

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2015**

**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, 2015, 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 has not performed the actuarial calculations for other post-employment benefits for the governmental activities and, accordingly, has not considered the School's other post-employment benefit liability. 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, 2015, 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, 2015, 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 omitted 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 missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, and historical context. Our opinion on the basic financial statements is not affected by this missing 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 24, 2015, 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 24, 2015

## **BASIC FINANCIAL STATEMENTS**

# CHALLIS JOINT SCHOOL DISTRICT NO. 181

## Statement of Net Position

June 30, 2015

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	
Cash & Investments	\$2,615,852
Receivables:	
Local Sources	154,722
State Sources	93,240
Federal Sources	80,215
Total Current Assets	<u>2,944,029</u>
Noncurrent Assets	
Nondepreciable Capital Assets	39,133
Depreciable Net Capital Assets	460,912
Total Noncurrent Assets	<u>500,045</u>
<b>Total Assets</b>	<u>3,444,074</u>
<b>Deferred Outflows of Resources</b>	
Pension Sources	\$248,580
<b>Total Deferred Outflows of Resources</b>	<u>248,580</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$3,692,654</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$2,404
Salaries & Benefits Payable	317,547
Unspent Grant Allocation	43,592
Total Current Liabilities	<u>363,543</u>
Noncurrent Liabilities	
Net Pension Liability	517,575
Total Noncurrent Liabilities	<u>517,575</u>
<b>Total Liabilities</b>	<u>881,118</u>
<b>Deferred Inflows of Resources</b>	
Pension Sources	712,504
<b>Total Deferred Inflows of Resources</b>	<u>712,504</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>1,593,622</u>
<b>Net Position</b>	
Net Investment in Capital Assets	500,045
Restricted:	
Special Programs	85,424
Capital Projects	2,411,185
Unrestricted	(897,622)
<b>Total Net Position</b>	<u>2,099,032</u>
<b>Total Liabilities and Deferred Inflows of Resources and Net Position</b>	<u>\$3,692,654</u>

See Accompanying Notes

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
<b>Governmental Activities</b>					<b>Governmental Activities</b>
Instructional Programs					
Elementary School	\$726,966		\$74,853		(\$652,113)
Secondary School	664,476	\$5,220	25,020		(634,236)
Vocational-Technical	84,444		23,580		(60,864)
Special Education	227,995		106,911		(121,084)
Special Education Preschool	4,084		4,084		0
Interscholastic	55,982		27,689		(28,293)
School Activity	4,754	13,475	85		8,806
Support Service Programs					
Attendance - Guidance - Health	94,982				(94,982)
Special Education Support Services	19,048		2,044		(17,004)
Instructional Improvement	32,472		32,472		0
Educational Media	28,538		198		(28,340)
Instruction-Related Technology	36,581		24,839		(11,742)
Board of Education	36,439				(36,439)
District Administration	117,783		11,349		(106,434)
School Administration	244,894				(244,894)
Business Operation	89,239				(89,239)
Administrative Technology	59,592				(59,592)
Buildings - Care	335,549	24,471	12,371	\$68,834	(229,873)
Maintenance - Non-Student Occupied	15				(15)
Maintenance - Student Occupied	197,827				(197,827)
Maintenance - Grounds	17,319		75		(17,244)
Pupil-To-School Transportation	290,416				(290,416)
Pupil-Activity Transportation	47,305	9,854			(37,451)
General Transportation	14,183				(14,183)
Non-Instructional Programs					
Child Nutrition	151,768	66,627	81,231		(3,910)
Capital Assets - Student Occupied	28,279				(28,279)
Capital Assets - Non-Student Occupied	3,896				(3,896)
<b>Total</b>	<u>\$3,614,826</u>	<u>\$119,647</u>	<u>\$426,801</u>	<u>\$68,834</u>	<u>(2,999,544)</u>
<b>General Revenues</b>					
Local Taxes					477,356
Other Local Revenue					185,911
State Revenue					2,622,259
Federal Revenue					285,758
<b>Total</b>					<u>3,571,284</u>
<b>Change in Net Position</b>					571,740
<b>Net Position - Beginning - As Previously Stated</b>					2,656,714
<b>Restatement - See Note G</b>					(1,129,422)
<b>Net Position - Beginning - As Restated</b>					<u>1,527,292</u>
<b>Net Position - Ending</b>					<u>\$2,099,032</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Balance Sheet - Governmental Funds

