
<b>Total</b>	<b>\$921,411</b>	<b>\$921,411</b>	

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule -  
General and Major Special Revenue Funds  
Year Ended June 30, 2017

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$425,455	\$425,455	\$426,473	\$1,018
Other Local Revenue	46,964	46,964	85,081	38,117
State Revenue	2,657,160	2,657,160	2,677,658	20,498
Federal Revenue	0	0	0	0
<b>Total Revenues</b>	<u>3,129,579</u>	<u>3,129,579</u>	<u>3,189,212</u>	<u>59,633</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	710,385	710,385	816,978	(106,593)
Secondary School	660,373	660,373	727,732	(67,359)
Vocational-Technical	83,968	83,968	67,761	16,207
Special Education	105,135	105,135	95,171	9,964
Special Education Preschool	0	0	0	0
Interscholastic	0	0	0	0
School Activity	0	0	0	0
Support Service Programs				
Attendance - Guidance - Health	86,140	86,140	90,676	(4,536)
Special Education Support Services	26,000	26,000	44,081	(18,081)
Instruction Improvement	0	0	1,900	(1,900)
Educational Media	37,295	37,295	33,618	3,677
Instruction-Related Technology	20,522	20,522	20,968	(446)
Board of Education	36,520	36,520	39,834	(3,314)
District Administration	106,805	106,805	110,160	(3,355)
School Administration	261,541	261,541	259,913	1,628
Business Operation	98,993	98,993	94,725	4,268
Administrative Technology	101,065	101,065	110,708	(9,643)
Buildings - Care	357,576	357,576	316,607	40,969
Maintenance - Non-Student Occupied	0	0	4,164	(4,164)
Maintenance - Student Occupied	191,513	191,513	177,836	13,677
Maintenance - Grounds	519,598	519,598	614,760	(95,162)
Pupil-To-School Transportation	296,505	296,505	269,985	26,520
Pupil-Activity Transportation	0	0	0	0
General Transportation	18,359	18,359	13,671	4,688
Non-Instructional Programs				
Child Nutrition	0	0	0	0
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
<b>Total Expenditures</b>	<u>3,718,293</u>	<u>3,718,293</u>	<u>3,911,248</u>	<u>(192,955) *</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(588,714)	(588,714)	(722,036)	(133,322)
<b>Other Financing Sources (Uses)</b>				
Transfers In	662,671	662,671	768,985	106,314
Transfers Out	(121,882)	(121,882)	(129,825)	(7,943) *
<b>Total Other Financing Sources (Uses)</b>	<u>540,789</u>	<u>540,789</u>	<u>639,160</u>	<u>98,371</u>
<b>Net Change in Fund Balances</b>	<u>(47,925)</u>	<u>(47,925)</u>	<u>(82,876)</u>	<u>(34,951)</u>
<b>Fund Balances - Beginning</b>	<u>47,925</u>	<u>47,925</u>	<u>82,876</u>	<u>34,951</u>
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

\*Total expenditures (over) under appropriations are: (200,898)

Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2017

Forest Reserve Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$0	\$0	\$0	\$0
Other Local Revenue	11,410	11,410	(33,297)	(44,707)
State Revenue	0	0	0	0
Federal Revenue	250,000	250,000	16,170	(233,830)
<b>Total Revenues</b>	<u>261,410</u>	<u>261,410</u>	<u>(17,127)</u>	<u>(278,537)</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	0	0	0	0
Secondary School	0	0	0	0
Vocational-Technical	0	0	0	0
Special Education	0	0	0	0
Special Education Preschool	0	0	0	0
Interscholastic	0	0	0	0
School Activity	0	0	0	0
Support Service Programs				
Attendance - Guidance - Health	0	0	0	0
Special Education Support Services	0	0	0	0
Instruction Improvement	0	0	0	0
Educational Media	0	0	0	0
Instruction-Related Technology	0	0	0	0
Board of Education	0	0	0	0
District Administration	0	0	0	0
School Administration	0	0	0	0
Business Operation	0	0	0	0
Administrative Technology	0	0	0	0
Buildings - Care	0	0	0	0
Maintenance - Non-Student Occupied	0	0	0	0
Maintenance - Student Occupied	0	0	0	0
Maintenance - Grounds	0	0	0	0
Pupil-To-School Transportation	0	0	0	0
Pupil-Activity Transportation	0	0	0	0
General Transportation	0	0	0	0
Non-Instructional Programs				
Child Nutrition	0	0	0	0
Capital Assets - Student Occupied	0	0	0	0
Capital Assets - Non-Student Occupied	0	0	0	0
<b>Total Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u> *
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	261,410	261,410	(17,127)	(278,537)
<b>Other Financing Sources (Uses)</b>				
Transfers In	238,519	238,519	11,655	(226,864)
Transfers Out	(910,800)	(910,800)	(756,739)	154,061 *
<b>Total Other Financing Sources (Uses)</b>	<u>(672,281)</u>	<u>(672,281)</u>	<u>(745,084)</u>	<u>(72,803)</u>
<b>Net Change in Fund Balances</b>	<u>(410,871)</u>	<u>(410,871)</u>	<u>(762,211)</u>	<u>(351,340)</u>
<b>Fund Balances - Beginning</b>	<u>1,908,169</u>	<u>1,908,169</u>	<u>2,028,473</u>	<u>120,304</u>
<b>Fund Balances - Ending</b>	<u>\$1,497,298</u>	<u>\$1,497,298</u>	<u>\$1,266,262</u>	<u>(\$231,036)</u>

