

Highland Joint School District No. 305

Audited Financial Statements

Year Ended June 30, 2026



HIGHLAND JOINT SCHOOL DISTRICT NO. 305

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Independent Auditor's Report

Board of Trustees
Highland Joint School District No. 305

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 Highland Joint School District No. 305 (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 July 31, 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
July 31, 2026

HIGHLAND JOINT SCHOOL DISTRICT NO. 305

Statement of Net Position

June 30, 2026

	Governmental Activities
Assets	
Current Assets	
Cash & Investments	\$1,800,253
Receivables:	
Local Sources	173,743
State Sources	1,450,000
Federal Sources	22,966
Total Current Assets	<u>3,446,962</u>
Noncurrent Assets	
Nondepreciable Capital Assets	1,271,531
Depreciable Net Capital Assets	994,826
Total Noncurrent Assets	<u>2,266,357</u>
Total Assets	<u>5,713,319</u>
Deferred Outflows of Resources	
Pension Items	<u>430,406</u>
Total Deferred Outflows of Resources	<u>430,406</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$6,143,725</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$296,523
Salaries & Benefits Payable	356,589
Unspent Grant Allocation	1,115,019
Total Current Liabilities	<u>1,768,131</u>
Noncurrent Liabilities	
Long-Term Liabilities, Noncurrent	<u>965,337</u>
Total Liabilities	<u>2,733,468</u>
Deferred Inflows of Resources	
Pension Items	<u>417,907</u>
Total Deferred Inflows of Resources	<u>417,907</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,151,375</u>
Net Position	
Net Investment in Capital Assets	2,266,357
Restricted:	
Special Programs	306,730
Capital Projects	962,344
Unrestricted	<u>(543,081)</u>
Total Net Position	<u>2,992,350</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u><u>\$6,143,725</u></u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305

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	\$1,029,096		\$125,443		(\$903,653)
Secondary School	719,602				(719,602)
Alternative School	0				0
Vocational-Technical Program	60,274		1,199,526		1,139,252
Special Education	139,875		47,325		(92,550)
Special Education Preschool	2,427		2,427		0
Gifted & Talented	0				0
Interscholastic	75,344				(75,344)
School Activity	15,864				(15,864)
Support Service Programs					
Attendance - Guidance - Health	1,810		4,073		2,263
Special Education Support Services	77,933		43,002		(34,931)
Instruction Improvement	28,216		4,222		(23,994)
Educational Media	29,893				(29,893)
Instruction-Related Technology	115,307		52,064		(63,243)
Board of Education	43,727				(43,727)
District Administration	179,055				(179,055)
School Administration	210,393				(210,393)
Business Operation	149,174				(149,174)
Buildings - Care	180,067				(180,067)
Maintenance - Non-Student Occupied	0				0
Maintenance - Buildings & Equipment	113,658				(113,658)
Maintenance - Grounds	60,087				(60,087)
Security	59,119		73,725		14,606
Pupil-To-School Transportation	372,554				(372,554)
Pupil-Activity Transportation	26,468				(26,468)
General Transportation	8,942				(8,942)
Non-Instructional Programs					
Child Nutrition	100,350	\$24,480	63,463		(12,407)
Community Services	0				0
Student Activity	94,069	126,904			32,835
Capital Assets	46,803				(46,803)
Capital Assets - Non-Student Occupied	0				0
Total	\$3,940,107	\$151,384	\$1,615,270	\$0	(2,173,453)
General Revenues					
Local Taxes					530,235
Other Local Revenues					189,163
State Revenues					2,805,908
Federal Revenues					0
Total					3,525,306
Change in Net Position					1,351,853
Net Position - Beginning					1,640,497
Net Position - Ending					\$2,992,350

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Balance Sheet - Governmental Funds