June 30, 2015

	<b>General Fund</b>	<b>Forest Reserve Fund</b>	<b>Child Nutrition Fund</b>	<b>Plant Facilities Fund</b>
<b>Assets</b>				
Cash & Investments	\$126,944	\$1,819,900	\$7,596	\$28,873
Receivables:				
Local Sources	137,435			17,287
State Sources	87,663			
Federal Sources				
Due From Other Funds	32,495			
<b>Total Assets</b>	<u>\$384,537</u>	<u>\$1,819,900</u>	<u>\$7,596</u>	<u>\$46,160</u>
<b>Liabilities</b>				
Accounts Payable			\$24	
Due To Other Funds				
Salaries & Benefits Payable	\$300,660		5,933	
Unspent Grant Allocation				
<b>Total Liabilities</b>	<u>300,660</u>	<u>\$0</u>	<u>5,957</u>	<u>\$0</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Tax Revenues	11,827			1,740
<b>Total Deferred Inflows of Resources</b>	<u>11,827</u>	<u>0</u>	<u>0</u>	<u>1,740</u>
<b>Fund Balances</b>				
Restricted:				
Special Programs			1,639	
Capital Projects		1,819,900		44,420
Unassigned	72,050			
<b>Total Fund Balances</b>	<u>72,050</u>	<u>1,819,900</u>	<u>1,639</u>	<u>44,420</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$384,537</u>	<u>\$1,819,900</u>	<u>\$7,596</u>	<u>\$46,160</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Balance Sheet - Governmental Funds

June 30, 2015

	<b>Bus Depreciation Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash & Investments	\$545,125	\$87,414	\$2,615,852
Receivables:			
Local Sources		0	154,722
State Sources		5,577	93,240
Federal Sources		80,215	80,215
Due From Other Funds		0	32,495
<b>Total Assets</b>	<u>\$545,125</u>	<u>\$173,206</u>	<u>\$2,976,524</u>
<b>Liabilities</b>			
Accounts Payable		\$2,380	\$2,404
Due To Other Funds		32,495	32,495
Salaries & Benefits Payable		10,954	317,547
Unspent Grant Allocation		43,592	43,592
<b>Total Liabilities</b>	<u>\$0</u>	<u>89,421</u>	<u>396,038</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Tax Revenues		0	13,567
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>13,567</u>
<b>Fund Balances</b>			
Restricted:			
Special Programs		83,785	85,424
Capital Projects	545,125	0	2,409,445
Unassigned		0	72,050
<b>Total Fund Balances</b>	<u>545,125</u>	<u>83,785</u>	<u>2,566,919</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$545,125</u>	<u>\$173,206</u>	<u>\$2,976,524</u>

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

**Total Governmental Fund Balances** \$2,566,919

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. 500,045

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 13,567

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. (981,499)

**Net Position of Governmental Activities** \$2,099,032

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended June 30, 2015

	<u>General Fund</u>	<u>Forest Reserve Fund</u>	<u>Child Nutrition Fund</u>	<u>Plant Facilities Fund</u>
<b>Revenues</b>				
Local Taxes	\$426,612			\$50,604
Other Local Revenue	50,344	\$8,583	\$66,627	290
State Revenue	2,622,259			
Federal Revenue		354,592	81,231	
<b>Total Revenues</b>	<u>3,099,215</u>	<u>363,175</u>	<u>147,858</u>	<u>50,894</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	652,113			
Secondary School	639,456			
Vocational-Technical	60,864			
Special Education	121,084			
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health	94,982			
Special Education Support Services	17,004			
Instructional Improvement				
Educational Media	28,340			
Instruction-Related Technology	6,620			
Board of Education	36,439			
District Administration	106,434			
School Administration	244,894			
Business Operation	89,239			
Administrative Technology	57,351			
Buildings - Care	323,178			
Maintenance - Non-Student Occupied	10			
Maintenance - Student Occupied	192,189			
Maintenance - Grounds	23,744			
Pupil-To-School Transportation	261,069			
Pupil-Activity Transportation				
General Transportation	14,183			
Non-Instructional Programs				
Child Nutrition			151,768	
Capital Assets - Student Occupied				28,279
Capital Assets - Non-Student Occupied				17,428
<b>Total Expenditures</b>	<u>2,969,193</u>	<u>0</u>	<u>151,768</u>	<u>45,707</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	130,022	363,175	(3,910)	5,187
<b>Other Financing Sources (Uses)</b>				
Transfers In	69,904	742,330	4,196	
Transfers Out	(135,990)	(811,164)		
<b>Total Other Financing Sources (Uses)</b>	<u>(66,086)</u>	<u>(68,834)</u>	<u>4,196</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	63,936	294,341	286	5,187
<b>Fund Balances - Beginning</b>	8,114	1,525,559	1,353	39,233
<b>Fund Balances - Ending</b>	<u>\$72,050</u>	<u>\$1,819,900</u>	<u>\$1,639</u>	<u>\$44,420</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended June 30, 2015

