City of Challis, Idaho

Audited Financial Statements

For the Year Ended September 30, 2024

Gary Merkle PLLC

CERTIFIED PUBLIC ACCOUNTANT



City of Challis, Idaho

Mayor	Corey Rice
Council member	Chris Sugden
Council member	Janean Bradshaw
Council member	Dawn Maydole
Council member	Cade Peterson
City Clerk	Savannah Pedersen

City of Challis, Idaho
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Financial Section

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CERTIFIED PUBLIC ACCOUNTANT
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Honorable Mayor and City Council
City of Challis, Idaho
Challis, Idaho

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Challis, Idaho (the City) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Challis, Idaho as of September 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, (GAAS) and the standards applicable to financials audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Challis, Idaho and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

The City of Challis's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 City of Challis'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

My 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 my 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 GAAS (and GAS) 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS (and GAS), I:

- Exercise professional judgement 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 responsible for 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 City of Challis'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 my judgment, there are conditions or event, considered in the aggregate, that raise substantial doubt about the City of Challis's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 26–30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America., which consist of inquiries of management about whether the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Challis's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has not included management's discussion and analysis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by not including this information.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 09, 2025 on my consideration of the City of Challis's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my 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 City of Challis's internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the City of Challis's internal control over financial reporting and compliance.

Gary Merkle, CPA

Boise, Idaho
June 09, 2025

Basic Financial Statements

City of Challis, Idaho
Statement Of Net Position
September 30, 2024

	Primary Government		
Assets	**Governmental Activities**	**Business-Type Activities**	**Total**
Current assets:			
Cash and equivalents	$1,778,469	$1,907,624	$3,686,093
Investments	85,357	187,798	273,155
Current taxes receivable	14,232	152	14,384
Accounts receivable, net of allowance		82,891	82,891
Due from other governments	37,238		37,238
Prepaid expenses	510	274	784
Total current assets	1,915,806	2,178,739	4,094,545
Non-current assets:			
Restricted cash		4,275	4,275
Land	159,364	710,175	869,539
Capital assets, net of accum depreciation	6,463,870	6,578,936	13,042,806
Total non-current assets	6,623,234	7,293,386	13,916,620
Total assets	8,539,040	9,472,125	18,011,165
Deferred Outflows - pension	30,613	0	30,613
Accounts payable	39,685	0	39,685
Taxes and withholdings	5,805	8,339	14,144
Compensated absences	9,437	2,814	12,251
Liabilities payable from restrictred assets		1,978	
Net pension liability	135,926		135,926
Total Liabilities	190,853	13,131	202,006
Deferred Inflows of Resources			
Pension	0	0	0
Total Deferred Inflows of Resources	0	0	0
Net Position			
Net investment in capital assets	6,623,234	7,289,111	13,912,345
Restricted for:			
Highways and streets	596,818		596,818
Culture and recreation	123,449		123,449
Airport	244,174		244,174
Water services		645,510	645,510
Sewer services		1,524,373	1,524,373
Golf course		0	0
Unrestricted	791,125		791,125
Total Net Position	8,378,800	9,458,994	17,837,794

See accompanying notes to the financial statements

City of Challis, Idaho
Statement Of Activities
For The Year Ended September 30, 2024

		Program Revenue			Net (Expense) / Revenue and Changes in Financial Position		Primary Government
Functions / Programs			Operating Grants and	Capital Grants and	Governmental	Business-Type	
Governmental activities:	Expenses	Services	Contributions	Contributions	Activities	Activities	Total
General government	142,530				(142,530)		(142,530)
Public safety	83,316				(83,316)		(83,316)
Parks and recreation	25,094				(25,094)		(25,094)
Streets and roads	187,455		83,118		(104,337)		(104,337)
Library operations	97,003	2,224	16,616		(78,163)		(78,163)
Airport operations	16,611	35,881			19,270		19,270
Capital outlay	3,487				(3,487)		(3,487)
Depreciation	423,778				(423,778)		(423,778)
Total governmental activities	979,274	38,105	99,734	0	(841,435)	0	(841,435)
Business-Type Activities:							
Water services	188,486	394,253	16,363	3,587,227		3,809,357	3,809,357
Sewer services	121,052	242,348				121,296	121,296
Golf services	0					0	0
Depreciation	344,133					(344,133)	(344,133)
Total business-type activities	653,671	636,601	16,363	3,587,227	0	3,586,520	3,586,520
Total	$1,632,945	$674,706	$116,097	$3,587,227	(841,435)	3,586,520	2,745,085
General Revenues:							
Local property taxes					370,958	132	371,090
State sales tax					84,521		84,521
State liquor apportionment and revenue sharing					66,954		66,954
Licenses and permits					4,481		4,481
Fines and fees					4,092		4,092
Other items					1,859	3,902	5,761
Earnings on investments					62,921		62,921
Total general revenues					595,786	4,034	599,820
Change In Net Position					(245,649)	3,590,554	3,344,905
Net Position - *Beginning*					8,624,449	5,868,440	14,492,889
Net Position - *Ending*					$8,378,800	$9,458,994	$17,837,794

