CHALLIS JOINT SCHOOL DISTRICT NO. 181

FINANCIAL STATEMENTS

Year Ended June 30, 2013

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Table of Contents

PAGE (S)

FINANCIAL SECTION

Independent Auditor's Report……. 1-3

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position…… 4

Statement of Activities……. 5

Fund Financial Statements

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

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

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

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

Notes to Financial Statements…….. 14-22

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General and Major Special Revenue Funds…….....…… 23-25

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds…….....…… 26-29

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds…….……. 30-33

Combining Statement of Changes in Fiduciary Net Position…….…..…….. 34

Schedule of Expenditures of Federal Awards……..…… 35

PAGE (S)

OTHER REPORTS AND SCHEDULES

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards.*… 36-37

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133……. 38-39

Schedule of Findings and Questioned Costs…….... 40-41

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, 2013, 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, 2013, 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 School's basic financial statements. The accompanying combining 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 Schools*) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 information is 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 20, 2013, 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 20, 2013

BASIC FINANCIAL STATEMENTS

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Net Position

June 30, 2013

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	$2,189,475
Receivables:	
Local Sources	114,986
State Sources	31,327
Federal Sources	105,329
Total Current Assets	2,441,117
Noncurrent Assets	
Nondepreciable Capital Assets	39,133
Depreciable Net Capital Assets	285,858
Total Noncurrent Assets	324,991
Total Assets	$2,766,108
Liabilities	
Current Liabilities	
Accounts Payable	$1,335
Salaries & Benefits Payable	339,024
Total Current Liabilities	340,359
Noncurrent Liabilities	
Accrued Compensated Absences	22,012
Total Noncurrent Liabilities	22,012
Total Liabilities	362,371
Deferred Inflows of Resources	
Current Deferred Inflows of Resources	
Unspent Grant Allocation	24,829
Total Current Deferred Inflows of Resources	24,829
Total Deferred Inflows of Resources	24,829
Net Position	
Net Investment in Capital Assets	324,991
Restricted:	
Special Programs	123,158
Debt Service	0
Capital Projects	1,943,944
Unrestricted	(13,185)
Total Net Position	2,378,908
Total Liabilities and Deferred Inflows of Resources and Net Position	$2,766,108

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities					
Instructional Programs					
Elementary School	$747,137		$81,431		($665,706)
Secondary School	662,608	$550	18,672		(643,386)
Vocational-Technical	110,405		23,629		(86,776)
Special Education	228,559		104,893		(123,666)
Special Education Preschool	4,566		4,566		0
Interscholastic	67,680				(67,680)
School Activity	3,607		425		(3,182)
Support Service Programs					
Attendance - Guidance - Health	90,119				(90,119)
Special Education Support Services	16,628		2,208		(14,420)
Instructional Improvement	32,460		32,372		(88)
Educational Media	39,615		9,467		(30,148)
Instruction-Related Technology	91,386		30,099		(61,287)
Board of Education	28,742				(28,742)
District Administration	113,889		11,778		(102,111)
School Administration	224,430				(224,430)
Business Operation	125,791				(125,791)
Administrative Technology	61,571				(61,571)
Buildings - Care	306,047	20,235		$237,085	(48,727)
Maintenance - Non-Student Occupied	122				(122)
Maintenance - Student Occupied	155,690				(155,690)
Maintenance - Grounds	15,256				(15,256)
Pupil-To-School Transportation	295,698				(295,698)
Pupil-Activity Transportation	44,164	11,375	22,587		(10,202)
General Transportation	9,940				(9,940)
Non-Instructional Programs					
Child Nutrition	169,667	69,948	81,089		(18,630)
Capital Assets - Student Occupied	260,669				(260,669)
Capital Assets - Non-Student Occupied	18,567				(18,567)
Total	$3,925,013	$102,108	$423,216	$237,085	(3,162,604)
	General Revenues				
	Local Taxes				325,138
	Other Local Revenue				81,176
	State Revenue				2,465,885
	Federal Revenue				101,609
	Total				2,973,808
	Change in Net Position				(188,796)
	Net Position - Beginning				2,567,704
	Net Position - Ending				$2,378,908

