

MELBA JOINT SCHOOL DISTRICT NO. 136

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2013

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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, 2013, 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 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, 2013, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 25 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 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 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 basic 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. 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, 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 8, 2013

Melba Joint School District No. 136
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 2,249,532
Receivables, Net:	
Property Taxes	302,252
Intergovernmental	327,176
Inventory	17,111
Capital Assets:	
Land	878,901
Buildings and Improvements, Net	5,576,981
Equipment and Buses, Net	497,947
Total Assets	9,849,900
 Deferred Outflows	 0
Liabilities	
Accounts Payable and Other Current Liabilities	123,707
Salaries and Benefits Payable	443,304
Accrued Interest	39,775
Long-Term Liabilities:	
Due Within One Year:	
Capital Lease	11,681
Bonds Payable	350,000
Compensated Absences	6,516
Due in More Than One Year:	
Capital Lease	6,516
Bonds Payable	2,685,000
Total Liabilities	3,666,499
 Deferred Inflows	 0
Net Position	
Net Investment in Capital Assets	3,900,632
Restricted for:	
Debt Service	722,585
Capital Projects	254,288
Special Revenue	277,273
Unrestricted	1,028,623
Total Net Position	\$ 6,183,401

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, 2013

	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		
Expenses					
Primary Government:					
Governmental Activities:					
Instruction	\$ 3,121,504	\$ 12,990	\$ 928,368	\$ 0	\$ (2,180,146)
Support Services	1,873,061	0	85,317	0	(1,787,744)
Food Service	211,100	66,376	182,094	0	37,370
Interest	130,032	0	0	0	(130,032)
Total Governmental Activities	\$ 5,335,697	\$ 79,366	\$ 1,195,779	\$ 0	(4,060,552)
General Revenues:					
					796,046
					3,711,036
					23,223
					32,036
					(42)
					<u>4,562,299</u>
					501,747
					<u>5,681,654</u>
					<u>\$ 6,183,401</u>

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

Melba Joint School District No. 136
 Balance Sheet -
 Governmental Funds
 June 30, 2013

	General	Debt Service	Title I	Plant Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 1,119,971	\$ 569,014	\$ 0	\$ 27,458	\$ 533,089	\$ 2,249,532
Receivables, Net:						
Property Taxes	108,906	193,346	0	0	0	302,252
Intergovernmental	46,472	0	192,003	0	88,701	327,176
Internal Balances	203,516	0	0	0	0	203,516
Inventory	0	0	0	0	17,111	17,111
Total Assets	<u>1,478,865</u>	<u>762,360</u>	<u>192,003</u>	<u>27,458</u>	<u>638,901</u>	<u>3,099,587</u>
Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 1,478,865</u>	<u>\$ 762,360</u>	<u>\$ 192,003</u>	<u>\$ 27,458</u>	<u>\$ 638,901</u>	<u>\$ 3,099,587</u>
Liabilities						
Accounts Payable	\$ 4,985	\$ 0	\$ 17,749	\$ 96,000	\$ 4,973	\$ 123,707
Internal Balances	0	0	143,282	0	60,234	203,516
Salaries and Benefits Payable	367,751	0	30,972	0	44,581	443,304
Unearned Revenue	22,254	31,330	0	0	0	53,584
Total Liabilities	<u>394,990</u>	<u>31,330</u>	<u>192,003</u>	<u>96,000</u>	<u>109,788</u>	<u>824,111</u>
Deferred Inflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances						
Nonspendable:						
Inventory	0	0	0	0	17,111	17,111
Restricted	0	731,030	0	0	514,450	1,245,480
Unassigned	1,083,875	0	0	(68,542)	(2,448)	1,012,885
Total Fund Balances	<u>1,083,875</u>	<u>731,030</u>	<u>0</u>	<u>(68,542)</u>	<u>529,113</u>	<u>2,275,476</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,478,865</u>	<u>\$ 762,360</u>	<u>\$ 192,003</u>	<u>\$ 27,458</u>	<u>\$ 638,901</u>	<u>\$ 3,099,587</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 Position
 June 30, 2013