\*Total expenditures (over) under appropriations are: \$154,061

Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2017

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Child Nutrition Fund</b>				
<b>Revenues</b>				
Other Local Revenue	\$66,500	\$66,500	\$51,298	(\$15,202)
Federal Revenue	80,000	80,000	82,740	2,740
<b>Total Revenues</b>	<u>146,500</u>	<u>146,500</u>	<u>134,038</u>	<u>(12,462)</u>
<b>Expenditures</b>				
Non-Instructional Programs				
Child Nutrition	156,072	156,072	152,876	3,196
<b>Total Expenditures</b>	<u>156,072</u>	<u>156,072</u>	<u>152,876</u>	<u>3,196 *</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(9,572)	(9,572)	(18,838)	(9,266)
<b>Other Financing Sources (Uses)</b>				
Transfers In	9,572	9,572	18,838	9,266
Transfers Out	0	0	0	0 *
<b>Total Other Financing Sources (Uses)</b>	<u>9,572</u>	<u>9,572</u>	<u>18,838</u>	<u>9,266</u>
<b>Net Change in Fund Balances</b>	0	0	0	0
<b>Fund Balances - Beginning</b>	0	0	0	0
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
				<u>\$3,196</u>

*\*Total expenditures (over) under appropriations are:*

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
**Schedule of Employer's Share of Net Pension Liability**  
**PERSI - Base Plan**  
**Last 10 - Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's portion of the net pension liability	0.0650273%	0.0650273%	0.0703077%
School's proportionate share of the net pension liability	\$1,318,203	\$856,304	\$517,575
School's covered payroll	\$1,692,076	\$1,815,336	\$1,904,726
School's proportional share of the net pension liability as a percentage of its covered payroll	77.90%	47.17%	27.17%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%	94.95%

\*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of June 30.

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$207,211	\$191,543	\$205,496
Contributions in relation to the statutorily required contribution	\$207,211	\$191,543	\$205,496
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School's covered payroll	<u>\$1,830,486</u>	<u>\$1,692,076</u>	<u>\$1,815,336</u>
Contributions as a percentage of covered payroll	11.32%	11.32%	11.32%

\*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of each year's fiscal year end.

**SUPPLEMENTARY INFORMATION**

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2017

	<b>Special Revenue Funds</b>			
	<b>Miscellaneous Grants</b>	<b>Stanley Cell Tower</b>	<b>School Activity Programs</b>	<b>Student Activities Buses</b>
<b>Assets</b>				
Cash & Investments	\$3,779	\$40,303	\$27,503	\$23,469
Receivables:				
Local Sources				
State Sources				
Federal Sources				
Due From Other Funds				
<b>Total Assets</b>	<u>\$3,779</u>	<u>\$40,303</u>	<u>\$27,503</u>	<u>\$23,469</u>
<b>Liabilities</b>				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable		\$3,392	\$1,072	
Unspent Grant Allocation				
<b>Total Liabilities</b>	<u>\$0</u>	<u>3,392</u>	<u>1,072</u>	<u>\$0</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Tax Revenues				
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs	3,779	36,911	26,431	23,469
Capital Projects				
Unassigned				
<b>Total Fund Balances</b>	<u>3,779</u>	<u>36,911</u>	<u>26,431</u>	<u>23,469</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$3,779</u>	<u>\$40,303</u>	<u>\$27,503</u>	<u>\$23,469</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2017

