Challis Joint School District No. 181

Audited Financial Statements

Year Ended June 30, 2026



CHALLIS JOINT SCHOOL DISTRICT NO. 181
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QUEST CPAs PLLC
www.qcpas.com

Independent Auditor's Report

Board of Trustees
Challis Joint School District No. 181

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

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, 2026, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the Matter Giving Rise to the Qualified Opinion on the Governmental Activities section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the School, as of June 30, 2026, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions on All Other Opinion Units Described Below

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the School as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to the Qualified Opinion on the Governmental Activities

Management has elected not to adopt the provisions of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recognition and measurement of an asset or liability, deferred outflows of resources, deferred inflows of resources, and expenses related to the other postemployment benefits as well as note disclosures and required supplementary information. The amount by which the departure would affect net position, assets, liabilities, deferred outflows of resources, deferred inflows of resources, expenses, note disclosures, and required supplementary information has not been determined.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules and schedule of employer's share of net pension asset and liability and schedule of employer contributions listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not included the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by not including this information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated August 18, 2026, 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 solely 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 effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Quest CPAs PLLC

Meridian, Idaho
August 18, 2026

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Net Position

June 30, 2026

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	$6,485,285
Receivables:	
Local Sources	114,945
State Sources	142,932
Federal Sources	116,632
Total Current Assets	6,859,794
Noncurrent Assets	
Cash & Investments	2,887
Nondepreciable Capital Assets	39,133
Depreciable Net Capital Assets	3,527,973
Total Noncurrent Assets	3,569,993
Total Assets	10,429,787
Deferred Outflows of Resources	
Pension Items	655,896
Total Deferred Outflows of Resources	655,896
Total Assets and Deferred Outflows of Resources	$11,085,683
Liabilities	
Current Liabilities	
Accounts Payable	$0
Salaries & Benefits Payable	493,457
Unspent Grant Allocation	25,962
Total Current Liabilities	519,419
Noncurrent Liabilities	
Long-Term Liabilities, Noncurrent	1,431,301
Total Liabilities	1,950,720
Deferred Inflows of Resources	
Pension Items	619,629
Total Deferred Inflows of Resources	619,629
Total Liabilities and Deferred Inflows of Resources	2,570,349
Net Position	
Net Investment in Capital Assets	3,567,106
Restricted:	
Special Programs	3,998,358
Capital Projects	1,757,108
Unrestricted (Deficit)	(807,238)
Total Net Position	8,515,334
Total Liabilities and Deferred Inflows of Resources and Net Position	$11,085,683

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Activities

Year Ended June 30, 2026

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	$1,496,123		$275,316		($1,220,807)
Secondary School	983,309	$4,200	100,237		(878,872)
Vocational-Technical	226,919		64,290		(162,629)
Special Education	434,768		123,638		(311,130)
Special Education Preschool	4,333		4,333		0
Gifted & Talented	0				0
Interscholastic	106,170	54,452			(51,718)
School Activity	5,498	5,498			0
Support Service Programs					
Attendance - Guidance - Health	198,423		6,038		(192,385)
Special Education Support Services	240,631		118,776		(121,855)
Instruction Improvement	0				0
Educational Media	75,137		271		(74,866)
Instruction-Related Technology	24,957				(24,957)
Board of Education	47,898				(47,898)
District Administration	84,388				(84,388)
School Administration	241,934				(241,934)
Business Operation	195,000				(195,000)
Administrative Technology	203,783		150,641		(53,142)
Buildings - Care	470,608		29,248		(441,360)
Maintenance - Buildings and Equipment	262,943		588,382		325,439
Maintenance - Grounds	31,068		300		(30,768)
Pupil-To-School Transportation	326,338				(326,338)
Pupil-Activity Transportation	34,919	34,919			0
General Transportation	9,282				(9,282)
Non-Instructional Programs					
Child Nutrition	220,728	50,494	100,903		(69,331)
Community Services	0				0
Student Activity	186,949	135,230			(51,719)
Capital Assets	200,888				(200,888)
Total	$6,312,994	$284,793	$1,562,373	$0	(4,465,828)
	General Revenues				
	Local Taxes				480,576
	Other Local Revenue				612,843
	State Revenue				4,147,003
	Federal Revenue				0
	Total				5,240,422
	Change in Net Position				774,594
	Net Position - Beginning				7,740,740
	Net Position - Ending				$8,515,334

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2026

	General Fund	Forest Reserve Fund	Child Nutrition Fund	School District Modernization Facilities Fund
Assets				
Cash & Investments	$727,437	$3,631,942	$7,741	$1,231,435
Receivables:				
Local Sources	102,443			
State Sources	139,482			
Federal Sources				
Due From Other Funds	94,374			
Total Assets	$1,063,736	$3,631,942	$7,741	$1,231,435
Liabilities				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable	$478,698			
Unspent Grant Allocation				
Total Liabilities	478,698	$0	$0	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues	22,867			
Total Deferred Inflows of Resources	22,867	0	0	0
Fund Balances				
Restricted:				
Special Programs		3,631,942	7,741	
Capital Projects				1,231,435
Unassigned	562,171			
Total Fund Balances	562,171	3,631,942	7,741	1,231,435
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$1,063,736	$3,631,942	$7,741	$1,231,435

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Balance Sheet - Governmental Funds