See accompanying notes to the financial statements

City of Challis, Idaho

Balance Sheet - Governmental Funds

September 30, 2024

	General Fund	Street Fund	Airport Fund	Non major Fund Library Fund	*Total*
Assets					
Cash and equivalents	$817,313	$602,899	$237,639	$120,618	$1,778,469
Investments	52,186	26,604	6,535	32	85,357
Current taxes receivable	7,543	4,910		1,779	14,232
Due from other governments	24,158	8,049		5,031	37,238
Prepaid expenses	55	440		15	510
Total Assets	$901,255	$642,902	$244,174	$127,475	$1,915,806
Liabilities					
Accounts payable	0	39,685			39,685
Taxes and witholdings	2,765	2,640		400	5,805
Total Liabilities	2,765	42,325	0	400	45,490
Deferred Inflows of Resources					
Unavailable tax resources	5,774	3,759		1,362	10,895
Total Deferred Inflows of Resources	5,774	3,759	0	1,362	10,895
Fund Balances					
Nonspendable - prepaid items	55	440		15	510
Restricted for:					
Streets and roads		596,378			596,378
Library				125,698	125,698
Airport			244,174		244,174
Unassigned	892,661				892,661
Total Fund Balances	892,716	596,818	244,174	125,713	1,859,421
Total Liabilities and Deferred Inflows of Resources and Fund Balances	$901,255	$642,902	$244,174	$127,475	$1,915,806

See accompanying notes to the financial statements

City of Challis, Idaho
Reconciliation Of The Governmental Funds Balance Sheet To The Statement Of Net Position
September 30, 2024

Total Fund Balances - Governmental Funds		$1,859,421
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of assets	17,590,947	
Less accumulated depreciation	(10,967,713)	6,623,234
Property taxes receivable will be collected this year but are not available soon enough to pay for the current year's expenditures and are therefore deferred in the funds.		
Delinquent property taxes		10,895
Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences		(9,437)
A net pension liability for the measured portion of the net present value of projected benefit payments is reported on the Statement of Net Position but not in the fund financial statements.		
Deferred outflows associated with the net pension liability		30,613
Deferred intflows associated with the net pension liability		0
Net pension liability		(135,926)
Net position - Governmental Activities		$8,378,800

See accompanying notes to the financial statements

City of Challis, Idaho
Government Fund Types
Statement Of Revenues, Expenditures And Changes In Fund Balances - Governmental Funds
Year Ended September 30, 2024

				Non major Fund	
	General Fund	Street Fund	Airport Fund	Library Fund	Total
Revenues					
Local Sources:					
Local property taxes	$191,862	$134,148	$0	$42,732	$368,742
Licenses and permits	4,481				4,481
Charges for services			35,881	2,224	38,105
Fees and fines	4,092				4,092
Interest Income	62,921				62,921
Other items	1,859			16,616	18,475
Intergovernmental:					
State	102,196	113,443		18,954	234,593
Federal					0
Total revenues	367,411	247,591	35,881	80,526	731,409
Expenditures					
Current:					
General government	119,363				119,363
Public safety	83,316				83,316
Parks and recreation	25,094				25,094
Streets and roads		187,455			187,455
Library operations				97,003	97,003
Airport operations			16,611		16,611
Capital improvements		114,619			114,619
Total expenditures	227,773	302,074	16,611	97,003	643,461
Excess/(deficiency) of revenues over expenditures	139,638	(54,483)	19,270	(16,477)	87,948
Net change in fund balance	139,638	(54,483)	19,270	(16,477)	87,948
Fund balance, beginning of year	753,078	651,301	224,904	142,190	1,771,473
Fund balance, ending of year	$892,716	$596,818	$244,174	$125,713	$1,859,421

See accompanying notes to the financial statements

City of Challis, Idaho
Reconciliation Of The Governmental Funds Revenues, Expenditures And
Changes In Fund Balances To The Statement Of Activites
Year Ended September 30, 2024

Total net changes in fund balances - governmental funds		$87,948
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is to be allocated over their estimated useful lives as depreciation.		
Purchase of fixed assets	111,132	
Depreciation expense	(423,778)	(312,646)
Because some property taxes will not be collected for several months after the fiscal year end, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased $2,216 during the current year ended.		2,216
Some expenses reported in the Statement of Activities do not require the use of current financial resoures and are not reported as expenditures in the governmental funds.		
(Increase)/decrease in balance of compensated absences		(6,481)
Gain/(loss) on pension expense not reflected in governmental funds		(16,686)
Change in net position of governmental activities		($245,649)

See accompanying notes to the financial statements

City of Challis, Idaho
Statement of Net Position - Proprietary Funds
September 30, 2024

	Business-type Activities - Enterprise Funds			
	Water fund	**Sewer Fund**	**Golf Course**	**Total**
Assets				
Current Assets:				
Cash and equivalents	$504,721	$1,402,903		$1,907,624
Investments	82,637	105,161		187,798
Current taxes receivable	152			152
Accounts receivable, net of allowance	61,096	21,795		82,891
Prepaid expenses	137	137		274
Total Current Assets	648,743	1,529,996	0	2,178,739
Noncurrent Assets:				
Restricted cash	4,275			4,275
Capital assets:				
Land	12,705	275,595	421,875	710,175
Capital assets, net of accum depreciation	6,373,168	109,642	96,126	6,578,936
Total Noncurrent Assets	6,390,148	385,237	518,001	7,293,386
Total Assets	7,038,891	1,915,233	518,001	9,472,125
Liabilities				
Current Liabilities:				
Accounts payable				0
Taxes and witholdings	4,124	4,215		8,339
Compensated absences	1,406	1,408		2,814
Total Current Liabilities	5,530	5,623	0	11,153
Current liabilities payable from restricted assets *(Customer deposits)*	1,978			1,978
Total Liabilities	7,508	5,623	0	13,131
Deferred Inflows of Resources				
Unavailable tax resources				0
Net Assets				
Invested in capital assets, net of related debt	6,385,873	385,237	518,001	7,289,111
Unrestricted	645,510	1,524,373		2,169,883
Total Net Position	$7,031,383	$1,909,610	$518,001	$9,458,994