	<b>Special Revenue Funds</b>			
	<b>Driver Education</b>	<b>Professional Technical</b>	<b>Technology</b>	<b>Substance Abuse</b>
<b>Assets</b>				
Cash & Investments			\$8,793	\$3,679
Receivables:				
Local Sources				
State Sources	\$2,875	\$7,463		
Federal Sources				
Due From Other Funds				
<b>Total Assets</b>	<b>\$2,875</b>	<b>\$7,463</b>	<b>\$8,793</b>	<b>\$3,679</b>
<b>Liabilities</b>				
Accounts Payable				
Due To Other Funds	\$181	\$7,096		
Salaries & Benefits Payable	808	367		
Unspent Grant Allocation				
<b>Total Liabilities</b>	<b>989</b>	<b>7,463</b>	<b>\$0</b>	<b>\$0</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Tax Revenues				
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>				
Restricted:				
Special Programs	1,886		8,793	3,679
Capital Projects				
Unassigned				
<b>Total Fund Balances</b>	<b>1,886</b>	<b>0</b>	<b>8,793</b>	<b>3,679</b>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<b>\$2,875</b>	<b>\$7,463</b>	<b>\$8,793</b>	<b>\$3,679</b>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2017

	<b>Special Revenue Funds</b>			
	<b>Custer County Coalition Grant</b>	<b>Title I-A ESEA IBP</b>	<b>Special Educ. IDEA Part B School-Age</b>	<b>Special Educ. IDEA Preschool</b>
<b>Assets</b>				
Cash & Investments	\$2,279		\$14,372	
Receivables:				
Local Sources				
State Sources				
Federal Sources		\$29,817		\$22
Due From Other Funds				
<b>Total Assets</b>	<u>\$2,279</u>	<u>\$29,817</u>	<u>\$14,372</u>	<u>\$22</u>
<b>Liabilities</b>				
Accounts Payable				
Due To Other Funds		\$4,224		\$2
Salaries & Benefits Payable		3,724	\$14,372	
Unspent Grant Allocation		21,869		20
<b>Total Liabilities</b>	<u>\$0</u>	<u>29,817</u>	<u>14,372</u>	<u>22</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Tax Revenues				
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs	2,279			
Capital Projects				
Unassigned				
<b>Total Fund Balances</b>	<u>2,279</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$2,279</u>	<u>\$29,817</u>	<u>\$14,372</u>	<u>\$22</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2017

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>Title VI-B ESEA REAP</b>	<b>Perkins III Professional Technical Act</b>	<b>Title II-A Improving Teacher Quality</b>	
<b>Assets</b>				
Cash & Investments				\$124,177
Receivables:				
Local Sources				0
State Sources				10,338
Federal Sources		\$4,467	\$2,008	36,314
Due From Other Funds				0
<b>Total Assets</b>	<u>\$0</u>	<u>\$4,467</u>	<u>\$2,008</u>	<u>\$170,829</u>
<b>Liabilities</b>				
Accounts Payable				\$0
Due To Other Funds		\$4,467	\$545	16,515
Salaries & Benefits Payable				23,735
Unspent Grant Allocation			1,463	23,352
<b>Total Liabilities</b>	<u>\$0</u>	<u>4,467</u>	<u>2,008</u>	<u>63,602</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Tax Revenues				0
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs				107,227
Capital Projects				0
Unassigned				0
<b>Total Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>107,227</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$0</u>	<u>\$4,467</u>	<u>\$2,008</u>	<u>\$170,829</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Nonmajor Governmental Funds  
 Year Ended June 30, 2017

