

**MELBA JOINT SCHOOL DISTRICT NO. 136**

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Report on Audited  
Basic  
Financial Statements  
and  
Additional Information

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For the Year Ended June 30, 2012

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## Independent Auditor's Report

To the Board of Trustees  
Melba Joint School District No. 136  
Melba, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Melba Joint School District No. 136** (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not performed the actuarial calculations for other post-employment benefits for the governmental activities and, accordingly, has not considered the District's other post-employment benefit liability. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net assets, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net assets, liabilities, and expenses in the governmental activities is not reasonably determinable.

In our opinion, except for the effects of not providing the other post-employment benefit liability for the governmental activities as described in the preceding paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of **Melba Joint School District No. 136**, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of **Melba Joint School District No. 136**, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, on our consideration of **Melba Joint School District No. 136's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or 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 presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Melba Joint School District No. 136's** financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplemental information and the schedule of expenditures of federal awards are the responsibility of

management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Bailey & Co.*

Nampa, Idaho  
November 7, 2012

**Melba Joint School District No. 136**  
Statement of Net Assets  
June 30, 2012

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 2,003,333
Receivables, Net:	
Property Taxes	428,101
Intergovernmental	262,319
Inventory	9,295
Capital Assets:	
Land	782,901
Buildings, Net	5,789,427
Equipment and Buses, Net	363,945
<b>Total Assets</b>	<b>9,639,321</b>
 <b>Liabilities</b>	
Accounts Payable and Other Current Liabilities	70,161
Salaries and Benefits Payable	441,046
Accrued Interest	43,175
Long-Term Liabilities:	
Due Within One Year:	
Capital Lease	10,089
Bonds Payable	340,000
Due in More Than One Year:	
Capital Lease	18,197
Bonds Payable	3,035,000
<b>Total Liabilities</b>	<b>3,957,668</b>
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,532,987
Restricted for:	
Debt Service	659,307
Capital Projects	349,716
Special Revenue	221,361
Unrestricted Surplus	918,282
<b>Total Net Assets</b>	<b>\$ 5,681,653</b>

The accompanying notes are an integral  
part of the financial statements.

**Melba Joint School District No. 136**  
Statement of Activities  
For the Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
Instruction	\$ 2,882,957	\$ 8,602	\$ 425,055	\$ 0	\$ (2,449,300)
Support Services	1,856,943	1,000	168,896	0	(1,687,047)
Food Service	200,711	74,723	154,790	0	28,802
Interest	133,797	0	0	0	(133,797)
<b>Total Governmental Activities</b>	<b>\$ 5,074,408</b>	<b>\$ 84,325</b>	<b>\$ 748,741</b>	<b>\$ 0</b>	<b>(4,241,342)</b>

General Revenues:	
Property Taxes	792,895
State Sources	3,447,932
Earnings on Investments	5,082
Other	44,476
Total General Revenues and Special Items	<u>4,290,385</u>
Change in Net Assets	<u>49,043</u>
Net Assets - Beginning, Previously Reported	5,636,084
Prior Period Adjustment	(3,474)
Net Assets - Beginning, Restated	<u>5,632,610</u>
Net Assets - Ending	<u>\$ 5,681,653</u>

The accompanying notes are an integral part of the financial statements.

**Melba Joint School District No. 136**

Balance Sheet -  
Governmental Funds  
June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 981,264	\$ 446,452	\$ 575,617	\$ 2,003,333
Receivables, Net:				
Property Taxes	172,071	256,030	0	428,101
Intergovernmental	75,257	0	187,062	262,319
Internal Balances	188,207	0	0	188,207
Inventory	0	0	9,295	9,295
<b>Total Assets</b>	<u><u>\$ 1,416,799</u></u>	<u><u>\$ 702,482</u></u>	<u><u>\$ 771,974</u></u>	<u><u>\$ 2,891,255</u></u>
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 11,602	\$ 0	\$ 58,559	\$ 70,161
Internal Balances	0	0	188,207	188,207
Salaries and Benefits Payable	394,317	0	46,729	441,046
Deferred Revenue	31,484	39,502	0	70,986
<b>Total Liabilities</b>	<u><u>437,403</u></u>	<u><u>39,502</u></u>	<u><u>293,495</u></u>	<u><u>770,400</u></u>
 Fund Balances:				
Nonspendable:				
Inventory	0	0	9,295	9,295
Restricted	0	662,980	571,077	1,234,057
Unassigned	979,396	0	(101,893)	877,503
<b>Total Fund Balances</b>	<u><u>979,396</u></u>	<u><u>662,980</u></u>	<u><u>478,479</u></u>	<u><u>2,120,855</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 1,416,799</u></u>	<u><u>\$ 702,482</u></u>	<u><u>\$ 771,974</u></u>	<u><u>\$ 2,891,255</u></u>

The accompanying notes are an integral  
part of the financial statements.

**Melba Joint School District No. 136**  
 Reconciliation of the Balance Sheet of the Governmental  
 Funds to the Statement of Net Assets  
 June 30, 2012

Total Fund Balances - Governmental Funds \$ 2,120,855

Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:

Land	\$ 782,901	
Buildings, Net of \$3,181,368 accumulated depreciation	5,789,427	
Equipment and Buses, Net of \$1,257,743 accum. depreciation	<u>363,945</u>	
Total Capital Assets		6,936,273

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period expenditures and, therefore, are deferred in the funds. 70,986

Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Accrued Interest on Long-term Debt		(43,175)
Capital Lease	(28,286)	
Bonds Payable	<u>(3,375,000)</u>	
Total Long-Term Liabilities		<u>(3,403,286)</u>

Total Net Assets-Governmental Activities \$ 5,681,653

The accompanying notes are an integral  
 part of the financial statements.