June 30, 2026

	General Fund	Idaho Career Ready Students Program	Child Nutrition Fund	Plant Facilities Fund
Assets				
Cash & Investments	\$516,924		\$4,143	\$207,030
Receivables:				
Local Sources	157,855			15,888
State Sources	79,121	\$1,370,879		
Federal Sources				
Due From Other Funds	3,484			
Total Assets	<u>\$757,384</u>	<u>\$1,370,879</u>	<u>\$4,143</u>	<u>\$222,918</u>
Liabilities				
Accounts Payable	\$22,231	\$257,860	\$33	
Due To Other Funds				
Salaries & Benefits Payable	329,862		4,110	
Unspent Grant Allocation		1,113,019		
Total Liabilities	<u>352,093</u>	<u>1,370,879</u>	<u>4,143</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	39,811			4,466
Total Deferred Inflows of Resources	<u>39,811</u>	<u>0</u>	<u>0</u>	<u>4,466</u>
Fund Balances				
Restricted:				
Special Programs				
Capital Projects				218,452
Unassigned	365,480			
Total Fund Balances	<u>365,480</u>	<u>0</u>	<u>0</u>	<u>218,452</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$757,384</u>	<u>\$1,370,879</u>	<u>\$4,143</u>	<u>\$222,918</u>

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Balance Sheet - Governmental Funds

June 30, 2026

	School District Modernization Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash & Investments	\$743,892	\$328,264	\$1,800,253
Receivables:			
Local Sources		0	173,743
State Sources		0	1,450,000
Federal Sources		22,966	22,966
Due From Other Funds		0	3,484
Total Assets	<u>\$743,892</u>	<u>\$351,230</u>	<u>\$3,450,446</u>
Liabilities			
Accounts Payable		\$16,399	\$296,523
Due To Other Funds		3,484	3,484
Salaries & Benefits Payable		22,617	356,589
Unspent Grant Allocation		2,000	1,115,019
Total Liabilities	<u>\$0</u>	<u>44,500</u>	<u>1,771,615</u>
Deferred Inflows of Resources			
Unavailable Tax Revenues		0	44,277
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>44,277</u>
Fund Balances			
Restricted:			
Special Programs		306,730	306,730
Capital Projects	743,892	0	962,344
Unassigned		0	365,480
Total Fund Balances	<u>743,892</u>	<u>306,730</u>	<u>1,634,554</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$743,892</u>	<u>\$351,230</u>	<u>\$3,450,446</u>

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

Total Governmental Fund Balances	\$1,634,554
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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.	2,266,357
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	44,277
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(965,337)
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Pension deferred outflows/inflows are not due and payable in the current period and therefore are not reported in the funds.	12,499
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Net Position of Governmental Activities	<u><u>\$2,992,350</u></u>
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Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2026

	General Fund	Idaho Career Ready Students Program	Child Nutrition Fund	Plant Facilities Fund
Revenues				
Local Taxes	\$478,448			\$51,077
Other Local Revenue	146,585		\$24,480	7,610
State Revenue	2,805,708	\$1,139,252		
Federal Revenue			63,463	
Total Revenues	3,430,741	1,139,252	87,943	58,687
Expenditures				
Instructional Programs				
Elementary School	978,164			
Secondary School	740,840			
Alternative School				
Vocational-Technical Program		1,139,252		
Special Education	92,550			
Special Education Preschool				
Gifted & Talented				
Interscholastic	75,344			
School Activity	15,864			
Support Service Programs				
Attendance - Guidance - Health	265			
Special Education Support Services	34,932			
Instruction Improvement	23,994			
Educational Media	29,893			
Instruction-Related Technology	63,243			
Board of Education	43,727			
District Administration	179,055			
School Administration	210,393			
Business Operation	149,174			
Buildings - Care	180,067			
Maintenance - Non-Student Occupied				
Maintenance - Buildings & Equipment	101,645			12,013
Maintenance - Grounds	24,587			35,500
Security				
Pupil-To-School Transportation	372,554			
Pupil-Activity Transportation	26,468			
General Transportation	8,942			
Non-Instructional Programs				
Child Nutrition			100,350	
Community Services				
Student Activity				
Capital Assets				
Capital Assets - Non-Student Occupied				
Total Expenditures	3,351,701	1,139,252	100,350	47,513
Excess (Deficiency) of Revenues Over Expenditures	79,040	0	(12,407)	11,174
Other Financing Sources (Uses)				
Transfers In			12,407	
Transfers Out	(23,115)			
Total Other Financing Sources (Uses)	(23,115)	0	12,407	0
Net Change in Fund Balances	55,925	0	0	11,174
Fund Balances - Beginning	309,555	0	0	207,278
Fund Balances - Ending	\$365,480	\$0	\$0	\$218,452