See accompanying notes to the financial statements

City of Challis, Idaho
Statement Of Revenues, Expenses And
Changes In Net Position - Proprietary Funds
For The Year Ended September 30, 2024

	Business-type Activities - Enterprise Funds			
	Water Fund	**Sewer Fund**	**Golf Course**	**Total**
Operating Revenue				
Charges For Services	$394,253	$242,348		$636,601
Property taxes	132			132
Miscellaneous				0
Other items		3,902		3,902
Intergovernmental:				
State	16,363			16,363
Federal	3,587,227			3,587,227
Total operating revenue	3,997,975	246,250	0	4,244,225
Operating Expenses				
Personal services	58,442	58,458		116,900
Supplies	2,140	830		2,970
Heat, lights, power, telephone	42,820	2,880		45,700
Maintenance and repairs	45,179	40,322		85,501
Other services and items	39,905	18,562		58,467
Depreciation	326,500	11,598	6,035	344,133
Total operating expenses	514,986	132,650	6,035	653,671
Operating income/(loss)	3,482,989	113,600	(6,035)	3,590,554
Nonoperating revenue/(expense)				
Interest income	0	0	0	0
Net increase/(decrease) in fair value of investments	0	0	0	0
Total nonoperating revenue/(expense)	0	0	0	0
Change in net position	3,482,989	113,600	(6,035)	3,590,554
Net position - beginning	3,548,394	1,796,010	524,036	5,868,440
Net position - ending	$7,031,383	$1,909,610	$518,001	$9,458,994

See accompanying notes to the financial statements

City of Challis, Idaho
Statement Of Cash Flows - Proprietary Funds
For The Year Ended September 30, 2024

	Business-type Activities - Enterprise Funds			
	Water Fund	**Sewer Fund**	**Golf Course**	**Total**
Cash flows from operating activities:				
Cash received from customers	$442,522	$245,983	$0	$688,505
Cash payments to suppliers for goods and services	(129,988)	(62,538)		-$192,526
Cash payments to employees for services	(57,135)	(57,149)		-$114,284
State grant funds	16,363	0		$16,363
Federal grant funds	3,587,227	0		$3,587,227
Net cash provided/(used) for operating acitivites	3,858,989	126,296	0	3,985,285
Cash flows from capital and financing activities:				
Purchase of capital assets	(3,873,237)	0	0	(3,873,237)
Net cash provided/(used) for financing activities	(3,873,237)	0	0	(3,873,237)
Cash flows from investing activities:				
Interest received	0	0	0	0
Net cash provided/(used) for investing activities	0	0	0	0
Net increase/(decrease) in cash	(14,248)	126,296	0	112,048
Unreconciled	0	0	0	0
Cash - beginning of year	518,969	1,276,607	0	1,795,576
Cash - end of year	$504,721	$1,402,903	$0	$1,907,624
Reconciliation of operating income/(loss) to net cash provided/(used) for operating activities				
Operating income/(loss)	3,482,989	113,600	(6,035)	3,590,554
Adjustments to reconcile operating income/(loss) to net cash provided/(used) for operating activities:				
Depreciation	326,500	11,598	6,035	344,133
(Increase)/decrease in taxes receivable	0	0		0
(Increase)/decrease in accounts receivable	(30,850)	(267)		(31,117)
(Increase)/decrease in prepaid expenses	56	56		112
(Increase)/decrease in due from other govt	80,108	0		80,108
(Increase)/decrease in restricted cash	(1,275)	0		(1,275)
Increase/(decrease) in accounts payable	0	0		0
Increase/(decrease) in taxes and wthholdings	0	0		0
Increase/(decrease) in customer deposits	286	0		286
Increase/(decrease) in compensated absences	1,307	1,309		2,616
Increase/(decrease) in deferred inflows	(132)	0		(132)
Total adjustments	376,000	12,696	6,035	394,731
Net cash provided/(used) by operating acitivites	$3,858,989	$126,296	$0	$3,985,285

See accompanying notes to the financial statements

Note 1 Summary Of Significant Accounting Policies

The accounting policies and practices of the City conform to accounting principles generally accepted in the United States of America as applied to governments, except for the exceptions noted hereafter The City operates under a Mayor–City Council form of government. The City Council and Mayor have governing responsibilities over all of the activities relating to the City of Challis. The City provides the following services: public safety public works, recreation and community development.

A. GENERAL

The financial statements listed in the table of contents have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The scope of the reporting entity is intended to cover those funds under the direct jurisdiction of the city council. Other governing entities; elected or appointed, that exercise substantial or total administrative and supervisory authority in their name are considered to be substantially autonomous from the City's balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities..

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund financial statements focus on individual funds.

Government-wide Financial Statements

The City's activities are governmental activities. Governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Position presents the City's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net ;position. Net position is restricted when constraints placed upon it is either externally imposed or is imposed by constitutional provisions or enabling legislation.

The Statement of Activities demonstrate the degree to which the direct expenses of a given function or segment is offset by program revenues.. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City ar e recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Separate statements are provided for governmental, proprietary, and fiduciary funds. For governmental and proprietary funds, the emphasis is on major funds with each displayed in a separate column.

