

MELBA JOINT SCHOOL DISTRICT NO. 136

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2017

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FEDERAL REPORT

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Melba Joint School District No. 136** (the District), as of and for the year ended June 30, 2017, 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, 2017, 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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of employer's share of net pension liability – PERSI base plan, and the schedule of employer contributions – PERSI base plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Melba Joint School District No. 136's** basic financial statements. The supplemental schedules of revenues by source – budget and actual – General fund, the supplemental schedule of expenditures by object of expenditure – budget and actual – General fund, the combining balance sheet – nonmajor governmental funds, and the combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2017, 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 6, 2017

Melba Joint School District No. 136
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 2,887,130
Receivables, Net	
Property Taxes	250,392
Intergovernmental	262,981
Inventory	7,602
Capital Assets:	
Land	814,486
Buildings and Improvements, Net	14,219,533
Equipment and Vehicles, Net	508,288
Total Assets	18,950,412
Deferred Outflows	
Bond Interest Held in Escrow	31,774
Pension	1,276,665
Total Deferred Outflows	1,308,439
Liabilities	
Accounts Payable and Other Current Liabilities	3,752
Salaries and Benefits Payable	491,056
Accrued Interest	135,731
Long-Term Liabilities:	
Due Within One Year:	
Bonds Payable	550,000
Compensated Absences	3,507
Due in More Than One Year:	
Bonds Payable	10,066,022
Net Pension Liability	1,884,460
Total Liabilities	13,134,528
Deferred Inflows	
Pension	696,079
Net Position	
Net Investment in Capital Assets	4,958,059
Restricted for:	
Debt Service	714,458
Capital Projects	390,051
Special Revenue	239,409
Unrestricted	126,267
Total Net Position	\$ 6,428,244

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, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 3,739,780	\$ 6,767	\$ 360,677	\$ 0	\$ (3,372,336)
Support Services	1,999,395	0	56,212	25,015	(1,918,168)
Food Service	265,395	59,976	206,340	0	921
Interest	89,169	0	0	0	(89,169)
Debt Fees	850	0	0	0	(850)
Total Governmental Activities	\$ 6,094,589	\$ 66,743	\$ 623,229	\$ 25,015	(5,379,602)
General Revenues:					
					713,414
					5,063,238
					25,017
					16,927
					(14,871)
					<u>5,803,725</u>
					424,123
					<u>6,004,121</u>
					<u>\$ 6,428,244</u>

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

Melba Joint School District No. 136

Balance Sheet -
Governmental Funds
June 30, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,647,944	\$ 600,398	\$ 390,051	\$ 248,737	\$ 2,887,130
Receivables, Net:					
Property Taxes	601	249,791	0	0	250,392
Intergovernmental	132,244	0	0	130,737	262,981
Internal Balances	93,222	0	0	0	93,222
Inventory	0	0	0	7,602	7,602
Total Assets	<u>1,874,011</u>	<u>850,189</u>	<u>390,051</u>	<u>387,076</u>	<u>3,501,327</u>
Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 1,874,011</u>	<u>\$ 850,189</u>	<u>\$ 390,051</u>	<u>\$ 387,076</u>	<u>\$ 3,501,327</u>
Liabilities					
Accounts Payable	\$ 311	\$ 0	\$ 0	\$ 3,441	\$ 3,752
Internal Balances	0	0	0	93,222	93,222
Salaries and Benefits Payable	440,052	0	0	51,004	491,056
Total Liabilities	<u>440,363</u>	<u>0</u>	<u>0</u>	<u>147,667</u>	<u>588,030</u>
Deferred Inflows					
Unavailable Property Taxes	<u>596</u>	<u>35,494</u>	<u>0</u>	<u>0</u>	<u>36,090</u>
Fund Balances					
Nonspendable:					
Inventory	0	0	0	7,602	7,602
Restricted	0	814,695	390,051	231,807	1,436,553
Unassigned	1,433,052	0	0	0	1,433,052
Total Fund Balances	<u>1,433,052</u>	<u>814,695</u>	<u>390,051</u>	<u>239,409</u>	<u>2,877,207</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,874,011</u>	<u>\$ 850,189</u>	<u>\$ 390,051</u>	<u>\$ 387,076</u>	<u>\$ 3,501,327</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, 2017