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2013

	General Fund	Forest Reserve Fund	Child Nutrition Fund	Bus Depreciation Fund
Assets				
Cash & Investments	$141,891	$1,355,685	$6,494	$569,541
Receivables:				
Local Sources	97,161			
State Sources	25,684			
Federal Sources				
Due From Other Funds	73,127			
Total Assets	$337,863	$1,355,685	$6,494	$569,541
Liabilities				
Accounts Payable	$1,240		$95	
Due To Other Funds	26,668			
Salaries & Benefits Payable	301,128		5,046	
Total Liabilities	329,036	$0	5,141	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues	8,827			
Unspent Grant Allocation				
Total Deferred Inflows of Resources	8,827	0	0	0
Fund Balances				
Restricted:				
Special Programs			1,353	
Debt Service				
Capital Projects		1,355,685		569,541
Unassigned				
Total Fund Balances	0	1,355,685	1,353	569,541
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$337,863	$1,355,685	$6,494	$569,541

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2013

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	$115,864	$2,189,475
Receivables:		
Local Sources	17,825	114,986
State Sources	5,643	31,327
Federal Sources	105,329	105,329
Due From Other Funds	26,668	99,795
Total Assets	$271,329	$2,540,912
Liabilities		
Accounts Payable	$0	$1,335
Due To Other Funds	73,127	99,795
Salaries & Benefits Payable	32,850	339,024
Total Liabilities	105,977	440,154
Deferred Inflows of Resources		
Unavailable Tax Revenues	1,685	10,512
Unspent Grant Allocation	24,829	24,829
Total Deferred Inflows of Resources	26,514	35,341
Fund Balances		
Restricted:		
Special Programs	121,805	123,158
Debt Service	0	0
Capital Projects	17,033	1,942,259
Unassigned	0	0
Total Fund Balances	138,838	2,065,417
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$271,329	$2,540,912

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Balance Sheet - Governmental Funds
June 30, 2013

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

Total Governmental Fund Balances	$2,065,417
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.	324,991
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	10,512
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	(22,012)
Net Position of Governmental Activities	$2,378,908

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2013

	General Fund	Forest Reserve Fund	Child Nutrition Fund	Bus Depreciation Fund
Revenues				
Local Taxes	$276,842			
Other Local Revenue	75,720	$11,218	$69,959	$9,877
State Revenue	2,465,885			
Federal Revenue	1,872	336,822	81,089	
Total Revenues	2,820,319	348,040	151,048	9,877
Expenditures				
Instructional Programs				
Elementary School	665,706			
Secondary School	643,936			
Vocational-Technical	86,776			
Special Education	123,666			
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health	90,119			
Special Education Support Services	14,420			
Instructional Improvement	88			
Educational Media	30,148			
Instruction-Related Technology	61,287			
Board of Education	28,742			
District Administration	102,111			
School Administration	230,600			
Business Operation	125,791			
Administrative Technology	61,571			
Buildings - Care	306,047			
Maintenance - Non-Student Occupied	122			
Maintenance - Student Occupied	155,690			
Maintenance - Grounds	15,256			
Pupil-To-School Transportation	271,361			
Pupil-Activity Transportation				
General Transportation	16,740			
Non-Instructional Programs				
Child Nutrition			169,667	
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Total Expenditures	3,030,177	0	169,667	0
Excess (Deficiency) of Revenues Over Expenditures	(209,858)	348,040	(18,619)	9,877
Other Financing Sources (Uses)				
Transfers In	235,035		3,851	29,291
Transfers Out	(116,843)	(237,085)		
Total Other Financing Sources (Uses)	118,192	(237,085)	3,851	29,291
Net Change in Fund Balances	(91,666)	110,955	(14,768)	39,168
Fund Balances - Beginning	91,666	1,244,730	16,121	530,373
Fund Balances - Ending	$0	$1,355,685	$1,353	$569,541