Total Fund Balances - Governmental Funds \$ 2,275,476

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	\$ 878,901	
Buildings and Improvements, Net of \$3,393,814 accumulated depreciation	5,576,981	
Equipment and Buses, Net of \$1,317,154 accum. depreciation	<u>497,947</u>	
Total Capital Assets		6,953,829

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. 53,584

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		(39,775)
Capital Lease	(18,197)	
Bonds Payable	<u>(3,035,000)</u>	
Total Long-Term Liabilities		<u>(3,053,197)</u>

Compensated Absences applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position. (6,516)

Total Net Position - Governmental Activities \$ 6,183,401

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, 2013

	General	Debt Service	Title I	Plant Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 275,473	\$ 537,975	\$ 0	\$ 0	\$ 0	\$ 813,448
State	3,570,955	0	0	0	140,081	3,711,036
Charges for Services	0	0	0	0	79,366	79,366
Grants and Contributions	0	0	696,570	0	499,209	1,195,779
Earnings on Investments	4,225	0	0	18,733	265	23,223
Other	32,036	0	0	0	0	32,036
Total Revenues	<u>3,882,689</u>	<u>537,975</u>	<u>696,570</u>	<u>18,733</u>	<u>718,921</u>	<u>5,854,888</u>
Expenditures						
Current:						
Instruction	2,150,984	0	482,286	0	263,667	2,896,937
Support Services	1,555,883	0	6,067	710	156,696	1,719,356
Food Service	4,822	0	0	0	206,278	211,100
Debt Service:						
Principal	10,089	340,000	0	0	0	350,089
Interest	3,507	129,925	0	0	0	133,432
Capital Outlay	11,149	0	112,280	114,571	151,354	389,354
Total Expenditures	<u>3,736,434</u>	<u>469,925</u>	<u>600,633</u>	<u>115,281</u>	<u>777,995</u>	<u>5,700,268</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>146,255</u>	<u>68,050</u>	<u>95,937</u>	<u>(96,548)</u>	<u>(59,074)</u>	<u>154,620</u>
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	41,776	41,776
Transfers Out	(41,776)	0	0	0	0	(41,776)
Total Other Financing Sources (Uses)	<u>(41,776)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,776</u>	<u>0</u>
Net Change in Fund Balances	104,479	68,050	95,937	(96,548)	(17,298)	154,620
Fund Balances - Beginning	979,396	662,980	(95,937)	28,006	546,411	2,120,856
Fund Balances - Ending	<u>\$ 1,083,875</u>	<u>\$ 731,030</u>	<u>\$ 0</u>	<u>\$ (68,542)</u>	<u>\$ 529,113</u>	<u>\$ 2,275,476</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, 2013

Total Net Change in Fund Balance - Governmental Funds \$ 154,620

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	\$ 309,415	
Loss on Disposal of Capital Assets	(42)	
Depreciation Expense	<u>(291,817)</u>	
Net		17,556

Accrued interest on long-term debt. 3,400

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 unearned tax revenues. They are, however, recorded as revenues in the Statement of Activities. (17,402)

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 Position. 350,089

Compensated absences applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. This represents the change in compensated absences. (6,516)

Change in Net Position of Governmental Activities \$ 501,747

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

Melba Joint School District No. 136
Statement of Fiduciary Net Position
June 30, 2013

	Agency Funds	Private - Purpose Trust Fund	Total
Assets			
Cash and Cash Equivalents	\$ 79,344	\$ 52,322	\$ 131,666
Total Assets	\$ 79,344	\$ 52,322	\$ 131,666
Deferred Outflows			
	0	0	0
Liabilities			
Due to Student Groups	\$ 79,344	\$ 0	\$ 79,344
Accounts Payable	0	0	0
Total Liabilities	79,344	0	79,344
Deferred Inflows			
	0	0	0
Net Position			
Restricted for Scholarships and Others	0	52,322	52,322
Total Net Position	\$ 79,344	\$ 52,322	\$ 131,666

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, 2013

	<u>Private - Purpose Trust Fund</u>
Additions	
Contributions	\$ 2,841
Investment Income	<u>120</u>
Total Additions	<u>2,961</u>
Deductions	
Donations to Others	<u>1,000</u>
Total Deductions	<u>1,000</u>
Changes in Net Position	1,961
Net Position - Beginning	<u>50,361</u>
Net Position - Ending	<u><u>\$ 52,322</u></u>

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, 2013

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 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, 2013

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.
- *Title I fund.* This fund accounts for the resources accumulated and payments made for federal grants received from the State Department of Education under the Title I grants.
- *Plant Facilities fund.* This fund accounts for the resources accumulated and payments made for improvements to the fixed assets 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

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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 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

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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, 2013, are considered by the District as a receivable.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes not collected within 60 days after June 30, 2013, are not considered available for use by the District and are recorded as unearned revenue 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.