**Melba Joint School District No. 136**  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Governmental Funds  
For the Year Ended June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 422,934	\$ 581,998	\$ 15,362	\$ 1,020,294
State	3,329,073	0	118,859	3,447,932
Charges for Services	1,000	0	83,325	84,325
Grants and Contributions	149,109	0	599,632	748,741
Earnings on Investments	3,854	790	438	5,082
Other	44,376	0	0	44,376
Total Revenues	<u>3,950,346</u>	<u>582,788</u>	<u>817,616</u>	<u>5,350,750</u>
<b>Expenditures</b>				
Current:				
Instruction	2,097,224	0	551,917	2,649,141
Support Services	1,588,995	0	76,059	1,665,054
Food Service	4,341	0	196,370	200,711
Debt Service:				
Principal	8,714	335,000	0	343,714
Interest	4,882	131,769	0	136,651
Capital Outlay	2,699	0	129,749	132,448
Total Expenditures	<u>3,706,855</u>	<u>466,769</u>	<u>954,095</u>	<u>5,127,719</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>243,491</u>	<u>116,019</u>	<u>(136,479)</u>	<u>223,031</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets	0	0	100	100
Transfers In	0	0	38,762	38,762
Transfers Out	(38,762)	0	0	(38,762)
Total Other Financing Sources (Uses)	<u>(38,762)</u>	<u>0</u>	<u>38,862</u>	<u>100</u>
Net Change in Fund Balances	204,729	116,019	(97,617)	223,131
Fund Balances - Beginning	774,667	546,961	576,096	1,897,724
Fund Balances - Ending	<u>\$ 979,396</u>	<u>\$ 662,980</u>	<u>\$ 478,479</u>	<u>\$ 2,120,855</u>

The accompanying notes are an integral  
part of the financial statements.

**Melba Joint School District No. 136**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of the  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2012

Total Net Change in Fund Balance - Governmental Funds \$ 223,131

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	\$	0	
Depreciation Expense		<u>(293,257)</u>	
Net			(293,257)

Accrued interest on long-term debt. 2,854

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (227,399)

Repayment of bond and capital lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets. 343,714

Change in Net Assets of Governmental Activities \$ 49,043

The accompanying notes are an integral  
 part of the financial statements.

**Melba Joint School District No. 136**  
Statement of Fiduciary Net Assets  
June 30, 2012

	Agency Funds	Private - Purpose Trust Fund	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 68,061	\$ 74,853	\$ 142,914
Total Assets	\$ 68,061	\$ 74,853	\$ 142,914
<b>Liabilities</b>			
Due to Student Groups	\$ 68,061	\$ 0	\$ 68,061
Accounts Payable	0	24,502	24,502
Total Liabilities	68,061	24,502	92,563
<b>Net Assets</b>			
Restricted for Scholarships and Others	0	50,351	50,351
Total Liabilities and Net Assets	\$ 68,061	\$ 74,853	\$ 142,914

The accompanying notes are an integral  
part of the financial statements.

**Melba Joint School District No. 136**  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2012

	Private - Purpose Trust Fund
<b>Additions</b>	
Contributions	\$ 5,461
Investment Income	120
Total Additions	5,581
<b>Deductions</b>	
Miscellaneous	1,606
Donations to Others	25,000
Total Deductions	26,606
Changes in Net Assets	(21,025)
Net Assets - Beginning of Year	71,376
Net Assets - End of Year	\$ 50,351

The accompanying notes are an integral  
part of the financial statements.

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

**Melba Joint School District No. 136** (the “District”) is governed by the School District Board of Trustees (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities display information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses—expenses of the District related to the administration and support of the District’s programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fund Financial Statements:* The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category—*governmental and fiduciary*—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- *Debt Service fund.* This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary fund types:

- *Private-Purpose Trust fund.* This fund reports a trust arrangement under which principal and income benefit a college scholarship program.
- *Agency funds.* These funds account for assets held by the District as an agent for various student groups and clubs.

Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Assets and in the governmental fund Balance Sheet. The District uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable.* Balances in inventories that are permanently precluded from conversion to cash.
- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the Board of Trustees, the District's highest level of decision making authority. The Board of Trustees would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets or fund balance available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

It is the District's policy that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

All special revenue funds are restricted by either the federal government or the State of Idaho and must be spent according to the stipulations of the corresponding federal or state program. The State of Idaho also requires that capital projects and debt service be accounted for in their own funds, and therefore, are also restricted.

C. Assets and Liabilities

Cash Equivalents

A "Pooled Cash" concept is used in maintaining nearly all of the cash and investment accounts in the accounting records. Under this method, cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the cash and investment accounts are considered to be cash and cash equivalents.

Inventories

Inventories on government-wide and fund financial statements are stated at cost and are expensed when used. Inventory in governmental funds consists of expendable supplies held for consumption.

Property Taxes

The District levies its real property taxes through Ada, Owyhee, and Canyon Counties by the 2<sup>nd</sup> Monday in September of each year based upon the assessed valuation as of the previous July 1. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

The counties are responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the District by the counties as of June 30, 2012, are considered by the District as a receivable.

Taxes not collected within 60 days after June 30, 2012, are not considered available for use by the District and are recorded as deferred revenue in the fund financial statements.