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2013

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	$50,444	$327,286
Other Local Revenue	47,706	214,480
State Revenue	42,747	2,508,632
Federal Revenue	268,184	687,967
Total Revenues	409,081	3,738,365
Expenditures		
Instructional Programs		
Elementary School	81,431	747,137
Secondary School	18,672	662,608
Vocational-Technical	23,629	110,405
Special Education	104,893	228,559
Special Education Preschool	4,566	4,566
Interscholastic	67,680	67,680
School Activity	3,607	3,607
Support Service Programs		
Attendance - Guidance - Health	0	90,119
Special Education Support Services	2,208	16,628
Instructional Improvement	32,372	32,460
Educational Media	9,467	39,615
Instruction-Related Technology	30,099	91,386
Board of Education	0	28,742
District Administration	11,778	113,889
School Administration	0	230,600
Business Operation	0	125,791
Administrative Technology	0	61,571
Buildings - Care	0	306,047
Maintenance - Non-Student Occupied	0	122
Maintenance - Student Occupied	0	155,690
Maintenance - Grounds	0	15,256
Pupil-To-School Transportation	0	271,361
Pupil-Activity Transportation	44,164	44,164
General Transportation	0	16,740
Non-Instructional Programs		
Child Nutrition	0	169,667
Capital Assets - Student Occupied	16,485	16,485
Capital Assets - Non-Student Occupied	18,567	18,567
Total Expenditures	469,618	3,669,462
Excess (Deficiency) of Revenues Over Expenditures	(60,537)	68,903
Other Financing Sources (Uses)		
Transfers In	99,401	367,578
Transfers Out	(13,650)	(367,578)
Total Other Financing Sources (Uses)	85,751	0
Net Change in Fund Balances	25,214	68,903
Fund Balances - Beginning	113,624	1,996,514
Fund Balances - Ending	$138,838	$2,065,417

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2013

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	$68,903
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.	(261,721)
Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.	(2,148)
In the statement of activities, compensated absenses are accrued, but the expenditure is reported when paid in the governmental funds.	6,170
Change in Net Position of Governmental Activities	($188,796)

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Fiduciary Net Position

June 30, 2013

	Private Purpose Trust Funds	Agency Funds - Student Activity	Total
Assets			
Cash & Investments	$1,007,489	$110,950	$1,118,439
Total Assets	$1,007,489	$110,950	$1,118,439
Liabilities			
Accounts Payable	$750		$750
Due to Student Groups		$110,950	110,950
Total Liabilities	750	110,950	111,700
Net Position			
Restricted:			
Trust Activities	1,006,739		1,006,739
Total Net Position	1,006,739	0	1,006,739
Total Liabilities and Net Position	$1,007,489	$110,950	$1,118,439

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Statement of Changes in Fiduciary Net Assets
Year Ended June 30, 2013

	Private Purpose Trust Funds
Additions	
Contributions	$31,526
Investment Income (Loss)	19,988
Total Additions	51,514
Deductions	
Trust Expenses	43,676
Total Deductions	43,676
Change in Net Position	7,838
Transfers In	4,106
Transfers Out	(4,106)
Net Position - Beginning	998,901
Net Position - Ending	$1,006,739

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 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to school districts. The significant accounting policies of the School are described 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, liabilities, reserves, 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, liabilities, revenues, and 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 the bus depreciation fund, used to account for the repair and replacement of buses and related facilities.

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.

The School may report deferred inflows of resources on its financial statements. For the fund financial statements, deferred inflows of resources arise when assets (i.e. receivables) are recorded before the related revenues are available (i.e. before both the "measurable" and

"available" criteria for revenue recognition in the current period are met). In subsequent periods, when both revenue recognition criteria are met, the revenue is recognized. For both the government-wide and fund financial statements, certain grant revenues are only recognized to the extent they have been used for qualifying expenditures. At yearend, any unspent grant allocations are reported as receivables and offset by deferred inflows of resources in an account called unspent grant allocation.

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 accrued on the statement of net position. 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.

