

MELBA JOINT SCHOOL DISTRICT NO. 136

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2016

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Melba Joint School District No. 136** (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities

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 position, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of **Melba Joint School District No. 136**, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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 **Melba Joint School District No. 136**, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of employer's share of net pension liability – PERSI base plan and the schedule of employer contributions – PERSI base plan as listed in the table of contents 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 omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

Other 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** basic financial statements. The supplemental schedules of revenues by source – budget and actual – General fund, the supplemental schedule of expenditures by object of expenditure – budget and actual – General fund, the combining balance sheet – nonmajor governmental funds, and the combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – nonmajor governmental funds and the combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to 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 balance sheet – nonmajor governmental funds and the combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental schedules of revenues by source – budget and actual – General fund and the supplemental schedule of expenditures by object of expenditure – budget and actual – General fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016, 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* in considering the District's internal control over financial reporting and compliance.

Bailey & Co.

Nampa, Idaho
October 10, 2016

Melba Joint School District No. 136
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 5,790,105
Receivables, Net	
Property Taxes	249,214
Intergovernmental	520,919
Prepaid Items	12,933
Inventory	7,602
Capital Assets:	
Land	814,486
Construction in Progress	6,521,282
Buildings and Improvements, Net	5,382,991
Equipment and Vehicles, Net	274,715
Total Assets	19,574,247
Deferred Outflows	
Bond Interest Held in Escrow	42,365
Pension	827,337
Total Deferred Outflows	869,702
Liabilities	
Accounts Payable and Other Current Liabilities	620,698
Salaries and Benefits Payable	487,648
Accrued Interest	118,828
Long-Term Liabilities:	
Due Within One Year:	
Bonds Payable	545,000
Compensated Absences	2,799
Due in More Than One Year:	
Bonds Payable	10,523,579
Net Pension Liability	1,281,902
Total Liabilities	13,580,454
Deferred Inflows	
Pension	859,374
Net Position	
Net Investment in Capital Assets	5,042,114
Restricted for:	
Debt Service	605,113
Capital Projects	240,937
Special Revenue	398,166
Unrestricted	(282,209)
Total Net Position	\$ 6,004,121

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, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 3,018,032	\$ 11,578	\$ 343,288	\$ 0	\$ (2,663,166)
Support Services	1,949,642	0	13,355	27,842	(1,908,445)
Food Service	270,988	68,537	190,174	0	(12,277)
Interest	59,262	0	0	0	(59,262)
Debt Fees	452	0	0	0	(452)
Total Governmental Activities	\$ 5,298,376	\$ 80,115	\$ 546,817	\$ 27,842	(4,643,602)
General Revenues:					
					684,691
					4,773,589
					31,670
					22,143
					<u>5,529,793</u>
					886,191
					<u>5,422,952</u>
					(305,022)
					<u>5,117,930</u>
					<u>\$ 6,004,121</u>

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

Melba Joint School District No. 136

Balance Sheet -
Governmental Funds
June 30, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,250,774	\$ 250,291	\$ 3,917,447	\$ 371,593	\$ 5,790,105
Receivables, Net:					
Property Taxes	1,603	247,611	0	0	249,214
Intergovernmental	116,461	224,590	0	179,868	520,919
Internal Balances	125,814	0	0	0	125,814
Prepaid Items	0	0	6,083	6,850	12,933
Inventory	0	0	0	7,602	7,602
Total Assets	1,494,652	722,492	3,923,530	565,913	6,706,587
Deferred Outflows	0	0	0	0	0
Total Assets and Deferred Outflows	\$ 1,494,652	\$ 722,492	\$ 3,923,530	\$ 565,913	\$ 6,706,587
Liabilities					
Accounts Payable	\$ 18,236	\$ 0	\$ 601,656	\$ 806	\$ 620,698
Internal Balances	0	0	0	125,814	125,814
Salaries and Benefits Payable	440,438	0	0	47,210	487,648
Total Liabilities	458,674	0	601,656	173,830	1,234,160
Deferred Inflows					
Unavailable Property Taxes	1,449	35,817	0	0	37,266
Fund Balances					
Nonspendable:					
Inventory	0	0	0	7,602	7,602
Prepaid Items	0	0	6,083	6,850	12,933
Restricted	0	686,675	3,315,791	377,631	4,380,097
Unassigned	1,034,529	0	0	0	1,034,529
Total Fund Balances	1,034,529	686,675	3,321,874	392,083	5,435,161
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,494,652	\$ 722,492	\$ 3,923,530	\$ 565,913	\$ 6,706,587