	<u>Bus Depreciation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local Taxes		\$0	\$477,216
Other Local Revenue	\$9,977	73,120	208,941
State Revenue		49,868	2,672,127
Federal Revenue		244,396	680,219
<b>Total Revenues</b>	<u>9,977</u>	<u>367,384</u>	<u>4,038,503</u>
<b>Expenditures</b>			
Instructional Programs			
Elementary School		74,853	726,966
Secondary School		25,020	664,476
Vocational-Technical		23,580	84,444
Special Education		106,911	227,995
Special Education Preschool		4,084	4,084
Interscholastic		55,982	55,982
School Activity		4,754	4,754
Support Service Programs			
Attendance - Guidance - Health		0	94,982
Special Education Support Services		2,044	19,048
Instructional Improvement		32,472	32,472
Educational Media		198	28,538
Instruction-Related Technology		29,961	36,581
Board of Education		0	36,439
District Administration		11,349	117,783
School Administration		0	244,894
Business Operation		0	89,239
Administrative Technology		2,241	59,592
Buildings - Care		12,371	335,549
Maintenance - Non-Student Occupied		5	15
Maintenance - Student Occupied		0	192,189
Maintenance - Grounds		75	23,819
Pupil-To-School Transportation		0	261,069
Pupil-Activity Transportation		47,305	47,305
General Transportation		0	14,183
Non-Instructional Programs			
Child Nutrition		0	151,768
Capital Assets - Student Occupied		0	28,279
Capital Assets - Non-Student Occupied		0	17,428
<b>Total Expenditures</b>	<u>0</u>	<u>433,205</u>	<u>3,599,873</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	9,977	(65,821)	438,630
<b>Other Financing Sources (Uses)</b>			
Transfers In	29,347	113,511	959,288
Transfers Out		(12,134)	(959,288)
<b>Total Other Financing Sources (Uses)</b>	<u>29,347</u>	<u>101,377</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	39,324	35,556	438,630
<b>Fund Balances - Beginning</b>	505,801	48,229	2,128,289
<b>Fund Balances - Ending</b>	<u>\$545,125</u>	<u>\$83,785</u>	<u>\$2,566,919</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2015

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**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** \$438,630

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. (14,953)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 140

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. 147,923

**Change in Net Position of Governmental Activities** \$571,740

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Fiduciary Net Position

June 30, 2015

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds - Student Activity</b>	<b>Total</b>
<b>Assets</b>			
Cash & Investments	\$1,034,393	\$115,587	\$1,149,980
<b>Total Assets</b>	<u>\$1,034,393</u>	<u>\$115,587</u>	<u>\$1,149,980</u>
<b>Liabilities</b>			
Accounts Payable			\$0
Due to Student Groups		\$115,587	115,587
<b>Total Liabilities</b>	<u>\$0</u>	<u>115,587</u>	<u>115,587</u>
<b>Net Position</b>			
Restricted:			
Trust Activities	1,034,393		1,034,393
<b>Total Net Position</b>	<u>1,034,393</u>	<u>0</u>	<u>1,034,393</u>
<b>Total Liabilities and Net Position</b>	<u>\$1,034,393</u>	<u>\$115,587</u>	<u>\$1,149,980</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Contributions	\$54,196
Investment Income (Loss)	18,293
<b>Total Additions</b>	<u>72,489</u>
<b>Deductions</b>	
Trust Expenses	33,251
<b>Total Deductions</b>	<u>33,251</u>
<b>Change in Net Position</b>	39,238
Transfers In	3,260
Transfers Out	(3,260)
<b>Net Position - Beginning</b>	<u>995,155</u>
<b>Net Position - Ending</b>	<u>\$1,034,393</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. 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 major 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 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

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### Notes to Financial Statements