Net Position – Net position is assets plus deferred outflows of resources (when they exist) less liabilities less deferred inflows of resources (when they exist). The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt that are attributable to the acquisition, improvement, or construction of those assets and adjusted for any related deferred outflows or inflows of resources (when they exist). Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources (when they exist) related to those assets. Restricted assets are assets less related debt that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties.

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 are not expected to be converted into cash. 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. Assigned fund balance classifications are not actively used by the entity. 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	$147,446
Investments - Local Government Investment Pool	1,213,090
Investments - Diversified Bond Fund	1,947,378
Total	$3,307,914

Deposits – At year end, the carrying amounts of the School's deposits were $147,446 and the bank balances were $270,380. 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	$93,094		$17,825
Other Local Sources	4,067		
Total	$97,161		$17,825
State Sources			
Foundation Program	$25,684		
Special Programs		$5,643	
Total	$25,684	$5,643	
Federal Sources			
Special Programs		$105,329	
Total		$105,329	

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			7,529,717
Equipment	430,183			430,183
Transportation	978,206	6,800	6,583	978,423
Subtotal	8,938,106	6,800	6,583	8,938,323
Accumulated Depreciation				
Buildings	7,277,958	188,243		7,466,201
Equipment	374,242	55,941		430,183
Transportation	738,327	24,337	6,583	756,081
Subtotal	8,390,527	268,521	6,583	8,652,465
Total	547,579	(261,721)	0	285,858
Net Capital Assets	$586,712	($261,721)	$0	$324,991

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	$244,184
Pupil-To-School Transportation	24,337
Total	$268,521

E. LONG-TERM LIABILITIES

Changes in long-term liabilities are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated Absences	$28,182	$20,355	$26,525	$22,012	$22,012
Total	$28,182	$20,355	$26,525	$22,012	$22,012

Compensated absences are normally paid through the general fund.

F. 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, 2013, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. 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 $221,316, $242,474, and $248,235, for the three years ended June 30, 2013, 2012, and 2011 respectively.

G. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

	Due From Fund		
	General	Nonmajor Governmental	**Total**
Due To Fund			
General		$73,127	$73,127
Nonmajor Governmental	$26,668		26,668
Total	$26,668	$73,127	$99,795

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	$235,035	$116,843	Depreciation, Benefits, Support, Reimbursements
Forest Reserve		237,085	Support
Child Nutrition	3,851		Benefits
Bus Depreciation	29,291		Depreciation
Nonmajor Governmental	99,401	13,650	Support, Reimbursements
Total Governmental	367,578	367,578	
Private Purpose Trust	4,106	4,106	Support
Total	$371,684	$371,684	