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 Position
 June 30, 2016

Total Fund Balances - Governmental Funds \$ 5,435,161

Amounts reported for governmental activities in the Statement of Net Position 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	\$	814,486	
Construction in Progress		6,521,282	
Buildings and Improvements, Net of \$4,034,438 accumulated depreciation		5,382,991	
Equipment and Vehicles, Net of \$1,282,398 accumulated depreciation		274,715	
Total Capital Assets			12,993,474

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period expenditures and, therefore, are deferred inflows in the funds. These amounts are not considered deferred inflows in the government-wide statements. 37,266

In the government-wide statements, deferred inflows represent acquisitions of net position that are applicable to a future reporting period and deferred outflows represent the consumption of resources that are applicable to a future reporting period. These deferrals consist of:

Deferred outflow of interest paid to escrow to defease future bonds		42,365	
Deferred outflows related to net pension liability		827,337	
Deferred inflows related to net pension liability		(859,374)	
			10,328

Certain current liabilities are not considered related to current resources in the fund financial statements. However, they are reported in the government-wide financial statements. Those liabilities consist of:

Accrued Interest on Long-term Debt		(118,828)	
Compensated Absences		(2,799)	
			(121,627)

Long-term liabilities, including net pension liabilities and bonds 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:

Net Pension Liability		(1,281,902)	
Bonds Payable (Including Bond Premium)		(11,068,579)	
Total Long-Term Liabilities			(12,350,481)

Total Net Position - Governmental Activities \$ 6,004,121

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, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 0	\$ 680,854	\$ 0	\$ 0	\$ 680,854
State	4,429,702	224,590	0	119,297	4,773,589
Charges for Services	0	0	0	80,115	80,115
Grants and Contributions	13,355	0	27,842	533,462	574,659
Earnings on Investments	5,232	645	18,554	7,239	31,670
Other	22,143	0	0	0	22,143
Total Revenues	4,470,432	906,089	46,396	740,113	6,163,030
Expenditures					
Current:					
Instruction	2,487,107	0	0	372,110	2,859,217
Support Services	1,782,327	0	11,244	62,329	1,855,900
Food Service	4,487	0	0	267,633	272,120
Debt Service:					
Principal	0	405,000	0	0	405,000
Interest	0	298,807	0	0	298,807
Debt Fees	0	452	0	0	452
Capital Outlay	18,332	0	6,208,513	371,881	6,598,726
Total Expenditures	4,292,253	704,259	6,219,757	1,073,953	12,290,222
Excess (Deficiency) of Revenues Over Expenditures	178,179	201,830	(6,173,361)	(333,840)	(6,127,192)
Other Financing Sources (Uses)					
Disposal of Assets	17,700	0	0	0	17,700
Transfers In	5,358	0	0	355,888	361,246
Transfers Out	(243,155)	0	0	(118,091)	(361,246)
Total Other Financing Sources (Uses)	(220,097)	0	0	237,797	17,700
Net Change in Fund Balances	(41,918)	201,830	(6,173,361)	(96,043)	(6,109,492)
Fund Balances - Beginning	1,076,447	484,845	9,495,235	488,126	11,544,653
Fund Balances - Ending	\$ 1,034,529	\$ 686,675	\$ 3,321,874	\$ 392,083	\$ 5,435,161

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, 2016

Total Net Change in Fund Balance - Governmental Funds \$ (6,109,492)

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	\$ 6,872,224	
Depreciation Expense	(282,716)	
Net	6,589,508	6,589,508

Certain current liabilities are not considered related to current resources in the fund financial statements. However, they are reported in the government-wide financial statements. The change in those liabilities consist of:

Accrued Interest on Long-term Debt	(89,625)	
Compensated Absences	3,400	
	(86,225)	(86,225)

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 unavailable tax revenues. They are, however, recorded as revenues in the Statement of Activities. 3,837

In accordance with GASB Statement No. 68, employer contributions to PERSI are considered deferred outflows in the Statement of Net Position. In addition, the District's proportionate amount of plan revenue or expense must be recorded in the Statement of Activities as a revenue or expense.

Pension Plan Revenue (Expense)	(252,280)	
Deferred Outflows	308,877	
	56,597	56,597

Bond proceeds and the related premium are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and deferred inflows and does not affect the Statement of Activities. Similarly, repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Amortization of Bond Premium	37,557	
Amortization of Loss on Bond Defeasance	(10,591)	
Principal Payments Made	405,000	
	431,966	431,966

Change in Net Position of Governmental Activities \$ 886,191

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

Melba Joint School District No. 136
Statement of Fiduciary Net Position
June 30, 2016