June 30, 2026

	Nonmajor Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	$889,617	$6,488,172
Receivables:		
Local Sources	12,502	114,945
State Sources	3,450	142,932
Federal Sources	116,632	116,632
Due From Other Funds	0	94,374
Total Assets	$1,022,201	$6,957,055
Liabilities		
Accounts Payable	$0	$0
Due To Other Funds	94,374	94,374
Salaries & Benefits Payable	14,759	493,457
Unspent Grant Allocation	25,962	25,962
Total Liabilities	135,095	613,793
Deferred Inflows of Resources		
Unavailable Tax Revenues	2,758	25,625
Total Deferred Inflows of Resources	2,758	25,625
Fund Balances		
Restricted:		
Special Programs	358,675	3,998,358
Capital Projects	525,673	1,757,108
Unassigned	0	562,171
Total Fund Balances	884,348	6,317,637
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$1,022,201	$6,957,055

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Balance Sheet - Governmental Funds
June 30, 2026

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

Total Governmental Fund Balances	$6,317,637
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.	3,567,106
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	25,625
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,431,301)
Pension deferred outflows/inflows are not due and payable in the current period and therefore are not reported in the funds.	36,267
Net Position of Governmental Activities	$8,515,334

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2026

	General Fund	Forest Reserve Fund	Child Nutrition Fund	School District Modernization Facilities Fund
Revenues				
Local Taxes	$414,342			
Other Local Revenue	616,739	$120,789	$50,494	
State Revenue	4,146,611			$392
Federal Revenue		588,382	100,903	
Total Revenues	5,177,692	709,171	151,397	392
Expenditures				
Instructional Programs				
Elementary School	1,236,741			
Secondary School	881,879			
Vocational-Technical	162,629			
Special Education	311,130			
Special Education Preschool				
Gifted & Talented				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health	192,385			
Special Education Support Services	121,855			
Instruction Improvement				
Educational Media	74,866			
Instruction-Related Technology	24,957			
Board of Education	47,898			
District Administration	84,388			
School Administration	241,934			
Business Operation	195,000			
Administrative Technology	53,142			
Buildings - Care	441,360			
Maintenance - Buildings and Equipment	581,724			273,812
Maintenance - Grounds	30,768			
Pupil-To-School Transportation	326,338			
Pupil-Activity Transportation				
General Transportation	9,282			
Non-Instructional Programs				
Child Nutrition			220,728	
Community Services				
Student Activity				
Capital Assets				
Total Expenditures	5,018,276	0	220,728	273,812
Excess (Deficiency) of Revenues Over Expenditures	159,416	709,171	(69,331)	(273,420)
Other Financing Sources (Uses)				
Transfers In	6,908	587,534	76,215	
Transfers Out	(364,551)	(624,034)		
Total Other Financing Sources (Uses)	(357,643)	(36,500)	76,215	0
Net Change in Fund Balances	(198,227)	672,671	6,884	(273,420)
Fund Balances - Beginning	760,398	2,959,271	857	1,504,855
Fund Balances - Ending	$562,171	$3,631,942	$7,741	$1,231,435

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2026

	Nonmajor Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	$50,049	$464,391
Other Local Revenue	407,980	1,196,002
State Revenue	140,118	4,287,121
Federal Revenue	434,604	1,123,889
Total Revenues	1,032,751	7,071,403
Expenditures		
Instructional Programs		
Elementary School	275,316	1,512,057
Secondary School	111,902	993,781
Vocational-Technical	64,290	226,919
Special Education	123,638	434,768
Special Education Preschool	4,333	4,333
Gifted & Talented	0	0
Interscholastic	106,170	106,170
School Activity	5,498	5,498
Support Service Programs		
Attendance - Guidance - Health	6,038	198,423
Special Education Support Services	118,776	240,631
Instruction Improvement	0	0
Educational Media	271	75,137
Instruction-Related Technology	0	24,957
Board of Education	0	47,898
District Administration	0	84,388
School Administration	0	241,934
Business Operation	0	195,000
Administrative Technology	150,641	203,783
Buildings - Care	29,248	470,608
Maintenance - Buildings and Equipment	0	855,536
Maintenance - Grounds	300	31,068
Pupil-To-School Transportation	0	326,338
Pupil-Activity Transportation	34,919	34,919
General Transportation	0	9,282
Non-Instructional Programs		
Child Nutrition	0	220,728
Community Services	0	0
Student Activity	186,949	186,949
Capital Assets	61,434	61,434
Total Expenditures	1,279,723	6,792,539
Excess (Deficiency) of Revenues Over Expenditures	(246,972)	278,864
Other Financing Sources (Uses)		
Transfers In	333,045	1,003,702
Transfers Out	(15,117)	(1,003,702)
Total Other Financing Sources (Uses)	317,928	0
Net Change in Fund Balances	70,956	278,864
Fund Balances - Beginning	813,392	6,038,773
Fund Balances - Ending	$884,348	$6,317,637

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2026

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	$278,864
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 or allocated over the appropriate term as amortization expense. This is the excess of capital outlays over (under) depreciation/amortization expense in the current period.	453,139
Revenues in the statement of activities that do not provide current financial resources are deferred in the funds.	16,185
Changes in net pension asset/liability and related pension deferred outflows/inflows do not provide or require current financial resources and therefore are not reflected in the funds.	26,406
Change in Net Position of Governmental Activities	$774,594

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Statement of Fiduciary Net Position

June 30, 2026

	Private Purpose Trust Funds
Assets	
Cash & Investments	$1,544,881
Total Assets	$1,544,881
Net Position	
Restricted:	
Held in Trust	$1,544,881
Total Net Position	$1,544,881

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2026

	Private Purpose Trust Funds
Additions	
Contributions	$210,477
Investment Income (Loss)	57,281
Total Additions	267,758
Deductions	
Trust Expenses	27,082
Total Deductions	27,082
Change in Net Position	240,676
Transfers In	8,016
Transfers Out	(8,016)
Net Position - Beginning	1,304,205
Net Position - Ending	$1,544,881

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Basic Financial Statements - Fund Financial Statements – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

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

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

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

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

Capital Projects Funds – Capital projects funds are used to account for the acquisition of capital assets. Major capital project funds include the school district modernization facilities fund, used to account for school facility construction, renovation, and maintenance needs.