	<b>Special Revenue Funds</b>			
	<b>Miscellaneous Grants</b>	<b>Stanley Cell Tower</b>	<b>School Activity Programs</b>	<b>Student Activities Buses</b>
<b>Revenues</b>				
Local Taxes				
Other Local Revenue	\$3,185	\$53,218	\$14,627	\$234
State Revenue				
Federal Revenue				
<b>Total Revenues</b>	<u>3,185</u>	<u>53,218</u>	<u>14,627</u>	<u>234</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School		28,670		
Secondary School				
Vocational-Technical				
Special Education				
Special Education Preschool				
Interscholastic			57,233	
School Activity		188	1,157	
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement		420		
Educational Media	11,957	310		
Instruction-Related Technology		7,334		
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care		16,299		
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds		1,575		
Pupil-To-School Transportation				
Pupil-Activity Transportation			34,248	
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
<b>Total Expenditures</b>	<u>11,957</u>	<u>54,796</u>	<u>92,638</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(8,772)	(1,578)	(78,011)	234
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,000		91,056	5,000
Transfers Out	(31,901)			
<b>Total Other Financing Sources (Uses)</b>	<u>(28,901)</u>	<u>0</u>	<u>91,056</u>	<u>5,000</u>
<b>Net Change in Fund Balances</b>	(37,673)	(1,578)	13,045	5,234
<b>Fund Balances - Beginning</b>	41,452	38,489	13,386	18,235
<b>Fund Balances - Ending</b>	<u>\$3,779</u>	<u>\$36,911</u>	<u>\$26,431</u>	<u>\$23,469</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Nonmajor Governmental Funds  
 Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Driver Education</u>	<u>Professional Technical</u>	<u>Technology</u>	<u>Substance Abuse</u>
<b>Revenues</b>				
Local Taxes				
Other Local Revenue	\$3,450		\$77	
State Revenue	4,438	\$24,876	52,418	\$6,745
Federal Revenue				
<b>Total Revenues</b>	<u>7,888</u>	<u>24,876</u>	<u>52,495</u>	<u>6,745</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School				
Secondary School	6,732			
Vocational-Technical		24,876		
Special Education				
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				2,564
Special Education Support Services				
Instruction Improvement				1,746
Educational Media				
Instruction-Related Technology			49,211	
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
<b>Total Expenditures</b>	<u>6,732</u>	<u>24,876</u>	<u>49,211</u>	<u>4,310</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	1,156	0	3,284	2,435
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	1,156	0	3,284	2,435
<b>Fund Balances - Beginning</b>	730	0	5,509	1,244
<b>Fund Balances - Ending</b>	<u>\$1,886</u>	<u>\$0</u>	<u>\$8,793</u>	<u>\$3,679</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Nonmajor Governmental Funds  
 Year Ended June 30, 2017

	<b>Special Revenue Funds</b>			
	<b>Custer County Coalition Grant</b>	<b>Title I-A ESEA IBP</b>	<b>Special Educ. IDEA Part B School-Age</b>	<b>Special Educ. IDEA Preschool</b>
<b>Revenues</b>				
Local Taxes				
Other Local Revenue				
State Revenue	\$116,964			
Federal Revenue		\$96,422	\$102,658	\$4,977
<b>Total Revenues</b>	<u>116,964</u>	<u>96,422</u>	<u>102,658</u>	<u>4,977</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School		59,151		
Secondary School				
Vocational-Technical				
Special Education			100,815	
Special Education Preschool				5,212
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health	114,685			
Special Education Support Services			209	
Instruction Improvement		29,460	789	
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration		7,811		
School Administration				
Business Operation				
Administrative Technology			845	
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
<b>Total Expenditures</b>	<u>114,685</u>	<u>96,422</u>	<u>102,658</u>	<u>5,212</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	2,279	0	0	(235)
<b>Other Financing Sources (Uses)</b>				
Transfers In				235
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>235</u>
<b>Net Change in Fund Balances</b>	2,279	0	0	0
<b>Fund Balances - Beginning</b>	0	0	0	0
<b>Fund Balances - Ending</b>	<u>\$2,279</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Nonmajor Governmental Funds  
 Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Title VI-B</u>	<u>Perkins III</u>	<u>Title II-A</u>	
	<u>ESEA REAP</u>	<u>Professional Technical Act</u>	<u>Improving Teacher Quality</u>	
<b>Revenues</b>				
Local Taxes				\$0
Other Local Revenue				74,791
State Revenue				205,441
Federal Revenue	\$18,578	\$4,467	\$18,472	245,574
<b>Total Revenues</b>	<u>18,578</u>	<u>4,467</u>	<u>18,472</u>	<u>525,806</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	9,295		6,735	103,851
Secondary School	9,283	200	6,671	22,886
Vocational-Technical		4,267		29,143
Special Education				100,815
Special Education Preschool				5,212
Interscholastic				57,233
School Activity				1,345
Support Service Programs				
Attendance - Guidance - Health				117,249
Special Education Support Services				209
Instruction Improvement			4,566	36,981
Educational Media				12,267
Instruction-Related Technology				56,545
Board of Education				0
District Administration			500	8,311
School Administration				0
Business Operation				0
Administrative Technology				845
Buildings - Care				16,299
Maintenance - Non-Student Occupied				0
Maintenance - Student Occupied				0
Maintenance - Grounds				1,575
Pupil-To-School Transportation				0
Pupil-Activity Transportation				34,248
General Transportation				0
Non-Instructional Programs				
Child Nutrition				0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
<b>Total Expenditures</b>	<u>18,578</u>	<u>4,467</u>	<u>18,472</u>	<u>605,014</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	0	0	(79,208)
<b>Other Financing Sources (Uses)</b>				
Transfers In				99,291
Transfers Out				(31,901)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,390</u>
<b>Net Change in Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11,818)</u>
<b>Fund Balances - Beginning</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>119,045</u>
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$107,227</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
Combining Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2017

