CHALLIS JOINT SCHOOL DISTRICT NO. 181

FINANCIAL STATEMENTS

Year Ended June 30, 2014

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, 2014, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2014, 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 information 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 District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards (as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Districts*) 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 and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2014, 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 21, 2014

BASIC FINANCIAL STATEMENTS

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Net Position

June 30, 2014

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	$2,205,370
Receivables:	
Local Sources	156,808
State Sources	62,527
Federal Sources	89,860
Total Current Assets	2,514,565
Noncurrent Assets	
Nondepreciable Capital Assets	39,133
Depreciable Net Capital Assets	475,865
Total Noncurrent Assets	514,998
Total Assets	$3,029,563
Liabilities	
Current Liabilities	
Accounts Payable	$739
Salaries & Benefits Payable	338,706
Unspent Grant Allocation	33,404
Total Current Liabilities	372,849
Total Liabilities	372,849
Net Position	
Net Investment in Capital Assets	514,998
Restricted:	
Special Programs	49,582
Capital Projects	2,072,758
Unrestricted	19,376
Total Net Position	2,656,714
Total Liabilities and Net Position	$3,029,563

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants And Contributions	Program Revenues: Capital Grants And Contributions	Net (Expense) Revenue And Changes in Net Position: Governmental Activities
Governmental Activities					
Instructional Programs					
Elementary School	$832,239		$90,588		($741,651)
Secondary School	646,571	$3,525	13,322		(629,724)
Vocational-Technical	116,161		20,254		(95,907)
Special Education	209,714		95,259		(114,455)
Special Education Preschool	5,024		5,024		0
Interscholastic	62,559		21,257		(41,302)
School Activity	7,308	11,150			3,842
Support Service Programs					
Attendance - Guidance - Health	91,376				(91,376)
Special Education Support Services	26,307		2,674		(23,633)
Instructional Improvement	29,372		28,506		(866)
Educational Media	22,916		207		(22,709)
Instruction-Related Technology	70,869		32,731		(38,138)
Board of Education	31,793				(31,793)
District Administration	68,012		8,948		(59,064)
School Administration	257,550				(257,550)
Business Operation	98,910				(98,910)
Administrative Technology	62,830		60		(62,770)
Buildings - Care	305,451	29,998	12,526	229,360	(33,567)
Maintenance - Non-Student Occupied	315				(315)
Maintenance - Student Occupied	182,018				(182,018)
Maintenance - Grounds	15,728		1,275		(14,453)
Pupil-To-School Transportation	177,134				(177,134)
Pupil-Activity Transportation	180,994	2,978			(178,016)
General Transportation	11,021				(11,021)
Non-Instructional Programs					
Child Nutrition	155,362	68,002	81,910		(5,450)
Capital Assets - Student Occupied	68,235				(68,235)
Capital Assets - Non-Student Occupied	0				0
Total	$3,735,769	$115,653	$414,541	$229,360	(2,976,215)
	General Revenues				
	Local Taxes				468,492
	Other Local Revenue				36,244
	State Revenue				2,588,670
	Federal Revenue				160,615
	Total				3,254,021
	Change in Net Position				277,806
	Net Position - Beginning				2,378,908
	Net Position - Ending				$2,656,714

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2014

	General Fund	Forest Reserve Fund	Child Nutrition Fund	Plant Facilities Fund
Assets				
Cash & Investments	$67,083	$1,525,559	$6,386	$16,823
Receivables:				
Local Sources	132,233			24,575
State Sources	59,049			
Federal Sources				
Due From Other Funds	61,434			
Total Assets	$319,799	$1,525,559	$6,386	$41,398
Liabilities				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable	$300,423		$5,033	
Unspent Grant Allocation				
Total Liabilities	300,423	$0	5,033	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues	11,262			2,165
Total Deferred Inflows of Resources	11,262	0	0	2,165
Fund Balances				
Restricted:				
Special Programs			1,353	
Capital Projects		1,525,559		39,233
Unassigned	8,114			
Total Fund Balances	8,114	1,525,559	1,353	39,233
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$319,799	$1,525,559	$6,386	$41,398