Total Fund Balances - Governmental Funds \$ 2,877,207

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

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

Land	\$	814,486	
Buildings and Improvements, Net of \$3,935,521 accumulated depreciation		14,219,533	
Equipment and Vehicles, Net of \$1,347,422 accumulated depreciation		508,288	
Total Capital Assets			15,542,307

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period expenditures and, therefore, are deferred inflows in the funds. These amounts are not considered deferred inflows in the government-wide statements. 36,090

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

Deferred outflow of interest paid to escrow to defease future bonds		31,774	
Deferred outflows related to net pension liability		1,276,665	
Deferred inflows related to net pension liability		(696,079)	
			612,360

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

Accrued Interest on Long-term Debt		(135,731)	
Compensated Absences		(3,507)	
			(139,238)

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

Net Pension Liability		(1,884,460)	
Bonds Payable (Including Bond Premium)		(10,616,022)	
Total Long-Term Liabilities			(12,500,482)

Total Net Position - Governmental Activities \$ 6,428,244

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, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 660	\$ 713,930	\$ 0	\$ 0	\$ 714,590
State	4,755,773	206,668	0	100,797	5,063,238
Charges for Services	0	0	0	66,743	66,743
Grants and Contributions	56,212	0	25,015	567,017	648,244
Earnings on Investments	13,353	1,821	3,621	6,222	25,017
Other	16,927	0	0	0	16,927
Total Revenues	4,842,925	922,419	28,636	740,779	6,534,759
Expenditures					
Current:					
Instruction	2,529,927	0	0	362,785	2,892,712
Support Services	1,873,088	0	23,045	95,363	1,991,496
Food Service	4,615	0	0	260,980	265,595
Debt Service:					
Principal	0	415,000	0	0	415,000
Interest	0	378,550	0	0	378,550
Debt Fees	0	850	0	0	850
Capital Outlay	34,486	0	2,937,414	201,910	3,173,810
Total Expenditures	4,442,116	794,400	2,960,459	921,038	9,118,013
Excess (Deficiency) of Revenues Over Expenditures	400,809	128,019	(2,931,823)	(180,259)	(2,583,254)
Other Financing Sources (Uses)					
Disposal of Assets	25,300	0	0	0	25,300
Transfers In	4,426	0	0	32,011	36,437
Transfers Out	(32,011)	0	0	(4,426)	(36,437)
Total Other Financing Sources (Uses)	(2,285)	0	0	27,585	25,300
Net Change in Fund Balances	398,524	128,019	(2,931,823)	(152,674)	(2,557,954)
Fund Balances - Beginning	1,034,528	686,676	3,321,874	392,083	5,435,161
Fund Balances - Ending	\$ 1,433,052	\$ 814,695	\$ 390,051	\$ 239,409	\$ 2,877,207

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, 2017

Total Net Change in Fund Balance - Governmental Funds \$ (2,557,954)

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	\$	2,967,992	
Disposal of Capital Assets		(40,171)	
Depreciation Expense		(378,988)	
Net		2,548,833	2,548,833

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as unavailable tax revenues. They are, however, recorded as revenues in the Statement of Activities. (1,176)

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net Pension Liability and Related Deferral Changes		10,065	
Accrued Interest on Long-term Debt Changes		(16,903)	
Compensated Absences Liability Changes		(708)	
		(7,546)	(7,546)

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

Amortization of Bond Premium		37,557	
Amortization of Loss on Bond Defeasance		(10,591)	
Principal Payments Made		415,000	
		441,966	441,966

Change in Net Position of Governmental Activities \$ 424,123

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

Melba Joint School District No. 136
Statement of Fiduciary Net Position
June 30, 2017

	Agency Funds	Private Purpose Trust Fund	Total
Assets			
Cash and Cash Equivalents	\$ 110,818	\$ 60,719	\$ 171,537
Total Assets	110,818	60,719	171,537
Deferred Outflows			
	0	0	0
Liabilities			
Due to Student Groups	110,818	0	110,818
Total Liabilities	110,818	0	110,818
Deferred Inflows			
	0	0	0
Net Position			
Restricted for Scholarships and Others	0	60,719	60,719
Total Net Position	\$ 0	\$ 60,719	\$ 60,719