See Accompanying Notes

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

	School District Modernization Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local Taxes		\$0	\$529,525
Other Local Revenue	\$32,391	179,481	390,547
State Revenue	200	190,136	4,135,296
Federal Revenue		172,419	235,882
Total Revenues	<u>32,591</u>	<u>542,036</u>	<u>5,291,250</u>
Expenditures			
Instructional Programs			
Elementary School		81,304	1,059,468
Secondary School		0	740,840
Alternative School		0	0
Vocational-Technical Program		60,274	1,199,526
Special Education		47,325	139,875
Special Education Preschool		2,427	2,427
Gifted & Talented		0	0
Interscholastic		0	75,344
School Activity		0	15,864
Support Service Programs			
Attendance - Guidance - Health		1,545	1,810
Special Education Support Services		43,001	77,933
Instruction Improvement		4,222	28,216
Educational Media		0	29,893
Instruction-Related Technology		52,064	115,307
Board of Education		0	43,727
District Administration		0	179,055
School Administration		0	210,393
Business Operation		0	149,174
Buildings - Care		0	180,067
Maintenance - Non-Student Occupied		0	0
Maintenance - Buildings & Equipment	71,072	0	184,730
Maintenance - Grounds		0	60,087
Security		59,119	59,119
Pupil-To-School Transportation		0	372,554
Pupil-Activity Transportation		0	26,468
General Transportation		0	8,942
Non-Instructional Programs			
Child Nutrition		0	100,350
Community Services		0	0
Student Activity		94,069	94,069
Capital Assets		0	0
Capital Assets - Non-Student Occupied		0	0
Total Expenditures	<u>71,072</u>	<u>445,350</u>	<u>5,155,238</u>
Excess (Deficiency) of Revenues Over Expenditures	(38,481)	96,686	136,012
Other Financing Sources (Uses)			
Transfers In		10,708	23,115
Transfers Out		0	(23,115)
Total Other Financing Sources (Uses)	<u>0</u>	<u>10,708</u>	<u>0</u>
Net Change in Fund Balances	(38,481)	107,394	136,012
Fund Balances - Beginning	782,373	199,336	1,498,542
Fund Balances - Ending	<u>\$743,892</u>	<u>\$306,730</u>	<u>\$1,634,554</u>

See Accompanying Notes

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**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** **\$136,012**

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.

1,163,521

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

710

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.

51,610

Change in Net Position of Governmental Activities

\$1,351,853

HIGHLAND JOINT SCHOOL DISTRICT NO. 305

Statement of Fiduciary Net Position

June 30, 2026

	Private Purpose Trust Funds
Assets	
Cash & Investments	\$22,377
Total Assets	<u>\$22,377</u>
Net Position	
Restricted:	
Held in Trust	\$22,377
Total Net Position	<u>\$22,377</u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2026

	Private Purpose Trust Funds
Additions	
Contributions	\$1,100
Investment Income (Loss)	775
Total Additions	<u>1,875</u>
Deductions	
Trust Expenses	1,000
Total Deductions	<u>1,000</u>
Change in Net Position	875
Net Position - Beginning	<u>21,502</u>
Net Position - Ending	<u><u>\$22,377</u></u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Highland Joint School District No. 305 (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 Lewis, Idaho, and Nez Perce 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.

HIGHLAND JOINT SCHOOL DISTRICT NO. 305

Notes to Financial Statements

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 Idaho career ready students fund, which serves to account for building, upgrading, and expanding career technical education needs, 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 plant facilities fund, used to account for the maintenance of facilities and other capital assets, and 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 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 allocated to the various funds based on each fund's respective investment balance. 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.

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

HIGHLAND JOINT SCHOOL DISTRICT NO. 305

Notes to Financial Statements

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 \$2,000 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.