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

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

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 full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

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

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

Inventories – Material supplies on hand at year end are stated at the lower of cost or net realizable value using the first-in, first-out method.

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

Leases/SBITAs and Amortization – Material long-term leases and subscription-based information technology arrangements (SBITAs) are reported in accordance with the provisions of GASB 87 *Leases* and GASB 96 *SBITAs*. When incurred, amortization over the appropriate lease or SBITA term is recorded using the straight-line method.

Compensated Absences – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded. In addition, GASB 101 *Compensated Absences* provides that a liability is recorded when it is more likely than not that employees will use material accumulated sick leave. Based on the School's leave patterns and using a LIFO (last in, first out) assumption, the amount of accumulated sick leave expected to result in future absences is deemed to be immaterial and, accordingly, no liability is recorded. Compensated absences will be paid by the fund in which the employee works.

Other Post-Employment Benefits – The School does not provide benefits to retired employees other than retirement benefits funded through the Public Employees Retirement System of Idaho. However, certain retired employees can remain on the School insurance policy after retirement if the retired employee pays the average monthly cost. The difference between the age-adjusted monthly cost and the average monthly cost is referred to as an "implicit subsidy" since the medical insurance rate of a retired employee is generally higher than the medical insurance rate of a younger employee. GASB 75 requires that employers have actuarial calculations performed for these other post-employment benefits so that an asset or liability, deferred outflows of resources, deferred inflows of resources, and expenses can be recorded in the government-wide financial statements and related notes and required supplementary information can be prepared. Management believes the costs of implementing GASB 75 cannot be justified at this time. Accordingly, the School accounts for the other-post employment benefits for retirees on the pay-as-you-go basis. Other post-employment benefits will be paid by the fund in which the employee works.

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

Deferred Outflows/Inflows of Resources – The School's financial statements may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net assets that apply to a future period. Deferred inflows of resources represent an acquisition of net assets that apply to a future period. Deferred outflows/inflows of resources generally represent amounts that are not available in the current period.

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

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

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

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

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Custodial 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 custodial 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:

	Governmental Funds	Fiduciary Funds	Total
Cash - Deposits	$894,097		$894,097
Investments - Local Gov't Investment Pool	5,591,188	$1,544,881	7,136,069
Investments - Diversified Bond Fund	2,887		2,887
Total	$6,488,172	$1,544,881	$8,033,053

Deposits – At year end, the carrying amounts of the School's deposits were $894,097 and the bank balances were $1,032,600. Of the bank balances, $250000 was insured and the remainder was uninsured and uncollateralized.

Considerations for interest rate risk and credit rate risk relating to investments are shown below.

Interest rate risk:

	Investment Maturity Schedule (In Years)		
Investment Type	Less Than 1	1 - 5	Total
Local Gov't Invest Pool	$7,136,069		$7,136,069
Diversified Bond Fund		$2,887	2,887
Total	$7,136,069	$2,887	$7,138,956

Credit rate risk:

	Investment Rating Schedule	
Investment Type	Not Rated	Total
Local Gov't Invest Pool	$7,136,069	$7,136,069
Diversified Bond Fund	2,887	2,887
Total	$7,138,956	$7,138,956

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

The local government investment pool and diversified bond fund are managed by the state treasurer's office and are invested in accordance with state statutes and regulations. The local government investment pool is not registered with the SEC and is a short-term investment pool. The state treasurer's office investment policy for the local government investment pool includes the following three primary objectives in order of priority: safety, liquidity, and yield. Participants have overnight availability to their funds, up to $10 million. Withdrawals of $10 million or more require three business days' notification.

For the diversified bond fund, participants have availability to their funds by providing five business days' notice, up to $10 million. Withdrawals of $10 million or more may require 25 business days' notification. Accordingly, due to the relatively liquid aspect of the diversified bond fund as well as the School's historic use of this fund, its policy is to report this investment as a current asset.

More information on the local governmental investment pool and diversified bond fund including regulatory information, ratings, and risk information can be found at www.sto.idaho.gov.

C. RECEIVABLES

Receivables consist of the following at year end:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Local Sources				
Local Taxes	$101,838		$12,452	$114,290
Other Local Sources	605	$50		655
Total	$102,443	$50	$12,452	$114,945
State Sources				
Foundation Program	$139,482			$139,482
Special Programs		$3,450		3,450
Total	$139,482	$3,450		$142,932
Federal Sources				
Special Programs		$116,632		$116,632
Total		$116,632		$116,632

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	10,302,592	592,593		10,895,185
Equipment	642,640			642,640
Transportation	1,750,956			1,750,956
Subtotal	12,696,188	592,593	0	13,288,781
Accumulated Depreciation				
Buildings	7,761,994	70,325		7,832,319
Equipment	558,564	13,981		572,545
Transportation	1,300,796	55,148		1,355,944
Subtotal	9,621,354	139,454	0	9,760,808
Total	3,074,834	453,139	0	3,527,973
Net Capital Assets	$3,113,967	$453,139	$0	$3,567,106

Depreciation expense of $139,454 was charged to the capital assets program.