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, 2013

2. CASH AND INVESTMENTS

Deposits

As of June 30, 2013, the carrying amount of the District's deposits was \$586,872 and the respective bank balances totaled \$764,551. \$331,009 of 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, 2013, \$433,542 of the District's deposits were not 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, 2013

2. CASH AND INVESTMENTS (continued)

The District's investments at June 30, 2013, are summarized below:

Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
External Investment Pool	\$ 1,794,326	\$ 1,794,326	\$ 0

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

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 514,191	\$ 72,681	\$ 586,872
Investments categorized as deposits	1,735,341	58,985	1,794,326
	\$ 2,249,532	\$ 131,666	\$ 2,381,198

3. RECEIVABLE - INTERGOVERNMENTAL

Amounts due from other governments consists of \$46,472 from the State of Idaho for school support, \$8,721 from the State of Idaho for vocational education, and \$271,983 of federal money passed through the state for federal programs for a total of \$327,176. These amounts are all considered collectible.

4. INTERFUND BALANCES AND ACTIVITY

Internal Balances at June 30, 2013, consist of the following:

\$ 143,282	Due to the General fund from the Title I fund representing cash overdrafts.
<u>60,234</u>	Due to the General fund from nonmajor governmental funds representing cash overdrafts.
<u>\$ 203,516</u>	

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2013

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>6/30/2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2013</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 782,901	\$ 0	\$ 0	\$ 782,901
Construction in Progress	<u>0</u>	<u>96,000</u>	<u>0</u>	<u>96,000</u>
Total	<u>782,901</u>	<u>96,000</u>	<u>0</u>	<u>878,901</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	8,970,795	0	0	8,970,795
Equipment and Buses	<u>1,621,688</u>	<u>213,415</u>	<u>(20,002)</u>	<u>1,815,101</u>
Total Historical Cost	<u>10,592,483</u>	<u>213,415</u>	<u>(20,002)</u>	<u>10,785,896</u>
Less: Accumulated Depreciation				
Buildings and Improvements	3,181,368	212,446	0	3,393,814
Equipment and Buses	<u>1,257,743</u>	<u>79,371</u>	<u>(19,960)</u>	<u>1,317,154</u>
Total Acc. Depr.	<u>4,439,111</u>	<u>291,817</u>	<u>(19,960)</u>	<u>4,710,968</u>
Net Depreciable Assets	<u>6,153,372</u>	<u>(78,402)</u>	<u>(42)</u>	<u>6,074,928</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 6,936,273</u>	<u>\$ (78,402)</u>	<u>\$ (42)</u>	<u>\$ 6,953,829</u>

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

Instruction	\$ 212,446
Support Services	<u>79,371</u>
	<u>\$ 291,817</u>

6. 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, 2013

7. TRANSFERS TO/FROM OTHER FUNDS

Transfer activity for the year ended June 30, 2013 was as follows:

\$	74	From the General fund to nonmajor special revenue funds to cover expenditures.
	<u>41,702</u>	From the General fund to nonmajor capital project funds for bus depreciation.
	<u>\$ 41,776</u>	

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, 2013, 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 event of termination, an employee is reimbursed for accumulated vacation leave. The District awards all vacation leave to employees on July 1st. Changes in compensated absences for the year ended June 30, 2013, are as follows:

	6/30/2012	Earned	Used	6/20/2013	Current Portion
Governmental Activities	\$ 0	\$ 17,671	\$ (11,155)	\$ 6,516	\$ 6,516

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2013

11. 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.

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.

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, 2013, 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 \$280,219, \$264,223, and \$309,174 for the three years ended June 30, 2013, 2012, and 2011, respectively.