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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 allocated to the various funds in proportion to each fund’s respective investment balance. Investments include monies invested in the local government investment pool and diversified bond fund and are stated at fair value using either quoted market prices or best available estimate. The reported value of the local government investment pool and diversified bond fund are materially the same as the fair 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** – Significant capital asset acquisitions with an original cost of \$5,000 or more are recorded at cost if purchased or fair value if contributed. Minor 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, 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 Inflows of Resources** – The School’s governmental fund financial statements may report a separate section for deferred inflows of resources which reflects an increase in resources that applies to a future period. This situation occurs in instances where certain grant revenues or property tax revenues are not collected within thirty days after the end of the School’s fiscal year (thus not meeting the criteria for revenue recognition under the modified accrual basis of accounting). When such grant revenues or property tax revenues are later collected, they are recognized in the governmental fund financial statements by increasing revenue and decreasing the related deferred inflow of resources account.

**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

## CHALLIS JOINT SCHOOL DISTRICT NO. 181

### Notes to Financial Statements

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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 subject to constraints on their use 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 estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# CHALLIS JOINT SCHOOL DISTRICT NO. 181

## Notes to Financial Statements

**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	\$538,603
Investments - Local Government Investment Pool	1,405,309
Investments - Diversified Bond Fund	1,821,920
<b>Total</b>	<b><u><u>\$3,765,832</u></u></b>

**Deposits** – At year end, the carrying amounts of the School's deposits were \$538,603 and the bank balances were \$585,694. Of the bank balances, \$250,000 was insured.

**Investments** – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, 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 is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. Government accounting standards board statement 40 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. These investments include insured or registered investments or investments for which the securities are held by the School or its agent in the School's name. Collateralized securities in the local government investment pool are held in trust by a safekeeping bank.

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Notes to Financial Statements

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	\$137,435		\$17,287	\$154,722
<b>Total</b>	<u>\$137,435</u>		<u>\$17,287</u>	<u>\$154,722</u>
State Sources				
Foundation Program	\$87,663			\$87,663
Special Programs		\$5,577		5,577
<b>Total</b>	<u>\$87,663</u>	<u>\$5,577</u>		<u>\$93,240</u>
Federal Sources				
Special Programs		\$80,215		\$80,215
<b>Total</b>		<u>\$80,215</u>		<u>\$80,215</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Notes to Financial Statements

**D. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$39,133			\$39,133
<b>Total</b>	<u>39,133</u>	<u>\$0</u>	<u>\$0</u>	<u>39,133</u>
Depreciable Capital Assets				
Buildings	7,661,953	13,532		7,675,485
Equipment	450,919	6,500		457,419
Transportation	1,102,574			1,102,574
Subtotal	<u>9,215,446</u>	<u>20,032</u>	<u>0</u>	<u>9,235,478</u>
Accumulated Depreciation				
Buildings	7,532,362	2,915		7,535,277
Equipment	432,257	2,723		434,980
Transportation	774,962	29,347		804,309
Subtotal	<u>8,739,581</u>	<u>34,985</u>	<u>0</u>	<u>8,774,566</u>
<b>Total</b>	<u>475,865</u>	<u>(14,953)</u>	<u>0</u>	<u>460,912</u>
<b>Net Capital Assets</b>	<u>\$514,998</u>	<u>(\$14,953)</u>	<u>\$0</u>	<u>\$500,045</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$5,638
Pupil-To-School Transportation	29,347
<b>Total</b>	<u>\$34,985</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

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, 2014 was as follows:

Retirees and beneficiaries currently receiving benefits	40,776
Terminated employees entitled to but not yet receiving benefits	11,504
Active plan members	<u>66,223</u>
<b>Total</b>	<u><u>118,503</u></u>

### *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. Amounts in parenthesis represent police/firefighters.

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% (72%) of the employer rate. As of June 30, 2014 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The School's contributions were \$205,496 for the year ended June 30, 2015.

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Notes to Financial Statements

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

At June 30, 2015, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, 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, 2014, the School's proportion was 0.0703077 percent.

For the year ended June 30, 2015, the School recognized pension expense (revenue) of (\$147,923). At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		\$64,249
Changes in assumptions or other inputs	43,084	
Net difference between projected and actual earnings on pension plan investments		648,255
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions		0
Employer contributions subsequent to the measurement date	205,496	
<b>Total</b>	<u>\$248,580</u>	<u>\$712,504</u>

\$205,496 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, 2016.