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2014

	Bus Depreciation Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash & Investments	$505,801	$83,718	$2,205,370
Receivables:			
Local Sources		0	156,808
State Sources		3,478	62,527
Federal Sources		89,860	89,860
Due From Other Funds		0	61,434
Total Assets	$505,801	$177,056	$2,575,999
Liabilities			
Accounts Payable		$739	$739
Due To Other Funds		61,434	61,434
Salaries & Benefits Payable		33,250	338,706
Unspent Grant Allocation		33,404	33,404
Total Liabilities	$0	128,827	434,283
Deferred Inflows of Resources			
Unavailable Tax Revenues		0	13,427
Total Deferred Inflows of Resources	0	0	13,427
Fund Balances			
Restricted:			
Special Programs		48,229	49,582
Capital Projects	505,801	0	2,070,593
Unassigned		0	8,114
Total Fund Balances	505,801	48,229	2,128,289
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$505,801	$177,056	$2,575,999

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Balance Sheet - Governmental Funds
June 30, 2014

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

Total Governmental Fund Balances	$2,128,289
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.	514,998
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	13,427
Net Position of Governmental Activities	$2,656,714

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2014

	General Fund	Forest Reserve Fund	Child Nutrition Fund	Plant Facilities Fund
Revenues				
Local Taxes	$416,315			$49,262
Other Local Revenue	54,012	$9,259	$68,003	$3,064
State Revenue	2,588,670			
Federal Revenue		389,975	81,910	
Total Revenues	3,058,997	399,234	149,913	52,326
Expenditures				
Instructional Programs				
Elementary School	737,351			
Secondary School	633,249			
Vocational-Technical	95,907			
Special Education	114,455			
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health	91,376			
Special Education Support Services	23,633			
Instructional Improvement	866			
Educational Media	18,441			
Instruction-Related Technology	38,138			
Board of Education	31,793			
District Administration	63,522			
School Administration	270,375			
Business Operation	103,639			
Administrative Technology	62,770			
Buildings - Care	287,608			
Maintenance - Non-Student Occupied	315			
Maintenance - Student Occupied	183,480			
Maintenance - Grounds	160,822			
Pupil-To-School Transportation	257,419			
Pupil-Activity Transportation				
General Transportation	11,021			
Non-Instructional Programs				
Child Nutrition			155,362	
Capital Assets - Student Occupied				30,126
Capital Assets - Non-Student Occupied				
Total Expenditures	3,186,180	0	155,362	30,126
Excess (Deficiency) of Revenues Over Expenditures	(127,183)	399,234	(5,449)	22,200
Other Financing Sources (Uses)				
Transfers In	223,904		5,449	
Transfers Out	(88,607)	(229,360)		
Total Other Financing Sources (Uses)	135,297	(229,360)	5,449	0
Net Change in Fund Balances	8,114	169,874	0	22,200
Fund Balances - Beginning	0	1,355,685	1,353	17,033
Fund Balances - Ending	$8,114	$1,525,559	$1,353	$39,233

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2014

	Bus Depreciation Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local Taxes		$0	$465,577
Other Local Revenue	$11,089	74,441	219,868
State Revenue		39,718	2,628,388
Federal Revenue		224,942	696,827
Total Revenues	11,089	339,101	4,010,660
Expenditures			
Instructional Programs			
Elementary School		94,888	832,239
Secondary School		13,322	646,571
Vocational-Technical		20,254	116,161
Special Education		95,259	209,714
Special Education Preschool		5,024	5,024
Interscholastic		62,559	62,559
School Activity		7,308	7,308
Support Service Programs			
Attendance - Guidance - Health		0	91,376
Special Education Support Services		2,674	26,307
Instructional Improvement		28,506	29,372
Educational Media		4,475	22,916
Instruction-Related Technology		32,731	70,869
Board of Education		0	31,793
District Administration		8,948	72,470
School Administration		0	270,375
Business Operation		0	103,639
Administrative Technology		60	62,830
Buildings - Care		17,843	305,451
Maintenance - Non-Student Occupied		0	315
Maintenance - Student Occupied		0	183,480
Maintenance - Grounds		1,275	162,097
Pupil-To-School Transportation		0	257,419
Pupil-Activity Transportation	99,166	81,828	180,994
General Transportation		0	11,021
Non-Instructional Programs			
Child Nutrition		0	155,362
Capital Assets - Student Occupied		0	30,126
Capital Assets - Non-Student Occupied		0	0
Total Expenditures	99,166	476,954	3,947,788
Excess (Deficiency) of Revenues Over Expenditures	(88,077)	(137,853)	62,872
Other Financing Sources (Uses)			
Transfers In	24,337	78,728	332,418
Transfers Out		(14,451)	(332,418)
Total Other Financing Sources (Uses)	24,337	64,277	0
Net Change in Fund Balances	(63,740)	(73,576)	62,872
Fund Balances - Beginning	569,541	121,805	2,065,417
Fund Balances - Ending	$505,801	$48,229	$2,128,289