E. LONG-TERM LIABILITIES

Changes in long-term liabilities are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Net Pension Liability	$2,179,396		$748,095	$1,431,301	-
Total	$2,179,396	$0	$748,095	$1,431,301	$0

F. PENSION PLAN

Plan description

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

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

Pension benefits

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

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

Member and employer contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general members and school employee members. As of June 30, 2025 it was 7.18% for general members and 8.08% for school employee members. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.96% for general members and 13.48% for school employee members. The School's contributions were $386,176 for the year ended June 30, 2026.

Pension asset/liabilities, pension revenue (expense), and deferred outflows/inflows of resources related to pensions

At June 30, 2026, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2025, the School's proportion was 0.05918960%.

For the year ended June 30, 2026, the School recognized pension revenue (expense) of ($359,770). At June 30, 2026, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$269,720	
Changes in assumptions or other inputs		$251,690
Difference between projected and actual earnings on pension plan investments		367,939
Employer contributions subsequent to the measurement date	386,176	
Total	$655,896	$619,629

$386,176 reported as deferred outflows of resources related to pensions resulting from School contributions made subsequent to the measurement date will be recognized as an adjustment to the pension revenue (expense) in the year ending June 30, 2027.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at the beginning of the measurement period ended June 30, 2025 was calculated at 4.4 years.

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

Year Ended	
6/30/27	($244,796)
6/30/28	239,213
6/30/29	218,909
6/30/30	136,584
Total	$349,910

Actuarial assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases including inflation	3.15%
Investment rate of return, net of investment expenses	6.55%
Cost-of-living (COLA) adjustments	1.00%

Contributing members, service retirement members, and beneficiaries

General Employees and All Beneficiaries - Males	Pub-2010 General Tables, increased 11%
General Employees and All Beneficiaries - Females	Pub-2010 General Tables, increased 21%
Teachers - Males	Pub-2010 Teacher Tables, increased 12%
Teachers - Females	Pub-2010 Teacher Tables, increased 21%
Fire & Police - Males	Pub-2010 Safety Tables, increased 21%
Fire & Police - Females	Pub-2010 Safety Tables, increased 26% 5% of Fire & Police active member deaths are assumed to be duty related. This assumption was adopted July 1, 2021.
Disabled Members - Males	Pub-2010 Disabled Tables, increased 38%
Disabled Members - Females	Pub-2010 Disabled Tables, increased 36%

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2025.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap US Equity	22%	4.75%
Small/Mip Cap US Equity	10%	4.95%
International Equity	11%	4.75%
Emerging Markets Equity	11%	4.95%
Domestic Fixed	20%	2.25%
TIPS	10%	2.05%
Core Real Estate	8%	3.75%
Private Equity	8%	6.00%

Discount rate

The discount rate used to measure the total pension liability was 6.55%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for administrative expense.

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

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 6.55%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.55%)	Current Discount Rate (6.55%)	1% Increase (7.55%)
School's proportionate share of the net pension liability (asset)	$3,443,717	$1,431,301	($212,754)

Pension plan fiduciary net position

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

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

Impact on the School's net position

Depending on the annual performance of the Base Plan and the various non-financial factors that affect the collective Base Plan net pension liability (as described above), the School may periodically experience a deficit in its net position. This can occur as a result of recording the School's allocable portion of the net pension liability which is an estimated liability that changes substantially from year to year depending on the factors described above but does not currently require cash outflows. As the net pension liability of the Base Plan is closely monitored by PERSI's board (who makes changes to the contribution rates and other terms of the Base Plan when deemed necessary), such deficits are not deemed to be of substantial concern.

G. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

	Due From Fund	
	Nonmajor Governmental	**Total**
Due To Fund		
General	$94,374	$94,374
Total	$94,374	$94,374

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	$6,908	$364,551	Depreciation, Support
Forest Reserve	587,534	624,034	Support
Child Nutrition	76,215		Support
Nonmajor Governmental	333,045	15,117	Depreciation, Support, Transferability
Total Governmental	1,003,702	1,003,702	
Private Purpose Trust Funds	8,016	8,016	Support
Total	$1,011,718	$1,011,718	

H. TAX ABATEMENTS

Idaho counties are authorized by state statute to transact certain property tax activity with property owners in their respective taxing districts. The counties collect the property taxes, then allocate and remit those collections among the taxing districts within the counties. The counties are authorized to cancel or reduce property taxes due to various reasons, including the circuit breaker program, agricultural and other exemptions, and section 63-602NN exemptions under Idaho code for real property improvements.