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, 2013 the beginning of the measurement period ended June 30, 2014 is 5.6 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:

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Notes to Financial Statements

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<b>Year Ended</b>	
6/30/16	(\$166,665)
6/30/17	(166,665)
6/30/18	(166,665)
6/30/19	(166,665)
6/30/20	(2,761)
<b>Total</b>	<u><u>(\$669,421)</u></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 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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.25%
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, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

## CHALLIS JOINT SCHOOL DISTRICT NO. 181

### Notes to Financial Statements

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.

<b>Asset Class</b>	<b>Index</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
<b>Long-Term Expected Rate of Return, Net of Investment Expenses</b>			<b><u>7.10%</u></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

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Notes to Financial Statements

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:

	<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)	\$1,797,386	\$517,575	(\$546,321)

*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	\$32,495	\$32,495
<b>Total</b>	\$32,495	\$32,495

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.

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Notes to Financial Statements

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General	\$69,904	\$135,990	Depreciation, Benefits, Support, Indirect Costs
Forest Reserve	742,330	811,164	Support
Child Nutrition	4,196		Benefits
Bus Depreciation	29,347		Depreciation
Nonmajor Governmental	113,511	12,134	Support, Indirect Costs
Total Governmental	959,288	959,288	
Private Purpose Trust	3,260	3,260	Support
<b>Total</b>	<u>\$962,548</u>	<u>\$962,548</u>	

**G. PRIOR PERIOD ADJUSTMENT**

During the year, the School implemented GASB No. 68 *Accounting and Financial Reporting for Pensions*. As required by GASB 68, the School's net position was restated by \$1,129,422 to reflect the prior year net pension liability and related deferred outflows from pension contributions made subsequent to the measurement date.

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2015

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$466,342	\$466,342	\$426,612	(\$39,730)
Other Local Revenue	3,585	3,585	50,344	46,759
State Revenue	2,645,680	2,645,680	2,622,259	(23,421)
Federal Revenue	0	0	0	0
<b>Total Revenues</b>	<u>3,115,607</u>	<u>3,115,607</u>	<u>3,099,215</u>	<u>(16,392)</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	701,409	701,409	652,113	49,296
Secondary School	636,372	636,372	639,456	(3,084)
Vocational-Technical	63,886	63,886	60,864	3,022
Special Education	103,483	103,483	121,084	(17,601)
Special Education Preschool	0	0	0	0
Interscholastic	0	0	0	0
School Activity	0	0	0	0
Support Service Programs				
Attendance - Guidance - Health	96,814	96,814	94,982	1,832
Special Education Support Services	26,000	26,000	17,004	8,996
Instructional Improvement	0	0	0	0
Educational Media	30,322	30,322	28,340	1,982
Instruction-Related Technology	3,500	3,500	6,620	(3,120)
Board of Education	33,975	33,975	36,439	(2,464)
District Administration	105,503	105,503	106,434	(931)
School Administration	241,872	241,872	244,894	(3,022)
Business Operation	91,056	91,056	89,239	1,817
Administrative Technology	57,581	57,581	57,351	230
Buildings - Care	310,052	310,052	323,178	(13,126)
Maintenance - Non-Student Occupied	0	0	10	(10)
Maintenance - Student Occupied	178,813	178,813	192,189	(13,376)
Maintenance - Grounds	22,148	22,148	23,744	(1,596)
Pupil-To-School Transportation	276,541	276,541	261,069	15,472
Pupil-Activity Transportation	0	0	0	0
General Transportation	16,097	16,097	14,183	1,914
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>2,995,424</u>	<u>2,995,424</u>	<u>2,969,193</u>	<u>26,231 *</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	120,183	120,183	130,022	9,839
<b>Other Financing Sources (Uses)</b>				
Transfers In	10,610	10,610	69,904	59,294
Transfers Out	(130,793)	(130,793)	(135,990)	(5,197) *
<b>Total Other Financing Sources (Uses)</b>	<u>(120,183)</u>	<u>(120,183)</u>	<u>(66,086)</u>	<u>54,097</u>
<b>Net Change in Fund Balances</b>	0	0	63,936	63,936
<b>Fund Balances - Beginning</b>	0	0	8,114	8,114
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$72,050</u>	<u>\$72,050</u>