Note 1 Summary Of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

- **General Fund** - This fund is the principle operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

Governmental Fund Types

Governmental funds account for the City's general activities including current financial resources and are those through which most governmental functions of the City are financed. The City has the following governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except for 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 Street fund and the Airport fund which accounts for the revenues earned and expenses incurred in providing street and airport services.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash-flows. Property taxes are recognized as revenues in the year for which they are levied. Other revenues are recognized in the years in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements ae prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

E. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES OR NET POSITION

Following are the City's significant policies regarding recognition and reporting of certain assets, liabilities and equity.

Cash and Investments

Cash and cash equivalents consist primarily of demand deposits with financial institutions and short-term investments with original maturities of three months or less than the purchase date. Investments include pooled investments and certificate of deposit with original maturities greater than three months.

Receivables

Receivables include accrued amounts for sales taxes and delinquent property taxes. Receivables from other governments are reasonably assured; accordingly, no allowance for uncollectible accounts has been established

Note 1 Summary Of Significant Accounting Policies (Continued)

Taxes Receivable

Property taxes are levied in September of each year and become payable on December 20 and June 20 of the following year for real property taxes and December 20 for personal property taxes.

Property taxes attach an enforceable lien as of December 20 following levy in September, therefore, no amount has been set aside for an allowance of doubtful accounts. Property taxes not collected before December 1, 2024 are classified as revenue unavailable for use in governmental funds.

Capital Assets

The City defines a capital asset as an asset with an initial cost of $5,000 or more for equipment, $5,000 or more for land and buildings and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition fair value on the date of acquisition. The City does not capitalize any infrastructure assets.

Capital assets purchased in governmental funds are recorded as expenditures in the governmental fund statements. Interest expense for capital asset construction related to governmental activities is not capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Buildings, equipment and other depreciable assets are depreciated using the straight-line method over estimated useful lives of 5 to 40 years.

Capital assets are reported in the applicable governmental column in the government-wide financial statements.

Long-Term Obligations

In the government-wide statements, long term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized as expenditures in the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The face amount of debt issued is reported as other financing sources.

Net Position/Fund Balance

The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position on the government wide statement and fund balance on the governmental fund statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position or fund balance that applies to a future period, or periods, so it will not be recognized as an outflow of resources until that time. The City currently reports a deferred outflow associated with the net pension liability on the Statement of Net Position.

Note 1 Summary Of Significant Accounting Policies (Continued)

In addition to liabilities, The Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position or fund balance that applies to a future period or, periods, so it will not be recognized as an inflow of resources until that time. The City has an item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly revenue unavailable for use is reported only in the governmental funds Balance Sheet. This amount is deferred and recognized as an inflow of resources in the period that amounts become available. The City also reports a deferred inflow associated with the net pension liability on the Statement of Net Position/

Nonspendable and Spendable Fund Balances

Fund balance is separated into spendable and nonspendable fund balance. The following is a list of nonspendable and spendable fund balance designations for the City of Challis.

Nonspendable: This designation segregates fund balances that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted: This designation segregates a portion of the fund balance when constraints have been placed on the use of the resources either externally by creditors, grantors, contributors, or laws or regulations of other governments imposed by law through constitutional provisions or enabling legislation.

Committed: This designation indicates a portion of the fund balance which can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. It cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit it.

Assigned: This designation indicates a fund balance that can only be spent for purposes officially designated by authority (budget) or is constrained by governmental intent, but is not restricted or committed.

Unassigned: This designation indicates a fund balance is not assigned to any specific purpose or is a negative fund balance. The City may use the positive unassigned fund balance for expenditures in subsequent fiscal years.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City generally uses restricted fund balances first, then unrestricted.

F. BUDGETS AND BUDGETARY ACCOUNTING

The Idaho constitution and the Idaho Department of Revenues and Taxation prescribe the budget process and procedures for governmental subdivisions. The City of Challis has satisfied the basic requirements prescribed in the following particulars:

1) Formulation of subsequent year budget requirements by internal City officers and personnel.
2) Perusal of formulated budgets by the City Council.
3) Presentation of preliminary and final budget requirements in formal news media of the City.
4) Open hearings to permit taxpayer input before such budgets are formally adopted.

Note 1 Summary Of Significant Accounting Policies (Continued)

Subsequent control budgets following adoption are accomplished through a budget-expenditures control system with interim status accounting and reporting made available to officers and employees for management purposes. Budgets are adopted on a cash basis of accounting. The City does not maintain a formal encumbrance accounting system.

G. COMPENSTED ABSENCES AND POST-EMPLOYMENT BENEFITS

The City provides personal leave to full time employees. It is paid to employees when taken and will be paid to employees or their beneficiaries upon the employee's termination, retirement or death.

The City's recognition and measurement criteria for compensated absences is as follows:

a) The employees' right to receive compensation is attributable to services already rendered

b) It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported in the government-wide financial statements.

Balance at Sep 30, 2023	Additions	Deletions	Balance at Sep 30, 2024
$ 3,154	$ 9,097		$ 12,251

H. PENSIONS

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

I. REVENUES AND EXPENDITURES/EXPENSES

Under the modified accrual basis of accounting, revenues are recognized in governmental funds when "measurable and available." Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers payment of property tax revenues to be "available" if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 30 days after year-end. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

In the government-wide statements, revenues are recognized when earned.

J. EXPENDITURE/EXPENSE RECOGNITION

In governmental funds, expenditures are generally recorded when the related liability in incurred. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisition and construction are reported as expenditures in the period they are acquired.

