

**MELBA JOINT SCHOOL DISTRICT NO. 136**

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Report on Audited  
Basic  
Financial Statements  
and  
Additional Information

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For the Year Ended June 30, 2014

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Certified Public Accountants

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

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812-B 12<sup>th</sup> Ave. South  
P.O. Box 876  
Nampa, ID 83653-0876  
208 466-2493  
FAX 208 467-2000  
www.BaileyCPAs.com

## 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, 2014, 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, 2014, 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, 2014, 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 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 combining nonmajor fund financial statements 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 combining nonmajor fund financial statements 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.

The supplemental schedules of revenue by source and expenditure by object - 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 September 9, 2014, 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  
September 9, 2014

**Melba Joint School District No. 136**  
Statement of Net Position  
June 30, 2014

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,826,394
Receivables, Net	
Property Taxes	221,110
Intergovernmental	260,948
Inventory	11,645
Capital Assets:	
Land	782,901
Buildings and Improvements, Net	5,460,624
Equipment and Buses, Net	414,437
Total Assets	8,978,059
<b>Deferred Outflows</b>	63,548
<b>Liabilities</b>	
Accounts Payable and Other Current Liabilities	64,211
Salaries and Benefits Payable	495,371
Accrued Interest	34,059
Long-Term Liabilities:	
Due Within One Year:	
Capital Lease	6,516
Bonds Payable	370,000
Due in More Than One Year:	
Bonds Payable	1,915,000
Total Liabilities	2,885,157
<b>Deferred Inflows</b>	0
<b>Net Position</b>	
Net Investment in Capital Assets	4,429,994
Restricted for:	
Debt Service	328,087
Capital Projects	154,892
Special Revenue	247,207
Unrestricted	996,270
Total Net Position	\$ 6,156,450

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, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position - Governmental Activities
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary Government:</b>					
Governmental Activities:					
Instruction	\$ 3,190,871	\$ 11,750	\$ 364,072	\$ 0	\$ (2,815,049)
Support Services	1,830,519	0	14,573	0	(1,815,946)
Food Service	252,889	79,972	175,643	0	2,726
Interest	111,819	0	0	0	(111,819)
Debt Fees	6,700	0	0	0	(6,700)
<b>Total Governmental Activities</b>	<b>\$ 5,392,798</b>	<b>\$ 91,722</b>	<b>\$ 554,288</b>	<b>\$ 0</b>	<b>(4,746,788)</b>
General Revenues:					
					535,994
					4,160,431
					7,988
					15,422
					4,719,835
					(26,953)
					6,183,403
					<b>\$ 6,156,450</b>

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



**Melba Joint School District No. 136**

Balance Sheet -  
Governmental Funds  
June 30, 2014

	General	Debt Service	Title I	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,265,763	\$ 152,602	\$ 0	\$ 408,029	\$ 1,826,394
Receivables, Net:					
Property Taxes	11,566	209,544	0	0	221,110
Intergovernmental	117,110	0	40,442	103,396	260,948
Internal Balances	91,536	0	0	0	91,536
Inventory	0	0	0	11,645	11,645
<b>Total Assets</b>	<u>1,485,975</u>	<u>362,146</u>	<u>40,442</u>	<u>523,070</u>	<u>2,411,633</u>
<b>Deferred Outflows</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 1,485,975</u>	<u>\$ 362,146</u>	<u>\$ 40,442</u>	<u>\$ 523,070</u>	<u>\$ 2,411,633</u>
<b>Liabilities</b>					
Accounts Payable	\$ 46,654	\$ 0	\$ 0	\$ 17,557	\$ 64,211
Internal Balances	0	0	20,998	70,538	91,536
Salaries and Benefits Payable	443,051	0	19,444	32,876	495,371
Unearned Revenue	10,416	37,434	0	0	47,850
<b>Total Liabilities</b>	<u>500,121</u>	<u>37,434</u>	<u>40,442</u>	<u>120,971</u>	<u>698,968</u>
<b>Deferred Inflows</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>					
Nonspendable:					
Inventory	0	0	0	11,645	11,645
Restricted	0	324,712	0	390,454	715,166
Unassigned	985,854	0	0	0	985,854
<b>Total Fund Balances</b>	<u>985,854</u>	<u>324,712</u>	<u>0</u>	<u>402,099</u>	<u>1,712,665</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 1,485,975</u>	<u>\$ 362,146</u>	<u>\$ 40,442</u>	<u>\$ 523,070</u>	<u>\$ 2,411,633</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, 2014