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, 2017

	Private Purpose Trust Fund
Additions	
Contributions	\$ 8,992
Investment Income	347
Total Additions	9,339
Deductions	
Miscellaneous	2,495
Donations to Others	1,000
Total Deductions	3,495
Changes in Net Position	5,844
Net Position - Beginning	54,875
Net Position - Ending	\$ 60,719

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following fiduciary fund types:

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

Basis of Accounting

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

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

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

The remaining fund balance classifications (committed and assigned) are not applicable. However, if there had been committed funds, these amounts would have been decided by the Board of Trustees, the District's highest level of decision making authority. The Board of Trustees would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are either restricted and unrestricted net position or fund balance available to finance the program. When both restricted and unrestricted resources are

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

It is the District's policy that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

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

C. Assets and Liabilities

Cash Equivalents

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

Inventories

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

Property Taxes

The District levies its real property taxes through Ada, Canyon, and Owyhee 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, 2017, are considered by the District as a receivable.

Taxes not collected within 60 days after June 30, 2017, are not considered available for use by the District and are recorded as deferred inflows in the fund financial statements.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Buildings and Improvements	\$ 5,000	Straight-Line	15 - 40 Years
Equipment and Vehicles	\$ 5,000	Straight-Line	5 - 20 Years

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

The District has no infrastructure to report.

Compensated Absences

The District provides sick leave and vacation to full-time non-certified employees. Normally, neither may be carried over from one year to the next or paid out upon termination. However, for the year ended June 30, 2017 the Superintendent authorized non-certified employees to accrue their vacation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Deposits

As of June 30, 2017, the carrying amount of the District's deposits was \$1,097,717 and the respective bank balances totaled \$1,331,649. 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, 2017, 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.

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

2. CASH AND INVESTMENTS (continued)

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.

The District's fair value of short-term investments totaled \$1,960,950 as of June 30, 2017. All of the District's investments are held in the State of Idaho Investment Pool. The District's investments are reported at fair market value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2017 are as follows:

Investment	Fair Value	Investment Maturities (in Years)		Quoted Prices for Similar Assets in Active Markets, or Other Observable Inputs such as: Interest Rates, Implied Volatilities, Credit Spreads (Level 2)
		Less Than 1	1-5	
External Investment Pool	\$ 1,960,950	\$ 1,960,950	\$ 0	\$ 1,960,950

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

2. CASH AND INVESTMENTS (continued)

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	\$ 976,463	\$ 121,254	\$ 1,097,717
Investments categorized as deposits	1,910,667	50,283	1,960,950
	\$ 2,887,130	\$ 171,537	\$ 3,058,667

3. RECEIVABLE - INTERGOVERNMENTAL

Amounts due from other governments consists of \$132,244 from the State of Idaho for school support, \$12,612 from the State of Idaho for vocational education, and \$118,125 of federal money passed through the state for federal programs for a total of \$262,981. These amounts are all considered collectible.

4. INTERFUND BALANCES AND ACTIVITY

Internal balances at June 30, 2017, consist of the following:

\$ 93,222 Due to the General fund from nonmajor governmental funds representing cash overdrafts.

5. TRANSFERS TO/FROM OTHER FUNDS

Transfer activity for the year ended June 30, 2017, is as follows:

\$ 4,426 From nonmajor funds to the General fund for cost allocation.
32,011 From the General fund to nonmajor capital project funds for bus depreciation.
\$ 36,437

6. 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, 2017, 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.

7. CONTINGENT LIABILITIES

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

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 7/1/2016	Additions	Disposals	Balance 6/30/2017
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 814,486	\$ 0	\$ 0	\$ 814,486
Construction in Progress	6,521,282	0	(6,521,282)	0
Total	<u>7,335,768</u>	<u>0</u>	<u>(6,521,282)</u>	<u>814,486</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	9,417,430	9,184,169	(446,545)	18,155,054
Equipment and Vehicles	1,557,113	305,105	(6,508)	1,855,710
Total Historical Cost	<u>10,974,543</u>	<u>9,489,274</u>	<u>(453,053)</u>	<u>20,010,764</u>
Less: Accumulated Depreciation				
Buildings and Improvements	4,034,439	307,456	(406,374)	3,935,521
Equipment and Vehicles	1,282,398	71,532	(6,508)	1,347,422
Total Acc. Depr.	<u>5,316,837</u>	<u>378,988</u>	<u>(412,882)</u>	<u>5,282,943</u>
Net Depreciable Assets	<u>5,657,706</u>	<u>9,110,286</u>	<u>(40,171)</u>	<u>14,727,821</u>
Governmental Activities Capital Assets - Net	<u>\$ 12,993,474</u>	<u>\$ 9,110,286</u>	<u>\$ (6,561,453)</u>	<u>\$ 15,542,307</u>