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$5,000	Straight-Line	15 – 40 Years
Equipment and Buses	\$5,000	Straight-Line	5 – 20 Years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

The District has no infrastructure to report.

Compensated Absences

The District provides sick leave and vacation to the full-time non-certified employees. The estimated amount of compensation for future amounts is believed to be immaterial and accordingly no liability has been recorded.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

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2. CASH AND INVESTMENTS

Deposits

As of June 30, 2012, the carrying amount of the District's deposits was \$498,142 and the respective bank balances totaled \$590,153. The entire bank balance was insured or collateralized with pooled securities held by the pledging financial institution in the name of the District.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2012, all of the District's deposits were covered by the federal depository insurance or by collateral held by the District's agent or pledging financial institution's trust department or agent in the name of the District, and thus were not exposed to custodial credit risk. The District does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The District does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The District voluntarily participates in the State of Idaho Investment Pool which has not been rated. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the District's investment in the pool is the same as the value of the pool shares.

The District follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the District to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

2. CASH AND INVESTMENTS (continued)

The District's investments at June 30, 2012, are summarized below:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
External Investment Pool	<u>\$1,648,105</u>	<u>\$ 1,648,105</u>	<u>\$ 0</u>

At year-end, cash and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 414,096	\$ 84,046	\$ 686,349
Investments categorized as deposits	1,589,237	58,868	1,648,105
	<u>\$ 2,003,333</u>	<u>\$ 142,914</u>	<u>\$ 2,146,247</u>

3. RECEIVABLE - INTERGOVERNMENTAL

Amounts due from other governments consists of \$75,257 from the State of Idaho for school support, \$5,750 from the State of Idaho for driver's education, \$12,259 from the State of Idaho for vocational education, and \$169,053 of federal money passed through the state for federal programs for a total of \$262,319. These amounts are all considered collectible.

4. INTERFUND BALANCES AND ACTIVITY

Internal Balances at June 30, 2012, consist of the following:

\$ 188,207 Due to the General fund from nonmajor governmental funds representing cash overdrafts.

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Disposals	Balance 6/30/2012
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 782,901	\$ 0	\$ 0	\$ 782,901
Capital Assets Being Depreciated:				
Buildings and Improvements	8,982,018	0	(11,223)	8,970,795
Equipment and Buses	1,647,045	0	(25,357)	1,621,688
Total Historical Cost	10,629,063	0	(36,580)	10,592,483
Less: Accumulated Depreciation				
Buildings and Improvements	2,977,658	214,933	(11,223)	3,181,368
Equipment and Buses	1,204,776	78,324	(25,357)	1,257,743
Total Acc. Depr.	4,182,434	293,257	(36,580)	4,439,111
Net Depreciable Assets	6,446,629	(293,257)	0	6,153,372
Governmental Activities				
Capital Assets - Net	\$ 7,229,530	\$ (293,257)	\$ 0	\$ 6,936,273

Depreciation expense was charged to the functions of the District as follows:

Instruction	\$ 214,933
Support Services	78,324
	\$ 293,257

6. TRANSFERS TO/FROM OTHER FUNDS

Transfer activity for the year ended June 30, 2012 was as follows:

\$ 8,708	From the General fund to nonmajor special revenue funds to cover expenditures.
<u>30,054</u>	From the General fund to nonmajor capital project funds for bus depreciation.
<u>\$ 38,762</u>	

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

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7. SALARIES AND BENEFITS PAYABLE

The District follows the practice of paying contracted salaries and related benefits over a 12-month period which differs from the 9-month earned school-year period, which runs from approximately September 1 to May 31 of each year. Teacher contracts payable, as reflected at June 30, 2012, represent amounts unpaid at that date on teacher contracts and related benefits. Since the amount of salaries and related benefits due to teachers are pertinent to the school year, such amounts have been accrued as salaries payable and related liabilities with related expenditures recorded in the current fiscal year's operations.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District has transferred most of its risk by purchasing commercial insurance.

9. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

10. PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

10. PENSION PLAN (continued)

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2012, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The District employer contributions required and paid were \$264,223, \$309,174, and \$335,072 for the three years ended June 30, 2012, 2011, and 2010, respectively.

11. LONG-TERM LIABILITIES

The District issued General Obligation Bonds to provide funds for the acquisition, construction, and remodel of major capital facilities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the District. Certain General Obligation Bonds have been refunded to reduce total debt service payments.

The District also leases certain equipment under long-term lease agreements. Certain leases have been recorded as capital leases. The capital leases consist of:

Equipment	\$ 47,894
Less: accumulated depreciation (included as depreciation on the accompanying financial statements)	<u>(23,947)</u>
	<u>\$ 23,947</u>

Long-term debt activity for the year was as follows:

	<u>Maturity</u>	<u>Interest</u>	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>	<u>Current</u>
Governmental Activities:							
2002 GOB	2012	4.3%-5.00%	\$ 315,000	\$ 0	\$(315,000)	\$ 0	\$ 0
2011 GORB	2021	3.00%-4.50%	3,395,000	0	(20,000)	3,375,000	340,000
Copier Lease	2015	14.75%	<u>37,000</u>	<u>0</u>	<u>(8,714)</u>	<u>28,286</u>	<u>10,089</u>
			<u>\$3,747,000</u>	<u>\$ 0</u>	<u>\$(343,714)</u>	<u>\$3,403,286</u>	<u>\$ 350,089</u>