Total Fund Balances - Governmental Funds \$ 1,712,665

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	\$ 782,901	
Buildings and Improvements, Net of \$3,606,171 accumulated depreciation	5,460,624	
Equipment and Buses, Net of \$1,269,517 accumulated depreciation	<u>414,437</u>	
Total Capital Assets		6,657,962

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. 47,850

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		(34,059)
Capital Lease	(6,516)	
Bonds Payable	<u>(2,285,000)</u>	
Total Long-Term Liabilities		<u>(2,291,516)</u>

Bonds were partially defeased through a bond escrow account. The payment made to the bond escrow account is reported as an expenditure in the fund financial statements, but reduces bond principal and creates a deferred outflow in the Statement of Net Position. 63,548

Total Net Position - Governmental Activities \$ 6,156,450

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, 2014

	General	Debt Service	Title I	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 12,216	\$ 529,512	\$ 0	\$ 0	\$ 541,728
State	4,094,073	0	0	66,358	4,160,431
Charges for Services	0	0	0	91,722	91,722
Grants and Contributions	14,573	0	127,755	411,960	554,288
Earnings on Investments	2,250	38	0	5,700	7,988
Other	15,422	0	0	0	15,422
Total Revenues	<u>4,138,534</u>	<u>529,550</u>	<u>127,755</u>	<u>575,740</u>	<u>5,371,579</u>
<b>Expenditures</b>					
Current:					
Instruction	2,575,010	0	121,136	264,420	2,960,566
Support Services	1,630,950	0	6,619	69,150	1,706,719
Food Service	4,150	0	0	235,704	239,854
Debt Service:					
Principal	11,681	350,000	0	0	361,681
Interest	1,915	110,325	0	0	112,240
Debt Fees	0	6,700	0	0	6,700
Payment to Escrow Agent	0	468,843	0	0	468,843
Capital Outlay	13,996	0	0	63,793	77,789
Total Expenditures	<u>4,237,702</u>	<u>935,868</u>	<u>127,755</u>	<u>633,067</u>	<u>5,934,392</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
	<u>(99,168)</u>	<u>(406,318)</u>	<u>0</u>	<u>(57,327)</u>	<u>(562,813)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	34,902	0	0	140,620	175,522
Transfers Out	(33,756)	0	0	(141,766)	(175,522)
Total Other Financing Sources (Uses)	<u>1,146</u>	<u>0</u>	<u>0</u>	<u>(1,146)</u>	<u>0</u>
Net Change in Fund Balances	(98,022)	(406,318)	0	(58,473)	(562,813)
Fund Balances - Beginning	1,083,876	731,030	0	460,572	2,275,478
Fund Balances - Ending	<u>\$ 985,854</u>	<u>\$ 324,712</u>	<u>\$ 0</u>	<u>\$ 402,099</u>	<u>\$ 1,712,665</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, 2014

Total Net Change in Fund Balance - Governmental Funds \$ (562,813)

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	\$ 15,098	
Depreciation Expense	<u>(310,965)</u>	
Net		(295,867)

Accrued interest on long-term debt. 5,716

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. (5,734)

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. 361,681

Bonds were partially defeased through a bond escrow account. The payment made to the bond escrow account is reported as an expenditure in the fund financial statements, but reduces bond principal and creates a deferred outflow in the Statement of Net Position. A portion of the deferral is amortized and increases interest expenses in the Statement of Activities. 463,548

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 \$ (26,953)

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

**Melba Joint School District No. 136**  
Statement of Fiduciary Net Position  
June 30, 2014

	Agency Funds	Private - Purpose Trust Fund	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 83,384	\$ 58,578	\$ 141,962
Total Assets	83,384	58,578	141,962
<b>Deferred Outflows</b>			
	0	0	0
<b>Liabilities</b>			
Due to Student Groups	\$ 83,384	\$ 0	\$ 83,384
Accounts Payable	0	7,864	7,864
Total Liabilities	83,384	7,864	91,248
<b>Deferred Inflows</b>			
	0	0	0
<b>Net Position</b>			
Restricted for Scholarships and Others	0	50,714	50,714
Total Net Position	\$ 83,384	\$ 50,714	\$ 134,098

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, 2014

	Private - Purpose Trust Fund
<b>Additions</b>	
Contributions	\$ 7,409
Investment Income	62
Total Additions	7,471
<b>Deductions</b>	
Miscellaneous	8,579
Donations to Others	500
Total Deductions	9,079
Changes in Net Position	(1,608)
Net Position - Beginning	52,322
Net Position - Ending	\$ 50,714

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, 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

**Melba Joint School District No. 136** (the “District”) is governed by the School District Board of Trustees (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined 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—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, 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The District reports the following major governmental funds:

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

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, 2014

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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 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 either restricted and unrestricted net positions 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, 2014

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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. Inventory in governmental funds consists of expendable supplies held for consumption.