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

Instruction	\$ 289,763
Support Services	89,225
	<u>\$ 378,988</u>

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. The District awards all vacation leave to employees on July 1st. The Districts policy is "use or lose" unless carryover is granted by the Superintendent. The past few years some employees have been granted vacation carryover. Changes in compensated absences for the year ended June 30, 2017, are as follows:

	7/1/2016	Earned	Used	6/30/2017	Current Portion
Governmental Activities	\$ 2,799	\$ 19,310	\$ (18,602)	\$ 3,507	\$ 3,507

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

11. PENSION PLAN

Plan Description

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

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

Pension Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The District's employer contributions were \$317,570 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

11. PENSION PLAN (continued)

the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the District's proportion was 0.0929609%.

For the year ended June 30, 2017, the District recognized pension expense of \$306,401. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 187,773
Changes in assumptions or other inputs	41,890	0
Net difference between projected and actual earnings on pension plan investments	917,205	428,561
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	0	79,745
District contributions subsequent to the measurement date	317,570	0
Total	\$ 1,276,665	\$ 696,079

\$317,570 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 years and 5.5 years for the measurement period June 30, 2015.

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

Year Ended June 30,	
2017	\$ (22,521)
2018	\$ (19,199)
2019	\$ 197,515
2020	\$ 99,188
2021	\$ (16,403)

Actuarial Assumptions

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

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

11. PENSION PLAN (continued)

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

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

An experience study was performed for the period July 1, 2007 through June 30, 2013, which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date July 1, 2016.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of the System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.02%	15%	10%-20%
Fixed Income	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

11. PENSION PLAN (continued)

Total Fund	Expected Return*	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	4%	N/A
Portfolio	6.58%	2.25%	4%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	<u>\$ 3,696,642</u>	<u>\$ 1,884,460</u>	<u>\$ 377,431</u>

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

11. PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

12. LONG-TERM LIABILITIES

In prior years, 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. \$368,487 of interest expense was incurred during the year, of which \$279,318 was capitalized. Long-term debt activity for the year was as follows:

	<u>Maturity</u>	<u>Interest</u>	<u>7/1/2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2017</u>	<u>Current</u>
Governmental Activities:							
2011 GOB	2021	3.0%-4.5%	\$ 1,510,000	\$ 0	\$ (415,000)	\$ 1,095,000	\$ 420,000
2015 Series Bond	2034	3.0%-4.0%	8,845,000	0	0	8,845,000	130,000
			<u>\$ 10,355,000</u>	<u>\$ 0</u>	<u>\$ (415,000)</u>	<u>\$ 9,940,000</u>	<u>\$ 550,000</u>
Unamortized Bond Premium			<u>\$ 713,579</u>	<u>\$ 0</u>	<u>\$ (37,557)</u>	<u>\$ 676,022</u>	<u>\$ 0</u>

Debt service requirements on long-term debt at June 30, 2017, are as follows:

Year Ending June 30,	Bonds and Notes		
	Principal	Interest	Total
2018	\$ 550,000	\$ 360,000	\$ 910,000
2019	435,000	341,025	776,025
2020	290,000	323,475	613,475
2021	215,000	308,250	523,250
2022	480,000	297,825	777,825
2023 - 2027	2,630,000	1,257,875	3,887,875
2028 - 2032	3,140,000	726,425	3,866,425
2033 - 2034	2,200,000	119,188	2,319,188
	<u>\$ 9,940,000</u>	<u>\$ 3,734,063</u>	<u>\$ 13,674,063</u>

13. LEASE COMMITMENTS

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

Melba Joint School District No. 136
Notes to Financial Statements
For the Year Ended June 30, 2017

13. LEASE COMMITMENTS (continued)

Future minimum payments are as follows:

Year Ending June 30,	Amount
2018	\$ 8,729
2019	8,729
2020	5,092
	<u>\$ 22,550</u>

Lease expense for the year ended June 30, 2017 totaled \$71,865.

