CHALLIS JOINT SCHOOL DISTRICT NO. 181

FINANCIAL STATEMENTS

Year Ended June 30, 2016

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Table of Contents

PAGE (S)

FINANCIAL SECTION

Independent Auditor's Report……. 1-3

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position…… 4

Statement of Activities……. 5

Fund Financial Statements

Balance Sheet – Governmental Funds……..……... 6-8

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds…….. 9-11

Statement of Fiduciary Net Position…….…….…….. 12

Statement of Changes in Fiduciary Net Position……..……... 13

Notes to Financial Statements…….. 14-27

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General and Major Special Revenue Funds…….....…… 28-30

Schedule of Employer's Share of Net Pension Liability…….....…… 31

Schedule of Employer Contributions.....…… 32

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds…….....…… 33-36

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds…….…… 37-40

Combining Statement of Changes in Fiduciary Net Position…….…..…….…….. 41

PAGE (S)

OTHER REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*… 42-43

FINANCIAL SECTION

Audits
Taxes
Special Services

Quest CPAs, P.C.
Quality Expertise Service Timeliness

11501 Highway 95
Payette, Idaho 83661
www.qcpas.com
info@qcpas.com
P: 208-642-1417
F: 208-642-1582

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, 2016, 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, 2016, 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, 2016, 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 combining and individual nonmajor fund financial statements 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 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 August 23, 2016, 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, P.C.

Payette, Idaho
August 23, 2016

BASIC FINANCIAL STATEMENTS

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	$2,897,752
Receivables:	
Local Sources	149,327
State Sources	82,188
Federal Sources	73,757
Total Current Assets	3,203,024
Noncurrent Assets	
Nondepreciable Capital Assets	39,133
Depreciable Net Capital Assets	519,300
Total Noncurrent Assets	558,433
Total Assets	3,761,457
Deferred Outflows of Resources	
Pension Sources	537,872
Total Deferred Outflows of Resources	537,872
Total Assets and Deferred Outflows of Resources	$4,299,329
Liabilities	
Current Liabilities	
Accounts Payable	$24
Salaries & Benefits Payable	316,563
Unspent Grant Allocation	31,225
Total Current Liabilities	347,812
Noncurrent Liabilities	
Net Pension Liability	856,304
Total Noncurrent Liabilities	856,304
Total Liabilities	1,204,116
Deferred Inflows of Resources	
Pension Sources	552,328
Total Deferred Inflows of Resources	552,328
Total Liabilities and Deferred Inflows of Resources	1,756,444
Net Position	
Net Investment in Capital Assets	558,433
Restricted:	
Special Programs	2,147,518
Capital Projects	611,313
Unrestricted (Deficit)	(774,379)
Total Net Position	2,542,885
Total Liabilities and Deferred Inflows of Resources and Net Position	$4,299,329

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Activities

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities					
Instructional Programs					
Elementary School	$733,141		$72,298		($660,843)
Secondary School	659,589	$2,175	24,386		(633,028)
Vocational-Technical	89,176		29,210		(59,966)
Special Education	215,441		103,968		(111,473)
Special Education Preschool	3,069				(3,069)
Interscholastic	58,803	10,000	936		(47,867)
School Activity	1,759				(1,759)
Support Service Programs					
Attendance - Guidance - Health	135,840		57,276		(78,564)
Special Education Support Services	28,039		1,233		(26,806)
Instruction Improvement	27,873		27,691		(182)
Educational Media	6,484				(6,484)
Instruction-Related Technology	51,418		29,181		(22,237)
Board of Education	34,295				(34,295)
District Administration	115,024		12,747		(102,277)
School Administration	251,156				(251,156)
Business Operation	106,278				(106,278)
Administrative Technology	77,596		3,041		(74,555)
Buildings - Care	327,599		10,050		(317,549)
Maintenance - Non-Student Occupied	1,103		236,699		235,596
Maintenance - Student Occupied	161,262				(161,262)
Maintenance - Grounds	28,624				(28,624)
Pupil-To-School Transportation	279,695				(279,695)
Pupil-Activity Transportation	39,448	4,474			(34,974)
General Transportation	14,349				(14,349)
Non-Instructional Programs					
Child Nutrition	141,626	38,663	77,836		(25,127)
Capital Assets - Student Occupied	33,489				(33,489)
Capital Assets - Non-Student Occupied	0				0
Total	$3,622,176	$55,312	$686,552	$0	(2,880,312)
	General Revenues				
	Local Taxes				475,974
	Other Local Revenue				221,361
	State Revenue				2,626,830
	Federal Revenue				0
	Total				3,324,165
	Change in Net Position				443,853
	Net Position - Beginning				2,099,032
	Net Position - Ending				$2,542,885