Property Taxes

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

The counties are responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the District by the counties as of June 30, 2014, are considered by the District as a receivable.

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes not collected within 60 days after June 30, 2014, 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. However, neither may be carried over from one year to the next or paid out upon termination.

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, 2014

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2. CASH AND INVESTMENTS

Deposits

As of June 30, 2014, the carrying amount of the District's deposits was \$892,892 and the respective bank balances totaled \$929,377. 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, 2014, 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.

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, 2014

2. CASH AND INVESTMENTS (continued)

The District's investments at June 30, 2014, are summarized below:

Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
External Investment Pool	\$ 1,075,464	\$ 1,075,464	\$ 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	\$ 803,012	\$ 89,880	\$ 892,892
Investments categorized as deposits	1,023,382	52,082	1,075,464
	\$ 1,826,394	\$ 141,962	\$ 1,968,356

3. RECEIVABLE - INTERGOVERNMENTAL

Amounts due from other governments consists of \$117,110 from the State of Idaho for school support, \$8,569 from the State of Idaho for vocational education, and \$135,269 of federal money passed through the state for federal programs for a total of \$260,948. These amounts are all considered collectible.

4. INTERFUND BALANCES AND ACTIVITY

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

\$ 20,998	Due to the General fund from the Title I fund representing cash overdrafts.
76,798	Due to the General fund from nonmajor governmental funds representing cash overdrafts.
\$ 91,536	

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2014

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2014</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 782,901	\$ 0	\$ 0	\$ 782,901
Construction in Progress	<u>96,000</u>	<u>0</u>	<u>(96,000)</u>	<u>0</u>
Total	<u>878,901</u>	<u>0</u>	<u>(96,000)</u>	<u>782,901</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	8,970,795	96,000	0	9,066,795
Equipment	507,449	0	0	507,449
Vehicles	<u>1,307,652</u>	<u>15,098</u>	<u>(146,245)</u>	<u>1,176,505</u>
Total Historical Cost	<u>10,785,896</u>	<u>111,098</u>	<u>(146,245)</u>	<u>10,750,749</u>
Less: Accumulated Depreciation				
Buildings and Improvements	3,393,814	212,357	0	3,606,171
Equipment	<u>1,317,154</u>	<u>98,608</u>	<u>(146,245)</u>	<u>1,269,517</u>
Total Acc. Depr.	<u>4,710,968</u>	<u>310,965</u>	<u>(146,245)</u>	<u>4,875,688</u>
Net Depreciable Assets	<u>6,074,928</u>	<u>(199,867)</u>	<u>0</u>	<u>5,875,061</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 6,857,829</u>	<u>\$ (199,867)</u>	<u>\$ 0</u>	<u>\$ 6,657,962</u>

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

Instruction	\$ 212,447
Support Services	<u>98,518</u>
	<u>\$ 310,965</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, 2014

7. TRANSFERS TO/FROM OTHER FUNDS

Transfer activity for the year ended June 30, 2014 was as follows:

\$ 34,902	From nonmajor funds to the General fund to cover expenditures.
106,864	From nonmajor funds to nonmajor funds to cover expenditures.
<u>33,756</u>	From the General fund to nonmajor capital project funds for bus depreciation.
<u>\$175,522</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, 2014, 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 1<sup>st</sup>.

Changes in compensated absences for the year ended June 30, 2014, are as follows:

	<u>6/30/2013</u>	<u>Earned</u>	<u>Used</u>	<u>6/30/2014</u>	<u>Current Portion</u>
Governmental Activities	<u>\$ 6,516</u>	<u>\$ 10,486</u>	<u>\$ (17,002)</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2014

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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](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The District employer contributions required and paid were \$306,058, \$280,219, and \$264,223 for the three years ended June 30, 2014, 2013, and 2012 respectively.

12. LONG-TERM LIABILITIES

In prior years, 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 identified excess cash of \$468,843 in the bond fund not needed to make current bond payments and deposited funds in an irrevocable trust escrow to pay bonds that mature in the future. The \$400,000 in principal will remain in escrow until fiscal year 2020 and then drops to \$230,000. This balance will be used to pay off the bonds in fiscal year 2021. Starting with the February 2014 bond payment, a portion of the



**Melba Joint School District No. 136**  
Notes to Financial Statements  
For the Year Ended June 30, 2014

12. LONG-TERM LIABILITIES (continued)

interest will be paid out of the escrow account. For the governmental activities, the interest paid into the escrow account is considered a deferred outflow and is being amortized over the life of the revised bond payment schedule.