REQUIRED SUPPLEMENTARY INFORMATION

Melba Joint School District No. 136
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 0	\$ 0	\$ 660	\$ 660
State	4,496,575	4,670,328	4,755,773	85,445
Grants and Contributions	2,953	52,627	56,212	3,585
Earnings on Investments	4,000	13,071	13,353	282
Other	647	10,531	16,927	6,396
Total Revenues	<u>4,504,175</u>	<u>4,746,557</u>	<u>4,842,925</u>	<u>96,368</u>
Expenditures				
Current:				
Instruction	2,672,982	2,643,045	2,529,927	113,118
Support Services	2,024,572	2,117,082	1,873,088	243,994
Non-Instruction	5,081	4,562	4,615	(53)
Capital Outlay	1,250	34,963	34,486	477
Total Expenditures	<u>4,703,885</u>	<u>4,799,652</u>	<u>4,442,116</u>	<u>357,536</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(199,710)</u>	<u>(53,095)</u>	<u>400,809</u>	<u>453,904</u>
Other Financing Sources (Uses)				
Disposal of Assets	0	25,000	25,300	300
Transfers In	38,054	23,235	4,426	(18,809)
Transfers Out	(50,000)	(50,000)	(32,011)	17,989
Total Other Financing Sources (Uses)	<u>(11,946)</u>	<u>(1,765)</u>	<u>(2,285)</u>	<u>(520)</u>
Net Change in Fund Balances	(211,656)	(54,860)	398,524	453,384
Fund Balances - Beginning	211,656	54,860	1,034,528	979,668
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,433,052</u>	<u>\$ 1,433,052</u>

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

	2017	2016	2015
Employer's portion of the net pension liability	0.0929609%	0.0973470%	0.0994615%
Employer's proportionate share of the net pension liability	\$ 1,884,460	\$ 1,281,902	\$ 732,192
Employer's covered payroll	\$ 2,805,391	\$ 2,728,597	\$ 2,726,664
Employer's proportional share of the net pension liability as a percentage of its covered payroll	67.17%	46.98%	26.85%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%	94.95%

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

Data reported is measured as of June 30, 2016.

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

	2017	2016	2015
Statutorily required contribution	\$ 317,570	\$ 308,877	\$ 308,658
Contributions in relation to the statutorily required contribution	(317,570)	(308,877)	(308,658)
Contribution (deficiency) excess	\$ 0	\$ 0	\$ 0
Employers covered payroll	2,805,391	2,728,597	2,726,664
Contributions as a percentage of covered payroll	11.32%	11.32%	11.32%

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

Data is reported as of June 30, 2017.

Melba Joint School District No. 136
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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, 2017

	Budget	Actual	Variance
Local Sources			
Property Taxes	\$ 0	\$ 660	\$ 660
Earnings on Investments	13,071	13,353	282
Grants and Contributions	52,627	56,212	3,585
Other	10,531	16,927	6,396
Total Local Sources	<u>76,229</u>	<u>87,152</u>	<u>10,923</u>
State Sources			
State Support	3,877,179	3,945,862	68,683
State Paid Benefits	460,605	460,605	0
Revenue In Lieu of Taxes	43,846	43,846	0
Other Support	288,698	305,460	16,762
Total State Sources	<u>4,670,328</u>	<u>4,755,773</u>	<u>85,445</u>
Total Revenues	<u>\$ 4,746,557</u>	<u>\$ 4,842,925</u>	<u>\$ 96,368</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, 2017