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Forest Reserve Fund	Child Nutrition Fund	Plant Facilities Fund
Assets				
Cash & Investments	$144,077	$2,028,473	$4,502	$14,032
Receivables:				
Local Sources	132,869			16,458
State Sources	54,468			
Federal Sources				
Due From Other Funds	49,153			
Total Assets	$380,567	$2,028,473	$4,502	$30,490
Liabilities				
Accounts Payable			$24	
Due To Other Funds				
Salaries & Benefits Payable	$285,775		4,478	
Unspent Grant Allocation				
Total Liabilities	285,775	$0	4,502	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues	11,916			1,589
Total Deferred Inflows of Resources	11,916	0	0	1,589
Fund Balances				
Restricted:				
Special Programs		2,028,473		
Capital Projects				28,901
Unassigned	82,876			
Total Fund Balances	82,876	2,028,473	0	28,901
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$380,567	$2,028,473	$4,502	$30,490

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2016

	Bus Depreciation Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash & Investments	$582,412	$124,256	$2,897,752
Receivables:			
Local Sources		0	149,327
State Sources		27,720	82,188
Federal Sources		73,757	73,757
Due From Other Funds		0	49,153
Total Assets	$582,412	$225,733	$3,252,177
Liabilities			
Accounts Payable		$0	$24
Due To Other Funds		49,153	49,153
Salaries & Benefits Payable		26,310	316,563
Unspent Grant Allocation		31,225	31,225
Total Liabilities	$0	106,688	396,965
Deferred Inflows of Resources			
Unavailable Tax Revenues		0	13,505
Total Deferred Inflows of Resources	0	0	13,505
Fund Balances			
Restricted:			
Special Programs		119,045	2,147,518
Capital Projects	582,412	0	611,313
Unassigned		0	82,876
Total Fund Balances	582,412	119,045	2,841,707
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$582,412	$225,733	$3,252,177

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Balance Sheet - Governmental Funds
June 30, 2016

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

Total Governmental Fund Balances	$2,841,707
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.	558,433
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	13,505
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.	(870,760)
Net Position of Governmental Activities	$2,542,885

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2016

	General Fund	Forest Reserve Fund	Child Nutrition Fund	Plant Facilities Fund
Revenues				
Local Taxes	$426,084			$49,951
Other Local Revenue	112,902	$15,031	$55,595	5,159
State Revenue	2,626,830			
Federal Revenue		236,699	77,836	
Total Revenues	3,165,816	251,730	133,431	55,110
Expenditures				
Instructional Programs				
Elementary School	709,000			
Secondary School	687,250			
Vocational-Technical	59,066			
Special Education	111,473			
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health	78,564			
Special Education Support Services	26,806			
Instruction Improvement				
Educational Media	5,659			
Instruction-Related Technology	20,977			
Board of Education	34,295			
District Administration	102,277			
School Administration	251,156			
Business Operation	106,278			
Administrative Technology	107,516			
Buildings - Care	306,170			
Maintenance - Non-Student Occupied	1,103			
Maintenance - Student Occupied	160,263			
Maintenance - Grounds	27,574			
Pupil-To-School Transportation	256,523			
Pupil-Activity Transportation				
General Transportation	18,778			
Non-Instructional Programs				
Child Nutrition			141,626	
Capital Assets - Student Occupied				70,629
Capital Assets - Non-Student Occupied				
Total Expenditures	3,070,728	0	141,626	70,629
Excess (Deficiency) of Revenues Over Expenditures	95,088	251,730	(8,195)	(15,519)
Other Financing Sources (Uses)				
Transfers In	42,759	225,850	6,556	
Transfers Out	(127,021)	(269,007)		
Total Other Financing Sources (Uses)	(84,262)	(43,157)	6,556	0
Net Change in Fund Balances	10,826	208,573	(1,639)	(15,519)
Fund Balances - Beginning	72,050	1,819,900	1,639	44,420
Fund Balances - Ending	$82,876	$2,028,473	$0	$28,901