REQUIRED SUPPLEMENTARY INFORMATION

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2013

General Fund	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Actual Amounts	Final Budget Variance Positive (Negative)	
Revenues					
Local Taxes	$273,562	$273,562	$276,842	$3,280	
Other Local Revenue	55,209	55,209	75,720	20,511	
State Revenue	2,550,048	2,550,048	2,465,885	(84,163)	
Federal Revenue	0	0	1,872	1,872	
Total Revenues	2,878,819	2,878,819	2,820,319	(58,500)	
Expenditures					
Instructional Programs					
Elementary School	665,972	665,972	665,706	266	
Secondary School	658,332	658,332	643,936	14,396	
Vocational-Technical	99,030	99,030	86,776	12,254	
Special Education	130,239	130,239	123,666	6,573	
Special Education Preschool	0	0	0	0	
Interscholastic	0	0	0	0	
School Activity	0	0	0	0	
Support Service Programs					
Attendance - Guidance - Health	88,618	88,618	90,119	(1,501)	
Special Education Support Services	27,000	27,000	14,420	12,580	
Instructional Improvement	0	0	88	(88)	
Educational Media	28,828	28,828	30,148	(1,320)	
Instruction-Related Technology	52,232	52,232	61,287	(9,055)	
Board of Education	21,492	21,492	28,742	(7,250)	
District Administration	103,555	103,555	102,111	1,444	
School Administration	233,105	233,105	230,600	2,505	
Business Operation	122,967	122,967	125,791	(2,824)	
Administrative Technology	61,547	61,547	61,571	(24)	
Buildings - Care	304,714	304,714	306,047	(1,333)	
Maintenance - Non-Student Occupied	500	500	122	378	
Maintenance - Student Occupied	152,456	152,456	155,690	(3,234)	
Maintenance - Grounds	18,535	18,535	15,256	3,279	
Pupil-To-School Transportation	266,968	266,968	271,361	(4,393)	
Pupil-Activity Transportation	0	0	0	0	
General Transportation	10,126	10,126	16,740	(6,614)	
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	3,046,216	3,046,216	3,030,177	16,039	*
Excess (Deficiency) of Revenues Over Expenditures	(167,397)	(167,397)	(209,858)	(42,461)	
Other Financing Sources (Uses)					
Transfers In	278,409	278,409	235,035	(43,374)	
Transfers Out	(111,012)	(111,012)	(116,843)	(5,831)	*
Total Other Financing Sources (Uses)	167,397	167,397	118,192	(49,205)	
Net Change in Fund Balances	0	0	(91,666)	(91,666)	
Fund Balances - Beginning	0	0	91,666	91,666	
Fund Balances - Ending	$0	$0	$0	$0	

**Total expenditures (over) under appropriations are:* $10,208

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2013

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	$11,615	$11,615	11,218	(397)	
State Revenue	0	0	0	0	
Federal Revenue	0	0	336,822	336,822	
Total Revenues	11,615	11,615	348,040	336,425	
Expenditures					
Instructional Programs	0	0			
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	11,615	11,615	348,040	336,425	
Other Financing Sources (Uses)					
Transfers In	0	0	0	0	
Transfers Out	(260,000)	(260,000)	(237,085)	22,915	*
Total Other Financing Sources (Uses)	(260,000)	(260,000)	(237,085)	22,915	
Net Change in Fund Balances	(248,385)	(248,385)	110,955	359,340	
Fund Balances - Beginning	1,248,417	1,248,417	1,244,730	(3,687)	
Fund Balances - Ending	$1,000,032	$1,000,032	$1,355,685	$355,653	

**Total expenditures (over) under appropriations are:* $22,915

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2013

Child Nutrition Fund	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Actual Amounts	Final Budget Variance Positive (Negative)	
Revenues					
Other Local Revenue	$68,020	$68,020	$69,959	$1,939	
Federal Revenue	84,500	84,500	81,089	(3,411)	
Total Revenues	152,520	152,520	151,048	(1,472)	
Expenditures					
Non-Instructional Programs					
Child Nutrition	159,575	159,575	169,667	(10,092)	
Total Expenditures	159,575	159,575	169,667	(10,092)	*
Excess (Deficiency) of Revenues Over Expenditures	(7,055)	(7,055)	(18,619)	(11,564)	
Other Financing Sources (Uses)					
Transfers In	3,375	3,375	3,851	476	
Transfers Out	0	0	0	0	*
Total Other Financing Sources (Uses)	3,375	3,375	3,851	476	
Net Change in Fund Balances	(3,680)	(3,680)	(14,768)	(11,088)	
Fund Balances - Beginning	3,680	3,680	16,121	12,441	
Fund Balances - Ending	$0	$0	$1,353	$1,353	
	**Total expenditures (over) under appropriations are:*			($10,092)	

SUPPLEMENTARY INFORMATION

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds			
	Miscellaneous Grants	**Allied Wireless Cell Tower**	**School Activity Programs**	**Student Activities Buses**
Assets				
Cash & Investments	$37,730	$23,340		$28,110
Receivables:				
Local Sources				
State Sources				
Federal Sources				
Due From Other Funds			$26,668	
Total Assets	$37,730	$23,340	$26,668	$28,110
Liabilities				
Accounts Payable				
Due To Other Funds			$13,660	
Salaries & Benefits Payable			5,637	
Total Liabilities	$0	$0	19,297	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Unspent Grant Allocation				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	37,730	23,340	7,371	28,110
Debt Service				
Capital Projects				
Unassigned				
Total Fund Balances	37,730	23,340	7,371	28,110
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$37,730	$23,340	$26,668	$28,110