	Agency Funds	Private - Purpose Trust Fund	Total
Assets			
Cash and Cash Equivalents	\$ 90,595	\$ 54,875	\$ 145,470
Total Assets	90,595	54,875	145,470
Deferred Outflows			
	0	0	0
Liabilities			
Due to Student Groups	90,595	0	90,595
Accounts Payable	0	0	0
Total Liabilities	90,595		90,595
Deferred Inflows			
	0	0	0
Net Position			
Restricted for Scholarships and Others	0	54,875	54,875
Total Net Position	\$ 0	\$ 54,875	\$ 54,875

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

Melba Joint School District No. 136
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

	Private - Purpose Trust Fund
Additions	
Contributions	\$ 6,686
Investment Income	163
Total Additions	6,849
Deductions	
Miscellaneous	4,975
Donations to Others	500
Total Deductions	5,475
Changes in Net Position	1,374
Net Position - Beginning	53,501
Net Position - Ending	\$ 54,875

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, 2016

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 by the Governmental Accounting Standards Board.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position 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 non-exchange 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 are those related to the administration and support of the District’s programs, such as personnel and accounting that 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, 2016

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.
- *Capital Projects fund.* This fund accounts for the activities related to the District's construction projects.

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.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 Position 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 or prepaid expenditures 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 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 either restricted and unrestricted net position 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.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 on a first-in-first-out basis. 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 2nd 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, 2016, are considered by the District as a receivable.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes not collected within 60 days after June 30, 2016, are not considered available for use by the District and are recorded as a deferred inflow in the fund financial statements.

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 and Improvements	\$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 full-time non-certified employees. Normally, neither may be carried over from one year to the next or paid out upon termination. However, for the year ended June 30, 2016 the Superintendent authorized non-certified employees to accrue their vacation.

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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from 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.

2. CASH AND INVESTMENTS

Deposits

As of June 30, 2016, the carrying amount of the District's deposits was \$4,484,944 and the respective bank balances totaled \$4,613,316. The total 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, 2016, the District's bank balances 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.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

2. CASH AND INVESTMENTS (continued)

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.

The District's fair value of short-term investments totaled \$1,450,631 at June 30, 2016. All of the District's investments are held in the State of Idaho Investment Pool. The District's investments are reported at fair market value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2016 are as follows:

Investment	Fair Value	<u>Investment Maturities (in Years)</u>		<u>Quoted Prices for Similar Assets in Active Markets, or Other Observable Inputs such as: Interest Rates, Implied Volatilities, Credit Spreads (Level 2)</u>
		Less Than 1	1-5	
External Investment Pool	\$ 1,450,631	\$ 1,450,631	\$ 0	\$ 1,450,631

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

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

2. CASH AND INVESTMENTS (continued)

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 4,389,410	\$ 95,534	\$ 4,484,944
Investments categorized as deposits	1,400,695	49,936	1,450,631
	<u>\$ 5,790,105</u>	<u>\$ 145,470</u>	<u>\$ 5,935,575</u>

3. RECEIVABLE - INTERGOVERNMENTAL

Amounts due from other governments consists of \$116,460 from the State of Idaho for school support, \$224,590 from the State of Idaho for the bond levy equalization, \$20,691 from the State of Idaho for vocational education, and \$159,178 of federal money passed through the state for federal programs for a total of \$520,919. These amounts are all considered collectible.

4. INTERFUND BALANCES AND ACTIVITY

Internal balances at June 30, 2014, consist of the following:

\$ 125,814 Due to the General fund from nonmajor governmental funds representing cash overdrafts.

5. TRANSFERS TO/FROM OTHER FUNDS

Transfer activity for the year ended June 30, 2016 was as follows:

\$ 5,358 From nonmajor funds to the General fund to cover expenditures.
221,061 From the General fund to the Capital Projects funds to aid in the purchase of the District office.
109,624 From a nonmajor special revenue fund to the Capital Projects funds to aid in the purchase of the District office.
3,109 From a nonmajor special revenue fund to a nonmajor capital projects fund to aid in a bus purchase.
155 From the General fund to a nonmajor special revenue fund for an overdraft check.
21,939 From the General fund to nonmajor capital project funds for bus depreciation.
\$361,246

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2016</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 782,901	\$ 31,585	\$ 0	\$ 814,486
Construction in Progress	<u>0</u>	<u>6,521,282</u>	<u>0</u>	<u>6,521,282</u>
Total	<u>782,901</u>	<u>6,552,867</u>	<u>0</u>	<u>7,335,768</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	9,098,073	319,357	0	9,417,430
Equipment and Vehicles	<u>1,557,113</u>	<u>0</u>	<u>0</u>	<u>1,557,113</u>
Total Historical Cost	<u>10,655,186</u>	<u>319,357</u>	<u>0</u>	<u>10,974,543</u>
Less: Accumulated Depreciation				
Buildings and Improvements	3,818,788	215,651	0	4,034,439
Equipment and Vehicles	<u>1,215,333</u>	<u>67,065</u>	<u>0</u>	<u>1,282,398</u>
Total Acc. Depr.	<u>5,034,121</u>	<u>282,716</u>	<u>0</u>	<u>5,316,837</u>
Net Depreciable Assets	<u>5,621,065</u>	<u>36,641</u>	<u>0</u>	<u>5,657,706</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 6,403,966</u>	<u>\$ 68,226</u>	<u>\$ 0</u>	<u>\$ 12,993,474</u>

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

Instruction	\$ 198,999
Support Services	<u>83,717</u>
	<u>\$ 282,716</u>

7. 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.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

8. 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, 2016, 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.