12. DEFICIT FUND BALANCE

The following funds had a deficit fund balance as of June 30, 2013:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Plant Facilities	\$ 68,542
Bus Depreciation	\$ 2,448

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2013

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. 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>(33,526)</u>
	<u>\$ 14,368</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:							
2011 GORB	2021	3.00%-4.50%	\$3,375,000	\$ 0	\$(340,000)	\$3,035,000	\$ 350,000
Copier Lease	2015	14.75%	<u>28,286</u>	<u>0</u>	<u>(10,089)</u>	<u>18,197</u>	<u>11,681</u>
			<u>\$3,403,286</u>	<u>\$ 0</u>	<u>\$(350,089)</u>	<u>\$3,053,197</u>	<u>\$ 361,681</u>

Debt service requirements on long-term debt at June 30, 2013, are as follows:

Year Ending	<u>Bonds and Notes</u>			<u>Capital Leases</u>		
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	420,000	63,075	483,075	0	0	0
2019-2021	<u>1,075,000</u>	<u>86,100</u>	<u>1,161,100</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 3,035,000</u>	<u>\$ 552,875</u>	<u>\$ 3,587,875</u>	<u>\$ 18,197</u>	<u>\$ 2,198</u>	<u>\$ 20,395</u>

REQUIRED SUPPLEMENTARY INFORMATION

Melba Joint School District No. 136
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 275,000	\$ 275,000	\$ 275,473	\$ 473
State	3,375,820	3,447,784	3,570,955	123,171
Earnings on Investments	4,000	4,000	4,225	225
Other	12,692	12,692	32,036	19,344
Total Revenues	<u>3,667,512</u>	<u>3,739,476</u>	<u>3,882,689</u>	<u>143,213</u>
Expenditures				
Current:				
Instruction	2,169,312	2,190,452	2,150,984	39,468
Support Services	1,530,115	1,575,740	1,555,883	19,857
Non-Instruction	5,060	5,060	4,822	238
Debt Service:				
Principal	0	0	10,089	(10,089)
Interest	0	0	3,507	(3,507)
Capital Outlay	5,000	11,199	11,149	50
Contingency Reserve	50,000	50,000	0	50,000
Total Expenditures	<u>3,759,487</u>	<u>3,832,451</u>	<u>3,736,434</u>	<u>96,017</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(91,975)</u>	<u>(92,975)</u>	<u>146,255</u>	<u>239,230</u>
Other Financing Sources (Uses)				
Transfers In	50,000	50,000	0	(50,000)
Transfers Out	(75,183)	(74,183)	(41,776)	32,407
Total Other Financing Sources (Uses)	<u>(25,183)</u>	<u>(24,183)</u>	<u>(41,776)</u>	<u>(17,593)</u>
Net Change in Fund Balances	(117,158)	(117,158)	104,479	221,637
Fund Balances - Beginning	117,158	117,158	979,396	862,238
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,083,875</u>	<u>\$ 1,083,875</u>

Melba Joint School District No. 136
 Budgetary (GAAP Basis) Comparison Schedule
 Title I
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Grants and Contributions	\$ 304,744	\$ 712,177	\$ 696,570	\$ (15,607)
Total Revenues	<u>304,744</u>	<u>712,177</u>	<u>696,570</u>	<u>(15,607)</u>
Expenditures				
Current:				
Instruction	298,125	545,558	482,286	63,272
Support Services	6,619	6,619	6,067	552
Capital Outlay	0	160,000	112,280	47,720
Total Expenditures	<u>304,744</u>	<u>712,177</u>	<u>600,633</u>	<u>111,544</u>
Net Change in Fund Balances	0	0	95,937	95,937
Fund Balances - Beginning	9,617	9,617	(95,937)	(105,554)
Fund Balances - Ending	<u>\$ 9,617</u>	<u>\$ 9,617</u>	<u>\$ 0</u>	<u>\$ (9,617)</u>

Melba School District No. 370
Notes to Required Supplementary Information
For the Year Ended June 30, 2013