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds			
	Driver Education	**Professional Technical**	**Technology**	**Title I-A ESEA IBP**
Assets				
Cash & Investments	$1,646		$24,145	
Receivables:				
Local Sources				
State Sources		$5,643		
Federal Sources				$44,844
Due From Other Funds				
Total Assets	$1,646	$5,643	$24,145	$44,844
Liabilities				
Accounts Payable				
Due To Other Funds		$4,479		$27,417
Salaries & Benefits Payable		1,164	$537	13,746
Total Liabilities	$0	5,643	537	41,163
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Unspent Grant Allocation				3,681
Total Deferred Inflows of Resources	0	0	0	3,681
Fund Balances				
Restricted:				
Special Programs	1,646		23,608	
Debt Service				
Capital Projects				
Unassigned				
Total Fund Balances	1,646	0	23,608	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$1,646	$5,643	$24,145	$44,844

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds			
	Special Educ. IDEA Part B	**Special Educ. IDEA Preschool**	**Title VI-B ESEA REAP**	**Perkins III Professional Technical Act**
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	$30,030	$1,512	$10,720	$4,819
Due From Other Funds				
Total Assets	$30,030	$1,512	$10,720	$4,819
Liabilities				
Accounts Payable				
Due To Other Funds	$8,699	$343	$936	$4,819
Salaries & Benefits Payable	11,766			
Total Liabilities	20,465	343	936	4,819
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Unspent Grant Allocation	9,565	1,169	9,784	
Total Deferred Inflows of Resources	9,565	1,169	9,784	0
Fund Balances				
Restricted:				
Special Programs				
Debt Service				
Capital Projects				
Unassigned				
Total Fund Balances	0	0	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$30,030	$1,512	$10,720	$4,819

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2013

	Special Revenue	Capital Projects	
	Title II-A Improving Teacher Quality	Plant Facilities	Total
Assets			
Cash & Investments		$893	$115,864
Receivables:			
Local Sources		17,825	17,825
State Sources			5,643
Federal Sources	$13,404		105,329
Due From Other Funds			26,668
Total Assets	$13,404	$18,718	$271,329
Liabilities			
Accounts Payable			$0
Due To Other Funds	12,774		73,127
Salaries & Benefits Payable			32,850
Total Liabilities	12,774	$0	105,977
Deferred Inflows of Resources			
Unavailable Tax Revenues		1,685	1,685
Unspent Grant Allocation	630		24,829
Total Deferred Inflows of Resources	630	1,685	26,514
Fund Balances			
Restricted:			
Special Programs			121,805
Debt Service			0
Capital Projects		17,033	17,033
Unassigned			0
Total Fund Balances	0	17,033	138,838
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$13,404	$18,718	$271,329

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2013

	Special Revenue Funds			
	Miscellaneous Grants	**Allied Wireless Cell Tower**	**School Activity Programs**	**Student Activities Buses**
Revenues				
Local Taxes				
Other Local Revenue	$6,073	$18,947	$21,577	$223
State Revenue				
Federal Revenue				
Total Revenues	6,073	18,947	21,577	$223
Expenditures				
Instructional Programs				
Elementary School	989	13,006		
Secondary School		5,345		
Vocational-Technical				
Special Education				
Special Education Preschool				
Interscholastic			67,680	
School Activity		425	3,182	
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement	2,845			
Educational Media	7,640	1,827		
Instruction-Related Technology	9,973	5,779		
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			44,164	
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Capital Assets - Student Occupied				
Capital Assets - Non-Student Occupied				
Total Expenditures	21,447	26,382	115,026	0
Excess (Deficiency) of Revenues Over Expenditures	(15,374)	(7,435)	(93,449)	223
Other Financing Sources (Uses)				
Transfers In	10,700		83,701	5,000
Transfers Out				
Total Other Financing Sources (Uses)	10,700	0	83,701	5,000
Net Change in Fund Balances	(4,674)	(7,435)	(9,748)	5,223
Fund Balances - Beginning	42,404	30,775	17,119	22,887
Fund Balances - Ending	$37,730	$23,340	$7,371	$28,110