	<b>Private Purpose Trust Funds</b>			<b>Total</b>
	<b>Scholarship</b>	<b>District Trust</b>	<b>Student Activities</b>	
<b>Additions</b>				
Contributions	\$31,065			\$31,065
Investment Income (Loss)	6,259	\$11,786	\$408	18,453
<b>Total Additions</b>	<u>37,324</u>	<u>11,786</u>	<u>408</u>	<u>49,518</u>
<b>Deductions</b>				
Trust Expenses	31,300	2,940		34,240
<b>Total Deductions</b>	<u>31,300</u>	<u>2,940</u>	<u>0</u>	<u>34,240</u>
<b>Change in Net Position</b>	6,024	8,846	408	15,278
Transfers In	1,473		1,473	2,946
Transfers Out		(2,946)		(2,946)
<b>Net Position - Beginning</b>	<u>342,460</u>	<u>674,590</u>	<u>25,389</u>	<u>1,042,439</u>
<b>Net Position - Ending</b>	<u>\$349,957</u>	<u>\$680,490</u>	<u>\$27,270</u>	<u>\$1,057,717</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>US Dept of Agriculture</b>			
<i>Passed Through Custer County:</i>			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	None	\$745,084
Total Forest Service Schools and Roads Cluster			<u>745,084</u>
<i>Passed Through Idaho Dept of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	201616/201717N109947	21,309
National School Lunch Program*	10.555	201616/201717N109947	55,056
Total Child Nutrition Cluster			<u>76,365</u>
Child Nutrition Discretionary Grants	10.579	201616N810347	6,375
<b>Total US Dept of Agriculture</b>			<u>827,824</u>
<b>US Dept of Education</b>			
<i>Direct Programs:</i>			
Rural Education	84.358		18,578
<i>Passed Through Idaho Dept of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A15/160088	102,658
Special Education - Preschool Grants	84.173	H173A15/160030	4,977
Total Special Education Cluster			<u>107,635</u>
Title I Grants to Local Educational Agencies	84.010	S010A15/160012	96,422
Career & Technical Education - Basic Grants to States	84.048	PS7181E1	4,467
Improving Teacher Quality State Grants	84.367	S367A15/160011	18,472
<b>Total US Dept of Education</b>			<u>245,574</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$1,073,398</u>

**NOTES:**

**A. Basis of Presentation** - The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**B. Summary of Significant Accounting Policies** - Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**\*C. Nonmonetary Assistance** - Included in the National School Lunch Program award is USDA food commodities stated at a fair market value of \$9,265.

**OTHER REPORTS AND SCHEDULES**

Audits  
Taxes  
Special Services



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**Independent Auditor's 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***

Board of Trustees  
Challis Joint School District No. 181

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Challis Joint School District No. 181 (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

### ***Quest CPAs PLLC***

Payette, Idaho  
September 29, 2017

Audits  
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## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Trustees  
Challis Joint School District No. 181

### **Report on Compliance for Each Major Federal Program**

We have audited Challis Joint School District No. 181 (the School's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 the School'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 the School'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 and correct, 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 and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## ***Quest CPAs PLLC***

Payette, Idaho  
September 29, 2017

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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**SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report being issued: Unmodified

- Each Major Fund
- Aggreg Remain Fund Info

Qualified

- Gov't Activities

*Internal control over financial reporting:*

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statements noted? No

**FEDERAL AWARDS**

*Internal control over major programs:*

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Major program identification:

a. Forest Service Schools and Roads Cluster – CFDA #10.665

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as a low-risk auditee? No