HIGHLAND JOINT SCHOOL DISTRICT NO. 305

Notes to Financial Statements

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.

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Notes to Financial Statements

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	\$109,322	\$2,875	\$112,197
Investments - Local Gov't Investment Pool	1,690,931	19,502	1,710,433
Total	\$1,800,253	\$22,377	\$1,822,630

Deposits – At year end, the carrying amounts of the School's deposits were \$112,197 and the bank balances were \$376,708. Of the bank balances, \$316,564 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)	
<u>Investment Type</u>	<u>Less Than 1</u>	<u>Total</u>
Local Gov't Invest Pool	\$1,710,433	\$1,710,433
Total	\$1,710,433	\$1,710,433

Credit rate risk:

	Investment Rating Schedule	
<u>Investment Type</u>	<u>Not Rated</u>	<u>Total</u>
Local Gov't Invest Pool	\$1,710,433	\$1,710,433
Total	\$1,710,433	\$1,710,433

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 is managed by the state treasurer's office and is 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

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Notes to Financial Statements

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. More information on the local governmental investment pool 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				
Other Local Sources	\$554			\$554
Local Taxes	157,301		\$15,888	173,189
Total	<u>\$157,855</u>		<u>\$15,888</u>	<u>\$173,743</u>
State Sources				
Foundation Program	\$79,121			\$79,121
Special Programs		\$1,370,879		1,370,879
Total	<u>\$79,121</u>	<u>\$1,370,879</u>		<u>\$1,450,000</u>
Federal Sources				
Special Programs		\$22,966		\$22,966
Total		<u>\$22,966</u>		<u>\$22,966</u>

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Notes to Financial Statements

D. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Capital Assets				
Land	\$75,000			\$75,000
Construction In Progress	0	\$1,196,531		1,196,531
Total	<u>75,000</u>	<u>1,196,531</u>	<u>\$0</u>	<u>1,271,531</u>
Depreciable Capital Assets				
Buildings	2,197,122	13,793		2,210,915
Equipment	499,950			499,950
Subtotal	<u>2,697,072</u>	<u>13,793</u>	<u>0</u>	<u>2,710,865</u>
Accumulated Depreciation				
Buildings	1,246,053	27,527		1,273,580
Equipment	423,183	19,276		442,459
Subtotal	<u>1,669,236</u>	<u>46,803</u>	<u>0</u>	<u>1,716,039</u>
Total	<u>1,027,836</u>	<u>(33,010)</u>	<u>0</u>	<u>994,826</u>
Net Capital Assets	<u>\$1,102,836</u>	<u>\$1,163,521</u>	<u>\$0</u>	<u>\$2,266,357</u>

Depreciation expense of \$46,803 was charged to the capital 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	\$1,525,307		\$559,970	\$965,337	-
Total	<u>\$1,525,307</u>	<u>\$0</u>	<u>\$559,970</u>	<u>\$965,337</u>	<u>\$0</u>

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.

HIGHLAND JOINT SCHOOL DISTRICT NO. 305

Notes to Financial Statements

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

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 \$248,494 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 0.03992027%.

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Notes to Financial Statements

For the year ended June 30, 2026, the School recognized pension revenue (expense) of (\$196,884). 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	\$181,912	
Changes in assumptions or other inputs		\$169,752
Difference between projected and actual earnings on pension plan investments		248,155
Employer contributions subsequent to the measurement date	248,494	
Total	\$430,406	\$417,907

\$248,494 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	(\$165,102)
6/30/28	161,337
6/30/29	147,642
6/30/30	92,119
Total	\$235,996

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.

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Notes to Financial Statements

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.

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Notes to Financial Statements

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)	\$2,322,606	\$965,337	(\$143,491)

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.

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Notes to Financial Statements

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

Interfund balances at year end consist of the following:

	Due To Fund	Due From Fund	
		Nonmajor Governmental	Total
General		\$3,484	\$3,484
Total		<u>\$3,484</u>	<u>\$3,484</u>

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		\$23,115	Support
Child Nutrition	\$12,407		Support
Nonmajor Governmental	10,708		Support
Total	<u>\$23,115</u>	<u>\$23,115</u>	

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.