9. 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.

10. COMPENSATED ABSENCES

Vacation leave is granted to all full-time administrative employees of the District. In the past, the District allowed some employees to carryover vacation. However, District policy is "use or lose." The District awards all vacation leave to employees on July 1st.

Changes in compensated absences for the year ended June 30, 2016, are as follows:

	7/1/2015	Earned	Used	6/30/2016	Current Portion
Governmental Activities	\$ 6,199	\$ 15,940	\$(19,340)	\$ 2,799	\$ 2,799

11. PRIOR PERIOD ADJUSTMENT

On the government-wide statements, there was a revision in the interpretation of the guidance for the net pension liability calculation. This resulted in a decrease of \$305,022 to beginning net position. The same effect would have occurred in the change in net position in the prior year.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

12. PENSION PLAN

Plan Description

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

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

Member and employer contributions 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.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

12. PENSION PLAN (continued)

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The District's employer contributions were \$308,877 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District'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, 2015, the District's proportion was 0.0973470%.

For the year ended June 30, 2016, the District recognized pension expense (revenue) of \$252,281. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 153,672
Changes in assumptions or other inputs	46,685	0
Net difference between projected and actual earnings on pension plan investments	471,775	673,173
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	0	32,529
District contributions subsequent to the measurement date	<u>308,877</u>	<u>0</u>
Total	<u>\$ 827,337</u>	<u>\$ 859,374</u>

\$308,877 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

12. PENSION PLAN (continued)

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 and 5.6 for the measurement period June 30, 2014.

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

Year Ended June 30,	
2016	\$ (130,758)
2017	\$ (130,758)
2018	\$ (130,758)
2019	\$ 96,181
2020	\$ (8,601)

Actuarial Assumptions

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

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of pension plan investment expense
Cost-of-living adjustments (COLA)	1%

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

12. PENSION PLAN (continued)

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation for that date.

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 the 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 January 1, 2014.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

12. PENSION PLAN (continued)

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%

*Arithmetic return

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u>7.10%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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 liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the Employer's

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

12. PENSION PLAN (continued)

proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 3,122,247	\$ 1,281,902	\$ (248,101)

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.

13. 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. \$361,466 of interest expense was incurred during the year, of which \$302,204 was capitalized.

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

	Maturity	Interest	7/1/2015	Increase	Decrease	6/30/2016	Current
Governmental Activities:							
2011 GOB	2021	3.0%-4.5%	\$ 1,915,000	\$ 0	\$ (405,000)	\$ 1,510,000	\$ 415,000
2015 Series Bond	2034	3.0%-4.0%	8,845,000	0	0	8,845,000	130,000
			\$ 10,760,000	\$ 0	\$ (405,000)	\$ 10,355,000	\$ 545,000
Unamortized Bond Premium			\$ 751,136	\$ 0	\$ (37,557)	\$ 713,579	\$ 0

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2016

13. LONG-TERM LIABILITIES (continued)

Debt service requirements on long-term debt at June 30, 2016, are as follows:

Year Ending June 30,	Bonds and Notes		
	Principal	Interest	Total
2017	\$ 545,000	\$ 378,550	\$ 923,550
2018	435,000	360,000	795,000
2019	455,000	341,025	796,025
2020	470,000	323,475	793,475
2021	480,000	308,250	788,250
2022 - 2026	2,630,000	1,338,375	3,968,375
2027 - 2031	3,140,000	851,625	3,991,625
2032 - 2034	2,200,000	213,312	2,413,312
	<u>\$10,355,000</u>	<u>\$4,114,612</u>	<u>\$14,469,612</u>

14. LEASE COMMITMENTS

The District entered into a lease agreement with Allied Business Solutions for copiers and printers beginning February 2015 for 60 months at \$727.40 per month. It is expected the equipment will be returned at the end of the lease. All other leases had terms of less than one year. Future minimum payments are as follows:

Year Ending June 30,	Amount
2017	\$ 8,729
2018	8,729
2019	8,729
2020	5,092
	<u>\$ 31,279</u>

Lease expense for the year ended June 30, 2016 totaled \$52,378.