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2026

General Fund	Budgeted Amounts (GAAP Basis) Original	Final	Original Budget Variance With Final Budget Over (Under)	Actual Amounts	Final Budget Variance With Actual Amounts Over (Under)
Revenues					
Local Taxes	$741,000	$741,000	$0	$414,342	($326,658)
Other Local Revenue	284,742	284,742	0	616,739	331,997
State Revenue	3,797,353	3,797,353	0	4,146,611	349,258
Federal Revenue	0	0	0	0	0
Total Revenues	4,823,095	4,823,095	0	5,177,692	354,597
Expenditures					
Instructional Programs					
Elementary School	1,215,478	1,215,478	0	1,236,741	21,263
Secondary School	998,163	998,163	0	881,879	(116,284)
Vocational-Technical	197,621	197,621	0	162,629	(34,992)
Special Education	294,864	294,864	0	311,130	16,266
Special Education Preschool	0	0	0	0	0
Gifted & Talented	0	0	0	0	0
Interscholastic	0	0	0	0	0
School Activity	0	0	0	0	0
Support Service Programs					
Attendance - Guidance - Health	157,320	157,320	0	192,385	35,065
Special Education Support Services	97,500	97,500	0	121,855	24,355
Instruction Improvement	0	0	0	0	0
Educational Media	77,838	77,838	0	74,866	(2,972)
Instruction-Related Technology	56,875	56,875	0	24,957	(31,918)
Board of Education	55,869	55,869	0	47,898	(7,971)
District Administration	83,500	83,500	0	84,388	888
School Administration	301,142	301,142	0	241,934	(59,208)
Business Operation	223,425	223,425	0	195,000	(28,425)
Administrative Technology	35,000	35,000	0	53,142	18,142
Buildings - Care	470,496	470,496	0	441,360	(29,136)
Maintenance - Buildings and Equipment	264,059	264,059	0	581,724	317,665
Maintenance - Grounds	27,194	27,194	0	30,768	3,574
Pupil-To-School Transportation	348,411	348,411	0	326,338	(22,073)
Pupil-Activity Transportation	0	0	0	0	0
General Transportation	14,153	14,153	0	9,282	(4,871)
Non-Instructional Programs					
Child Nutrition	0	0	0	0	0
Community Services	0	0	0	0	0
Student Activity	0	0	0	0	0
Capital Assets	0	0	0	0	0
Total Expenditures	4,918,908	4,918,908	0	5,018,276	99,368 *
Excess (Deficiency) of Revenues Over Expenditures	(95,813)	(95,813)	0	159,416	255,229
Other Financing Sources (Uses)					
Transfers In	208,709	208,709	0	6,908	(201,801)
Transfers Out	(412,896)	(412,896)	0	(364,551)	(48,345) *
Total Other Financing Sources (Uses)	(204,187)	(204,187)	0	(357,643)	(153,456)
Net Change in Fund Balances	(300,000)	(300,000)	0	(198,227)	101,773
Fund Balances - Beginning	300,000	300,000	0	760,398	460,398
Fund Balances - Ending	$0	$0	$0	$562,171	$562,171
	**Total expenditures over (under) appropriations are:*				$51,023

NOTE:

A. Significant Variances - Variances between the original and final budget arise when budget amendments are made to better estimate revenues and expenditures. Variances between the final budget and actual amounts result from unanticipated revenues and expenditures, final revenue allocations, and specific budget category classifications.

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2026

Forest Reserve Fund	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Original Budget Variance With Final Budget Over (Under)	Actual Amounts	Final Budget Variance With Actual Amounts Over (Under)	
Revenues						
Local Taxes	$0	$0	$0	$0	$0	
Other Local Revenue	123,000	123,000	0	120,789	(2,211)	
State Revenue	0	0	0	0	0	
Federal Revenue	0	0	0	588,382	588,382	
Total Revenues	123,000	123,000	0	709,171	586,171	
Expenditures						
Instructional Programs						
Elementary School	0	0	0	0	0	
Secondary School	0	0	0	0	0	
Vocational-Technical	0	0	0	0	0	
Special Education	0	0	0	0	0	
Special Education Preschool	0	0	0	0	0	
Gifted & Talented	0	0	0	0	0	
Interscholastic	0	0	0	0	0	
School Activity	0	0	0	0	0	
Support Service Programs						
Attendance - Guidance - Health	0	0	0	0	0	
Special Education Support Services	0	0	0	0	0	
Instruction Improvement	0	0	0	0	0	
Educational Media	0	0	0	0	0	
Instruction-Related Technology	0	0	0	0	0	
Board of Education	0	0	0	0	0	
District Administration	0	0	0	0	0	
School Administration	0	0	0	0	0	
Business Operation	0	0	0	0	0	
Administrative Technology	0	0	0	0	0	
Buildings - Care	0	0	0	0	0	
Maintenance - Buildings and Equipment	0	0	0	0	0	
Maintenance - Grounds	0	0	0	0	0	
Pupil-To-School Transportation	0	0	0	0	0	
Pupil-Activity Transportation	0	0	0	0	0	
General Transportation	0	0	0	0	0	
Non-Instructional Programs						
Child Nutrition	0	0	0	0	0	
Community Services	0	0	0	0	0	
Student Activity	0	0	0	0	0	
Capital Assets	0	0	0	0	0	
Total Expenditures	0	0	0	0	0	*
Excess (Deficiency) of Revenues Over Expenditures	123,000	123,000	0	709,171	586,171	
Other Financing Sources (Uses)						
Transfers In	0	0	0	587,534	587,534	
Transfers Out	(213,709)	(213,709)	0	(624,034)	410,325	*
Total Other Financing Sources (Uses)	(213,709)	(213,709)	0	(36,500)	177,209	
Net Change in Fund Balances	(90,709)	(90,709)	0	672,671	763,380	
Fund Balances - Beginning	2,834,000	2,834,000	0	2,959,271	125,271	
Fund Balances - Ending	$2,743,291	$2,743,291	$0	$3,631,942	$888,651	
	**Total expenditures over (under) appropriations are:*				$410,325	

NOTE:

A. Significant Variances - Variances between the original and final budget arise when budget amendments are made to better estimate revenues and expenditures. Variances between the final budget and actual amounts result from unanticipated revenues and expenditures, final revenue allocations, and specific budget category classifications.