Note 1 Summary Of Significant Accounting Policies (Continued)

In the government-wide statements, expenses are recorded when the related liability is incurred.

When an expenditure or expense is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

When an expenditure is incurred for purposes for which unrestricted fund balance is used, the City generally uses committed first, then assigned and then unassigned fund balance.

K. INTERFUND ACTIVITY AND BALANCES

Government-wide Statements

In general, eliminations have been made to minimize the double-counting of internal activity. There were no interfund receivables or payables at September 30, 2024.

Governmental Fund Statements

Interfund transactions for goods and services provided and used are reported as revenues and expenditures/expenses in the funds involved. Cash transfers between funds of the City are reported as other financing sources and uses in the governmental fund statements.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Note 2 Cash and investments

Cash deposits and investments by the City as of September 30, 2024, totaled $4,040,894 of which $2,967,413 represented demand deposits and cash on hand, $930,779 represented investments in the State of Idaho Local Government Investment Pool (LGIP), and $142,702 represented US Government bonds.

The deposits and simple investments, other than those in the LGIP are not collateralized nor are they required to be by Idaho state statute.

The City follows the requirements of the Idaho Depository Law (Idaho Code Section, Title 57-100), and applicable investment rights and restrictions cited by Idah Code Section, Title 67-1210.

Deposits

At year end, the carrying amount of the City's deposits in financial institutions was $3,963,524 and the bank balance was $4,040,894. Of the deposits, $3,540,894 was not covered by FDIC or SPIC insurance a year end.

Investments

The fair value of the City investments at year end was $273,155. The information on the amount not covered by FDIC or SPIC insurance is not available.

Note 2 Cash and investments (Continued)

The investments in the amount of $930,779 in the LGIP are through the State Treasurer who provides the oversight of the monies. Monies held by the LGIP were held in the following investments: government agency notes, commercial paper, corporate bonds, money markets, U.S. treasury notes, Idaho repurchase agreements, and purchased accrued interest. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). The investments in the LGIP are subject to risk from market and interest fluctuations. The LGIP is a non-rated fund.

The City does not have a written policy addressing credit risk, custodial risk, or interest risk.

At year end, the City had the following investments:

Investment Type	Fair Value	≤1 year	1-5 years	≥5 years	Rating	%
Money market funds	130,453	130,453	$ -	$ -	N/A	10.8%
US government bonds	142,702	142,702	-	-	N/A	11.9%
	273,155	273,155				22.7%
State Treasurer LGIP	930,779	930,779				77.3%
	$ 1,203,934	$1,203,934	$ -	$ -		100.0%

Fair Value Measurements

Fair value accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value guidance also establishes a fair value hierarchy that requires a government to maximize the observable inputs and minimize the use of unobservable inputs when measuring fair value. Based on the inputs used to determine fair value, a three level hierarchy is used as follows:

Level 1 Determined using quoted prices in active markets that the government has the ability to access at the measurement date.

Level 2 Determined using inputs - other than quoted prices included in Level 1 – that are observable for an asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs derived principally from or corroborated by observable market data.

Level 3 Determined using unobservable inputs for an asset or liability and requires the government to develop it's own assumptions, based on the best information available in the circumstances, about the considerations market participants would use in pricing the asset or liability.

The following table represents the City's investments that are measured or disclosed at fair value on a recurring basis. The City does not have any financial assets that are measured at fair value on a non-recurring basis.

	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
Money market	$ 130,453			
US Government bonds	142,702			
LGIP	$ 882,665			
	$ 1,203,594	$ -	$ -	$ 1,203,594

The US government bonds are valued using quoted market prices.

Note 3 Capital Assets

Capital asset activity for the year ended September 30, 2024 was as follows:

Governmental Activities

	Balance at Sep 30, 2023	Additions	Deletions	Balance at Sep 30, 2024
Non Depreciable Capital Assets:				
Land and improvements	$ 159,364			$ 159,364
Artwork	38,500			38,500
Depreciable Capital Assets:				
Buildings	1,138,256			1,138,256
Infrastructure	7,921,039	91,132		8,012,171
Improvements	7,427,578			7,427,578
Vehicles and Equipment	795,078	20,2000		815,078
Total Capital Assets	17,479,815	111,132		17,590,947
Accumulated Depreciation	(10,543,935)	(423,778)		(10,967,713)
Capital Assets, Net	$ 6,935,880	(312,646)		$ 6,623,234

Business-type Activities

	Balance at Sep 30, 2023	Additions	Deletions	Balance at Sep 30, 2024
Non Depreciable Capital Assets:				
Land and improvements	$ 710,175			$ 710,175
Depreciable Capital Assets:				
Buildings	344,376			344,376
Improvements	5,018,272	3,700,485		8,718,757
Vehicles and Equipment	555,141	172,752		727,893
Total Capital Assets	6,627,964	3,873,237		10,501,201
Accumulated Depreciation	(2,867,957)	(344,133)		(3,212,090)
Capital Assets, Net	$ 3,760,007	$ 3,529,104		$ 7,289,111

Note 4 Pension Plan

Pensions

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

Plan Description

The City contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit 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 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 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 of benefices. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as 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 a percentage 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 employees and 74% for public safety. As of June 30, 2024 it was 6.71% for general employees and 9.83% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% of general employees and 16.26% for police and firefighters. The City's contributions were $21,272 for the year ended September 30, 2024.