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2012

11. LONG-TERM LIABILITIES (continued)

Debt service requirements on long-term debt at June 30, 2012, are as follows:

Year Ending June 30,	Bonds and Notes			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 340,000	\$ 129,525	\$ 469,525	\$ 10,089	\$ 3,507	\$ 13,596
2014	350,000	119,325	469,325	11,681	1,915	13,596
2015	370,000	108,825	478,825	6,516	283	6,799
2016	405,000	95,875	500,875	0	0	0
2017	415,000	79,675	494,675	0	0	0
2018-2021	1,495,000	149,175	1,644,175	0	0	0
	<u>\$ 3,375,000</u>	<u>\$ 682,400</u>	<u>\$ 4,057,400</u>	<u>\$ 28,286</u>	<u>\$ 5,705</u>	<u>\$ 33,991</u>

12. NET ASSET RESTATEMENT

In the prior year net assets were overstated by \$3,474. This was a result of a capital lease that was not recorded as such in the government-wide statements. The overall result was an increase to beginning capital assets of \$33,526 and to long-term debt of \$37,000. This restatement has no effect on fund balance in the fund financial statements.

13. DEFICIT FUND BALANCE

The following nonmajor funds had a deficit fund balance as of June 30, 2012:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Title I	\$ 95,936
Title VI-B	\$ 5,957

**REQUIRED SUPPLEMENTARY INFORMATION**

**Melba Joint School District No. 136**  
 Budgetary (GAAP Basis) Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 389,000	\$ 389,000	\$ 422,934	\$ 33,934
State	3,367,809	3,367,809	3,329,073	(38,736)
Charges for Services	3,000	3,000	1,000	(2,000)
Grants and Contributions	146,938	146,938	149,109	2,171
Earnings on Investments	4,000	4,000	3,854	(146)
Other	0	0	44,376	44,376
Total Revenues	<u>3,910,747</u>	<u>3,910,747</u>	<u>3,950,346</u>	<u>39,599</u>
<b>Expenditures</b>				
Current:				
Instruction	2,058,718	2,058,718	2,097,224	(38,506)
Support Services	1,542,219	1,542,219	1,588,995	(46,776)
Non-Instruction	3,416	3,416	4,341	(925)
Debt Service:				
Principal	0	0	8,714	(8,714)
Interest	0	0	4,882	(4,882)
Capital Outlay	55,000	55,000	2,699	52,301
Contingency Reserve	200,000	200,000	0	200,000
Total Expenditures	<u>3,859,353</u>	<u>3,859,353</u>	<u>3,706,855</u>	<u>152,498</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>51,394</u>	<u>51,394</u>	<u>243,491</u>	<u>192,097</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	43,000	43,000	0	(43,000)
Transfers Out	(130,054)	(130,054)	(38,762)	91,292
Total Other Financing Sources (Uses)	<u>(87,054)</u>	<u>(87,054)</u>	<u>(38,762)</u>	<u>48,292</u>
Net Change in Fund Balances	(35,660)	(35,660)	204,729	240,389
Fund Balances - Beginning	200,000	200,000	774,667	574,667
Fund Balances - Ending	<u>\$ 164,340</u>	<u>\$ 164,340</u>	<u>\$ 979,396</u>	<u>\$ 815,056</u>

**Melba School District No. 370**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2012

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1. BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to June 1, the District Superintendent and Board of Trustees prepare a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to July 1, the budget is legally enacted through passage at a board meeting.
- D. Formal budgetary integration is employed as a management control device during the year for all the funds. Formal budgetary integration was employed for Debt Service funds even though effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- E. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- F. Budgeted amounts are as originally adopted, or amended by the Board of Trustees.

**SUPPLEMENTAL INFORMATION**

**Melba Joint School District No. 136**  
 Supplemental Schedule of Revenues by Source -  
 Budget (GAAP Basis) and Actual - General Fund  
 For the Year Ended June 30, 2012

	Budget	Actual	Variance
<b>Local Sources</b>			
Taxes and Penalties	\$ 389,000	\$ 422,934	\$ 33,934
Earnings on Investments	4,000	3,854	(146)
Charges for Services	3,000	1,000	(2,000)
Other	0	44,376	44,376
<b>Total Local Sources</b>	<u>396,000</u>	<u>472,164</u>	<u>76,164</u>
<b>State Sources</b>			
State Support	2,932,796	2,880,502	(52,294)
State Paid Benefits	347,992	328,104	(19,888)
Revenue In Lieu of Taxes	35,300	35,300	0
Other Support	51,721	85,167	33,446
<b>Total State Sources</b>	<u>3,367,809</u>	<u>3,329,073</u>	<u>(38,736)</u>
<b>Federal Sources</b>			
Indirect Unrestricted Federal	<u>146,938</u>	<u>149,109</u>	<u>2,171</u>
<b>Total Revenues</b>	<u><u>\$ 3,910,747</u></u>	<u><u>\$ 3,950,346</u></u>	<u><u>\$ 39,599</u></u>

**Melba Joint School District No. 136**

Supplemental Schedule of Expenditures by Object of Expenditure -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended June 30, 2012