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2026

Child Nutrition Fund	Budgeted Amounts (GAAP Basis) Original	Final	Original Budget Variance With Final Budget Over (Under)	Actual Amounts	Final Budget Variance With Actual Amounts Over (Under)	
Revenues						
Other Local Revenue	$49,500	$49,500	$0	$50,494	$994	
State Revenue	0	0	0	0	0	
Federal Revenue	85,000	85,000	0	100,903	15,903	
Total Revenues	134,500	134,500	0	151,397	16,897	
Expenditures						
Non-Instructional Programs						
Child Nutrition	242,560	242,560	0	220,728	(21,832)	
Total Expenditures	242,560	242,560	0	220,728	(21,832)	*
Excess (Deficiency) of Revenues Over Expenditures	(108,060)	(108,060)	0	(69,331)	38,729	
Other Financing Sources (Uses)						
Transfers In	108,060	108,060	0	76,215	(31,845)	
Transfers Out	0	0	0	0	0	*
Total Other Financing Sources (Uses)	108,060	108,060	0	76,215	(31,845)	
Net Change in Fund Balances	0	0	0	6,884	6,884	
Fund Balances - Beginning	0	0	0	857	857	
Fund Balances - Ending	$0	$0	$0	$7,741	$7,741	
	**Total expenditures over (under) appropriations are:*				($21,832)	

NOTE:

A. Significant Variances - Variances between the original and final budget arise when budget amendments are made to better estimate revenues and expenditures. Variances between the final budget and actual amounts result from unanticipated revenues and expenditures, final revenue allocations, and specific budget category classifications.

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Schedule of Employer's Share of Net Pension Asset and Liability
and Schedule of Employer Contributions
PERSI - Base Plan

Schedule of Employer's Share of Net Pension Asset and Liability*

Fiscal Year Ended June 30	Employer's Portion of the Net Pension (Asset) Liability	Employer's Proportionate Share of the Net Pension (Asset) Liability	Covered Payroll	Employer's Proportional Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability
2017	0.06502730%	$1,318,203	$1,692,076	77.90%	87.26%
2018	0.06572520%	$1,033,087	$1,830,486	56.44%	90.68%
2019	0.06193750%	$913,589	$1,957,438	46.67%	91.69%
2020	0.05918960%	$675,633	$2,003,816	33.72%	93.79%
2021	0.05731130%	$1,330,844	$1,996,097	66.67%	88.22%
2022	0.05820712%	($45,971)	$2,136,516	-2.15%	100.36%
2023	0.05811864%	$2,289,153	$2,268,878	100.89%	83.09%
2024	0.05546247%	$2,213,324	$2,367,471	93.49%	83.83%
2025	0.05826257%	$2,179,396	$2,518,834	86.52%	85.54%
2026	0.05918960%	$1,431,301	$2,701,780	52.98%	90.89%

*As of the measurement date of the net pension (asset) liability.

Schedule of Employer Contributions

Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$207,211	$207,211	$0	$1,830,486	11.32%
2018	$221,582	$221,582	$0	$1,957,438	11.32%
2019	$226,832	$226,832	$0	$2,003,816	11.32%
2020	$238,334	$238,334	$0	$1,996,097	11.94%
2021	$255,100	$255,100	$0	$2,136,516	11.94%
2022	$270,904	$270,904	$0	$2,268,878	11.94%
2023	$282,676	$282,676	$0	$2,367,471	11.94%
2024	$319,640	$319,640	$0	$2,518,834	12.69%
2025	$364,200	$364,200	$0	$2,701,780	13.48%
2026	$386,176	$386,176	$0	$2,937,625	13.15%

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2026

	Special Revenue Funds			
	Miscellaneous Grants	**Stanley Cell Tower**	**School Activity Programs**	**Student Activities Buses**
Assets				
Cash & Investments	$27,058	$13,621	$239,250	$76,701
Receivables:				
Local Sources			50	
State Sources				
Federal Sources				
Due From Other Funds				
Total Assets	$27,058	$13,621	$239,300	$76,701
Liabilities				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable		$13,621	$1,138	
Unspent Grant Allocation				
Total Liabilities	$0	13,621	1,138	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	27,058		238,162	76,701
Capital Projects				
Unassigned				
Total Fund Balances	27,058	0	238,162	76,701
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$27,058	$13,621	$239,300	$76,701

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2026

	Special Revenue Funds			
	Driver Education	**Professional Technical**	**Technology**	**Substance Abuse**
Assets				
Cash & Investments	$3,160			$10,144
Receivables:				
Local Sources				
State Sources	3,450			
Federal Sources				
Due From Other Funds				
Total Assets	$6,610	$0	$0	$10,144
Liabilities				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable				
Unspent Grant Allocation				
Total Liabilities	$0	$0	$0	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances				
Restricted:				
Special Programs	6,610			10,144
Capital Projects				
Unassigned				
Total Fund Balances	6,610	0	0	10,144
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$6,610	$0	$0	$10,144