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, 2013

	Budget	Actual	Variance
Local Sources			
Taxes and Penalties	\$ 275,000	\$ 275,473	\$ 473
Earnings on Investments	4,000	4,225	225
Other	12,692	32,036	19,344
Total Local Sources	<u>291,692</u>	<u>311,734</u>	<u>20,042</u>
State Sources			
State Support	2,937,243	3,047,148	109,905
State Paid Benefits	349,796	363,477	13,681
Revenue In Lieu of Taxes	35,300	35,300	0
Other Support	125,445	125,030	(415)
Total State Sources	<u>3,447,784</u>	<u>3,570,955</u>	<u>123,171</u>
Total Revenues	<u>\$ 3,739,476</u>	<u>\$ 3,882,689</u>	<u>\$ 143,213</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, 2013

Instruction	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Elementary:			
Salaries	614,411	612,313	\$ 2,098
Benefits	200,564	196,048	4,516
Services	13,956	15,790	(1,834)
Supplies	37,968	28,936	9,032
	<u>866,899</u>	<u>853,087</u>	<u>13,812</u>
Secondary:			
Salaries	737,816	761,767	(23,951)
Benefits	253,471	220,177	33,294
Services	10,100	5,260	4,840
Supplies	30,550	29,944	606
	<u>1,031,937</u>	<u>1,017,148</u>	<u>14,789</u>
Alternative:			
Salaries	860	1,400	(540)
Benefits	605	287	318
Supplies	1,491	1,590	(99)
Capital Outlays	1,199	1,149	50
	<u>4,155</u>	<u>4,426</u>	<u>(271)</u>
Exceptional Child:			
Salaries	86,716	87,456	(740)
Benefits	31,597	26,793	4,804
Services	1,000	0	1,000
Supplies	1,000	590	410
	<u>120,313</u>	<u>114,839</u>	<u>5,474</u>
Preschool Exceptional Child:			
Salaries	5,214	4,375	839
Benefits	2,944	2,876	68
Supplies	238	171	67
	<u>8,396</u>	<u>7,422</u>	<u>974</u>
Gifted/Talented:			
Services	1,500	1,500	0
	<u>1,500</u>	<u>1,500</u>	<u>0</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, 2013
(continued)

	Budget	Actual	Variance
Interscholastic:			
Salaries	119,220	118,328	892
Benefits	33,231	29,376	3,855
Services	1,000	1,007	(7)
Supplies	5,000	5,000	0
	<u>158,451</u>	<u>153,711</u>	<u>4,740</u>
Total Instruction	<u>2,191,651</u>	<u>2,152,133</u>	<u>39,518</u>
Support Services			
Attendance, Guidance, and Health:			
Salaries	55,870	55,824	46
Benefits	15,127	14,436	691
Services	550	0	550
	<u>71,547</u>	<u>70,260</u>	<u>1,287</u>
Special Services:			
Salaries	3,225	3,171	54
Benefits	2,127	2,104	23
Services	105,189	111,055	(5,866)
	<u>110,541</u>	<u>116,330</u>	<u>(5,789)</u>
Instruction Improvement:			
Salaries	14,711	15,259	(548)
Benefits	6,578	5,827	751
Services	11,500	17,945	(6,445)
	<u>32,789</u>	<u>39,031</u>	<u>(6,242)</u>
Educational Media:			
Salaries	18,481	18,129	352
Benefits	10,691	6,116	4,575
Services	600	0	600
Supplies	7,800	7,622	178
	<u>37,572</u>	<u>31,867</u>	<u>5,705</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, 2013
(continued)

	Budget	Actual	Variance
Instruction-Related Tech.			
Salaries	66,748	70,751	(4,003)
Benefits	21,878	20,877	1,001
Services	14,400	12,367	2,033
Supplies	20,800	11,213	9,587
Capital Outlays	10,000	10,000	0
	<u>133,826</u>	<u>125,208</u>	<u>8,618</u>
Board of Education:			
Salaries	2,000	709	1,291
Benefits	1,263	773	490
Services	22,350	21,553	797
	<u>25,613</u>	<u>23,035</u>	<u>2,578</u>
District Administration:			
Salaries	92,077	92,077	0
Benefits	24,519	23,823	696
Services	6,115	5,561	554
Supplies	980	914	66
	<u>123,691</u>	<u>122,375</u>	<u>1,316</u>
School Administration:			
Salaries	175,122	174,626	496
Benefits	52,632	49,971	2,661
Services	480	444	36
	<u>228,234</u>	<u>225,041</u>	<u>3,193</u>
Business Operation:			
Salaries	42,728	38,392	4,336
Benefits	13,379	13,623	(244)
Services	2,070	1,759	311
Supplies	10,354	3,554	6,800
	<u>68,531</u>	<u>57,328</u>	<u>11,203</u>
Building Care:			
Salaries	55,592	57,318	(1,726)
Benefits	24,273	21,286	2,987
Services	213,000	206,006	6,994
Supplies	16,000	16,646	(646)
	<u>308,865</u>	<u>301,256</u>	<u>7,609</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, 2013
 (continued)