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2014

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	$62,872
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.	190,007
Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.	2,915
Certain expenses may be accrued in the statement of activities, but are reported when paid in the governmental funds.	22,012
Change in Net Position of Governmental Activities	$277,806

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Fiduciary Net Position

June 30, 2014

	Private Purpose Trust Funds	Agency Funds - Student Activity	Total
Assets			
Cash & Investments	$995,155	$112,711	$1,107,866
Total Assets	$995,155	$112,711	$1,107,866
Liabilities			
Accounts Payable			$0
Due to Student Groups		$112,711	112,711
Total Liabilities	0	112,711	112,711
Net Position			
Restricted:			
Trust Activities	995,155		995,155
Total Net Position	995,155	0	995,155
Total Liabilities and Net Position	$995,155	$112,711	$1,107,866

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2014

	Private Purpose Trust Funds
Additions	
Contributions	$35,204
Investment Income (Loss)	20,386
Total Additions	55,590
Deductions	
Trust Expenses	67,174
Total Deductions	67,174
Change in Net Position	(11,584)
Transfers In	3,622
Transfers Out	(3,622)
Net Position - Beginning	1,006,739
Net Position - Ending	$995,155

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. 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

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 and Post-Retirement Benefits – 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. Government accounting standards board statement 45 requires employers to accrue future estimated post-retirement benefits on the employer's government-wide financial statements when such benefits are deemed material to the employer. The future estimated post-retirement benefits are deemed immaterial to the School, and accordingly, are not reflected on the government-wide financial statements.

Deferred Inflows of Resources – The School's 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 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 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	$445,837
Investments - Local Government Investment Pool	1,080,232
Investments - Diversified Bond Fund	1,787,167
Total	$3,313,236

Deposits – At year end, the carrying amounts of the School's deposits were $445,837 and the bank balances were $469,721. 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.

C. RECEIVABLES

Receivables consist of the following at year end:

	General Fund	Special Revenue Funds	Capital Projects Funds
Local Sources			
Local Taxes	$128,273		$24,575
Other Local Sources	3,960		
Total	$132,233		$24,575
State Sources			
Foundation Program	$59,049		
Special Programs		$3,478	
Total	$59,049	$3,478	
Federal Sources			
Special Programs		$89,860	
Total		$89,860	

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	7,529,717	132,236		7,661,953
Equipment	430,183	20,736		450,919
Transportation	978,423	124,151		1,102,574
Subtotal	8,938,323	277,123	0	9,215,446
Accumulated Depreciation				
Buildings	7,466,201	66,161		7,532,362
Equipment	430,183	2,074		432,257
Transportation	756,081	18,881		774,962
Subtotal	8,652,465	87,116	0	8,739,581
Total	285,858	190,007	0	475,865
Net Capital Assets	$324,991	$190,007	$0	$514,998

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	$68,235
Pupil-To-School Transportation	18,881
Total	$87,116

E. RETIREMENT PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their

employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

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

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighter members. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. Additionally, PERSI administers the Sick Leave Insurance Reserve Fund which collects salary-based contributions for state and school employees while employed and pays insurance premiums at retirement based on a portion of the accumulated balance of their unused sick leave. State and school employers pre-fund this termination payment with contributions during active employment. The School's employer contributions required and paid were $235,435, $221,316, and $242,474, for the three years ended June 30, 2014, 2013, and 2012 respectively.

F. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

	Due From Fund	
	Nonmajor Governmental	**Total**
Due To Fund		
General	$61,434	$61,434
Total	$61,434	$61,434

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	$223,904	$88,607	Bus Depreciation, Benefits, Support, Indirect Costs
Forest Reserve		229,360	Support
Child Nutrition	5,449		Benefits
Bus Depreciation	24,337		Bus Depreciation
Nonmajor Governmental	78,728	14,451	Support, Indirect Costs
Total Governmental	332,418	332,418	
Private Purpose Trust	3,622	3,622	Support
Total	$336,040	$336,040	

REQUIRED SUPPLEMENTARY INFORMATION

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2014

General Fund	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Actual Amounts	Final Budget Variance Positive (Negative)	
Revenues					
Local Taxes	$423,037	$423,037	$416,315	($6,722)	
Other Local Revenue	67,063	58,463	54,012	(4,451)	
State Revenue	2,540,400	2,540,936	2,588,670	47,734	
Federal Revenue	0	0	0	0	
Total Revenues	3,030,500	3,022,436	3,058,997	36,561	
Expenditures					
Instructional Programs					
Elementary School	735,487	724,322	737,351	(13,029)	
Secondary School	644,280	619,636	633,249	(13,613)	
Vocational-Technical	96,229	98,309	95,907	2,402	
Special Education	90,544	98,893	114,455	(15,562)	
Special Education Preschool	0	0	0	0	
Interscholastic	0	0	0	0	
School Activity	0	0	0	0	
Support Service Programs					
Attendance - Guidance - Health	88,220	92,846	91,376	1,470	
Special Education Support Services	27,000	27,000	23,633	3,367	
Instructional Improvement	0	0	866	(866)	
Educational Media	25,995	26,169	18,441	7,728	
Instruction-Related Technology	32,992	33,660	38,138	(4,478)	
Board of Education	34,058	34,240	31,793	2,447	
District Administration	102,788	62,343	63,522	(1,179)	
School Administration	234,265	272,544	270,375	2,169	
Business Operation	89,319	106,591	103,639	2,952	
Administrative Technology	63,892	75,352	62,770	12,582	
Buildings - Care	304,793	292,014	287,608	4,406	
Maintenance - Non-Student Occupied	0	0	315	(315)	
Maintenance - Student Occupied	177,187	192,459	183,480	8,979	
Maintenance - Grounds	173,515	173,494	160,822	12,672	
Pupil-To-School Transportation	263,707	265,012	257,419	7,593	
Pupil-Activity Transportation	0	0	0	0	
General Transportation	9,445	11,830	11,021	809	
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	3,193,716	3,206,714	3,186,180	20,534	*
Excess (Deficiency) of Revenues Over Expenditures	(163,216)	(184,278)	(127,183)	57,095	
Other Financing Sources (Uses)					
Transfers In	282,927	308,810	223,904	(84,906)	
Transfers Out	(119,711)	(124,532)	(88,607)	35,925	*
Total Other Financing Sources (Uses)	163,216	184,278	135,297	(48,981)	
Net Change in Fund Balances	0	0	8,114	8,114	
Fund Balances - Beginning	0	0	0	0	
Fund Balances - Ending	$0	$0	$8,114	$8,114	

**Total expenditures (over) under appropriations are:* $56,459

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2014

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	11,180	11,180	9,259	(1,921)	
State Revenue	0	0	0	0	
Federal Revenue	0	0	389,975	389,975	
Total Revenues	11,180	11,180	399,234	388,054	
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	
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	
Total Expenditures	0	0	0	0	*
Excess (Deficiency) of Revenues Over Expenditures	11,180	11,180	399,234	388,054	
Other Financing Sources (Uses)					
Transfers In	0	0	0	0	
Transfers Out	(283,018)	(311,990)	(229,360)	82,630	*
Total Other Financing Sources (Uses)	(283,018)	(311,990)	(229,360)	82,630	
Net Change in Fund Balances	(271,838)	(300,810)	169,874	470,684	
Fund Balances - Beginning	1,326,279	1,355,685	1,355,685	0	
Fund Balances - Ending	$1,054,441	$1,054,875	$1,525,559	$470,684	