<b>Instruction</b>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Elementary:			
Salaries	570,654	553,962	\$ 16,692
Benefits	165,993	156,483	9,510
Services	2,231	4,920	(2,689)
Supplies	33,037	50,730	(17,693)
	<u>771,915</u>	<u>766,095</u>	<u>5,820</u>
Secondary:			
Salaries	719,240	787,251	(68,011)
Benefits	222,267	221,435	832
Services	10,481	4,768	5,713
Supplies	25,850	26,597	(747)
Capital Outlays	1,500	1,426	74
	<u>979,338</u>	<u>1,041,477</u>	<u>(62,139)</u>
Alternative:			
Salaries	7,500	8,375	(875)
Benefits	2,412	2,720	(308)
Services	2,150	0	2,150
Supplies	500	0	500
Capital Outlays	2,500	0	2,500
	<u>15,062</u>	<u>11,095</u>	<u>3,967</u>
Exceptional Child:			
Salaries	93,699	85,797	7,902
Benefits	21,099	22,971	(1,872)
Services	7,740	1,084	6,656
Supplies	0	191	(191)
	<u>122,538</u>	<u>110,043</u>	<u>12,495</u>
Preschool Exceptional Child:			
Salaries	8,920	9,190	(270)
Benefits	4,167	3,580	587
Supplies	238	115	123
Capital Outlays	0	1	(1)
	<u>13,325</u>	<u>12,886</u>	<u>439</u>
Gifted/Talented:			
Salaries	600	0	600
Benefits	104	0	104
Services	1,120	330	790
	<u>1,824</u>	<u>330</u>	<u>1,494</u>

**Melba Joint School District No. 136**  
Supplemental Schedule of Expenditures by Object of Expenditure -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended June 30, 2012  
(continued)

	Budget	Actual	Variance
Interscholastic:			
Salaries	122,224	123,597	(1,373)
Benefits	33,429	30,493	2,936
Services	3,063	1,569	1,494
Supplies	0	1,066	(1,066)
Capital Outlays	1,000	1,000	0
	<u>159,716</u>	<u>157,725</u>	<u>1,991</u>
 Total Instruction	 <u>2,063,718</u>	 <u>2,099,651</u>	 <u>(35,933)</u>
 <b>Support Services</b>			
Attendance, Guidance, and Health:			
Salaries	67,417	66,763	654
Benefits	18,878	17,149	1,729
Supplies	1,000	172	828
	<u>87,295</u>	<u>84,084</u>	<u>3,211</u>
Special Services:			
Salaries	9,279	13,424	(4,145)
Benefits	5,368	6,194	(826)
Services	88,630	95,981	(7,351)
	<u>103,277</u>	<u>115,599</u>	<u>(12,322)</u>
Instruction Improvement:			
Salaries	21,264	6,835	14,429
Benefits	19,693	11,285	8,408
Services	2,500	4,204	(1,704)
Supplies	250	2,193	(1,943)
	<u>43,707</u>	<u>24,517</u>	<u>19,190</u>
Educational Media:			
Salaries	16,960	17,358	(398)
Benefits	7,022	8,625	(1,603)
Services	678	(60)	738
Supplies	9,700	9,557	143
	<u>34,360</u>	<u>35,480</u>	<u>(1,120)</u>

**Melba Joint School District No. 136**  
Supplemental Schedule of Expenditures by Object of Expenditure -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended June 30, 2012  
(continued)

	Budget	Actual	Variance
Instruction-Related Tech.			
Salaries	61,902	68,992	(7,090)
Benefits	19,678	23,743	(4,065)
Services	5,200	20,855	(15,655)
Supplies	500	23,584	(23,084)
Capital Outlays	50,000	0	50,000
	<u>137,280</u>	<u>137,174</u>	<u>106</u>
Board of Education:			
Salaries	2,500	1,455	1,045
Benefits	1,358	1,317	41
Services	25,350	10,367	14,983
	<u>29,208</u>	<u>13,139</u>	<u>16,069</u>
District Administration:			
Salaries	90,046	90,026	20
Benefits	23,539	21,659	1,880
Services	4,516	5,905	(1,389)
Supplies	1,000	1,156	(156)
	<u>119,101</u>	<u>118,746</u>	<u>355</u>
School Administration:			
Salaries	193,083	191,084	1,999
Benefits	56,909	52,052	4,857
Services	0	180	(180)
	<u>249,992</u>	<u>243,316</u>	<u>6,676</u>
Business Operation:			
Salaries	56,861	57,315	(454)
Benefits	16,859	16,767	92
Services	250	623	(373)
Supplies	8,674	6,038	2,636
	<u>82,644</u>	<u>80,743</u>	<u>1,901</u>
Building Care:			
Salaries	44,222	52,101	(7,879)
Benefits	19,727	22,284	(2,557)
Services	217,597	210,026	7,571
Supplies	15,000	23,633	(8,633)
	<u>296,546</u>	<u>308,044</u>	<u>(11,498)</u>

**Melba Joint School District No. 136**  
Supplemental Schedule of Expenditures by Object of Expenditure -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended June 30, 2012  
(continued)