The difference between the cash flows required to service the old debt and the revised debt and complete the refunding is \$120,650. This defeasance results in an economic gain of \$45,000.

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>(43,105)</u>
	<u>\$ 4,789</u>

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

		<u>Interest</u>	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>	<u>Current</u>
Governmental Activities:							
2011 GOB	2021 3.0%-4.50%	\$ 3,035,000	\$ 0	\$ (750,000)	\$ 2,285,000	\$ 370,000	\$ 370,000
Copier Lease	2015 14.75%	18,197	0	(11,681)	6,516	6,516	6,516
		<u>\$ 3,053,197</u>	<u>\$ 0</u>	<u>\$ (761,681)</u>	<u>\$ 2,291,516</u>	<u>\$ 376,516</u>	<u>\$ 376,516</u>

Debt service requirements on long-term debt at June 30, 2014, are as follows:

Year Ending June 30,	Bonds and Notes			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 370,000	\$ 90,825	\$ 460,825	\$ 6,516	\$ 283	\$ 6,799
2016	405,000	77,875	482,875	0	0	0
2017	415,000	61,675	476,675	0	0	0
2018	420,000	45,075	465,075	0	0	0
2019	420,000	28,275	448,275	0	0	0
2020	255,000	11,475	266,475	0	0	0
	<u>\$ 2,285,000</u>	<u>\$ 315,200</u>	<u>\$ 2,600,200</u>	<u>\$ 6,516</u>	<u>\$ 283</u>	<u>\$ 6,799</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Melba Joint School District No. 136**  
 Budgetary (GAAP Basis) Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 0	\$ 89,149	\$ 12,216	\$ (76,933)
State	3,683,298	3,961,237	4,094,073	132,836
Grants and Contributions	0	3,000	14,573	11,573
Earnings on Investments	4,000	4,000	2,250	(1,750)
Other	4,000	15,172	15,422	250
Total Revenues	<u>3,691,298</u>	<u>4,072,558</u>	<u>4,138,534</u>	<u>65,976</u>
<b>Expenditures</b>				
Current:				
Instruction	2,357,993	2,620,039	2,575,010	45,029
Support Services	1,588,084	1,703,404	1,630,950	72,454
Non-Instruction	5,060	4,428	4,150	278
Debt Service:				
Principal	0	0	11,681	(11,681)
Interest	0	0	1,915	(1,915)
Capital Outlay	5,000	2,500	13,996	(11,496)
Contingency Reserve	0	0	0	0
Total Expenditures	<u>3,956,137</u>	<u>4,330,371</u>	<u>4,237,702</u>	<u>92,669</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	<u>(264,839)</u>	<u>(257,813)</u>	<u>(99,168)</u>	<u>158,645</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	50,000	50,000	34,902	(15,098)
Transfers Out	(69,157)	(69,157)	(33,756)	35,401
Total Other Financing Sources (Uses)	<u>(19,157)</u>	<u>(19,157)</u>	<u>1,146</u>	<u>20,303</u>
Net Change in Fund Balances	(283,996)	(276,970)	(98,022)	178,948
Fund Balances - Beginning	283,996	276,976	1,083,876	806,900
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 6</u>	<u>\$ 985,854</u>	<u>\$ 985,848</u>

**Melba Joint School District No. 136**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Title I  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Grants and Contributions	\$ 150,278	\$ 149,408	\$ 127,755	\$ (21,653)
Total Revenues	<u>150,278</u>	<u>149,408</u>	<u>127,755</u>	<u>(21,653)</u>
<b>Expenditures</b>				
Current:				
Instruction	143,659	142,791	121,136	21,655
Support Services	6,619	6,619	6,619	0
Total Expenditures	<u>150,278</u>	<u>149,410</u>	<u>127,755</u>	<u>21,655</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(2)	0	2
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (2)</u>	<u>\$ 0</u>	<u>\$ 2</u>

**Melba School District No. 136**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2014

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1. BUDGETS AND BUDGETARY ACCOUNTING

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

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

**SUPPLEMENTAL INFORMATION**

**Melba Joint School District No. 136**  
 Supplemental Schedule of Revenues by Source -  
 Budget (GAAP Basis) and Actual - General Fund  
 For the Year Ended June 30, 2014