**Total expenditures (over) under appropriations are:* $82,630

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2014

Child Nutrition Fund	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Actual Amounts	Final Budget Variance Positive (Negative)	
Revenues					
Other Local Revenue	$77,010	$77,010	$68,003	($9,007)	
Federal Revenue	80,000	80,000	81,910	1,910	
Total Revenues	157,010	157,010	149,913	(7,097)	
Expenditures					
Non-Instructional Programs					
Child Nutrition	164,651	166,988	155,362	11,626	
Total Expenditures	164,651	166,988	155,362	11,626	*
Excess (Deficiency) of Revenues Over Expenditures	(7,641)	(9,978)	(5,449)	4,529	
Other Financing Sources (Uses)					
Transfers In	3,641	8,625	5,449	(3,176)	
Transfers Out	0	0	0	0	*
Total Other Financing Sources (Uses)	3,641	8,625	5,449	(3,176)	
Net Change in Fund Balances	(4,000)	(1,353)	0	1,353	
Fund Balances - Beginning	4,000	1,353	1,353	0	
Fund Balances - Ending	$0	$0	$1,353	$1,353	
	**Total expenditures (over) under appropriations are:*			$11,626	

SUPPLEMENTARY INFORMATION

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds			
	Miscellaneous Grants	**Stanley Cell Tower**	**School Activity Programs**	**Student Activities Buses**
Assets				
Cash & Investments	$39,501	$21,339		$2,585
Receivables:				
Local Sources				
State Sources				
Federal Sources				
Due From Other Funds				
Total Assets	$39,501	$21,339	$0	$2,585
Liabilities				
Accounts Payable	$739			
Due To Other Funds			$23,032	
Salaries & Benefits Payable		$3,316	5,207	
Unspent Grant Allocation				
Total Liabilities	739	3,316	28,239	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	38,762	18,023	(28,239)	2,585
Capital Projects				
Unassigned				
Total Fund Balances	38,762	18,023	(28,239)	2,585
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$39,501	$21,339	$0	$2,585

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds			
	Driver Education	**Professional Technical**	**Technology**	**Title I-A ESEA IBP**
Assets				
Cash & Investments	$2,203		$18,090	
Receivables:				
Local Sources				
State Sources		$3,478		
Federal Sources				$23,662
Due From Other Funds				
Total Assets	$2,203	$3,478	$18,090	$23,662
Liabilities				
Accounts Payable				
Due To Other Funds		$2,128		$12,254
Salaries & Benefits Payable		1,350	$3,195	11,408
Unspent Grant Allocation				
Total Liabilities	$0	3,478	3,195	23,662
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	2,203		14,895	
Capital Projects				
Unassigned				
Total Fund Balances	2,203	0	14,895	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$2,203	$3,478	$18,090	$23,662

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds			
	Special Educ. IDEA Part B School-Age	**Special Educ. IDEA Preschool**	**Title VI-B ESEA REAP**	**Perkins III Professional Technical Act**
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	$32,243	$275	$11,155	$4,609
Due From Other Funds				
Total Assets	$32,243	$275	$11,155	$4,609
Liabilities				
Accounts Payable				
Due To Other Funds	$13,899	$275	$1,371	$4,609
Salaries & Benefits Payable	8,774			
Unspent Grant Allocation	9,570		9,784	
Total Liabilities	32,243	275	11,155	4,609
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	$32,243	$275	$11,155	$4,609