	Budget	Actual	Variance
Building Maintenance (Non-Student):			
Salaries	23,832	36,860	(13,028)
Benefits	9,097	12,670	(3,573)
Services	1,200	685	515
Supplies	4,500	11,738	(7,238)
Capital Outlays	0	272	(272)
	<u>38,629</u>	<u>62,225</u>	<u>(23,596)</u>
Building Maintenance (Student):			
Salaries	20,000	18,092	1,908
Benefits	6,943	5,841	1,102
Services	2,100	1,364	736
Supplies	11,000	24,778	(13,778)
	<u>40,043</u>	<u>50,075</u>	<u>(10,032)</u>
Maintenance - Grounds:			
Services	3,000	4,657	(1,657)
Supplies	6,500	13,494	(6,994)
	<u>9,500</u>	<u>18,151</u>	<u>(8,651)</u>
School Transportation:			
Salaries	103,220	97,899	5,321
Benefits	29,720	27,700	2,020
Services	17,157	16,291	866
Supplies	43,991	74,572	(30,581)
	<u>194,088</u>	<u>216,462</u>	<u>(22,374)</u>
Activity Transportation:			
Salaries	10,000	6,265	3,735
Benefits	3,397	786	2,611
Services	2,500	262	2,238
Supplies	43,153	8,978	34,175
	<u>59,050</u>	<u>16,291</u>	<u>42,759</u>
Other Support Services:			
Benefits	24,883	27,658	(2,775)
Services	42,616	37,563	5,053
	<u>67,499</u>	<u>65,221</u>	<u>2,278</u>
Total Support Services	<u>1,592,219</u>	<u>1,589,267</u>	<u>2,952</u>

**Melba Joint School District No. 136**  
 Supplemental Schedule of Expenditures by Object of Expenditure -  
 Budget (GAAP Basis) and Actual - General Fund  
 For the Year Ended June 30, 2012  
 (continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Non-Instruction</b>			
Food Service	3,416	4,341	(925)
<b>Debt Service</b>			
Principal	0	8,714	(8,714)
Interest	0	4,882	(4,882)
	0	13,596	(13,596)
<b>Contingency Reserve</b>	200,000	0	200,000
<b>Total Expenditures</b>	<u>\$ 3,859,353</u>	<u>\$ 3,706,855</u>	<u>\$ 152,498</u>

**Melba Joint School District No. 136**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2012

	Special Revenue				
	Local Projects	Driver's Education	Vocational Education	State Technology	Title I
<b>Assets</b>					
Cash and Cash Equivalents	\$ 102,976	\$ 3,455	\$ 0	\$ 2,139	\$ 0
Receivables, Net:					
Intergovernmental	0	5,750	12,259	0	62,259
Inventory	0	0	0	0	0
<b>Total Assets</b>	<b>\$ 102,976</b>	<b>\$ 9,205</b>	<b>\$ 12,259</b>	<b>\$ 2,139</b>	<b>\$ 62,259</b>
<b>Liabilities</b>					
Accounts Payable	\$ 920	\$ 0	\$ 8,499	\$ 0	\$ 41,930
Internal Balances	0	0	994	0	100,836
Salaries Payable and Related Liabilities	0	1,508	2,766	0	15,429
<b>Total Liabilities</b>	<b>920</b>	<b>1,508</b>	<b>12,259</b>	<b>0</b>	<b>158,195</b>
<b>Fund Balance</b>					
Nonspendable:					
Inventory	0	0	0	0	0
Restricted	102,056	7,697	0	2,139	0
Unassigned	0	0	0	0	(95,936)
<b>Total Fund Balances</b>	<b>102,056</b>	<b>7,697</b>	<b>0</b>	<b>2,139</b>	<b>(95,936)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 102,976</b>	<b>\$ 9,205</b>	<b>\$ 12,259</b>	<b>\$ 2,139</b>	<b>\$ 62,259</b>

**Melba Joint School District No. 136**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2012  
(continued)

	Special Revenue					
	Title I Migrant	Title VI-B	Title VI-B Preschool	Title III Perkins	Title II-A	Food Service
<b>Assets</b>						
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 1,657	\$ 0	\$ 0	\$ 112,234
Receivables, Net:						
Intergovernmental	36,983	44,729	0	18,501	6,581	0
Inventory	0	0	0	0	0	9,295
<b>Total Assets</b>	<b>\$ 36,983</b>	<b>\$ 44,729</b>	<b>\$ 1,657</b>	<b>\$ 18,501</b>	<b>\$ 6,581</b>	<b>\$ 121,529</b>
<b>Liabilities</b>						
Accounts Payable	\$ 58	\$ 58	\$ 0	\$ 3,654	\$ 0	\$ 0
Internal Balances	22,851	44,729	0	14,847	3,950	0
Salaries Payable and Related Liabilities	7,485	5,899	0	0	2,631	11,011
<b>Total Liabilities</b>	<b>30,394</b>	<b>50,686</b>	<b>0</b>	<b>18,501</b>	<b>6,581</b>	<b>11,011</b>
<b>Fund Balance</b>						
Nonspendable:						
Inventory	0	0	0	0	0	9,295
Restricted	6,589	0	1,657	0	0	101,223
Unassigned	0	(5,957)	0	0	0	0
<b>Total Fund Balances</b>	<b>6,589</b>	<b>(5,957)</b>	<b>1,657</b>	<b>0</b>	<b>0</b>	<b>110,518</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 36,983</b>	<b>\$ 44,729</b>	<b>\$ 1,657</b>	<b>\$ 18,501</b>	<b>\$ 6,581</b>	<b>\$ 121,529</b>