REQUIRED SUPPLEMENTARY INFORMATION

Melba Joint School District No. 136
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State	\$ 4,243,347	\$ 4,382,378	\$ 4,429,702	\$ 47,324
Grants and Contributions	0	0	13,355	13,355
Earnings on Investments	4,000	4,000	5,232	1,232
Other	3,600	23,768	22,143	(1,625)
Total Revenues	<u>4,250,947</u>	<u>4,410,146</u>	<u>4,470,432</u>	<u>60,286</u>
Expenditures				
Current:				
Instruction	2,606,253	2,569,569	2,487,107	82,462
Support Services	1,921,055	1,986,224	1,782,327	203,897
Non-Instruction	4,562	4,562	4,487	75
Capital Outlay	1,500	6,977	18,332	(11,355)
Total Expenditures	<u>4,533,370</u>	<u>4,567,332</u>	<u>4,292,253</u>	<u>275,079</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(282,423)</u>	<u>(157,186)</u>	<u>178,179</u>	<u>335,365</u>
Other Financing Sources (Uses)				
Disposal of Assets	0	17,700	17,700	0
Transfers In	50,000	6,290	5,358	(932)
Transfers Out	(50,000)	(243,000)	(243,155)	(155)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(219,010)</u>	<u>(220,097)</u>	<u>(1,087)</u>
Net Change in Fund Balances	(282,423)	(376,196)	(41,918)	334,278
Fund Balances - Beginning	282,423	376,196	1,076,447	700,251
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,034,529</u>	<u>\$ 1,034,529</u>

Melba Joint School District No. 136
 Schedule of Employer's Share of Net Pension Liability
 PERSI - Base Plan*
 Last 10 - Fiscal Years

	2016	2015
Employer's portion of the net pension liability	0.0973470%	0.0994615%
Employer's proportionate share of the net pension liability	\$ 1,281,902	\$ 732,192
Employer's covered-employee payroll	\$ 2,738,861	\$ 2,737,207
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	46.80%	26.75%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for the years the information is available.

Data reported is measured as of July 1, 2015.

Melba Joint School District No. 136
 Schedule of Employer Contributions
 PERSI - Base Plan*
 Last 10 - Fiscal Years

	2016	2015
Statutorily required contribution	\$ 308,877	\$ 308,658
Contributions in relation to the statutorily required contribution	(308,877)	(308,658)
Contribution (deficiency) excess	\$ 0	\$ 0
Employers covered-employee payroll	2,738,861	2,737,207
Contributions as a percentage of covered-employee payroll	11.28%	11.28%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for the years the information is available.

Data is reported as of June 30, 2016.

Melba School District No. 136
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

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, 2016

	Budget	Actual	Variance
Local Sources			
Property Taxes	\$ 0	\$ 0	\$ 0
Earnings on Investments	4,000	5,232	1,232
Grants and Contributions	0	13,355	13,355
Other	23,768	22,143	(1,625)
Total Local Sources	<u>27,768</u>	<u>40,730</u>	<u>12,962</u>
State Sources			
State Support	3,702,872	3,708,847	5,975
State Paid Benefits	449,466	450,592	1,126
Revenue In Lieu of Taxes	43,095	43,095	0
Other Support	186,945	227,168	40,223
Total State Sources	<u>4,382,378</u>	<u>4,429,702</u>	<u>47,324</u>
Total Revenues	<u>\$ 4,410,146</u>	<u>\$ 4,470,432</u>	<u>\$ 60,286</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, 2016

Instruction	Budget	Actual	Variance
Elementary:			
Salaries	\$ 693,400	\$ 688,159	\$ 5,241
Benefits	220,794	215,629	5,165
Services	5,200	1,828	3,372
Supplies	16,721	14,990	1,731
	<u>936,115</u>	<u>920,606</u>	<u>15,509</u>
Secondary:			
Salaries	951,126	938,490	12,636
Benefits	300,635	288,539	12,096
Services	25,326	12,935	12,391
Supplies	15,580	14,690	890
	<u>1,292,667</u>	<u>1,254,654</u>	<u>38,013</u>
Exceptional Child:			
Salaries	107,966	107,708	258
Benefits	42,054	39,708	2,346
	<u>150,020</u>	<u>147,416</u>	<u>2,604</u>
Preschool Exceptional Child:			
Salaries	6,575	6,597	(22)
Benefits	3,753	3,712	41
	<u>10,328</u>	<u>10,309</u>	<u>19</u>
Interscholastic:			
Salaries	133,011	116,240	16,771
Benefits	38,428	30,152	8,276
Services	6,000	4,730	1,270
Supplies	3,000	3,000	0
	<u>180,439</u>	<u>154,122</u>	<u>26,317</u>
Total Instruction	<u>2,569,569</u>	<u>2,487,107</u>	<u>82,462</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, 2016
 (continued)