	Budget	Actual	Variance
Building Maintenance (Non-Student):			
Salaries	37,819	38,583	(764)
Benefits	13,945	13,297	648
Services	500	0	500
Supplies	10,000	10,787	(787)
	<u>62,264</u>	<u>62,667</u>	<u>(403)</u>
Building Maintenance (Student):			
Salaries	17,500	18,327	(827)
Benefits	5,634	4,877	757
Services	6,000	5,144	856
Supplies	25,000	20,873	4,127
	<u>54,134</u>	<u>49,221</u>	<u>4,913</u>
Maintenance - Grounds:			
Services	4,000	17,934	(13,934)
Supplies	15,000	17,247	(2,247)
	<u>19,000</u>	<u>35,181</u>	<u>(16,181)</u>
School Transportation:			
Salaries	97,149	105,760	(8,611)
Benefits	34,449	31,681	2,768
Services	13,800	13,499	301
Supplies	73,666	71,322	2,344
	<u>219,064</u>	<u>222,262</u>	<u>(3,198)</u>
Activity Transportation:			
Salaries	4,000	5,315	(1,315)
Benefits	1,164	642	522
Services	58	79	(21)
Supplies	15,500	13,685	1,815
	<u>20,722</u>	<u>19,721</u>	<u>1,001</u>
Other Support Services:			
Benefits	30,000	25,594	4,406
Services	39,347	39,506	(159)
	<u>69,347</u>	<u>65,100</u>	<u>4,247</u>
Total Support Services	<u>1,585,740</u>	<u>1,565,883</u>	<u>19,857</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, 2013
 (continued)

	Budget	Actual	Variance
Non-Instruction			
Food Service	5,060	4,822	238
Debt Service			
Principal	0	10,089	(10,089)
Interest	0	3,507	(3,507)
	0	13,596	(13,596)
Contingency Reserve	50,000	0	50,000
Total Expenditures	\$ 3,832,451	\$ 3,736,434	\$ 96,017

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2013

	Special Revenue				
	Local Projects	Driver's Education	Vocational Education	State Technology	Title I Migrant
Assets					
Cash and Cash Equivalents	\$ 149,288	\$ 4,728	\$ 0	\$ 2,139	\$ 4,300
Receivables:					
Intergovernmental	0	0	8,721	0	0
Inventory	0	0	0	0	0
Total Assets	<u>149,288</u>	<u>4,728</u>	<u>8,721</u>	<u>2,139</u>	<u>4,300</u>
Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 149,288</u>	<u>\$ 4,728</u>	<u>\$ 8,721</u>	<u>\$ 2,139</u>	<u>\$ 4,300</u>
Liabilities					
Accounts Payable	\$ 0	\$ 0	\$ 4,449	\$ 0	\$ 0
Internal Balances	0	0	1,933	0	0
Salaries Payable and Related Liabilities	1,905	1,144	2,339	0	4,300
Total Liabilities	<u>1,905</u>	<u>1,144</u>	<u>8,721</u>	<u>0</u>	<u>4,300</u>
Deferred Inflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances					
Nonspendable:					
Inventory	0	0	0	0	0
Restricted	147,383	3,584	0	2,139	0
Unassigned	0	0	0	0	0
Total Fund Balances	<u>147,383</u>	<u>3,584</u>	<u>0</u>	<u>2,139</u>	<u>0</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 149,288</u>	<u>\$ 4,728</u>	<u>\$ 8,721</u>	<u>\$ 2,139</u>	<u>\$ 4,300</u>

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2013
(continued)