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

General Fund	Budgeted Amounts (GAAP Basis)		Original Budget Variance With Final Budget Over (Under)	Actual Amounts	Final Budget Variance With Actual Amounts Over (Under)
	Original	Final			
Revenues					
Local Taxes	\$607,275	\$607,275	\$0	\$478,448	(\$128,827)
Other Local Revenue	143,362	143,362	0	146,585	3,223
State Revenue	2,735,208	2,735,208	0	2,805,708	70,500
Federal Revenue	0	0	0	0	0
Total Revenues	3,485,845	3,485,845	0	3,430,741	(55,104)
Expenditures					
Instructional Programs					
Elementary School	944,669	944,669	0	978,164	33,495
Secondary School	899,426	899,426	0	740,840	(158,586)
Alternative School	0	0	0	0	0
Vocational-Technical Program	0	0	0	0	0
Special Education	102,437	102,437	0	92,550	(9,887)
Special Education Preschool	1,000	1,000	0	0	(1,000)
Gifted & Talented	0	0	0	0	0
Interscholastic	100,802	100,802	0	75,344	(25,458)
School Activity	13,909	13,909	0	15,864	1,955
Support Service Programs					
Attendance - Guidance - Health	5,300	5,300	0	265	(5,035)
Special Education Support Services	29,504	29,504	0	34,932	5,428
Instruction Improvement	18,700	18,700	0	23,994	5,294
Educational Media	37,897	37,897	0	29,893	(8,004)
Instruction-Related Technology	75,817	75,817	0	63,243	(12,574)
Board of Education	37,021	37,021	0	43,727	6,706
District Administration	176,880	176,880	0	179,055	2,175
School Administration	205,540	205,540	0	210,393	4,853
Business Operation	150,750	150,750	0	149,174	(1,576)
Buildings - Care	184,859	184,859	0	180,067	(4,792)
Maintenance - Non-Student Occupied	0	0	0	0	0
Maintenance - Buildings & Equipment	87,863	87,863	0	101,645	13,782
Maintenance - Grounds	30,713	30,713	0	24,587	(6,126)
Security	4,145	4,145	0	0	(4,145)
Pupil-To-School Transportation	385,000	385,000	0	372,554	(12,446)
Pupil-Activity Transportation	23,000	23,000	0	26,468	3,468
General Transportation	5,000	5,000	0	8,942	3,942
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	188,038	186,417	(1,621)	0	(186,417)
Capital Assets - Non-Student Occupied	0	0	0	0	0
Total Expenditures	3,708,270	3,706,649	(1,621)	3,351,701	(354,948) *
Excess (Deficiency) of Revenues Over Expenditures	(222,425)	(220,804)	1,621	79,040	299,844
Other Financing Sources (Uses)					
Transfers In	0	0	0	0	0
Transfers Out	(52,575)	(54,196)	1,621	(23,115)	(31,081) *
Total Other Financing Sources (Uses)	(52,575)	(54,196)	(1,621)	(23,115)	31,081
Net Change in Fund Balances	(275,000)	(275,000)	0	55,925	330,925
Fund Balances - Beginning	275,000	275,000	0	309,555	34,555
Fund Balances - Ending	\$0	\$0	\$0	\$365,480	\$365,480

*Total expenditures over (under) appropriations are:

(\$386,029)

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.

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

	Budgeted Amounts (GAAP Basis)		Original Budget Variance With Final Budget Over (Under)	Actual Amounts	Final Budget Variance With Actual Amounts Over (Under)
	Original	Final			
Child Nutrition Fund					
Revenues					
Other Local Revenue	\$18,500	\$18,500	\$0	\$24,480	\$5,980
Federal Revenue	62,000	62,000	0	63,463	1,463
Total Revenues	<u>80,500</u>	<u>80,500</u>	<u>0</u>	<u>87,943</u>	<u>7,443</u>
Expenditures					
Non-Instructional Programs					
Child Nutrition	123,352	123,352	0	100,350	(23,002)
Total Expenditures	<u>123,352</u>	<u>123,352</u>	<u>0</u>	<u>100,350</u>	<u>(23,002) *</u>
Excess (Deficiency) of Revenues Over Expenditures	(42,852)	(42,852)	0	(12,407)	30,445
Other Financing Sources (Uses)					
Transfers In	42,852	42,852	0	12,407	(30,445)
Transfers Out	0	0	0	0	0 *
Total Other Financing Sources (Uses)	<u>42,852</u>	<u>42,852</u>	<u>0</u>	<u>12,407</u>	<u>(30,445)</u>
Net Change in Fund Balances	0	0	0	0	0
Fund Balances - Beginning	0	0	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<i>*Total expenditures (over) under appropriations are:</i>					<u>(\$23,002)</u>