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

	Special Revenue Funds			
	Title I-A ESSA IBP	**IDEA Part B 611 School Age 3-21**	**IDEA Part B 619 Pre-School Age 3-5**	**School Based Medicaid**
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources	$21,765	$85,055		
Due From Other Funds				
Total Assets	$21,765	$85,055	$0	$0
Liabilities				
Accounts Payable				
Due To Other Funds	$10,521	$83,853		
Salaries & Benefits Payable				
Unspent Grant Allocation	11,244	1,202		
Total Liabilities	21,765	85,055	$0	$0
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	$21,765	$85,055	$0	$0

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2026

	Special Revenue Funds			
	Title IV-A ESSA SS & AE	**Title V-B ESSA REI**	**Perkins V CTE**	**IDEA Mini Grants**
Assets				
Cash & Investments				
Receivables:				
Local Sources				
State Sources				
Federal Sources		$3,022		$2,000
Due From Other Funds				
Total Assets	$0	$3,022	$0	$2,000
Liabilities				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable				
Unspent Grant Allocation		$3,022		$2,000
Total Liabilities	$0	3,022	$0	2,000
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	$0	$3,022	$0	$2,000

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

	Special Revenue Funds			Capital Projects
	Title II-A ESSA SEI	Stronger Connections	Phone Free Learning Grant	Plant Facilities
Assets				
Cash & Investments			$3,704	$123,199
Receivables:				
Local Sources				12,452
State Sources				
Federal Sources	$4,790			
Due From Other Funds				
Total Assets	$4,790	$0	$3,704	$135,651
Liabilities				
Accounts Payable				
Due To Other Funds				
Salaries & Benefits Payable				
Unspent Grant Allocation	$4,790		$3,704	
Total Liabilities	4,790	$0	3,704	$0
Deferred Inflows of Resources				
Unavailable Tax Revenues				2,758
Total Deferred Inflows of Resources	0	0	0	2,758
Fund Balances				
Restricted:				
Special Programs				
Capital Projects				132,893
Unassigned				
Total Fund Balances	0	0	0	132,893
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$4,790	$0	$3,704	$135,651

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

	Capital Projects	
	Bus Depreciation	**Total**
Assets		
Cash & Investments	$392,780	$889,617
Receivables:		
Local Sources		12,502
State Sources		3,450
Federal Sources		116,632
Due From Other Funds		0
Total Assets	$392,780	$1,022,201
Liabilities		
Accounts Payable		$0
Due To Other Funds		94,374
Salaries & Benefits Payable		14,759
Unspent Grant Allocation		25,962
Total Liabilities	$0	135,095
Deferred Inflows of Resources		
Unavailable Tax Revenues		2,758
Total Deferred Inflows of Resources	0	2,758
Fund Balances		
Restricted:		
Special Programs		358,675
Capital Projects	392,780	525,673
Unassigned		0
Total Fund Balances	392,780	884,348
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$392,780	$1,022,201

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

	Special Revenue Funds			
	Miscellaneous Grants	**Stanley Cell Tower**	**School Activity Programs**	**Student Activities Buses**
Revenues				
Local Taxes				
Other Local Revenue	$47,316	$100,479	$234,138	$2,826
State Revenue				
Federal Revenue				
Total Revenues	47,316	100,479	234,138	2,826
Expenditures				
Instructional Programs				
Elementary School	1,877	129,152		
Secondary School	62,011			
Vocational-Technical				
Special Education				
Special Education Preschool				
Gifted & Talented				
Interscholastic			106,170	
School Activity			5,498	
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement				
Educational Media		271		
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care		29,248		
Maintenance - Buildings and Equipment				
Maintenance - Grounds		300		
Pupil-To-School Transportation				
Pupil-Activity Transportation			34,919	
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Student Activity			186,949	
Capital Assets				
Total Expenditures	63,888	158,971	333,536	0
Excess (Deficiency) of Revenues Over Expenditures	(16,572)	(58,492)	(99,398)	2,826
Other Financing Sources (Uses)				
Transfers In	27,500	58,492	100,000	5,000
Transfers Out	(2,908)			
Total Other Financing Sources (Uses)	24,592	58,492	100,000	5,000
Net Change in Fund Balances	8,020	0	602	7,826
Fund Balances - Beginning	19,038	0	237,560	68,875
Fund Balances - Ending	$27,058	$0	$238,162	$76,701

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

	Special Revenue Funds			
	Driver Education	**Professional Technical**	**Technology**	**Substance Abuse**
Revenues				
Local Taxes				
Other Local Revenue	$4,200	$249		
State Revenue	3,150	64,041	$66,706	$6,221
Federal Revenue				
Total Revenues	7,350	64,290	66,706	6,221
Expenditures				
Instructional Programs				
Elementary School				51
Secondary School	6,770			
Vocational-Technical		64,290		
Special Education				
Special Education Preschool				
Gifted & Talented				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				5,538
Special Education Support Services				
Instruction Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology			150,641	
Buildings - Care				
Maintenance - Buildings and Equipment				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Student Activity				
Capital Assets				
Total Expenditures	6,770	64,290	150,641	5,589
Excess (Deficiency) of Revenues Over Expenditures	580	0	(83,935)	632
Other Financing Sources (Uses)				
Transfers In			83,935	
Transfers Out				
Total Other Financing Sources (Uses)	0	0	83,935	0
Net Change in Fund Balances	580	0	0	632
Fund Balances - Beginning	6,030	0	0	9,512
Fund Balances - Ending	$6,610	$0	$0	$10,144