**Melba Joint School District No. 136**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2012  
(continued)

	Capital Projects			Total
	Building Maintenance	Plant Facilities	Bus Depreciation	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 254,130	\$ 31,445	\$ 67,581	\$ 575,617
Receivables, Net:				
Intergovernmental	0	0	0	187,062
Inventory	0	0	0	9,295
<b>Total Assets</b>	<b>\$ 254,130</b>	<b>\$ 31,445</b>	<b>\$ 67,581</b>	<b>\$ 771,974</b>
<b>Liabilities</b>				
Accounts Payable	\$ 0	\$ 3,440	\$ 0	\$ 58,559
Internal Balances	0	0	0	188,207
Salaries Payable and Related Liabilities	0	0	0	46,729
<b>Total Liabilities</b>	<b>0</b>	<b>3,440</b>	<b>0</b>	<b>293,495</b>
<b>Fund Balance</b>				
Nonspendable:				
Inventory	0	0	0	9,295
Restricted	254,130	28,005	67,581	571,077
Unassigned	0	0	0	(101,893)
<b>Total Fund Balances</b>	<b>254,130</b>	<b>28,005</b>	<b>67,581</b>	<b>478,479</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 254,130</b>	<b>\$ 31,445</b>	<b>\$ 67,581</b>	<b>\$ 771,974</b>

**Melba Joint School District No. 136**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue				
	Local Projects	Driver's Education	Vocational Education	State Technology	Title I
<b>Revenues</b>					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State	84,421	5,750	28,688	0	0
Charges for Services	0	8,602	0	0	0
Grants and Contributions	19,787	0	12,259	0	179,795
Earnings on Investments	0	0	0	0	0
<b>Total Revenues</b>	<b>104,208</b>	<b>14,352</b>	<b>40,947</b>	<b>0</b>	<b>179,795</b>
<b>Expenditures</b>					
Instruction:					
Salaries	0	11,915	19,768	0	119,004
Benefits	0	2,565	5,044	0	40,383
Services	0	3,464	6,164	0	27,644
Supplies	0	1,285	10,758	0	82,055
<b>Total Instruction</b>	<b>0</b>	<b>19,229</b>	<b>41,734</b>	<b>0</b>	<b>269,086</b>
Support Services:					
Salaries	6,204	0	0	0	6,645
Benefits	1,932	0	0	0	0
Services	58,185	0	0	0	0
Supplies	1,892	0	0	0	0
<b>Total Support Services</b>	<b>68,213</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,645</b>
Food Service	0	0	0	0	0
Capital Outlay	0	0	6,666	0	0
<b>Total Expenditures</b>	<b>68,213</b>	<b>19,229</b>	<b>48,400</b>	<b>0</b>	<b>275,731</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>35,995</b>	<b>(4,877)</b>	<b>(7,453)</b>	<b>0</b>	<b>(95,936)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of Assets	0	0	0	0	0
Transfers In	0	0	7,453	0	0
Transfers Out	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>7,453</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>35,995</b>	<b>(4,877)</b>	<b>0</b>	<b>0</b>	<b>(95,936)</b>
Fund Balances - Beginning	66,061	12,574	0	2,139	0
<b>Fund Balances - Ending</b>	<b>\$ 102,056</b>	<b>\$ 7,697</b>	<b>\$ 0</b>	<b>\$ 2,139</b>	<b>\$ (95,936)</b>

**Melba Joint School District No. 136**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012  
(continued)

	Special Revenue					
	Title I Migrant	Title VI-B	Title VI-B Preschool	Title III Perkins	Title II-A	Food Service
<b>Revenues</b>						
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	74,723
Grants and Contributions	61,149	126,382	5,931	18,501	21,038	154,790
Earnings on Investments	0	0	0	0	0	160
<b>Total Revenues</b>	<b>61,149</b>	<b>126,382</b>	<b>5,931</b>	<b>18,501</b>	<b>21,038</b>	<b>229,673</b>
<b>Expenditures</b>						
Instruction:						
Salaries	29,777	76,247	2,886	9,657	12,065	0
Benefits	15,523	19,699	1,388	0	3,687	0
Services	8,696	34,521	0	0	3,356	0
Supplies	564	1,872	0	0	1,930	0
<b>Total Instruction</b>	<b>54,560</b>	<b>132,339</b>	<b>4,274</b>	<b>9,657</b>	<b>21,038</b>	<b>0</b>
Support Services:						
Salaries	0	0	0	0	0	0
Benefits	0	0	0	0	0	0
Services	0	0	0	309	0	0
Supplies	0	0	0	0	0	0
<b>Total Support Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>309</b>	<b>0</b>	<b>0</b>
Food Service	0	0	0	0	0	196,370
Capital Outlay	0	0	0	9,790	0	32,732
<b>Total Expenditures</b>	<b>54,560</b>	<b>132,339</b>	<b>4,274</b>	<b>19,756</b>	<b>21,038</b>	<b>229,102</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>6,589</b>	<b>(5,957)</b>	<b>1,657</b>	<b>(1,255)</b>	<b>0</b>	<b>571</b>
<b>Other Financing Sources (Uses)</b>						
Sale of Assets	0	0	0	0	0	0
Transfers In	0	0	0	1,255	0	0
Transfers Out	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,255</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>6,589</b>	<b>(5,957)</b>	<b>1,657</b>	<b>0</b>	<b>0</b>	<b>571</b>
Fund Balances - Beginning	0	0	0	0	0	109,947
<b>Fund Balances - Ending</b>	<b>\$ 6,589</b>	<b>\$ (5,957)</b>	<b>\$ 1,657</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 110,518</b>