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2016

	Bus Depreciation Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local Taxes		$0	$476,035
Other Local Revenue	$14,115	73,871	276,673
State Revenue		124,500	2,751,330
Federal Revenue		247,517	562,052
Total Revenues	14,115	445,888	4,066,090
Expenditures			
Instructional Programs			
Elementary School		82,832	791,832
Secondary School		24,386	711,636
Vocational-Technical		30,110	89,176
Special Education		103,968	215,441
Special Education Preschool		3,069	3,069
Interscholastic		58,803	58,803
School Activity		1,759	1,759
Support Service Programs			
Attendance - Guidance - Health		57,276	135,840
Special Education Support Services		1,233	28,039
Instruction Improvement		27,873	27,873
Educational Media		825	6,484
Instruction-Related Technology		30,441	51,418
Board of Education		0	34,295
District Administration		12,747	115,024
School Administration		0	251,156
Business Operation		0	106,278
Administrative Technology		5,071	112,587
Buildings - Care		21,429	327,599
Maintenance - Non-Student Occupied		0	1,103
Maintenance - Student Occupied		999	161,262
Maintenance - Grounds		1,050	28,624
Pupil-To-School Transportation		0	256,523
Pupil-Activity Transportation		44,448	44,448
General Transportation		0	18,778
Non-Instructional Programs			
Child Nutrition		0	141,626
Capital Assets - Student Occupied		0	70,629
Capital Assets - Non-Student Occupied		0	0
Total Expenditures	0	508,319	3,791,302
Excess (Deficiency) of Revenues Over Expenditures	14,115	(62,431)	274,788
Other Financing Sources (Uses)			
Transfers In	23,172	102,591	400,928
Transfers Out		(4,900)	(400,928)
Total Other Financing Sources (Uses)	23,172	97,691	0
Net Change in Fund Balances	37,287	35,260	274,788
Fund Balances - Beginning	545,125	83,785	2,566,919
Fund Balances - Ending	$582,412	$119,045	$2,841,707

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2016

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	$274,788
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.	58,388
Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.	(61)
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.	110,738
Change in Net Position of Governmental Activities	$443,853

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Fiduciary Net Position

June 30, 2016

	Private Purpose Trust Funds	Agency Funds - Student Activity	Total
Assets			
Cash & Investments	$1,042,439	$104,897	$1,147,336
Total Assets	$1,042,439	$104,897	$1,147,336
Liabilities			
Due to Student Groups		$104,897	$104,897
Total Liabilities	$0	104,897	104,897
Net Position			
Restricted:			
Trust Activities	1,042,439		1,042,439
Total Net Position	1,042,439	0	1,042,439
Total Liabilities and Net Position	$1,042,439	$104,897	$1,147,336

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Private Purpose Trust Funds
Additions	
Contributions	$22,430
Investment Income (Loss)	17,494
Total Additions	39,924
Deductions	
Trust Expenses	31,878
Total Deductions	31,878
Change in Net Position	8,046
Transfers In	3,066
Transfers Out	(3,066)
Net Position - Beginning	1,034,393
Net Position - Ending	$1,042,439

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

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.

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 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 20th and June 20th. 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 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	$576,647
Investments - Local Government Investment Pool	760,126
Investments - Diversified Bond Fund	2,708,315
Total	$4,045,088

Deposits – At year end, the carrying amounts of the School's deposits were $576,647 and the bank balances were $738,603. 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	$2,708,315
Plus proceeds from investments sold during the year	0
Less cost of investments purchased during the year	(842,066)
Less fair value - beginning	(1,821,920)
Total	$44,329

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 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. 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:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Local Sources				
Local Taxes	$132,869		$16,458	$149,327
Total	$132,869		$16,458	$149,327
State Sources				
Foundation Program	$54,468			$54,468
Special Programs		$27,720		27,720
Total	$54,468	$27,720		$82,188
Federal Sources				
Special Programs		$73,757		$73,757
Total		$73,757		$73,757

D. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Capital Assets				
Land	$39,133			$39,133
Total	39,133	$0	$0	39,133
Depreciable Capital Assets				
Buildings	7,675,485	37,628		7,713,113
Equipment	457,419	45,439		502,858
Transportation	1,102,574	9,429	13,383	1,098,620
Subtotal	9,235,478	92,496	13,383	9,314,591
Accumulated Depreciation				
Buildings	7,535,277	3,668		7,538,945
Equipment	434,980	7,268		442,248
Transportation	804,309	23,172	13,383	814,098
Subtotal	8,774,566	34,108	13,383	8,795,291
Total	460,912	58,388	0	519,300
Net Capital Assets	$500,045	$58,388	$0	$558,433

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	$10,936
Pupil-To-School Transportation	23,172
Total	$34,108

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.