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

	Special Revenue Funds			
	Title I-A ESSA IBP	IDEA Part B 611 School Age 3-21	IDEA Part B 619 Pre-School Age 3-5	School Based Medicaid
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	$114,426	$123,638	$4,333	$118,776
Total Revenues	114,426	123,638	4,333	118,776
Expenditures				
Instructional Programs				
Elementary School	112,741			
Secondary School	13,894			
Vocational-Technical				
Special Education		123,638		
Special Education Preschool			4,333	
Gifted & Talented				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				118,776
Instruction Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care				
Maintenance - Buildings and Equipment				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Student Activity				
Capital Assets				
Total Expenditures	126,635	123,638	4,333	118,776
Excess (Deficiency) of Revenues Over Expenditures	(12,209)	0	0	0
Other Financing Sources (Uses)				
Transfers In	12,209			
Transfers Out				
Total Other Financing Sources (Uses)	12,209	0	0	0
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	$0	$0	$0	$0

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

	Special Revenue Funds			
	Title IV-A ESSA SS & AE	**Title V-B ESSA REI**	**Perkins V CTE**	**IDEA Mini Grants**
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	$12,209	$17,992		
Total Revenues	12,209	17,992	$0	$0
Expenditures				
Instructional Programs				
Elementary School		9,731		
Secondary School		8,261		
Vocational-Technical				
Special Education				
Special Education Preschool				
Gifted & Talented				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services				
Instruction Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care				
Maintenance - Buildings and Equipment				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Student Activity				
Capital Assets				
Total Expenditures	0	17,992	0	0
Excess (Deficiency) of Revenues Over Expenditures	12,209	0	0	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	(12,209)			
Total Other Financing Sources (Uses)	(12,209)	0	0	0
Net Change in Fund Balances	0	0	0	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	$0	$0	$0	$0

CHALLIS JOINT SCHOOL DISTRICT NO. 181

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

Year Ended June 30, 2026

	Special Revenue Funds			Capital Projects
	Title II-A ESSA SEI	Stronger Connections	Phone Free Learning Grant	Plant Facilities
Revenues				
Local Taxes				$50,049
Other Local Revenue				5,032
State Revenue				
Federal Revenue	$18,346	$24,558	$326	
Total Revenues	18,346	24,558	326	55,081
Expenditures				
Instructional Programs				
Elementary School	10,619	11,145		
Secondary School	7,727	12,913	326	
Vocational-Technical				
Special Education				
Special Education Preschool				
Gifted & Talented				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health		500		
Special Education Support Services				
Instruction Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Administrative Technology				
Buildings - Care				
Maintenance - Buildings and Equipment				
Maintenance - Grounds				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Student Activity				
Capital Assets				61,434
Total Expenditures	18,346	24,558	326	61,434
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	(6,353)
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	0	0	0	(6,353)
Fund Balances - Beginning	0	0	0	139,246
Fund Balances - Ending	$0	$0	$0	$132,893

CHALLIS JOINT SCHOOL DISTRICT NO. 181

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

	Capital Projects	
	Bus Depreciation	Total
Revenues		
Local Taxes		$50,049
Other Local Revenue	$13,740	407,980
State Revenue		140,118
Federal Revenue		434,604
Total Revenues	13,740	1,032,751
Expenditures		
Instructional Programs		
Elementary School		275,316
Secondary School		111,902
Vocational-Technical		64,290
Special Education		123,638
Special Education Preschool		4,333
Gifted & Talented		0
Interscholastic		106,170
School Activity		5,498
Support Service Programs		
Attendance - Guidance - Health		6,038
Special Education Support Services		118,776
Instruction Improvement		0
Educational Media		271
Instruction-Related Technology		0
Board of Education		0
District Administration		0
School Administration		0
Business Operation		0
Administrative Technology		150,641
Buildings - Care		29,248
Maintenance - Buildings and Equipment		0
Maintenance - Grounds		300
Pupil-To-School Transportation		0
Pupil-Activity Transportation		34,919
General Transportation		0
Non-Instructional Programs		
Child Nutrition		0
Community Services		0
Student Activity		186,949
Capital Assets		61,434
Total Expenditures	0	1,279,723
Excess (Deficiency) of Revenues Over Expenditures	13,740	(246,972)
Other Financing Sources (Uses)		
Transfers In	45,909	333,045
Transfers Out		(15,117)
Total Other Financing Sources (Uses)	45,909	317,928
Net Change in Fund Balances	59,649	70,956
Fund Balances - Beginning	333,131	813,392
Fund Balances - Ending	$392,780	$884,348

CHALLIS JOINT SCHOOL DISTRICT NO. 181
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2026

	Private Purpose Trust Funds			
	Scholarship	District Trust	Student Activities	Total
Additions				
Contributions	$210,477			$210,477
Investment Income (Loss)	23,184	$32,065	$2,032	57,281
Total Additions	233,661	32,065	2,032	267,758
Deductions				
Trust Expenses	27,082			27,082
Total Deductions	27,082	0	0	27,082
Change in Net Position	206,579	32,065	2,032	240,676
Transfers In	4,008		4,008	8,016
Transfers Out		(8,016)		(8,016)
Net Position - Beginning	468,796	785,192	50,217	1,304,205
Net Position - Ending	$679,383	$809,241	$56,257	$1,544,881

QUEST CPAs PLLC
www.qcpas.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Challis Joint School District No. 181

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Challis Joint School District No. 181 (the School), as of and for the year ended June 30, 2026, 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 18, 2026. In our report, we expressed a qualified opinion on the governmental activities as management has elected not to adopt the provisions of GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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

financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Quest CPAs PLLC

Meridian, Idaho
August 18, 2026