Note 4 Pension Plan *continued*

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

At September 30, 2024, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City'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, 2024, the City's portion was .0000363376 percent.

For the year ended September 30, 2024, the City recognized pension expense (revenue) of $39,092. At September 30, 2024, the City reported 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	($ 24,267)	- 0 -
Changes in assumptions or other inputs	5,385	- 0 -
Net difference between projected and actual earnings on pension plan investments	21,641	- 0 -
Employer contributions subsequent to the measurement date	6,054	
	$ 30,613	$ - 0 -

$6,054 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2024 the beginning of the measurement period ended June 30, 2023 is 4.6 and 4.6 for the measurement period June 30, 2024.

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

Year ended September 30:

2025	$ 6,709
2026	$ 25,344
2027	($ 4,370)
2028	($ 3,124)

Note 4 Pension Plan *continued*

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 individuals 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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increases	3.05%
Salary inflation	3.05%
Investment rate of return	6.35%, net of investment expenses
Cost-of-living adjustments	1%

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%
Disabled Members - Males Pub 2010 Disabled Tables, increased 38%
Disabled Members - Females Pub 2010 Disabled Tables, increased 36%

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions other than mortality. The Total Pension Liability as of June 30, 2024 is based on the results of an actuarial valuation date of July 1, 2024.

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 development for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting 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 the System's assets.

Note 4 Pension Plan ***continued***

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 2024.

2024

Asset Class	DB Plans	Sick Leave
Fixed Income	30.0%	50.0%
US/Global Equity	55.0%	39.3%
International Equity	15.0%	10.7%
Cash	0.0%	0.0%
Total all	*100.0%*	*100.0%*

Discount Rate

The discount rate used to measure the total pension liability was 6.35 percent. 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 the assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.35 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease	*Current Discount Rate*	*1% Increase*
	(5.35%)	(6.35%)	(7.35%)
Employer's proportionate share of net pension liability (asset)	$ 258,302	$ 135,926	$ 36,976

Pension plan fiduciary net position

Detailed information about the pension's plan 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.

Note 4 Pension Plan *continued*

Payable to the pension plan
At September 30, 2024, the City reported payables to the defined benefit pension plan of $ -0– for legally required contributions and $-0- for legally required employee contributions which had been withheld from employee's wages but not yet remitted to PERSI.

Note 5 Litigation and Contingent Liabilities

The City is not presently in active litigation. There are no claims pending against the City that are expected to expose the City to losses beyond the insurance protection provided.

Note 6 Long-Term Obligations

Long-term Obligation Activity:
Long term obligations of the City include the City's proportional share of the net pension liability for the pension plan. During the year ended September 30, 2024, there were the following changes to the net pension liability.

Governmental activities	Balance 10-01-2023	Additions	Reductions	Balance 09-30-24	Amounts due within one year
Net pension liability	$ 146,577	$ -0-	($ 10,651)	$ 135,926	$ -0-

Note 7 Committed/Nonspendable and Encumbered Fund Balances/Restricted Net Position

As of September 30, 2024, there was a nonspendable fund balance of $784 on the Balance Sheet. The $784 represents prepaid expenditures/expenses that are not in spendable form. There were no encumbrances as of September 30 2024.

Note 8 Related Party Transactions

The City has not been directly involved in related party transactions that would violate the Idaho Code or Federal Regulations.

Note 9 Material Violation of Finance-Related Legal and Contractual Provisions

There are no known violations of direct finance-related legal and contractual provisions.

Note 10 Subsequent Events

Prior to the current year ended September 30, 2024 the City applied for and was approved for a long-term financing arrangement to continue improvement of the City water treatment facility. The loan arrangement is through the Idaho Department of Environmental Quality. As of the current year ended September 30, 2024 the City has not activated the loan, however, subsequent to the current year ended September 30, 2024 the City has begun to draw on the loan. It is anticipated the City will draw approximately $2,000,000 on the loan. Payment on the loan will begin at some point in time in the following fiscal year to end September 30, 2025. The current terms of the loan are to be amortized at 1.5% over 30 years.

Required Supplementary Information

City of Challis, Idaho

General Fund

Schedule Of Revenues, Expenditures And Changes In Fund Balance

Budget And Actual - Non-GAAP Cash Basis

For The Year Ended September 30, 2024

	Original/Final Budget	*Actual*	*Variance*
Revenues			
Local Sources:			
Local property taxes	$184,837	$190,714	$5,877
Licenses and permits	3,275	4,481	1,206
Fees and fines	2,100	4,092	1,992
Interest income	0	62,921	62,921
Other items	300	1,859	1,559
Intergovernmental:			
State funds	108,861	102,881	(5,980)
Fedral funds	0	0	0
Total Revenues	299,373	366,948	67,575
Expenditures			
General government	183,963	119,363	(64,600)
Public safety	83,432	83,316	(116)
Parks and recreation	31,978	25,094	(6,884)
Capital improvements	0	0	0
Total Expenditures	299,373	227,773	(71,600)
Revenues Over/(Under) Expenditures	0	139,175	139,175
Net change in fund balance		139,175	
Reconciling Items:			
Changes Affected By Accrued Revenues		1,148	
Changes Affected By Accrued Expenditures		(685)	
Beginning Fund Balance		753,078	
Ending Fund Balance		$892,716	

The notes to the required supplementary information - Basis of Budgeting - is an integral part of this schedule