	Budget	Actual	Variance
Support Services			
Attendance, Guidance, and Health:			
Salaries	76,148	76,138	10
Benefits	18,066	17,498	568
Supplies	1,200	1,079	121
	<u>95,414</u>	<u>94,715</u>	<u>699</u>
Special Services:			
Salaries	3,351	3,350	1
Benefits	2,348	2,352	(4)
Services	51,296	53,916	(2,620)
	<u>56,995</u>	<u>59,618</u>	<u>(2,623)</u>
Instruction Improvement:			
Salaries	17,695	15,665	2,030
Benefits	8,043	7,601	442
Services	5,000	2,330	2,670
	<u>30,738</u>	<u>25,596</u>	<u>5,142</u>
Educational Media:			
Salaries	17,993	16,829	1,164
Benefits	3,669	3,429	240
Services	804	717	87
Supplies	2,000	1,421	579
	<u>24,466</u>	<u>22,396</u>	<u>2,070</u>
Instruction-Related Tech:			
Salaries	66,695	66,290	405
Benefits	20,777	21,094	(317)
Services	51,550	39,675	11,875
Supplies	43,819	40,815	3,004
Capital Outlay	977	4,977	(4,000)
	<u>183,818</u>	<u>172,851</u>	<u>10,967</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, 2016
(continued)

	Budget	Actual	Variance
Board of Education:			
Salaries	1,785	769	1,016
Benefits	524	301	223
Services	46,482	33,443	13,039
	<u>48,791</u>	<u>34,513</u>	<u>14,278</u>
District Administration:			
Salaries	108,479	108,436	43
Benefits	28,733	28,565	168
Services	7,275	5,207	2,068
Supplies	1,000	986	14
	<u>145,487</u>	<u>143,194</u>	<u>2,293</u>
School Administration:			
Salaries	180,781	180,630	151
Benefits	55,919	55,660	259
Services	380	217	163
	<u>237,080</u>	<u>236,507</u>	<u>573</u>
Business Operation:			
Salaries	65,051	65,049	2
Benefits	21,778	20,713	1,065
Services	2,500	2,381	119
Supplies	21,516	9,829	11,687
	<u>110,845</u>	<u>97,972</u>	<u>12,873</u>
Building Care:			
Salaries	53,353	52,847	506
Benefits	17,516	17,919	(403)
Services	279,626	213,558	66,068
Supplies	18,000	18,000	0
Capital Outlay	1,000	0	1,000
	<u>369,495</u>	<u>302,324</u>	<u>67,171</u>
Building Maintenance (Non-Student):			
Salaries	51,191	41,463	9,728
Benefits	15,840	13,734	2,106
Services	500	699	(199)
Supplies	32,000	31,881	119
	<u>99,531</u>	<u>87,777</u>	<u>11,754</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, 2016
(continued)

	Budget	Actual	Variance
Building Maintenance (Student):			
Salaries	44,762	43,107	1,655
Benefits	14,318	11,009	3,309
Services	59,525	64,488	(4,963)
Supplies	59,863	59,863	0
Capital Outlay	0	9,355	(9,355)
	<u>178,468</u>	<u>187,822</u>	<u>(9,354)</u>
Maintenance - Grounds:			
Services	4,000	4,082	(82)
Supplies	15,500	15,500	0
	<u>19,500</u>	<u>19,582</u>	<u>(82)</u>
Safe Schools:			
Services	7,737	7,737	0
Supplies	4,188	775	3,413
	<u>11,925</u>	<u>8,512</u>	<u>3,413</u>
School Transportation:			
Salaries	114,822	110,971	3,851
Benefits	36,555	31,676	4,879
Services	22,160	18,247	3,913
Supplies	96,216	61,734	34,482
	<u>269,753</u>	<u>222,628</u>	<u>47,125</u>
Activity Transportation:			
Salaries	9,088	7,076	2,012
Benefits	2,054	863	1,191
Services	300	405	(105)
Supplies	18,100	11,831	6,269
Capital Outlay	5,000	4,000	1,000
	<u>34,542</u>	<u>24,175</u>	<u>10,367</u>
Other Support Services:			
Benefits	35,000	19,124	15,876
Services	41,353	41,353	0
	<u>76,353</u>	<u>60,477</u>	<u>15,876</u>
Total Support Services	<u>1,993,201</u>	<u>1,800,659</u>	<u>192,542</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, 2016
 (continued)

	Budget	Actual	Variance
Non- Instruction			
Food Service	4,562	4,487	75
Total Expenditures	\$ 4,567,332	\$ 4,292,253	\$ 275,079