	Budget	Actual	Variance
<b>Local Sources</b>			
Property Taxes	\$ 89,149	\$ 12,216	\$ (76,933)
Earnings on Investments	4,000	2,250	(1,750)
Grants and Contributions	3,000	14,573	11,573
Other	15,172	15,422	250
Total Local Sources	<u>111,321</u>	<u>44,461</u>	<u>(66,860)</u>
<b>State Sources</b>			
State Support	3,359,340	3,370,255	10,915
State Paid Benefits	416,525	416,707	182
Revenue In Lieu of Taxes	35,300	35,300	0
Other Support	150,072	271,811	121,739
Total State Sources	<u>3,961,237</u>	<u>4,094,073</u>	<u>132,836</u>
Total Revenues	<u>\$ 4,072,558</u>	<u>\$ 4,138,534</u>	<u>\$ 65,976</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, 2014

<b>Instruction</b>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Elementary:			
Salaries	711,000	711,877	\$ (877.0)
Benefits	218,100	213,887	4,213
Services	16,697	6,991	9,706
Supplies	43,562	34,602	8,960
	<u>989,359</u>	<u>967,357</u>	<u>22,002</u>
Secondary:			
Salaries	970,473	968,017	2,456
Benefits	304,700	303,924	776
Services	26,713	20,163	6,550
Supplies	19,567	16,845	2,722
	<u>1,321,453</u>	<u>1,308,949</u>	<u>12,504</u>
Exceptional Child:			
Salaries	95,405	93,882	1,523
Benefits	34,618	34,817	(199)
Services	1,001	294	707
	<u>131,024</u>	<u>128,993</u>	<u>2,031</u>
Preschool Exceptional Child:			
Salaries	5,949	5,949	0
Benefits	3,222	3,287	(65)
	<u>9,171</u>	<u>9,236</u>	<u>(65)</u>
Gifted/Talented:			
Salaries	0	0	0
Interscholastic:			
Salaries	121,738	119,646	2,092
Benefits	35,274	28,940	6,334
Services	4,496	4,365	131
Supplies	7,524	7,524	0
	<u>169,032</u>	<u>160,475</u>	<u>8,557</u>
<b>Total Instruction</b>	<u>2,620,039</u>	<u>2,575,010</u>	<u>45,029</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, 2014  
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Support Services</b>			
Attendance, Guidance, and Health:			
Salaries	55,873	55,873	0
Benefits	15,613	15,272	341
Services	732	8	724
	<u>72,218</u>	<u>71,153</u>	<u>1,065</u>
Special Services:			
Salaries	3,225	3,191	34
Benefits	2,230	2,233	(3)
Services	71,691	60,934	10,757
	<u>77,146</u>	<u>66,358</u>	<u>10,788</u>
Instruction Improvement:			
Salaries	15,118	14,429	689
Benefits	7,558	7,693	(135)
Services	7,850	3,212	4,638
	<u>30,526</u>	<u>25,334</u>	<u>5,192</u>
Educational Media:			
Salaries	18,463	16,430	2,033
Benefits	11,313	5,231	6,082
Services	700	40	660
Supplies	2,800	2,165	635
	<u>33,276</u>	<u>23,866</u>	<u>9,410</u>
Instruction-Related Tech:			
Salaries	68,084	63,393	4,691
Benefits	25,205	26,246	(1,041)
Services	10,000	8,236	1,764
Supplies	33,080	28,797	4,283
Capital Outlays	2,500	13,996	(11,496)
	<u>138,869</u>	<u>140,668</u>	<u>(1,799)</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, 2014  
(continued)

	Budget	Actual	Variance
Board of Education:			
Salaries	2,500	1,001	1,499
Benefits	946	409	537
Services	26,244	26,103	141
	<u>29,690</u>	<u>27,513</u>	<u>2,177</u>
District Administration:			
Salaries	96,516	96,516	0
Benefits	25,951	25,305	646
Services	7,195	7,084	111
Supplies	980	951	29
	<u>130,642</u>	<u>129,856</u>	<u>786</u>
School Administration:			
Salaries	176,655	176,536	119
Benefits	54,503	51,179	3,324
Services	620	547	73
	<u>231,778</u>	<u>228,262</u>	<u>3,516</u>
Business Operation:			
Salaries	60,807	60,806	1
Benefits	20,271	19,772	499
Services	2,070	1,155	915
Supplies	11,822	5,686	6,136
	<u>94,970</u>	<u>87,419</u>	<u>7,551</u>
Building Care:			
Salaries	68,141	66,935	1,206
Benefits	27,516	22,339	5,177
Services	240,220	222,520	17,700
Supplies	18,000	19,106	(1,106)
	<u>353,877</u>	<u>330,900</u>	<u>22,977</u>
Building Maintenance (Non-Student):			
Salaries	38,870	39,020	(150)
Benefits	14,725	12,195	2,530
Services	1,000	1,000	0
Supplies	12,000	21,147	(9,147)
Capital Outlays	0	0	0
	<u>66,595</u>	<u>73,362</u>	<u>(6,767)</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, 2014  
(continued)