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2013

	Special Revenue Funds			
	Driver Education	**Professional Technical**	**Technology**	**Title I-A ESEA IBP**
Revenues				
Local Taxes				
Other Local Revenue	$550		$55	
State Revenue	2,166	$18,810	21,771	
Federal Revenue				$97,575
Total Revenues	2,716	18,810	21,826	97,575
Expenditures				
Instructional Programs				
Elementary School				62,496
Secondary School	4,294			5,570
Vocational-Technical		18,810		
Special Education				
Special Education Preschool				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instructional Improvement			925	2,009
Educational Media				
Instruction-Related Technology			14,347	
Board of Education				
District Administration				11,778
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	4,294	18,810	15,272	81,853
Excess (Deficiency) of Revenues Over Expenditures	(1,578)	0	6,554	15,722
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				(4,866)
Total Other Financing Sources (Uses)	0	0	0	(4,866)
Net Change in Fund Balances	(1,578)	0	6,554	10,856
Fund Balances - Beginning	3,224	0	17,054	(10,856)
Fund Balances - Ending	$1,646	$0	$23,608	$0

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2013

	Special Revenue Funds			
	Special Educ. IDEA Part B	**Special Educ. IDEA Preschool**	**Title VI-B ESEA REAP**	**Perkins III Professional Technical Act**
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	$120,808	$4,844	$16,286	$4,819
Total Revenues	120,808	4,844	16,286	4,819
Expenditures				
Instructional Programs				
Elementary School				
Secondary School				
Vocational-Technical				4,819
Special Education	104,893			
Special Education Preschool		4,566		
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services	2,208			
Instructional Improvement			15,350	
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	107,101	4,566	15,350	4,819
Excess (Deficiency) of Revenues Over Expenditures	13,707	278	936	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	(6,518)	(278)	(936)	
Total Other Financing Sources (Uses)	(6,518)	(278)	(936)	0
Net Change in Fund Balances	7,189	0	0	0
Fund Balances - Beginning	(7,189)	0	0	0
Fund Balances - Ending	$0	$0	$0	$0

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2013

	Special Revenue	Capital Projects	
	Title II-A Improving Teacher Quality	Plant Facilities	Total
Revenues			
Local Taxes		$50,444	$50,444
Other Local Revenue		281	47,706
State Revenue			42,747
Federal Revenue	$23,852		268,184
Total Revenues	23,852	50,725	409,081
Expenditures			
Instructional Programs			
Elementary School	4,940		81,431
Secondary School	3,463		18,672
Vocational-Technical			23,629
Special Education			104,893
Special Education Preschool			4,566
Interscholastic			67,680
School Activity			3,607
Support Service Programs			
Attendance - Guidance - Health			0
Special Education Support Services			2,208
Instructional Improvement	11,243		32,372
Educational Media			9,467
Instruction-Related Technology			30,099
Board of Education			0
District Administration			11,778
School Administration			0
Business Operation			0
Administrative Technology			0
Buildings - Care			0
Maintenance - Non-Student Occupied			0
Maintenance - Student Occupied			0
Maintenance - Grounds			0
Pupil-To-School Transportation			0
Pupil-Activity Transportation			44,164
General Transportation			0
Non-Instructional Programs			
Child Nutrition			0
Capital Assets - Student Occupied		16,485	16,485
Capital Assets - Non-Student Occupied		18,567	18,567
Total Expenditures	19,646	35,052	469,618
Excess (Deficiency) of Revenues Over Expenditures	4,206	15,673	(60,537)
Other Financing Sources (Uses)			
Transfers In			99,401
Transfers Out	(1,052)		(13,650)
Total Other Financing Sources (Uses)	(1,052)	0	85,751
Net Change in Fund Balances	3,154	15,673	25,214
Fund Balances - Beginning	(3,154)	1,360	113,624
Fund Balances - Ending	$0	$17,033	$138,838