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds	
	Title II-A Improving Teacher Quality	Total
Assets		
Cash & Investments		$83,718
Receivables:		
Local Sources		0
State Sources		3,478
Federal Sources	$17,916	89,860
Due From Other Funds		0
Total Assets	$17,916	$177,056
Liabilities		
Accounts Payable		$739
Due To Other Funds	$3,866	61,434
Salaries & Benefits Payable		33,250
Unspent Grant Allocation	14,050	33,404
Total Liabilities	17,916	128,827
Deferred Inflows of Resources		
Unavailable Tax Revenues		0
Total Deferred Inflows of Resources	0	0
Fund Balances		
Restricted:		
Special Programs		48,229
Capital Projects		0
Unassigned		0
Total Fund Balances	0	48,229
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$17,916	$177,056

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2014

	Special Revenue Funds			
	Miscellaneous Grants	**Stanley Cell Tower**	**School Activity Programs**	**Student Activities Buses**
Revenues				
Local Taxes				
Other Local Revenue	$11,306	$38,163	$21,257	$175
State Revenue				
Federal Revenue				
Total Revenues	11,306	38,163	21,257	175
Expenditures				
Instructional Programs				
Elementary School	9,341	21,665		
Secondary School	6,265	45		
Vocational-Technical				
Special Education				
Special Education Preschool				
Interscholastic			62,559	
School Activity			7,308	
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement		55		
Educational Media	4,268	207		
Instruction-Related Technology		2,390		
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care		17,843		
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds		1,275		
Pupil-To-School Transportation				
Pupil-Activity Transportation			51,128	30,700
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Total Expenditures	19,874	43,480	120,995	30,700
Excess (Deficiency) of Revenues Over Expenditures	(8,568)	(5,317)	(99,738)	(30,525)
Other Financing Sources (Uses)				
Transfers In	9,600		64,128	5,000
Transfers Out				
Total Other Financing Sources (Uses)	9,600	0	64,128	5,000
Net Change in Fund Balances	1,032	(5,317)	(35,610)	(25,525)
Fund Balances - Beginning	37,730	23,340	7,371	28,110
Fund Balances - Ending	$38,762	$18,023	($28,239)	$2,585

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2014

	Special Revenue Funds			
	Driver Education	**Professional Technical**	**Technology**	**Title I-A ESEA IBP**
Revenues				
Local Taxes				
Other Local Revenue	$3,525		$15	
State Revenue	2,750	$15,645	21,323	
Federal Revenue				$81,064
Total Revenues	6,275	15,645	21,338	81,064
Expenditures				
Instructional Programs				
Elementary School				62,557
Secondary School	5,718			
Vocational-Technical		15,645		
Special Education				
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement				3,796
Educational Media				
Instruction-Related Technology			29,991	350
Board of Education				
District Administration				8,948
School Administration				
Business Operation				
Administrative Technology			60	
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	5,718	15,645	30,051	75,651
Excess (Deficiency) of Revenues Over Expenditures	557	0	(8,713)	5,413
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				(5,413)
Total Other Financing Sources (Uses)	0	0	0	(5,413)
Net Change in Fund Balances	557	0	(8,713)	0
Fund Balances - Beginning	1,646	0	23,608	0
Fund Balances - Ending	$2,203	$0	$14,895	$0

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2014

	Special Revenue Funds			
	Special Educ. IDEA Part B School-Age	**Special Educ. IDEA Preschool**	**Title VI-B ESEA REAP**	**Perkins III Professional Technical Act**
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	$105,955	$5,299	$20,967	$4,609
Total Revenues	105,955	5,299	20,967	4,609
Expenditures				
Instructional Programs				
Elementary School				
Secondary School				
Vocational-Technical				4,609
Special Education	95,259			
Special Education Preschool		5,024		
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services	2,674			
Instructional Improvement	1,091		19,596	
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Student Occupied				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Total Expenditures	99,024	5,024	19,596	4,609
Excess (Deficiency) of Revenues Over Expenditures	6,931	275	1,371	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	(6,931)	(275)	(1,371)	
Total Other Financing Sources (Uses)	(6,931)	(275)	(1,371)	0
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning				
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, 2014