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.

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
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	0.04180740%	\$847,500	\$1,282,312	66.09%	87.26%
2018	0.04128600%	\$648,945	\$1,365,466	47.53%	90.68%
2019	0.04232110%	\$624,244	\$1,376,296	45.36%	91.69%
2020	0.04046000%	\$461,840	\$1,376,296	33.56%	93.79%
2021	0.03910000%	\$907,954	\$1,392,303	65.21%	88.22%
2022	0.03917819%	(\$30,942)	\$1,462,077	-2.12%	100.36%
2023	0.03922737%	\$1,545,071	\$1,546,910	99.88%	83.09%
2024	0.03871230%	\$1,544,880	\$1,646,013	93.86%	83.83%
2025	0.04077659%	\$1,525,307	\$1,883,830	80.97%	85.54%
2026	0.03992027%	\$965,337	\$1,819,570	53.05%	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	\$138,414	\$138,414	\$0	\$1,282,312	10.79%
2018	\$154,571	\$154,571	\$0	\$1,365,466	11.32%
2019	\$157,738	\$157,738	\$0	\$1,376,296	11.46%
2020	\$166,241	\$166,241	\$0	\$1,392,303	11.94%
2021	\$174,572	\$174,572	\$0	\$1,462,077	11.94%
2022	\$184,701	\$184,701	\$0	\$1,546,910	11.94%
2023	\$196,534	\$196,534	\$0	\$1,646,013	11.94%
2024	\$239,058	\$239,058	\$0	\$1,883,830	12.69%
2025	\$245,278	\$245,278	\$0	\$1,819,570	13.48%
2026	\$248,494	\$248,494	\$0	\$1,911,369	13.00%

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

Page 1 of 4

	Special Revenue Funds			
	Forest Reserve	CTE Health Professions Grant	Student Activity	Professional Technical
Assets				
Cash & Investments	\$70,080	\$50,000	\$165,791	\$13,855
Receivables:				
Local Sources				
State Sources				
Federal Sources				
Due From Other Funds				
Total Assets	<u>\$70,080</u>	<u>\$50,000</u>	<u>\$165,791</u>	<u>\$13,855</u>
Liabilities				
Accounts Payable				\$13,855
Due To Other Funds				
Salaries & Benefits Payable				
Unspent Grant Allocation				
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>13,855</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs	70,080	50,000	165,791	
Capital Projects				
Unassigned				
Total Fund Balances	<u>70,080</u>	<u>50,000</u>	<u>165,791</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$70,080</u>	<u>\$50,000</u>	<u>\$165,791</u>	<u>\$13,855</u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

Page 2 of 4

	Special Revenue Funds			
	State Special Projects	Technology	Substance Abuse	Title I-A ESSA IBP
Assets				
Cash & Investments	\$19,171		\$4,073	\$1,569
Receivables:				
Local Sources				
State Sources				
Federal Sources				8,679
Due From Other Funds				
Total Assets	<u>\$19,171</u>	<u>\$0</u>	<u>\$4,073</u>	<u>\$10,248</u>
Liabilities				
Accounts Payable	\$840		\$1,545	
Due To Other Funds				
Salaries & Benefits Payable				\$10,248
Unspent Grant Allocation				
Total Liabilities	<u>840</u>	<u>\$0</u>	<u>1,545</u>	<u>10,248</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs	18,331		2,528	
Capital Projects				
Unassigned				
Total Fund Balances	<u>18,331</u>	<u>0</u>	<u>2,528</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$19,171</u>	<u>\$0</u>	<u>\$4,073</u>	<u>\$10,248</u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