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2013

	Private Purpose Trust Funds			
	Scholarship	**District Trust**	**Student Activities**	**Total**
Additions				
Contributions	$31,526			$31,526
Investment Income (Loss)	5,670	$13,984	$334	19,988
Total Additions	37,196	13,984	334	51,514
Deductions				
Trust Expenses	39,794	3,882		43,676
Total Deductions	39,794	3,882	0	43,676
Change in Net Position	(2,598)	10,102	334	7,838
Transfers In	2,053		2,053	4,106
Transfers Out		(4,106)		(4,106)
Net Position - Beginning	332,046	650,127	16,728	998,901
Net Position - Ending	$331,501	$656,123	$19,115	$1,006,739

See Accompanying Notes

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

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:			
Schools and Roads Cluster:			
Schools and Roads - Grants to Counties	10.666	None	$237,085
Total Schools and Roads Cluster			237,085
Passed Through Idaho Dept of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	10.553	24,743
National School Lunch Program	10.555	10.555	54,441
Special Milk Program for Children	10.556	10.556	1,905
Total Child Nutrition Cluster			81,089
Total US Dept of Agriculture			318,174
US Dept of Education			
Direct Programs:			
Impact Aid Cluster:			
Impact Aid	84.041		1,872
Total Impact Aid Cluster			1,872
Rural Education	84.358		16,286
Passed Through Idaho Dept of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	84.010	86,719
Total Title I, Part A Cluster			86,719
Special Education Cluster:			
Special Education - Grants to States	84.027	84.027	113,619
Special Education - Preschool Grants	84.173	84.173	4,844
Total Special Education Cluster			118,463
Career & Technical Education - Basic Grants to States	84.048	84.048	4,819
Improving Teacher Quality State Grants	84.367	84.367	20,697
Total US Dept of Education			248,856
Total Expenditures of Federal Awards			$567,030

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, 2013. 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 $9,991.

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 Challis Joint School District No. 181 (the School) as of and for the year ended June 30, 2013, 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 20, 2013.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain

deficiency in internal control, described in the accompanying schedule of findings and questioned costs as B-1 that we consider to be a significant deficiency.

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*.

School's Response to Finding

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Quest CPAs, P.C.

Payette, Idaho
August 20, 2013

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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, 2013. 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, 2013.

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 20, 2013

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the School.

2. One significant deficiency disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.

3. No instances of noncompliance material to the financial statements of the School, which would be required to be reported in accordance *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control over major federal programs disclosed during the audit are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. Due to additional monitoring and other oversight by the board, management, and others, the significant deficiency relating to segregation of duties does not extend to, or include, major federal programs.

5. The auditor's report on compliance for the major federal award programs for the School expresses an unqualified opinion on all major federal programs.

6. Audit findings, if any, that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in part C. of this schedule.

7. The programs tested as major programs include:
   a. Schools & Roads Cluster – Grants to Counties – CFDA #10.666
   b. Child Nutrition Cluster – CFDA #10.553, 10.555, 10.556

8. The threshold used for distinguishing between Type A and Type B programs was $300,000.

9. The School did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

1. ***Segregation of Duties***

Condition – Although the School has implemented various checks and balances in internal control to the degree possible given available staff, it does not have a complete segregation of duties over assets.

Criteria – Inherent in an ideal internal control structure is a complete segregation of duties over assets.

Cause – This situation is due to staffing limitations common to an entity this size.

Effect – The lack of a complete segregation of duties may increase the risk that a loss of assets would not be detected and prevented in a timely manner and in the normal course of operations.

Recommendation and Response – It is requested that the School take note that this situation exists. Management has taken steps to improve in this area insofar as is possible with an entity this size. However, substantial changes cannot be expected until the benefits are deemed to outweigh the costs of hiring additional staff.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.