	Special Revenue Funds	
	Title II-A Improving Teacher Quality	Total
Revenues		
Local Taxes		$0
Other Local Revenue		74,441
State Revenue		39,718
Federal Revenue	$7,048	224,942
Total Revenues	7,048	339,101
Expenditures		
Instructional Programs		
Elementary School	1,325	94,888
Secondary School	1,294	13,322
Vocational-Technical		20,254
Special Education		95,259
Special Education Preschool		5,024
Interscholastic		62,559
School Activity		7,308
Support Service Programs		
Attendance - Guidance - Health		0
Special Education Support Services		2,674
Instructional Improvement	3,968	28,506
Educational Media		4,475
Instruction-Related Technology		32,731
Board of Education		0
District Administration		8,948
School Administration		0
Business Operation		0
Administrative Technology		60
Buildings - Care		17,843
Maintenance - Non-Student Occupied		0
Maintenance - Student Occupied		0
Maintenance - Grounds		1,275
Pupil-To-School Transportation		0
Pupil-Activity Transportation		81,828
General Transportation		0
Non-Instructional Programs		
Child Nutrition		0
Capital Assets - Student Occupied		0
Capital Assets - Non-Student Occupied		0
Total Expenditures	6,587	476,954
Excess (Deficiency) of Revenues Over Expenditures	461	(137,853)
Other Financing Sources (Uses)		
Transfers In		78,728
Transfers Out	(461)	(14,451)
Total Other Financing Sources (Uses)	(461)	64,277
Net Change in Fund Balances	0	(73,576)
Fund Balances - Beginning	0	121,805
Fund Balances - Ending	$0	$48,229

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2014

	Private Purpose Trust Funds			
	Scholarship	District Trust	Student Activities	Total
Additions				
Contributions	$35,204			$35,204
Investment Income (Loss)	5,421	$14,491	$474	20,386
Total Additions	40,625	14,491	474	55,590
Deductions				
Trust Expenses	62,290	4,884		67,174
Total Deductions	62,290	4,884	0	67,174
Change in Net Position	(21,665)	9,607	474	(11,584)
Transfers In	1,811		1,811	3,622
Transfers Out		(3,622)		(3,622)
Net Position - Beginning	331,501	656,123	19,115	1,006,739
Net Position - Ending	$311,647	$662,108	$21,400	$995,155

See Accompanying Notes

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Dept of Agriculture			
Passed Through Custer County:			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to Counties	10.666	None	$229,360
Total Forest Service Schools and Roads Cluster			229,360
Passed Through Idaho Dept of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	10.553	22,777
National School Lunch Program	10.555	10.555	57,415
Special Milk Program for Children	10.556	10.556	1,718
Total Child Nutrition Cluster			81,910
Total US Dept of Agriculture			311,270
US Dept of Education			
Direct Programs:			
Rural Education	84.358		20,967
Passed Through Idaho Dept of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	84.027	105,955
Special Education - Preschool Grants	84.173	84.173	5,299
Total Special Education Cluster			111,254
Title I Grants to Local Educational Agencies	84.010	84.010	81,064
Career & Technical Education - Basic Grants to States	84.048	84.048	4,609
Improving Teacher Quality State Grants	84.367	84.367	7,048
Total US Dept of Education			224,942
Total Expenditures of Federal Awards			$536,212

NOTES:

A. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* . Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

B. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations* , wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

C. Nonmonetary Assistance - Included in the National School Lunch Program award is USDA food commodities stated at a fair market value of $10,291.

OTHER REPORTS AND SCHEDULES

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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 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, 2014, 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 21, 2014.

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 21, 2014

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Challis Joint School District No. 181

Report on Compliance for Each Major Federal Program

We have audited Challis Joint School District No. 181 (the School's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2014. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Quest CPAs, P.C.

Payette, Idaho
August 21, 2014

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATMENTS

Type of auditor's report being issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Major program identification:
a. Forest Service Schools and Roads Cluster – CFDA #10.666
b. Child Nutrition Cluster – CFDA #10.553, 10.555, 10.556

Dollar threshold used to distinguish between type A and B programs:	$300,000
Auditee qualified as a low-risk auditee?	No