City of Challis, Idaho
Street Fund
Schedule Of Revenues, Expenditures And Changes In Fund Balance
Budget And Actual - Non-GAAP Cash Basis
For The Year Ended September 30, 2024

	Original/Final Budget	*Actual*	*Variance*
Revenues			
Local Sources:			
Local property taxes	$138,208	$133,429	($4,779)
Fees and fines	0	0	0
Interest income	0	0	0
Other items	0	0	0
State funds	205,526	$124,960	(80,566)
Federal funds	0	0	0
Total Revenues	343,734	258,389	(85,345)
Expenditures			
Wage and benefits	60,928	63,822	2,894
Legal and professional services	4,950	7,067	2,117
Administrative and insurance	5,600	4,871	(729)
Utilities	16,100	16,578	478
Supplies	1,000	1,319	319
Maintenance, buildings and equipment	29,600	22,276	(7,324)
Maintenance, streets and bridges	79,942	71,152	(8,790)
Other items	8,000	370	(7,630)
Capital purchases	137,614	114,619	(22,995)
Total Expenditures	343,734	302,074	(41,660)
Revenues Over/(Under) Expenditures	0	(43,685)	(43,685)
Other financing sources/(uses):			
Fund transfers, net		0	
Net change in fund balance		(43,685)	
Reconciling Items:			
Changes Affected By Accrued Revenues		719	
Changes Affected By Accrued Expenditures		(11,517)	
Beginning Fund Balance		651,301	
Ending Fund Balance		$596,818	

The notes to the required supplementary information - Basis of Budgeting - is an integral part of this schedule

City of Challis, Idaho

Airport Fund

Schedule Of Revenues, Expenditures And Changes In Fund Balance

Budget And Actual - Non-GAAP Cash Basis

For The Year Ended September 30, 2024

	Original/Final Budget	*Actual*	*Variance*
Revenues			
Local Sources:			
Local property taxes	$0	$0	$0
Charges for services	32,300	35,881	3,581
Interest income	0	0	0
Intergovernmental:			
State funds	0	0	0
Fedral funds	0	0	0
Total Revenues	32,300	35,881	3,581
Expenditures			
Legal and professional services	875	941	66
Administrative and insurance	5,950	5,206	(744)
Utilities	6,000	4,507	(1,493)
Supplies	100	33	(67)
Maintenance, buildings and equipment	1,000	1,031	31
Capital purchases	18,375	4,893	(13,482)
Total Expenditures	32,300	16,611	(15,689)
Revenues Over/(Under) Expenditures	0	19,270	19,270
Other financing sources/(uses)			
Fund transfers, net		0	
Net change in fund balance		19,270	
Reconciling Items:			
Changes Affected By Accrued Revenues		0	
Changes Affected By Accrued Expenditures		0	
Beginning Fund Balance		224,904	
Ending Fund Balance		$244,174	

The notes to the required supplementary information - Basis of Budgeting - is an integral part of this schedule

City Of Challis, Idaho
Notes To Required Supplementary Information – Basis of Budgetary Reporting,
Stewardship, Compliance and Accountability
September 30, 2024

Basis of Budgetary Accounting

The City's legal budget is prepared using the cash basis records. Encumbrances are allowed for budgetary control purposes, but lapse at the close of the year. The Budget and Actual Schedules are prepared on the budgetary basis and include this variation from GAAP. The reconciliation at the bottom of the budget and actual schedules shows the difference between the basis of budgeting and GAAP.

Stewardship, Compliance and Accountability

Budgetary Information

The City budgets its revenues and expenditures, as is required by Idaho Code Section 31, Chapter 16. Following these guidelines, the City adopts annual appropriated budgets for General, Street, Airport and Library and Enterprise funds. All appropriated budgets for Governmental Funds are adopted on a non-GAAP cash basis. The following is a summary of the budgetary process for the City:

Prior to the 3rd Monday in May, each elected official or department head submits to the Clerk's office a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures by department categorized by personal services and other charges and services (including capital outlay) and the means of financing them. The Clerk's office assures the budges are balanced. Budget hearings give the City departments an opportunity to present their proposed budget to the City Council and the public at large.

On or before the first Monday in August, the proposed budget is submitted to the City Council for review and tentative approval. When the tentative budget has been approved it must be published in the newspaper. Public budget hearings are conducted by the City to obtain taxpayer comment, and upon conclusion of the hearing, the City Council legally adopts the budget by a resolution in the official minutes of the council.

The budget in no event shall be greater than the amount of the advertised tentative budget. Per Idaho Code Section 31, the actual expenditures for the ensuing fiscal year shall not exceed the appropriations legally adopted by the Council. The City's policy is that amounts may not be transferred between personal service and other charges and services (including capital outlay) and amounts may not be transferred between departments or funds.

The City may increase the total appropriation budget during the year as grants are subsequently awarded by federal or state agencies, for donations to various departments, and for receipt of unscheduled and/or unanticipated revenue, provided there is no increase in anticipated property taxes. The appropriation budget may only be increased by the amount of actual revenues received. Such budget revisions must be advertised, discussed in a public hearing and adopted by a resolution from the City Council. The budget was not amended during the year.

Budgetary Information - *Continued*

The level of budgetary control (level at which expenditures may not legally exceed the appropriations) is established by the personal service and other charges and services (including capital outlay) within the department and fund.

The City employs budgetary integration as a management control device during the year for all Governmental and Enterprise funds. All appropriations, other than those for improvements not yet completed, lapse at the end of the fiscal year and become null and void. However, appropriation accounts may remain open until the first Monday in November for the payment of claims incurred prior to the close of the fiscal year. Lawful claims presented thereafter against any subsequent appropriation will be provided for in the ensuing budget.