Page 3 of 4

	Special Revenue Funds			
	IDEA Part B 611 School Age 3-21	IDEA Part B 619 Pre-School Age 3-5	School Based Medicaid	Title IV-A ESSA SS & AE
Assets				
Cash & Investments			\$159	\$1,024
Receivables:				
Local Sources				
State Sources				
Federal Sources	\$13,134			1,153
Due From Other Funds				
Total Assets	<u>\$13,134</u>	<u>\$0</u>	<u>\$159</u>	<u>\$2,177</u>
Liabilities				
Accounts Payable			\$159	
Due To Other Funds	\$3,484			
Salaries & Benefits Payable	7,650			\$2,177
Unspent Grant Allocation	2,000			
Total Liabilities	<u>13,134</u>	<u>\$0</u>	<u>159</u>	<u>2,177</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted:				
Special Programs				
Capital Projects				
Unassigned				
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$13,134</u>	<u>\$0</u>	<u>\$159</u>	<u>\$2,177</u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

Page 4 of 4

	Special Revenue Funds		
	Title V-B	Title II-A	
	ESSA	ESSA	
	REI	SEI	Total
Assets			
Cash & Investments	\$2,542		\$328,264
Receivables:			
Local Sources			0
State Sources			0
Federal Sources			22,966
Due From Other Funds			0
Total Assets	<u>\$2,542</u>	<u>\$0</u>	<u>\$351,230</u>
Liabilities			
Accounts Payable			\$16,399
Due To Other Funds			3,484
Salaries & Benefits Payable	\$2,542		22,617
Unspent Grant Allocation			2,000
Total Liabilities	<u>2,542</u>	<u>\$0</u>	<u>44,500</u>
Deferred Inflows of Resources			
Unavailable Tax Revenues			0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted:			
Special Programs			306,730
Capital Projects			0
Unassigned			0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>306,730</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$2,542</u>	<u>\$0</u>	<u>\$351,230</u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

Page 1 of 4

	Special Revenue Funds			
	Forest Reserve	CTE Health Professions Grant	Student Activity	Professional Technical
Revenues				
Local Taxes				
Other Local Revenue	\$2,577	\$50,000	\$126,904	
State Revenue				\$60,274
Federal Revenue	4,848			
Total Revenues	<u>7,425</u>	<u>50,000</u>	<u>126,904</u>	<u>60,274</u>
Expenditures				
Instructional Programs				
Elementary School				
Secondary School				
Alternative School				
Vocational-Technical Program				60,274
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				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Buildings & Equipment				
Maintenance - Grounds				
Security				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Student Activity			94,069	
Capital Assets				
Capital Assets - Non-Student Occupied				
Total Expenditures	<u>0</u>	<u>0</u>	<u>94,069</u>	<u>60,274</u>
Excess (Deficiency) of Revenues Over Expenditures	7,425	50,000	32,835	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	7,425	50,000	32,835	0
Fund Balances - Beginning	62,655	0	132,956	0
Fund Balances - Ending	<u><u>\$70,080</u></u>	<u><u>\$50,000</u></u>	<u><u>\$165,791</u></u>	<u><u>\$0</u></u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

Page 2 of 4

	Special Revenue Funds			
	State Special Projects	Technology	Substance Abuse	Title I-A ESSA IBP
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue	\$73,725	\$52,064	\$4,073	
Federal Revenue				\$55,990
Total Revenues	<u>73,725</u>	<u>52,064</u>	<u>4,073</u>	<u>55,990</u>
Expenditures				
Instructional Programs				
Elementary School				55,990
Secondary School				
Alternative School				
Vocational-Technical Program				
Special Education				
Special Education Preschool				
Gifted & Talented				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health			1,545	
Special Education Support Services				
Instruction Improvement				
Educational Media				
Instruction-Related Technology		52,064		
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Buildings & Equipment				
Maintenance - Grounds				
Security	59,119			
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Student Activity				
Capital Assets				
Capital Assets - Non-Student Occupied				
Total Expenditures	<u>59,119</u>	<u>52,064</u>	<u>1,545</u>	<u>55,990</u>
Excess (Deficiency) of Revenues Over Expenditures	14,606	0	2,528	0
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	14,606	0	2,528	0
Fund Balances - Beginning	3,725	0	0	0
Fund Balances - Ending	<u>\$18,331</u>	<u>\$0</u>	<u>\$2,528</u>	<u>\$0</u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