	Special Revenue					
	Title VI-B 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	\$ 218	\$ 0	\$ 0	\$ 0	\$ 118,128
Receivables:						
Intergovernmental	27,468	734	2,835	23,345	25,598	0
Inventory	0	0	0	0	0	17,111
Total Assets	<u>27,468</u>	<u>952</u>	<u>2,835</u>	<u>23,345</u>	<u>25,598</u>	<u>135,239</u>
Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 27,468</u>	<u>\$ 952</u>	<u>\$ 2,835</u>	<u>\$ 23,345</u>	<u>\$ 25,598</u>	<u>\$ 135,239</u>
Liabilities						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 145	\$ 379	\$ 0
Internal Balances	6,043	0	1,391	23,200	25,219	0
Salaries Payable and Related Liabilities	21,425	952	1,444	0	0	11,072
Total Liabilities	<u>27,468</u>	<u>952</u>	<u>2,835</u>	<u>23,345</u>	<u>25,598</u>	<u>11,072</u>
Deferred Inflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances						
Nonspendable:						
Inventory	0	0	0	0	0	17,111
Restricted	0	0	0	0	0	107,056
Unassigned	0	0	0	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>124,167</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 27,468</u>	<u>\$ 952</u>	<u>\$ 2,835</u>	<u>\$ 23,345</u>	<u>\$ 25,598</u>	<u>\$ 135,239</u>

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2013
(continued)

	Capital Projects		Total
	Building Maintenance	Bus Depreciation	
Assets			
Cash and Cash Equivalents	\$ 254,288	\$ 0	\$ 533,089
Receivables:			
Intergovernmental	0	0	88,701
Inventory	0	0	17,111
Total Assets	254,288	0	638,901
Deferred Outflows	0	0	0
Total Assets and Deferred Outflows	\$ 254,288	\$ 0	\$ 638,901
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 4,973
Internal Balances	0	2,448	60,234
Salaries Payable and Related Liabilities	0	0	44,581
Total Liabilities	0	2,448	109,788
Deferred Inflows	0	0	0
Fund Balances			
Nonspendable:			
Inventory	0	0	17,111
Restricted	254,288	0	514,450
Unassigned	0	(2,448)	(2,448)
Total Fund Balances	254,288	0	529,113
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 254,288	\$ 2,448	\$ 638,901

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, 2013

	Special Revenue				
	Local Projects	Driver's Education	Vocational Education	State Technology	Title I Migrant
Revenues					
State	\$ 102,511	\$ 8,500	\$ 29,070	\$ 0	\$ 0
Charges for Services	0	12,990	0	0	0
Grants and Contributions	85,317	0	0	0	30,874
Earnings on Investments	0	0	0	0	0
Total Revenues	187,828	21,490	29,070	0	30,874
Expenditures					
Instruction:					
Salaries	0	14,328	9,506	0	28,209
Benefits	0	2,529	3,954	0	9,113
Services	0	6,079	7,094	0	200
Supplies	0	2,666	7,116	0	(58)
Total Instruction	0	25,602	27,670	0	37,464
Support Services:					
Salaries	39,327	0	0	0	0
Benefits	9,538	0	0	0	0
Services	84,344	0	0	0	0
Supplies	9,292	0	0	0	0
Total Support Services	142,501	0	0	0	0
Food Service	0	0	0	0	0
Capital Outlay	0	0	1,400	0	0
Total Expenditures	142,501	25,602	29,070	0	37,464
Excess (Deficiency) of Revenues Over Expenditures	45,327	(4,112)	0	0	(6,590)
Other Financing Sources (Uses)					
Transfers In	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	45,327	(4,112)	0	0	(6,590)
Fund Balances - Beginning	102,056	7,696	0	2,139	6,590
Fund Balances - Ending	\$ 147,383	\$ 3,584	\$ 0	\$ 2,139	\$ 0