\*Total expenditures (over) under appropriations are: \$21,034

Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2015

Forest Reserve Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Local Taxes			\$0	\$0
Other Local Revenue	\$8,505	\$8,505	8,583	78
State Revenue	0	0	0	0
Federal Revenue	0	0	354,592	354,592
<b>Total Revenues</b>	<u>8,505</u>	<u>8,505</u>	<u>363,175</u>	<u>354,670</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
Instructional 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>				
	8,505	8,505	363,175	354,670
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	742,330	742,330
Transfers Out	(17,550)	(17,550)	(811,164)	(793,614) *
<b>Total Other Financing Sources (Uses)</b>	<u>(17,550)</u>	<u>(17,550)</u>	<u>(68,834)</u>	<u>(51,284)</u>
<b>Net Change in Fund Balances</b>				
	(9,045)	(9,045)	294,341	303,386
<b>Fund Balances - Beginning</b>	<u>1,469,186</u>	<u>1,469,186</u>	<u>1,525,559</u>	<u>56,373</u>
<b>Fund Balances - Ending</b>	<u>\$1,460,141</u>	<u>\$1,460,141</u>	<u>\$1,819,900</u>	<u>\$359,759</u>

\*Total expenditures (over) under appropriations are: (\$793,614)

Budgetary Comparison Schedule -  
 General and Major Special Revenue Funds  
 Year Ended June 30, 2015

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
<b>Child Nutrition Fund</b>				
<b>Revenues</b>				
Other Local Revenue	\$67,000	\$67,000	\$66,627	(\$373)
Federal Revenue	80,000	80,000	81,231	1,231
<b>Total Revenues</b>	<u>147,000</u>	<u>147,000</u>	<u>147,858</u>	<u>858</u>
<b>Expenditures</b>				
Non-Instructional Programs				
Child Nutrition	155,248	155,248	151,768	3,480
<b>Total Expenditures</b>	<u>155,248</u>	<u>155,248</u>	<u>151,768</u>	<u>3,480</u> *
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(8,248)	(8,248)	(3,910)	4,338
<b>Other Financing Sources (Uses)</b>				
Transfers In	8,248	8,248	4,196	(4,052)
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>8,248</u>	<u>8,248</u>	<u>4,196</u>	<u>(4,052)</u>
<b>Net Change in Fund Balances</b>	0	0	286	286
<b>Fund Balances - Beginning</b>	0	0	1,353	1,353
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$1,639</u>	<u>\$1,639</u>
				<u>\$3,480</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\*

	<b>2015</b>
School's portion of the net pension liability	0.0703077%
School's proportionate share of the net pension liability	\$517,575
School's covered-employee payroll	\$1,815,336
School's proportional share of the net pension liability as a percentage of its covered-employee payroll	28.51%
Plan fiduciary net position as a percentage of the total pension liability	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. 2015 data uses a July 1, 2014 measurement date).

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years\*

	<u><b>2015</b></u>
Statutorily required contribution	\$228,529
Contributions in relation to the statutorily required contribution	\$218,647
Contribution deficiency (excess)	<u>\$9,882</u>
School's covered-employee payroll	<u>\$1,815,336</u>
Contributions as a percentage of covered-employee payroll	12.04%

\*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 most recent fiscal year end.

**SUPPLEMENTARY INFORMATION**

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2015

	<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	\$41,186	\$20,226	\$3,629	\$7,642
Receivables:				
Local Sources				
State Sources				
Federal Sources				
Due From Other Funds				
<b>Total Assets</b>	<u>\$41,186</u>	<u>\$20,226</u>	<u>\$3,629</u>	<u>\$7,642</u>
<b>Liabilities</b>				
Accounts Payable			\$2,380	
Due To Other Funds				
Salaries & Benefits Payable			1,249	
Unspent Grant Allocation				
<b>Total Liabilities</b>	<u>\$0</u>	<u>\$0</u>	<u>3,629</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	41,186	20,226		7,642
Capital Projects				
Unassigned				
<b>Total Fund Balances</b>	<u>41,186</u>	<u>20,226</u>	<u>0</u>	<u>7,642</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$41,186</u>	<u>\$20,226</u>	<u>\$3,629</u>	<u>\$7,642</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2015

	<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	\$3,015		\$7,532	\$4,184
Receivables:				
Local Sources				
State Sources		\$5,577		
Federal Sources				
Due From Other Funds				
<b>Total Assets</b>	<b>\$3,015</b>	<b>\$5,577</b>	<b>\$7,532</b>	<b>\$4,184</b>
<b>Liabilities</b>				
Accounts Payable				
Due To Other Funds		\$5,577		
Salaries & Benefits Payable				
Unspent Grant Allocation				
<b>Total Liabilities</b>	<b>\$0</b>	<b>5,577</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	3,015		7,532	4,184
Capital Projects				
Unassigned				
<b>Total Fund Balances</b>	<b>3,015</b>	<b>0</b>	<b>7,532</b>	<b>4,184</b>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<b>\$3,015</b>	<b>\$5,577</b>	<b>\$7,532</b>	<b>\$4,184</b>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2015