	Budget	Actual	Variance
Building Maintenance (Student):			
Salaries	17,853	17,850	3
Benefits	5,894	3,566	2,328
Services	7,000	7,000	0
Supplies	37,000	48,904	(11,904)
	<u>67,747</u>	<u>77,320</u>	<u>(9,573)</u>
Maintenance - Grounds:			
Services	4,100	4,100	0
Supplies	12,000	14,205	(2,205)
	<u>16,100</u>	<u>18,305</u>	<u>(2,205)</u>
School Transportation:			
Salaries	110,989	108,070	2,919
Benefits	42,557	33,110	9,447
Services	22,900	19,844	3,056
Supplies	94,266	106,485	(12,219)
	<u>270,712</u>	<u>267,509</u>	<u>3,203</u>
Activity Transportation:			
Salaries	8,998	7,854	1,144
Benefits	2,022	1,189	833
Services	150	124	26
Supplies	10,500	5,723	4,777
	<u>21,670</u>	<u>14,890</u>	<u>6,780</u>
Other Support Services:			
Benefits	30,000	22,143	7,857
Services	40,088	40,088	0
	<u>70,088</u>	<u>62,231</u>	<u>7,857</u>
Total Support Services	<u>1,705,904</u>	<u>1,644,946</u>	<u>60,958</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, 2014  
 (continued)

	Budget	Actual	Variance
<b>Non- Instruction</b>			
Food Service	4,428	4,150	278
<b>Debt Service</b>			
Principal	0	11,681	(11,681)
Interest	0	1,915	(1,915)
	0	13,596	(13,596)
<b>Contingency Reserve</b>	0	0	0
<b>Total Expenditures</b>	\$ 4,330,371	\$ 4,237,702	\$ 92,669

**Melba Joint School District No. 136**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue				
	Local Projects	Driver's Education	Vocational Education	State Technology	Title I Migrant
Cash and Cash Equivalents	\$ 110,822	\$ 5,054	\$ 0	\$ 2,139	\$ 0
Receivables, Net					
Intergovernmental	0	0	8,569	0	22,706
Inventory	0	0	0	0	0
Total Assets	<u>110,822</u>	<u>5,054</u>	<u>8,569</u>	<u>2,139</u>	<u>22,706</u>
<b>Deferred Outflows</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 110,822</u>	<u>\$ 5,054</u>	<u>\$ 8,569</u>	<u>\$ 2,139</u>	<u>\$ 22,706</u>
<b>Liabilities</b>					
Accounts Payable	\$ 0	\$ 0	\$ 1,727	\$ 0	\$ 9,951
Internal Balances	0	0	4,219	0	11,361
Salaries Payable and Related Liabilities	1,024	1,116	2,396	0	1,393
Total Liabilities	<u>1,024</u>	<u>1,116</u>	<u>8,342</u>	<u>0</u>	<u>22,705</u>
<b>Deferred Inflows</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>					
Nonspendable:					
Inventory	0	0	0	0	0
Restricted	109,798	3,938	227	2,139	1
Unassigned	0	0	0	0	0
Total Fund Balances	<u>109,798</u>	<u>3,938</u>	<u>227</u>	<u>2,139</u>	<u>1</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 110,822</u>	<u>\$ 5,054</u>	<u>\$ 8,569</u>	<u>\$ 2,139</u>	<u>\$ 22,706</u>

**Melba Joint School District No. 136**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2014  
(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
Cash and Cash Equivalents	\$ 0		\$ 0	\$ 0	\$ 0	\$ 129,243
Receivables, Net						
Intergovernmental	37,375	979	1,940	20,301	11,526	0
Inventory	0	0	0	0	0	11,645
Total Assets	<u>37,375</u>	<u>979</u>	<u>1,940</u>	<u>20,301</u>	<u>11,526</u>	<u>140,888</u>
<b>Deferred Outflows</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 37,375</u>	<u>\$ 979</u>	<u>\$ 1,940</u>	<u>\$ 20,301</u>	<u>\$ 11,526</u>	<u>\$ 140,888</u>
<b>Liabilities</b>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Internal Balances	21,083	979	1,069	20,301	11,526	0
Salaries Payable and Related Liabilities	16,292	0	871	0	0	9,784
Total Liabilities	<u>37,375</u>	<u>979</u>	<u>1,940</u>	<u>20,301</u>	<u>11,526</u>	<u>9,784</u>
<b>Deferred Inflows</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>						
Nonspendable:						
Inventory	0	0	0	0	0	11,645
Restricted	0	0	0	0	0	119,459
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>131,104</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 37,375</u>	<u>\$ 979</u>	<u>\$ 1,940</u>	<u>\$ 20,301</u>	<u>\$ 11,526</u>	<u>\$ 140,888</u>