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, 2013
 (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	66,376
Grants and Contributions	139,912	4,528	14,121	23,346	19,017	182,094
Earnings on Investments	0	0	0	0	0	107
Total Revenues	139,912	4,528	14,121	23,346	19,017	248,577
Expenditures						
Instruction:						
Salaries	86,525	4,135	0	13,774	13,978	0
Benefits	38,223	1,973	0	0	5,039	0
Services	8,265	0	0	0	0	0
Supplies	942	77	0	0	0	0
Total Instruction	133,955	6,185	0	13,774	19,017	0
Support Services:						
Salaries	0	0	10,998	0	0	0
Benefits	0	0	3,197	0	0	0
Services	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Total Support Services	0	0	14,195	0	0	0
Food Service	0	0	0	0	0	206,278
Capital Outlay	0	0	0	9,572	0	28,651
Total Expenditures	133,955	6,185	14,195	23,346	19,017	234,929
Excess (Deficiency) of Revenues Over Expenditures	5,957	(1,657)	(74)	0	0	13,648
Other Financing Sources (Uses)						
Transfers In	0	0	74	0	0	0
Total Other Financing Sources (Uses)	0	0	74	0	0	0
Net Change in Fund Balances	5,957	(1,657)	0	0	0	13,648
Fund Balances - Beginning	(5,957)	1,657	0	0	0	110,519
Fund Balances - Ending	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 124,167

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, 2013
 (continued)

	Capital Projects		Total
	Building Maintenance	Bus Depreciation	
Revenues			
State	\$ 0	\$ 0	\$ 140,081
Charges for Services	0	0	79,366
Grants and Contributions	0	0	499,209
Earnings on Investments	158	0	265
Total Revenues	<u>158</u>	<u>0</u>	<u>718,921</u>
Expenditures			
Instruction:			
Salaries	0	0	170,455
Benefits	0	0	60,831
Services	0	0	21,638
Supplies	0	0	10,743
Total Instruction	<u>0</u>	<u>0</u>	<u>263,667</u>
Support Services:			
Salaries	0	0	50,325
Benefits	0	0	12,735
Services	0	0	84,344
Supplies	0	0	9,292
Total Support Services	<u>0</u>	<u>0</u>	<u>156,696</u>
Food Service	0	0	206,278
Capital Outlay	0	111,731	151,354
Total Expenditures	<u>0</u>	<u>111,731</u>	<u>777,995</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>158</u>	<u>(111,731)</u>	<u>(59,074)</u>
Other Financing Sources (Uses)			
Transfers In	0	41,702	41,776
Total Other Financing Sources (Uses)	<u>0</u>	<u>41,702</u>	<u>41,776</u>
Net Change in Fund Balances	158	(70,029)	(17,298)
Fund Balances - Beginning	254,130	67,581	546,411
Fund Balances - Ending	<u>\$ 254,288</u>	<u>\$ (2,448)</u>	<u>\$ 529,113</u>

Melba Joint School District No. 136
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<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	\$ 137,949
Title I C - Migrant	84.011	36,470
Special Education - State Grants	84.027	133,955
Vocational Education	84.048	23,346
Special Education - Preschool Grants	84.173	6,185
Title IIA - Improving Teacher Quality	84.367	19,017
Rural Education	84.358	14,195
School Improvement ARRA	84.388	462,684
Migrant Education Interstate	84.144	994
Total U.S. Department of Education		<u>834,795</u>
<u>U.S. Department of Agriculture</u>		
Passed Through State Department of Education:		
School Breakfast	10.553	28,653
National School Lunch	10.555	170,551
Special Milk Program for Children	10.556	66
Total U.S. Department of Agriculture		<u>199,270</u>
Total Federal Financial Assistance Expended		<u>\$ 1,034,065</u>

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

FEDERAL REPORTS



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
Melba, Idaho

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, 2013, 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 8, 2013.

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 out 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be a significant deficiency. 2013-001

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Melba Joint School District No. 136'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*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 8, 2013



Certified Public Accountants

James Washburn, CPA
Weston Flamm, CPA
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Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on Each Major Federal Program

In our opinion **Melba Joint School District No. 136** complied, in all material respects, with the types of 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, 2013.

Report on 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 referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bailey & Co.

Nampa, Idaho
October 8, 2013

Melba Joint School District No. 136
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

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)	School Improvement
84.010	Title I Basic

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

2013-001: 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, 2013

2013-001: 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.

Melba Joint School District No. 136
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

2012-1: Segregation of Duties

Recommendation: It was recommended that the Board of Trustees 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.

Status: Remains unchanged from the prior year.