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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Active participants	67,008
Terminated and vested	42,657
Retirees and beneficiaries	11,859
Total	121,524

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 and earnings from investments. 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) if current rates are actuarially determined to be inadequate or in excess 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, 2015 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

8.36% for police and firefighters. The School's contributions were $191,543 for the year ended June 30, 2016.

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

At June 30, 2016, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, 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 contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the School's proportion was 0.0650273 percent.

For the year ended June 30, 2016, the School recognized pension expense (revenue) of $80,805. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$102,652
Changes in assumptions or other inputs	$31,185	
Net difference between projected and actual earnings on pension plan investments	315,144	449,676
Employer contributions subsequent to the measurement date	191,543	
Total	$537,872	$552,328

$191,543 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, 2017.

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, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 years.

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:

Year Ended	
6/30/17	($87,839)
6/30/18	(87,839)
6/30/19	(87,839)
6/30/20	63,755
6/30/21	(6,239)
Total	($206,001)

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 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 July 1, 2015 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 in 2012 for the period July 1, 2007 through June 30, 2011 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, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

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, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%
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%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			**7.10%**

*Arithmetic Return

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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
School's proportionate share of the net pension liability (asset)	$2,085,645	$856,304	($165,730)

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.

F. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

	Due From Fund	
	Nonmajor Governmental	**Total**
Due To Fund		
General	$49,153	$49,153
Total	$49,153	$49,153

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:

Fund	Transfer In	Transfer Out	Purpose
General	$42,759	$127,021	Depreciation, benefits, support, indirect costs
Forest Reserve	225,850	269,007	Support
Child Nutrition	6,556		Benefits
Bus Depreciation	23,172		Depreciation
Nonmajor Governmental	102,591	4,900	Support, indirect costs
Total Governmental	400,928	400,928	
Private Purpose Trust	3,066	3,066	Support
Total	$403,994	$403,994	

REQUIRED SUPPLEMENTARY INFORMATION

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2016

General Fund	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Actual Amounts	Final Budget Variance Positive (Negative)	
Revenues					
Local Taxes	$425,097	$425,097	$426,084	$987	
Other Local Revenue	41,976	41,976	112,902	70,926	
State Revenue	2,700,696	2,700,696	2,626,830	(73,866)	
Federal Revenue	0	0	0	0	
Total Revenues	3,167,769	3,167,769	3,165,816	(1,953)	
Expenditures					
Instructional Programs					
Elementary School	689,906	689,906	709,000	(19,094)	
Secondary School	685,251	685,251	687,250	(1,999)	
Vocational-Technical	65,373	65,373	59,066	6,307	
Special Education	103,002	103,002	111,473	(8,471)	
Special Education Preschool	0	0	0	0	
Interscholastic	0	0	0	0	
School Activity	0	0	0	0	
Support Service Programs					
Attendance - Guidance - Health	77,987	77,987	78,564	(577)	
Special Education Support Services	26,000	26,000	26,806	(806)	
Instruction Improvement	0	0	0	0	
Educational Media	31,510	31,510	5,659	25,851	
Instruction-Related Technology	16,856	16,856	20,977	(4,121)	
Board of Education	35,928	35,928	34,295	1,633	
District Administration	102,669	102,669	102,277	392	
School Administration	257,345	257,345	251,156	6,189	
Business Operation	94,792	94,792	106,278	(11,486)	
Administrative Technology	68,137	68,137	107,516	(39,379)	
Buildings - Care	387,866	387,866	306,170	81,696	
Maintenance - Non-Student Occupied	0	0	1,103	(1,103)	
Maintenance - Student Occupied	175,136	175,136	160,263	14,873	
Maintenance - Grounds	26,361	26,361	27,574	(1,213)	
Pupil-To-School Transportation	286,781	286,781	256,523	30,258	
Pupil-Activity Transportation	0	0	0	0	
General Transportation	17,359	17,359	18,778	(1,419)	
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	
Total Expenditures	3,148,259	3,148,259	3,070,728	77,531	*
Excess (Deficiency) of Revenues Over Expenditures	19,510	19,510	95,088	75,578	
Other Financing Sources (Uses)					
Transfers In	65,917	65,917	42,759	(23,158)	
Transfers Out	(125,427)	(125,427)	(127,021)	(1,594)	*
Total Other Financing Sources (Uses)	(59,510)	(59,510)	(84,262)	(24,752)	
Net Change in Fund Balances	(40,000)	(40,000)	10,826	50,826	
Fund Balances - Beginning	40,000	40,000	72,050	32,050	
Fund Balances - Ending	$0	$0	$82,876	$82,876	