City of Challis, Idaho

Schedule of Employer's Share of Net Pension Liability

PERSI Base Plan

Last 10 - Fiscal Years *

	PERSI Base Plan				
Fiscal Year	Employer's portion of net pension liability	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's Proprtional share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.0070818%	93,256	201,090	46.37%	91.38%
2016	0.0068652%	139,168	200,206	69.51%	87.26%
2017	0.0064871%	101,966	201,450	50.62%	90.68%
2018	0.0050680%	74,754	134,140	55.73%	91.69%
2019	0.0035396%	40,404	129,032	31.31%	93.79%
2020	0.0037296%	8,606	129,037	67.12%	88.22%
2021	0.0032858%	(2,595)	115,002	-2.30%	100.36%
2022	0.0034019%	133,193	127,665	104.40%	83.09%
2023	0.0036730%	146,977	183,576	80.10%	83.83%
2024	0.0036338%	135,926	187,819	72.40%	85.54%

* GASB 68 requires ten years of information to be presented in this table However, until a 10-year trend is compiled, only those years for which information is available wil be presented.

Data reported is measured as of June 30th.

City of Challis, Idaho

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years *

	PERSI Base Plan				
Fiscal Year	Statutorily Required Contribution	Contribution In Relation To The Statutorily Required Contribution	Contribution Deficiiency (Excess)	Covered Payroll	Contribution as a percentage of Covered Payroll
2015	$22,269	$22,269	$0	201,090	11.39%
2016	$22,663	$22,663	$0	200,206	11.39%
2017	$22,804	$22,804	$0	201,450	11.32%
2018	$15,185	$15,185	$0	134,140	11.32%
2019	$14,785	$14,785	$0	129,032	11.46%
2020	$15,407	$15,407	$0	129,037	11.94%
2021	$13,731	$13,731	$0	115,002	11.94%
2022	$15,243	$15,243	$0	127,665	11.94%
2023	$21,522	$21,522	$0	183,576	11.73%
2024	$21,272	$21,272	$0	187,819	11.33%

* GASB 68 requires ten years of information to be presented in this table However, until a 10-year trend is compiled, only those years for which information is available wil be presented.

Data reported is measured as of September 30

Federal Reports and Schedules

City of Challis, Idaho
Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2024

Program Title	*Assistance Listing Number*	*Flow-Through Number*	*Program Expenditures*
Direct:			
U.S. Department of Housing and Urban Development			
Passed through State Department of Commerce			
Community Development Block Grant	14.228	ICDBG-22-VII-13-PF	13,363
Total Department of Housing and Urban Development			13,363
U.S. Environmental Protection Agency			
Passed through State Department of Environmental Quality			
Drinking Water Revolving Fund	66.458	DW2301AP	3,687,122
Total Department of Environmental Protection Agfency			3,687,122
Total Federal Financial Assistance Expended			$3,700,485

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting

City of Challis, Idaho
Notes To The Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2024

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) include the federal grant activity of the City of Challis, Idaho under programs of the Federal Government for the year ended September 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Challis, Idaho, it is not intended to and does not present the financial position or changes in Net Position of the City of Challis, Idaho.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowed or are limited as to reimburse t. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect Cost Rate

The City of Challis, Idaho has not elected to use the 10 percent de minis indirect cost rate.
Reporting guidance is presented using the modified accrual basis of accounting as described in Note 1 to the financial statements.

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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Honorable Mayor and City Council
City of Challis
Challis, Idaho

I 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, business-type activities, each major fund and the aggregate remaining fund information of the City of Challis, Idaho (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Challis's basic financial statements, and have issued my report thereon dated June 09, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Gary Merkle, CPA

Boise, Idaho
June 09, 2025

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Independent Auditor's Report On Compliance For Each Major Program and on internal Control Over Compliance Required by Uniform Guidance

Honorable Mayor and City Council
Custer County, Idaho
Challis, Idaho

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

I have audited the City of Challis, Idaho's (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct effect on each of the City's major federal programs for the year ended September 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the City of Challis, Idaho complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United states (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the City of Challis, Idaho and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the City of Challis, Idaho's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements appliable to the City of Challis, Idaho's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the City of Challis, Idaho's compliance based on my audit. 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 GAAS, Government Auditing Standards, and the Uniform Guidance 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. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Challis, Idaho's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Governmental Auditing Standards* and the Uniform Guidance, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Challis Idaho's compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Challis's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of my audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on 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 with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purposes described in the Auditor's Responsibilities for the Audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that have not been identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly this report is not suitable for any other purpose.

Gary Merkle, CPA PLLC

Boise, Idaho
June 09, 2025

City of Challis, Idaho
Schedule of Findings and Questioned Costs
For The Year Ended September 30, 2024

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal Control Over Financial Reporting

Significant deficiency(ies) disclosed?	None reported
Material weakeness(es) disclosed?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiency(ies) disclosed?	None reported
Material weakeness(es) disclosed?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance With 2 CFR 200.516(a)	No
Identification of Major Programs:	
66.468 Drinking Water Revolving Fund	$3,687,122
Dollar threshold used to distinguish between A and B programs:	$750,000
Auditee qualifies as a low-risk auditee	No

Section 2 - Financial Statement Findings

None reported

Section 3 - Findings and Questioned Costs for Federal awards

None reported