	<b>Special Revenue Funds</b>			
	<b>Title I-A ESEA IBP</b>	<b>Special Educ. IDEA Part B School-Age</b>	<b>Special Educ. IDEA Preschool</b>	<b>Title VI-B ESEA REAP</b>
<b>Assets</b>				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$45,026	\$19,940		\$1,407
Due From Other Funds				
<b>Total Assets</b>	<u>\$45,026</u>	<u>\$19,940</u>	<u>\$0</u>	<u>\$1,407</u>
<b>Liabilities</b>				
Accounts Payable				
Due To Other Funds	\$8,495	\$10,235		\$1,407
Salaries & Benefits Payable		9,705		
Unspent Grant Allocation	36,531			
<b>Total Liabilities</b>	<u>45,026</u>	<u>19,940</u>	<u>\$0</u>	<u>1,407</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				
Capital Projects				
Unassigned				
<b>Total Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$45,026</u>	<u>\$19,940</u>	<u>\$0</u>	<u>\$1,407</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 June 30, 2015

	<b>Special Revenue Funds</b>		
	<b>Perkins III Professional Technical Act</b>	<b>Title II-A Improving Teacher Quality</b>	<b>Total</b>
<b>Assets</b>			
Cash & Investments			\$87,414
Receivables:			
Local Sources			0
State Sources			5,577
Federal Sources	\$4,789	\$9,053	80,215
Due From Other Funds			0
<b>Total Assets</b>	<b>\$4,789</b>	<b>\$9,053</b>	<b>\$173,206</b>
<b>Liabilities</b>			
Accounts Payable			\$2,380
Due To Other Funds	\$4,789	\$1,992	32,495
Salaries & Benefits Payable			10,954
Unspent Grant Allocation		7,061	43,592
<b>Total Liabilities</b>	<b>4,789</b>	<b>9,053</b>	<b>89,421</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Tax Revenues			0
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Restricted:			
Special Programs			83,785
Capital Projects			0
Unassigned			0
<b>Total Fund Balances</b>	<b>0</b>	<b>0</b>	<b>83,785</b>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<b>\$4,789</b>	<b>\$9,053</b>	<b>\$173,206</b>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Nonmajor Governmental Funds  
 Year Ended June 30, 2015

	<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	\$2,560	\$37,240	\$27,689	\$57
State Revenue				
Federal Revenue				
<b>Total Revenues</b>	<u>2,560</u>	<u>37,240</u>	<u>27,689</u>	<u>57</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	136	22,253		
Secondary School				
Vocational-Technical				
Special Education				
Special Education Preschool				
Interscholastic			55,982	
School Activity		85	4,669	
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement		55		
Educational Media		198		
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care		12,371		
Maintenance - Non-Student Occupied			5	
Maintenance - Student Occupied				
Maintenance - Grounds		75		
Pupil-To-School Transportation				
Pupil-Activity Transportation			47,305	
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
<b>Total Expenditures</b>	<u>136</u>	<u>35,037</u>	<u>107,961</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	2,424	2,203	(80,272)	57
<b>Other Financing Sources (Uses)</b>				
Transfers In			108,511	5,000
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>108,511</u>	<u>5,000</u>
<b>Net Change in Fund Balances</b>	2,424	2,203	28,239	5,057
<b>Fund Balances - Beginning</b>	<u>38,762</u>	<u>18,023</u>	<u>(28,239)</u>	<u>2,585</u>
<b>Fund Balances - Ending</b>	<u>\$41,186</u>	<u>\$20,226</u>	<u>\$0</u>	<u>\$7,642</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2015

	<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	\$5,320	\$200	\$54	
State Revenue	1,875	18,591	24,785	\$4,617
Federal Revenue				
<b>Total Revenues</b>	<u>7,195</u>	<u>18,791</u>	<u>24,839</u>	<u>4,617</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School				
Secondary School	6,383			
Vocational-Technical		18,791		
Special Education				
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement				433
Educational Media				
Instruction-Related Technology			29,961	
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology			2,241	
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>6,383</u>	<u>18,791</u>	<u>32,202</u>	<u>433</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	812	0	(7,363)	4,184
<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>	812	0	(7,363)	4,184
<b>Fund Balances - Beginning</b>	<u>2,203</u>	<u>0</u>	<u>14,895</u>	<u>0</u>
<b>Fund Balances - Ending</b>	<u>\$3,015</u>	<u>\$0</u>	<u>\$7,532</u>	<u>\$4,184</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Nonmajor Governmental Funds  
 Year Ended June 30, 2015