**Total expenditures (over) under appropriations are:* $75,937

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2016

Forest Reserve Fund	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Actual Amounts	Final Budget Variance Positive (Negative)	
Revenues					
Local Taxes	$0	$0	$0	$0	
Other Local Revenue	8,408	8,408	15,031	6,623	
State Revenue	0	0	0	0	
Federal Revenue	350,000	350,000	236,699	(113,301)	
Total Revenues	358,408	358,408	251,730	(106,678)	
Expenditures					
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	
Total Expenditures	0	0	0	0	*
Excess (Deficiency) of Revenues Over Expenditures	358,408	358,408	251,730	(106,678)	
Other Financing Sources (Uses)					
Transfers In	0	0	225,850	225,850	
Transfers Out	(69,992)	(69,992)	(269,007)	(199,015)	*
Total Other Financing Sources (Uses)	(69,992)	(69,992)	(43,157)	26,835	
Net Change in Fund Balances	288,416	288,416	208,573	(79,843)	
Fund Balances - Beginning	1,494,873	1,494,873	1,819,900	325,027	
Fund Balances - Ending	$1,783,289	$1,783,289	$2,028,473	$245,184	

**Total expenditures (over) under appropriations are:* ($199,015)

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2016

Child Nutrition Fund	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Actual Amounts	Final Budget Variance Positive (Negative)	
Revenues					
Other Local Revenue	$66,000	$66,000	$55,595	($10,405)	
Federal Revenue	79,500	79,500	77,836	(1,664)	
Total Revenues	145,500	145,500	133,431	(12,069)	
Expenditures					
Non-Instructional Programs					
Child Nutrition	155,755	155,755	141,626	14,129	
Total Expenditures	155,755	155,755	141,626	14,129	*
Excess (Deficiency) of Revenues Over Expenditures	(10,255)	(10,255)	(8,195)	2,060	
Other Financing Sources (Uses)					
Transfers In	10,255	10,255	6,556	(3,699)	
Transfers Out	0	0	0	0	*
Total Other Financing Sources (Uses)	10,255	10,255	6,556	(3,699)	
Net Change in Fund Balances	0	0	(1,639)	(1,639)	
Fund Balances - Beginning	0	0	1,639	1,639	
Fund Balances - Ending	$0	$0	$0	$0	

**Total expenditures (over) under appropriations are:* $14,129

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Schedule of Employer's Share of Net Pension Liability

PERSI - Base Plan

Last 10 - Fiscal Years*

	2016	2015
School's portion of the net pension liability	0.0650273%	0.0703077%
School's proportionate share of the net pension liability	$856,304	$517,575
School's covered-employee payroll	$1,692,076	$1,815,336
School's proportional share of the net pension liability as a percentage of its covered-employee payroll	50.61%	28.51%
Plan fiduciary net position as a percentage of the total pension liability	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 using the beginning fiscal year measurement date (i.e. July 1).

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years*

	2016	2015
Statutorily required contribution	$191,543	$205,496
Contributions in relation to the statutorily required contribution	$191,543	$205,496
Contribution deficiency (excess)	$0	$0
School's covered-employee payroll	$1,692,076	$1,815,336
Contributions as a percentage of covered-employee payroll	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, 2016

	Special Revenue Funds			
	Miscellaneous Grants	**Stanley Cell Tower**	**School Activity Programs**	**Student Activities Buses**
Assets				
Cash & Investments	$41,452	$38,489	$15,912	$18,235
Receivables:				
Local Sources				
State Sources				
Federal Sources				
Due From Other Funds				
Total Assets	$41,452	$38,489	$15,912	$18,235
Liabilities				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable			$2,526	
Unspent Grant Allocation				
Total Liabilities	$0	$0	2,526	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	41,452	38,489	13,386	18,235
Capital Projects				
Unassigned				
Total Fund Balances	41,452	38,489	13,386	18,235
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$41,452	$38,489	$15,912	$18,235