**Melba Joint School District No. 136**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012  
(continued)

	Capital Projects			Total
	Building Maintenance	Plant Facilities	Bus Depreciation	
<b>Revenues</b>				
Property Taxes	\$ 0	\$ 15,362	\$ 0	\$ 15,362
State	0	0	0	118,859
Charges for Services	0	0	0	83,325
Grants and Contributions	0	0	0	599,632
Earnings on Investments	163	115	0	438
<b>Total Revenues</b>	<b>163</b>	<b>15,477</b>	<b>0</b>	<b>817,616</b>
<b>Expenditures</b>				
Instruction:				
Salaries	0	0	0	281,319
Benefits	0	0	0	88,289
Services	0	0	0	83,845
Supplies	0	0	0	98,464
<b>Total Instruction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>551,917</b>
Support Services:				
Salaries	0	0	0	12,849
Benefits	0	0	0	1,932
Services	0	892	0	59,386
Supplies	0	0	0	1,892
<b>Total Support Services</b>	<b>0</b>	<b>892</b>	<b>0</b>	<b>76,059</b>
Food Service	0	0	0	196,370
Capital Outlay	0	80,561	0	129,749
<b>Total Expenditures</b>	<b>0</b>	<b>81,453</b>	<b>0</b>	<b>954,095</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>163</b>	<b>(65,976)</b>	<b>0</b>	<b>(136,479)</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets	0	100	0	100
Transfers In	0	0	30,054	38,762
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>100</b>	<b>30,054</b>	<b>38,862</b>
<b>Net Change in Fund Balances</b>	<b>163</b>	<b>(65,876)</b>	<b>30,054</b>	<b>(97,617)</b>
Fund Balances - Beginning	253,967	93,881	37,527	576,096
<b>Fund Balances - Ending</b>	<b>\$ 254,130</b>	<b>\$ 28,005</b>	<b>\$ 67,581</b>	<b>\$ 478,479</b>

**Melba Joint School District No. 136**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2012

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>		
Passed through State Department of Education:		
Title I - Basic	84.010	\$ 148,478
Title I C - Migrant	84.011	54,559
Special Education - State Grants	84.027	132,339
Vocational Education	84.048	10,575
Special Education - Preschool Grants	84.173	4,274
Title IIA - Improving Teacher Quality	84.367	21,038
Education Technology ARRA	84.386	1,050
School Improvement ARRA	84.388	127,248
Education Jobs Fund	84.410	149,109
Total U.S. Department of Education		<u>648,670</u>
<u>U.S. Department of Agriculture</u>		
Passed Through State Department of Education:		
School Breakfast	10.553	17,689
National School Lunch	10.555	137,071
Special Milk Program for Children	10.556	85
Total U.S. Department of Agriculture		<u>154,845</u>
Total Federal Financial Assistance Expended		<u>\$ 803,515</u>

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

**FEDERAL REPORTS**



Certified Public Accountants

James Washburn, CPA  
Weston Flamm, CPA  
Jared Zwygart, CPA  
Cassie Zattiero, CPA  
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**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***

To the Board of Trustees  
Melba Joint School District No. 136  
Melba, Idaho

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Melba Joint School District No. 136** as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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 a 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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the

accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2012-1. 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **Melba Joint School District No. 136's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bailey & Co.*

Nampa, Idaho  
November 7, 2012



Certified Public Accountants

James Washburn, CPA  
Weston Flamm, CPA  
Jared Zwygart, CPA  
Cassie Zattiero, CPA  
Leroy Loomis, CPA

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**Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

To the Board of Trustees  
Melba Joint School District No. 136  
Melba, Idaho

Compliance

We have audited **Melba Joint School District No. 136’s** (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2012. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on **Melba Joint School District No. 136’s** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

In our opinion **Melba Joint School District No. 136** 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 June 30, 2012.

## Internal Control Over Compliance

Management of **Melba Joint School District No. 136** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bailey & Co.*

Nampa, Idaho  
November 7, 2012

**Melba Joint School District No. 136**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Qualified - Governmental Activities; Unqualified - Major Funds and Aggregate Remaining Fund Information

Internal control over financial reporting:

Significant deficiency(ies) disclosed?                     yes     none reported

Material weakness(es) disclosed?                     yes     none reported

Noncompliance material to financial statements noted?                     yes     no

*Federal Awards*

Internal control over major programs:

Significant deficiency(ies) disclosed?                     yes     none reported

Material weakness(es) disclosed?                     yes     none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?                     yes     no

Identification of major programs:

CFDA Numbers	Name of Federal Program
84.388 (ARRA) 84.027, 84.173 84.410	School Improvement Special Education Cluster Education Jobs Fund

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

## **Section II - Financial Statement Findings**

2012-1: Segregation of Duties

**Criteria:**

Duties for custody, recording, and authorization should be performed by different personnel to help prevent, detect, and correct misstatements.

**Condition:**

The business manager performs duties that involve custody, recording, and authorization over cash and revenue.

**Effect:**

The lack of this control could cause a misstatement in the annual financial statements and footnotes to go undetected.

**Cause:**

This situation is common in districts this size and is a direct result of the cost/benefit of having enough staff in place to be able to segregate duties.

**Recommendation:**

The District should consider realigning job duties or implementing mitigating controls, such as having the Superintendent or a board member review and initial documents related to cash and revenue.

**Response:**

See Corrective Action Plan.

## **Section III - Findings and Questioned Costs for Federal Awards**

None reported.

**Melba Joint School District No. 136**  
Corrective Action Plan  
For the Year Ended June 30, 2012

2012-1: Segregation of Duties

The Board of Trustees will research the cost/benefit of implementing internal controls to insure a proper segregation of duties over cash and revenue and, if possible, implement those changes accordingly.

If there are any questions regarding this plan, please contact the Business Manager at (208) 495-1141.