**Melba Joint School District No. 136**  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2014  
(continued)

	Capital Projects			Total
	Plant Facilities	Building Maintenance	Bus Depreciation	
Cash and Cash Equivalents	\$ 16,850	\$ 112,613	31,308	\$ 408,029
Receivables, Net				
Intergovernmental	0	0	0	103,396
Inventory	0	0	0	11,645
Total Assets	<u>16,850</u>	<u>112,613</u>	<u>31,308</u>	<u>523,070</u>
<b>Deferred Outflows</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 16,850</u>	<u>\$ 112,613</u>	<u>\$ 31,308</u>	<u>\$ 523,070</u>
<b>Liabilities</b>				
Accounts Payable	\$ 5,879	\$ 0	\$ 0	\$ 17,557
Internal Balances	0	0	0	70,538
Salaries Payable and Related Liabilities	0	0	0	32,876
Total Liabilities	<u>5,879</u>	<u>0</u>	<u>0</u>	<u>120,971</u>
<b>Deferred Inflows</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventory	0	0	0	11,645
Restricted	10,971	112,613	31,308	390,454
Unassigned	0	0	0	0
Total Fund Balances	<u>10,971</u>	<u>112,613</u>	<u>31,308</u>	<u>402,099</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 16,850</u>	<u>\$ 112,613</u>	<u>\$ 31,308</u>	<u>\$ 523,070</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, 2014

	Special Revenue				
	Local Projects	Driver's Education	Vocational Education	State Technology	Title I Migrant
<b>Revenues</b>					
State	\$ 31,565	\$ 5,875	\$ 28,918	\$ 0	\$ 0
Charges for Services	0	11,750	0	0	0
Grants and Contributions	0	0	0	0	34,939
Earnings on Investments	0	0	0	0	0
<b>Total Revenues</b>	<b>31,565</b>	<b>17,625</b>	<b>28,918</b>	<b>0</b>	<b>34,939</b>
<b>Expenditures</b>					
Instruction:					
Salaries	0	11,836	9,728	0	14,403
Benefits	0	2,450	4,266	0	5,967
Services	0	1,648	6,744	0	4,108
Supplies	0	1,337	6,395	0	2,880
<b>Total Instruction</b>	<b>0</b>	<b>17,271</b>	<b>27,133</b>	<b>0</b>	<b>27,358</b>
Support Services:					
Salaries	7,023	0	0	0	0
Benefits	2,612	0	0	0	0
Services	59,515	0	0	0	0
Supplies	0	0	0	0	0
<b>Total Support Services</b>	<b>69,150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Food Service	0	0	0	0	0
Capital Outlay	0	15,098	1,558	0	7,580
<b>Total Expenditures</b>	<b>69,150</b>	<b>32,369</b>	<b>28,691</b>	<b>0</b>	<b>34,938</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(37,585)</b>	<b>(14,744)</b>	<b>227</b>	<b>0</b>	<b>1</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	15,098	0	0	0
Transfers Out	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>15,098</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>(37,585)</b>	<b>354</b>	<b>227</b>	<b>0</b>	<b>1</b>
Fund Balances - Beginning	147,383	3,584	0	2,139	0
<b>Fund Balances - Ending</b>	<b>\$ 109,798</b>	<b>\$ 3,938</b>	<b>\$ 227</b>	<b>\$ 2,139</b>	<b>\$ 1</b>



**Melba Joint School District No. 136**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2014  
 (continued)

	Special Revenue					
	Title VI-B	Title VI-B Preschool	Rural and Low Income	Title III Perkins	Title II-A	Food Service
<b>Revenues</b>						
State	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charges for Services	0	0	0	0	0	79,972
Grants and Contributions	154,552	4,145	4,126	20,302	18,253	175,643
Earnings on Investments	0	0	0	0	0	61
<b>Total Revenues</b>	<b>154,552</b>	<b>4,145</b>	<b>4,126</b>	<b>20,302</b>	<b>18,253</b>	<b>255,676</b>
<b>Expenditures</b>						
Instruction:						
Salaries	69,961	677	2,589	11,582	814	0
Benefits	30,552	459	1,537	0	192	0
Services	51,315	914	0	0	17,247	0
Supplies	2,724	2,095	0	0	0	0
<b>Total Instruction</b>	<b>154,552</b>	<b>4,145</b>	<b>4,126</b>	<b>11,582</b>	<b>18,253</b>	<b>0</b>
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
<b>Total Support Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Food Service	0	0	0	0	0	235,704
Capital Outlay	0	0	0	8,720	0	13,035
<b>Total Expenditures</b>	<b>154,552</b>	<b>4,145</b>	<b>4,126</b>	<b>20,302</b>	<b>18,253</b>	<b>248,739</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,937</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,937</b>
Fund Balances - Beginning	0	0	0	0	0	124,167
<b>Fund Balances - Ending</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 131,104</b>