Page 3 of 4

	Special Revenue Funds			
	IDEA Part B 611 School Age 3-21	IDEA Part B 619 Pre-School Age 3-5	School Based Medicaid	Title IV-A ESSA SS & AE
Revenues				
Local Taxes				
Other Local Revenue				
State Revenue				
Federal Revenue	\$47,325	\$2,427	\$32,293	\$10,053
Total Revenues	<u>47,325</u>	<u>2,427</u>	<u>32,293</u>	<u>10,053</u>
Expenditures				
Instructional Programs				
Elementary School				10,053
Secondary School				
Alternative School				
Vocational-Technical Program				
Special Education	47,325			
Special Education Preschool		2,427		
Gifted & Talented				
Interscholastic				
School Activity				
Support Service Programs				
Attendance - Guidance - Health				
Special Education Support Services			43,001	
Instruction Improvement				
Educational Media				
Instruction-Related Technology				
Board of Education				
District Administration				
School Administration				
Business Operation				
Buildings - Care				
Maintenance - Non-Student Occupied				
Maintenance - Buildings & Equipment				
Maintenance - Grounds				
Security				
Pupil-To-School Transportation				
Pupil-Activity Transportation				
General Transportation				
Non-Instructional Programs				
Child Nutrition				
Community Services				
Student Activity				
Capital Assets				
Capital Assets - Non-Student Occupied				
Total Expenditures	<u>47,325</u>	<u>2,427</u>	<u>43,001</u>	<u>10,053</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(10,708)	0
Other Financing Sources (Uses)				
Transfers In			10,708	
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>10,708</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

HIGHLAND JOINT SCHOOL DISTRICT NO. 305
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

Page 4 of 4

	Special Revenue Funds		
	Title V-B	Title II-A	
	ESSA	ESSA	
	REI	SEI	Total
Revenues			
Local Taxes			\$0
Other Local Revenue			179,481
State Revenue			190,136
Federal Revenue	\$15,261	\$4,222	172,419
Total Revenues	15,261	4,222	542,036
Expenditures			
Instructional Programs			
Elementary School	15,261		81,304
Secondary School			0
Alternative School			0
Vocational-Technical Program			60,274
Special Education			47,325
Special Education Preschool			2,427
Gifted & Talented			0
Interscholastic			0
School Activity			0
Support Service Programs			
Attendance - Guidance - Health			1,545
Special Education Support Services			43,001
Instruction Improvement		4,222	4,222
Educational Media			0
Instruction-Related Technology			52,064
Board of Education			0
District Administration			0
School Administration			0
Business Operation			0
Buildings - Care			0
Maintenance - Non-Student Occupied			0
Maintenance - Buildings & Equipment			0
Maintenance - Grounds			0
Security			59,119
Pupil-To-School Transportation			0
Pupil-Activity Transportation			0
General Transportation			0
Non-Instructional Programs			
Child Nutrition			0
Community Services			0
Student Activity			94,069
Capital Assets			0
Capital Assets - Non-Student Occupied			0
Total Expenditures	15,261	4,222	445,350
Excess (Deficiency) of Revenues			
Over Expenditures	0	0	96,686
Other Financing Sources (Uses)			
Transfers In			10,708
Transfers Out			0
Total Other Financing Sources (Uses)	0	0	10,708
Net Change in Fund Balances	0	0	107,394
Fund Balances - Beginning	0	0	199,336
Fund Balances - Ending	\$0	\$0	\$306,730

See Auditor's Report

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

Board of Trustees
Highland Joint School District No. 305

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 Highland Joint School District No. 305 (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 July 31, 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
July 31, 2026