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

	Special Revenue					
	Local Projects	Driver's Education	Vocational Education	State Technology	Title I-A Basic	Title I Migrant
Assets						
Cash and Cash Equivalents	\$ 152,783	\$ 8,577	\$ 0	\$ 0	\$ 0	\$ 0
Receivables, Net						
Intergovernmental	0	0	20,691	0	65,391	11,923
Prepaid Items	0	0	0	0	1,569	4,339
Inventory	0	0	0	0	0	0
Total Assets	152,783	8,577	20,691	0	66,960	16,262
Deferred Outflows	0	0	0	0	0	0
Total Assets and Deferred Outflows	\$ 152,783	\$ 8,577	\$ 20,691	\$ 0	\$ 66,960	\$ 16,262
Liabilities						
Accounts Payable	\$ 0	\$ 0	\$ 698	\$ 0	\$ 0	\$ 0
Internal Balances	0	0	17,312	0	48,927	8,964
Salaries Payable and Related Liabilities	0	1,127	2,681	0	16,464	2,959
Total Liabilities	0	1,127	20,691	0	65,391	11,923
Deferred Inflows	0	0	0	0	0	0
Fund Balances						
Nonspendable:						
Inventory	0	0	0	0	0	0
Prepaid Items	0	0	0	0	1,569	4,339
Restricted	152,783	7,450	0	0	0	0
Unassigned	0	0	0	0	0	0
Total Fund Balances	152,783	7,450	0	0	1,569	4,339
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 152,783	\$ 8,577	\$ 20,691	\$ 0	\$ 66,960	\$ 16,262

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016
(continued)

	Special Revenue					
	Title VI-B	Title VI-B Preschool	Rural and Low Income	Title III Perkins	Title II-A	Food Service
Assets						
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 118,283
Receivables, Net						
Intergovernmental	13,536	1,766	13,810	18,709	16,694	17,348
Prepaid Items	0	0	942	0	0	0
Inventory	0	0	0	0	0	7,602
Total Assets	13,536	1,766	14,752	18,709	16,694	143,233
Deferred Outflows	0	0	0	0	0	0
Total Assets and Deferred Outflows	\$ 13,536	\$ 1,766	\$ 14,752	\$ 18,709	\$ 16,694	\$ 143,233
Liabilities						
Accounts Payable	\$ 108	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Internal Balances	3,180	656	11,465	18,616	16,694	0
Salaries Payable and Related Liabilities	10,248	1,110	2,344	0	0	10,277
Total Liabilities	13,536	1,766	13,809	18,616	16,694	10,277
Deferred Inflows	0	0	0	0	0	0
Fund Balances						
Nonspendable:						
Inventory	0	0	0	0	0	7,602
Prepaid Items	0	0	942	0	0	0
Restricted	0	0	1	93	0	125,354
Unassigned	0	0	0	0	0	0
Total Fund Balances	0	0	943	93	0	132,956
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 13,536	\$ 1,766	\$ 14,752	\$ 18,709	\$ 16,694	\$ 143,233

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016
(continued)

	Capital Projects			Total
	Plant Facilities	Building Maintenance	Bus Depreciation	
Assets				
Cash and Cash Equivalents	\$ 480	\$ 142	91,328	\$ 371,593
Receivables, Net				
Intergovernmental	0	0	0	179,868
Prepaid Items	0	0	0	6,850
Inventory	0	0	0	7,602
Total Assets	<u>480</u>	<u>142</u>	<u>91,328</u>	<u>565,913</u>
Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 480</u>	<u>\$ 142</u>	<u>\$ 91,328</u>	<u>\$ 565,913</u>
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 806
Internal Balances	0	0	0	125,814
Salaries Payable and Related Liabilities	0	0	0	47,210
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>173,830</u>
Deferred Inflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Nonspendable:				
Inventory	0	0	0	7,602
Prepaid Items	0	0	0	6,850
Restricted	480	142	91,328	377,631
Unassigned	0	0	0	0
Total Fund Balances	<u>480</u>	<u>142</u>	<u>91,328</u>	<u>392,083</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 480</u>	<u>\$ 142</u>	<u>\$ 91,328</u>	<u>\$ 565,913</u>