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2016

	Special Revenue Funds			
	Driver Education	**Professional Technical**	**Technology**	**Substance Abuse**
Assets				
Cash & Investments	$1,221		$6,451	$1,244
Receivables:				
Local Sources				
State Sources		$8,846		
Federal Sources				
Due From Other Funds				
Total Assets	$1,221	$8,846	$6,451	$1,244
Liabilities				
Accounts Payable				
Due To Other Funds		$6,437		
Salaries & Benefits Payable	$491	2,409	$942	
Unspent Grant Allocation				
Total Liabilities	491	8,846	942	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	730		5,509	1,244
Capital Projects				
Unassigned				
Total Fund Balances	730	0	5,509	1,244
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$1,221	$8,846	$6,451	$1,244

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2016

	Special Revenue Funds			
	Custer County Coalition Grant	**Title I-A ESEA IBP**	**Special Educ. IDEA Part B School-Age**	**Special Educ. IDEA Preschool**
Assets				
Cash & Investments			$1,252	
Receivables:				
Local Sources				
State Sources	$18,874			
Federal Sources		$57,388	9,711	$1,080
Due From Other Funds				
Total Assets	$18,874	$57,388	$10,963	$1,080
Liabilities				
Accounts Payable				
Due To Other Funds	$18,874	$18,053		$211
Salaries & Benefits Payable		8,979	$10,963	
Unspent Grant Allocation		30,356		869
Total Liabilities	18,874	57,388	10,963	1,080
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs				
Capital Projects				
Unassigned				
Total Fund Balances	0	0	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$18,874	$57,388	$10,963	$1,080

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2016

	Special Revenue Funds			
	Title VI-B ESEA REAP	Perkins III Professional Technical Act	Title II-A Improving Teacher Quality	Total
Assets				
Cash & Investments				$124,256
Receivables:				
Local Sources				0
State Sources				27,720
Federal Sources	$1,044	$4,534		73,757
Due From Other Funds				0
Total Assets	$1,044	$4,534	$0	$225,733
Liabilities				
Accounts Payable				$0
Due To Other Funds	$1,044	$4,534		49,153
Salaries & Benefits Payable				26,310
Unspent Grant Allocation				31,225
Total Liabilities	1,044	4,534	$0	106,688
Deferred Inflows of Resources				
Unavailable Tax Revenues				0
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs				119,045
Capital Projects				0
Unassigned				0
Total Fund Balances	0	0	0	119,045
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$1,044	$4,534	$0	$225,733

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2016

	Special Revenue Funds			
	Miscellaneous Grants	**Stanley Cell Tower**	**School Activity Programs**	**Student Activities Buses**
Revenues				
Local Taxes				
Other Local Revenue	$266	$45,360	$14,570	$10,593
State Revenue			936	
Federal Revenue				
Total Revenues	266	45,360	15,506	10,593
Expenditures				
Instructional Programs				
Elementary School		10,807		
Secondary School				
Vocational-Technical				
Special Education				
Special Education Preschool				
Interscholastic			58,803	
School Activity		299	1,460	
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement		180		
Educational Media		825		
Instruction-Related Technology		1,260		
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care		11,379		
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied		999		
Maintenance - Grounds		1,050		
Pupil-To-School Transportation				
Pupil-Activity Transportation			39,448	5,000
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Total Expenditures	0	26,799	99,711	5,000
Excess (Deficiency) of Revenues Over Expenditures	266	18,561	(84,205)	5,593
Other Financing Sources (Uses)				
Transfers In			97,591	5,000
Transfers Out		(298)		
Total Other Financing Sources (Uses)	0	(298)	97,591	5,000
Net Change in Fund Balances	266	18,263	13,386	10,593
Fund Balances - Beginning	41,186	20,226	0	7,642
Fund Balances - Ending	$41,452	$38,489	$13,386	$18,235

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2016

	Special Revenue Funds			
	Driver Education	**Professional Technical**	**Technology**	**Substance Abuse**
Revenues				
Local Taxes				
Other Local Revenue	$2,175	$900	$7	
State Revenue	3,000	24,876	31,300	$7,112
Federal Revenue				
Total Revenues	5,175	25,776	31,307	7,112
Expenditures				
Instructional Programs				
Elementary School				
Secondary School	7,460			
Vocational-Technical		25,776		
Special Education				
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement				2
Educational Media				
Instruction-Related Technology			29,181	
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology			4,149	
Buildings - Care				10,050
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				
Total Expenditures	7,460	25,776	33,330	10,052
Excess (Deficiency) of Revenues Over Expenditures	(2,285)	0	(2,023)	(2,940)
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(2,285)	0	(2,023)	(2,940)
Fund Balances - Beginning	3,015	0	7,532	4,184
Fund Balances - Ending	$730	$0	$5,509	$1,244