	Special Revenue Funds			
	Title I-A ESEA IBP	Special Educ. IDEA Part B School-Age	Special Educ. IDEA Preschool	Title VI-B ESEA REAP
<b>Revenues</b>				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$64,861	\$116,491	\$4,084	\$26,985
<b>Total Revenues</b>	<u>64,861</u>	<u>116,491</u>	<u>4,084</u>	<u>26,985</u>
<b>Expenditures</b>				
Instructional Programs				
Elementary School	30,120			12,131
Secondary School	568			11,693
Vocational-Technical				
Special Education		106,911		
Special Education Preschool			4,084	
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services		2,044		
Instructional Improvement	19,735	1,315		1,754
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration	11,349			
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>61,772</u>	<u>110,270</u>	<u>4,084</u>	<u>25,578</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	3,089	6,221	0	1,407
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out	(3,089)	(6,221)		(1,407)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,089)</u>	<u>(6,221)</u>	<u>0</u>	<u>(1,407)</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>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2015

	<u>Special Revenue Funds</u>		
	<u>Perkins III Professional Technical Act</u>	<u>Title II-A Improving Teacher Quality</u>	<u>Total</u>
<b>Revenues</b>			
Local Taxes			\$0
Other Local Revenue			73,120
State Revenue			49,868
Federal Revenue	\$4,789	\$27,186	244,396
<b>Total Revenues</b>	<u>4,789</u>	<u>27,186</u>	<u>367,384</u>
<b>Expenditures</b>			
Instructional Programs			
Elementary School		10,213	74,853
Secondary School		6,376	25,020
Vocational-Technical	4,789		23,580
Special Education			106,911
Special Education Preschool			4,084
Interscholastic			55,982
School Activity			4,754
Support Service Programs			
Attendance - Guidance - Health			0
Special Education Support Services			2,044
Instructional Improvement		9,180	32,472
Educational Media			198
Instruction-Related Technology			29,961
Board of Education			0
District Administration			11,349
School Administration			0
Business Operation			0
Administrative Technology			2,241
Buildings - Care			12,371
Maintenance - Non-Student Occupied			5
Maintenance - Student Occupied			0
Maintenance - Grounds			75
Pupil-To-School Transportation			0
Pupil-Activity Transportation			47,305
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>4,789</u>	<u>25,769</u>	<u>433,205</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	1,417	(65,821)
<b>Other Financing Sources (Uses)</b>			
Transfers In			113,511
Transfers Out		(1,417)	(12,134)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>(1,417)</u>	<u>101,377</u>
<b>Net Change in Fund Balances</b>	0	0	35,556
<b>Fund Balances - Beginning</b>	0	0	48,229
<b>Fund Balances - Ending</b>	<u>\$0</u>	<u>\$0</u>	<u>\$83,785</u>

**CHALLIS JOINT SCHOOL DISTRICT NO. 181**  
Combining Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2015

	<b>Private Purpose Trust Funds</b>			<b>Total</b>
	<b>Scholarship</b>	<b>District Trust</b>	<b>Student Activities</b>	
<b>Additions</b>				
Contributions	\$54,196			\$54,196
Investment Income (Loss)	4,832	\$13,042	\$419	18,293
<b>Total Additions</b>	<u>59,028</u>	<u>13,042</u>	<u>419</u>	<u>72,489</u>
<b>Deductions</b>				
Trust Expenses	30,002	3,249		33,251
<b>Total Deductions</b>	<u>30,002</u>	<u>3,249</u>	<u>0</u>	<u>33,251</u>
<b>Change in Net Position</b>	29,026	9,793	419	39,238
Transfers In	1,630		1,630	3,260
Transfers Out		(3,260)		(3,260)
<b>Net Position - Beginning</b>	<u>311,647</u>	<u>662,108</u>	<u>21,400</u>	<u>995,155</u>
<b>Net Position - Ending</b>	<u>\$342,303</u>	<u>\$668,641</u>	<u>\$23,449</u>	<u>\$1,034,393</u>

## **OTHER REPORTS**

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, 2015, 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 24, 2015.

**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 24, 2015