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, 2016

	Special Revenue					
	Local Projects	Driver's Education	Vocational Education	State Technology	Titla I-A Basic	Title I Migrant
Revenues						
State	\$ 71,819	\$ 5,875	\$ 41,603	\$ 0	\$ 0	\$ 0
Charges for Services	0	11,578	0	0	0	0
Grants and Contributions	0	0	0	0	144,567	24,727
Earnings on Investments	0	0	0	0	0	0
Total Revenues	71,819	17,453	41,603	0	144,567	24,727
Expenditures						
Instruction:						
Salaries	0	12,193	10,092	0	60,079	12,806
Benefits	0	3,446	5,800	0	34,465	6,783
Services	0	279	6,883	0	0	186
Supplies	0	892	18,117	0	39,058	200
Total Instruction	0	16,810	40,892	0	133,602	19,975
Support Services:						
Salaries	0	0	0	0	6,979	0
Benefits	0	0	0	0	0	0
Services	55,350	0	0	0	0	0
Supplies	0	0	0	0	0	0
Total Support Services	55,350	0	0	0	6,979	0
Food Service	0	0	0	0	0	0
Capital Outlay	0	0	1,360	2,139	0	0
Total Expenditures	55,350	16,810	42,252	2,139	140,581	19,975
Excess (Deficiency) of Revenues Over Expenditures	16,469	643	(649)	(2,139)	3,986	4,752
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	0	0
Transfers Out	0	0	0	0	(2,417)	(413)
Total Other Financing Sources (Uses)	0	0	0	0	(2,417)	(413)
Net Change in Fund Balances	16,469	643	(649)	(2,139)	1,569	4,339
Fund Balances - Beginning	136,314	6,807	649	2,139	0	0
Fund Balances - Ending	\$ 152,783	\$ 7,450	\$ 0	\$ 0	\$ 1,569	\$ 4,339

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, 2016
 (continued)

	Special Revenue					
	Title VI-B	Title VI-B Preschool	Rural and Low Income	Title III Perkins	Title II-A	Food Service
Revenues						
State	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charges for Services	0	0	0	0	0	68,537
Grants and Contributions	105,182	6,802	21,500	18,710	21,800	190,174
Earnings on Investments	0	0	0	0	0	173
Total Revenues	105,182	6,802	21,500	18,710	21,800	258,884
Expenditures						
Instruction:						
Salaries	40,366	3,822	5,964	9,018	1,200	0
Benefits	20,238	2,684	3,616	0	210	0
Services	39,811	0	3,751	0	4,460	0
Supplies	3,009	192	6,878	0	15,612	0
Total Instruction	103,424	6,698	20,209	9,018	21,482	0
Support Services:						
Salaries	0	0	0	0	0	0
Benefits	0	0	0	0	0	0
Services	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Total Support Services	0	0	0	0	0	0
Food Service	0	0	0	0	0	267,633
Capital Outlay	0	0	0	9,734	0	232
Total Expenditures	103,424	6,698	20,209	18,752	21,482	267,865
Excess (Deficiency) of Revenues Over Expenditures	1,758	104	1,291	(42)	318	(8,981)
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	0	155
Transfers Out	(1,758)	(104)	(348)	0	(318)	0
Total Other Financing Sources (Uses)	(1,758)	(104)	(348)	0	(318)	155
Net Change in Fund Balances	0	0	943	(42)	0	(8,826)
Fund Balances - Beginning	0	0	0	135	0	141,782
Fund Balances - Ending	\$ 0	\$ 0	\$ 943	\$ 93	\$ 0	\$ 132,956

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, 2016

(continued)

	Capital Projects			Total
	Plant Facilities	Building Maintenance	Bus Depreciation	
Revenues				
State	\$ 0	\$ 0	\$ 0	\$ 119,297
Charges for Services	0	0	0	80,115
Grants and Contributions	0	0	0	533,462
Earnings on Investments	6,924	142	0	7,239
Total Revenues	6,924	142	0	740,113
Expenditures				
Instruction:				
Salaries	0	0	0	155,540
Benefits	0	0	0	77,242
Services	0	0	0	55,370
Supplies	0	0	0	83,958
Total Instruction	0	0	0	372,110
Support Services:				
Salaries	0	0	0	6,979
Benefits	0	0	0	0
Services	0	0	0	55,350
Supplies	0	0	0	0
Total Support Services	0	0	0	62,329
Food Service	0	0	0	267,633
Capital Outlay	358,416	0	0	371,881
Total Expenditures	358,416	0	0	1,073,953
Excess (Deficiency) of Revenues Over Expenditures	(351,492)	142	0	(333,840)
Other Financing Sources (Uses)				
Transfers In	330,685	0	25,048	355,888
Transfers Out	0	(112,733)	0	(118,091)
Total Other Financing Sources (Uses)	330,685	(112,733)	25,048	237,997
Net Change in Fund Balances	(20,807)	(112,591)	25,048	(96,043)
Fund Balances - Beginning	21,287	112,733	66,280	488,126
Fund Balances - Ending	\$ 480	\$ 142	\$ 91,328	\$ 392,083

FEDERAL REPORT



Certified Public Accountants

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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*

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

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 **Melba Joint School District No. 136**, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 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*.

Purpose of this Report

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

Bailey & Co.

Nampa, Idaho
October 10, 2016