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2016

	Special Revenue Funds			
	Custer County Coalition Grant	**Title I-A ESEA IBP**	**Special Educ. IDEA Part B School-Age**	**Special Educ. IDEA Preschool**
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue	$57,276			
Federal Revenue		$83,455	$106,353	$3,216
Total Revenues	57,276	83,455	106,353	3,216
Expenditures				
Instructional Programs				
Elementary School		53,258		
Secondary School				
Vocational-Technical				
Special Education			103,968	
Special Education Preschool				3,069
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health	57,276			
Special Education Support Services			1,233	
Instruction Improvement		14,039	230	
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration		12,747		
School Administration				
Business Operation				
Administrative Technology			922	
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				
Total Expenditures	57,276	80,044	106,353	3,069
Excess (Deficiency) of Revenues Over Expenditures	0	3,411	0	147
Other Financing Sources (Uses)				
Transfers In				
Transfers Out		(3,411)		(147)
Total Other Financing Sources (Uses)	0	(3,411)	0	(147)
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	$0	$0	$0	$0

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2016

	Special Revenue Funds			
	Title VI-B ESEA REAP	Perkins III Professional Technical Act	Title II-A Improving Teacher Quality	Total
Revenues				
Local Taxes				$0
Other Local Revenue				73,871
State Revenue				124,500
Federal Revenue	$22,797	$4,534	$27,162	247,517
Total Revenues	22,797	4,534	27,162	445,888
Expenditures				
Instructional Programs				
Elementary School	12,076		6,691	82,832
Secondary School	9,677	200	7,049	24,386
Vocational-Technical		4,334		30,110
Special Education				103,968
Special Education Preschool				3,069
Interscholastic				58,803
School Activity				1,759
Support Service Programs				
Attendance - Guidance - Health				57,276
Special Education Support Services				1,233
Instruction Improvement			13,422	27,873
Educational Media				825
Instruction-Related Technology				30,441
Board of Education				0
District Administration				12,747
School Administration				0
Business Operation				0
Administrative Technology				5,071
Buildings - Care				21,429
Maintenance - Non-Student Occupied				0
Maintenance - Student Occupied				999
Maintenance - Grounds				1,050
Pupil-To-School Transportation				0
Pupil-Activity Transportation				44,448
General Transportation				0
Non-Instructional Programs				
Child Nutrition				0
Capital Assets - Student Occupied				0
Capital Assets - Non-Student Occupied				0
Total Expenditures	21,753	4,534	27,162	508,319
Excess (Deficiency) of Revenues Over Expenditures	1,044	0	0	(62,431)
Other Financing Sources (Uses)				
Transfers In				102,591
Transfers Out	(1,044)			(4,900)
Total Other Financing Sources (Uses)	(1,044)	0	0	97,691
Net Change in Fund Balances	0	0	0	35,260
Fund Balances - Beginning	0	0	0	83,785
Fund Balances - Ending	$0	$0	$0	$119,045

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Private Purpose Trust Funds			
	Scholarship	**District Trust**	**Student Activities**	**Total**
Additions				
Contributions	$22,430			$22,430
Investment Income (Loss)	4,822	$12,265	$407	17,494
Total Additions	27,252	12,265	407	39,924
Deductions				
Trust Expenses	28,628	3,250		31,878
Total Deductions	28,628	3,250	0	31,878
Change in Net Position	(1,376)	9,015	407	8,046
Transfers In	1,533		1,533	3,066
Transfers Out		(3,066)		(3,066)
Net Position - Beginning	342,303	668,641	23,449	1,034,393
Net Position - Ending	$342,460	$674,590	$25,389	$1,042,439

OTHER REPORTS

Audits
Taxes
Special Services

Quest CPAs, P.C.
Quality Expertise Service Timeliness

11501 Highway 95
Payette, Idaho 83661
www.qcpas.com
info@qcpas.com
P: 208-642-1417
F: 208-642-1582

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, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 23, 2016.

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, P.C.

Payette, Idaho
August 23, 2016