**Melba Joint School District No. 136**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2014  
 (continued)

	Capital Projects			Total
	Plant Facilities	Building Maintenance	Bus Depreciation	
<b>Revenues</b>				
State	0	\$ 0	\$ 0	\$ 66,358
Charges for Services	0	0	0	91,722
Grants and Contributions	0	0	0	411,960
Earnings on Investments	5,549	90	0	5,700
<b>Total Revenues</b>	<b>5,549</b>	<b>90</b>	<b>0</b>	<b>575,740</b>
<b>Expenditures</b>				
Instruction:				
Salaries	0	0	0	121,590
Benefits	0	0	0	45,423
Services	0	0	0	81,976
Supplies	0	0	0	15,431
<b>Total Instruction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>264,420</b>
Support Services:				
Salaries	0	0	0	7,023
Benefits	0	0	0	2,612
Services	0	0	0	59,515
Supplies	0	0	0	0
<b>Total Support Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69,150</b>
Food Service	0	0	0	235,704
Capital Outlay	17,802	0	0	63,793
<b>Total Expenditures</b>	<b>17,802</b>	<b>0</b>	<b>0</b>	<b>633,067</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(12,253)</b>	<b>90</b>	<b>0</b>	<b>(57,327)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	91,766	0	33,756	140,620
Transfers Out	0	(141,766)	0	(141,766)
<b>Total Other Financing Sources (Uses)</b>	<b>91,766</b>	<b>(141,766)</b>	<b>33,756</b>	<b>(1,146)</b>
<b>Net Change in Fund Balances</b>	<b>79,513</b>	<b>(141,676)</b>	<b>33,756</b>	<b>(58,473)</b>
Fund Balances - Beginning	(68,542)	254,289	(2,448)	460,572
<b>Fund Balances - Ending</b>	<b>\$ 10,971</b>	<b>\$ 112,613</b>	<b>\$ 31,308</b>	<b>\$ 402,099</b>

**Melba Joint School District No. 136**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
Title I - Basic	84.010	S010A130012	\$ 127,755
Title I C - Migrant	84.011	S011A120012	34,938
Special Education - State Grants	84.027	H027A130133	154,552
Vocational Education	84.048	V048A120012	20,302
Special Education - Preschool Grants	84.173	H173A120030	4,145
Title IIA - Improving Teacher Quality	84.367	S367A130011	18,253
Rural Education	84.358	S358B130012	4,126
College Access Challenge Grant	84.378	R372A120037	1,000
Total U.S. Department of Education			<u>365,071</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast	10.553	2014IN109947	28,055
National School Lunch	10.555	2014IN109947	160,744
Special Milk Program for Children	10.556	2014IN109947	18
Total U.S. Department of Agriculture			<u>188,817</u>
Total Federal Financial Assistance Expended			<u><u>\$ 553,888</u></u>

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

**FEDERAL REPORTS**



Certified Public Accountants

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

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812-B 12<sup>th</sup> Ave. South  
P.O. Box 876  
Nampa, ID 83653-0876  
208 466-2493  
FAX 208 467-2000  
www.BaileyCPAs.com

**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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 9, 2014.

**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  
September 9, 2014



Certified Public Accountants

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

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812-B 12<sup>th</sup> Ave. South  
P.O. Box 876  
Nampa, ID 83653-0876  
208 466-2493  
FAX 208 467-2000  
www.BaileyCPAs.com

## **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, 2014. 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, 2014.

## **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  
September 9, 2014



**Melba Joint School District No. 136**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

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

*Financial Statements*

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

Internal control over financial reporting:

Significant deficiency(ies) disclosed?                     yes     none reported

Material weakness(es) disclosed?                     yes     none reported

Noncompliance material to financial statements noted?                     yes     no

*Federal Awards*

Internal control over major programs:

Significant deficiency(ies) disclosed?                     yes     none reported

Material weakness(es) disclosed?                     yes     none reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program
10.553, 10.555, 10.556	Nutrition Cluster
84.027, 84.173	Special Education Cluster (IDEA)

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**

None reported.

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

None reported.

**Melba Joint School District No. 136**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2014

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2013-001: 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:* Cleared