	Budget	Actual	Variance
Instruction			
Elementary:			
Salaries	\$ 748,981	\$ 739,076	\$ 9,905
Benefits	248,724	235,437	13,287
Services	11,504	4,347	7,157
Supplies	21,406	21,171	235
	<u>1,030,615</u>	<u>1,000,031</u>	<u>30,584</u>
Secondary:			
Salaries	910,694	905,129	5,565
Benefits	297,415	278,904	18,511
Services	31,044	25,357	5,687
Supplies	21,580	16,531	5,049
	<u>1,260,733</u>	<u>1,225,921</u>	<u>34,812</u>
Exceptional Child:			
Salaries	108,867	108,824	43
Benefits	45,865	44,221	1,644
	<u>154,732</u>	<u>153,045</u>	<u>1,687</u>
Preschool Exceptional Child:			
Salaries	6,650	6,646	4
Benefits	2,651	2,180	471
	<u>9,301</u>	<u>8,826</u>	<u>475</u>
Interscholastic:			
Salaries	139,418	106,551	32,867
Benefits	38,295	27,094	11,201
Services	6,000	4,508	1,492
Supplies	3,951	3,951	0
	<u>187,664</u>	<u>142,104</u>	<u>45,560</u>
Total Instruction	<u>2,643,045</u>	<u>2,529,927</u>	<u>113,118</u>
Support Services			
Attendance, Guidance, and Health:			
Salaries	79,139	83,100	(3,961)
Benefits	21,819	21,511	308
Services	6,198	342	5,856
Supplies	2,795	1,382	1,413
	<u>109,951</u>	<u>106,335</u>	<u>3,616</u>
Special Services:			
Salaries	3,418	3,414	4
Benefits	2,553	2,504	49
Services	47,342	46,291	1,051
	<u>53,313</u>	<u>52,209</u>	<u>1,104</u>
Instruction Improvement:			
Salaries	13,814	7,072	6,742
Benefits	7,680	3,881	3,799
Services	5,000	1,918	3,082
	<u>26,494</u>	<u>12,871</u>	<u>13,623</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, 2017
(continued)

	Budget	Actual	Variance
Educational Media:			
Salaries	18,782	18,733	49
Benefits	9,103	8,775	328
Services	804	728	76
Supplies	2,000	1,987	13
	<u>30,689</u>	<u>30,223</u>	<u>466</u>
Instruction-Related Tech:			
Salaries	93,968	94,363	(395)
Benefits	30,699	31,557	(858)
Services	50,350	38,735	11,615
Supplies	49,500	33,285	16,215
Capital Outlay	8,900	8,900	0
	<u>233,417</u>	<u>206,840</u>	<u>26,577</u>
Board of Education:			
Salaries	2,039	1,920	119
Benefits	410	147	263
Services	59,353	35,979	23,374
	<u>61,802</u>	<u>38,046</u>	<u>23,756</u>
District Administration:			
Salaries	113,789	113,789	0
Benefits	30,323	30,164	159
Services	7,750	5,875	1,875
Supplies	2,000	1,581	419
	<u>153,862</u>	<u>151,409</u>	<u>2,453</u>
School Administration:			
Salaries	177,255	177,319	(64)
Benefits	55,138	55,287	(149)
Services	380	63	317
	<u>232,773</u>	<u>232,669</u>	<u>104</u>
Business Operation:			
Salaries	66,950	66,950	0
Benefits	21,239	20,619	620
Services	2,500	1,988	512
Supplies	10,111	7,487	2,624
	<u>100,800</u>	<u>97,044</u>	<u>3,756</u>
Building Care:			
Salaries	54,954	52,317	2,637
Benefits	18,324	18,182	142
Services	302,275	224,538	77,737
Supplies	33,672	27,095	6,577
Capital Outlay	1,000	523	477
	<u>410,225</u>	<u>322,655</u>	<u>87,570</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, 2017
(continued)

	Budget	Actual	Variance
Building Maintenance (Non-Student):			
Salaries	52,727	50,182	2,545
Benefits	17,003	16,293	710
Services	3,000	1,751	1,249
Supplies	30,000	16,436	13,564
Capital Outlays	7,478	7,478	0
	<u>110,208</u>	<u>92,140</u>	<u>18,068</u>
Building Maintenance (Student):			
Salaries	45,731	39,956	5,775
Benefits	12,692	10,943	1,749
Services	35,766	42,927	(7,161)
Supplies	72,478	72,840	(362)
Capital Outlay	4,585	4,585	0
	<u>171,252</u>	<u>171,251</u>	<u>1</u>
Maintenance - Grounds:			
Services	9,532	8,675	857
Supplies	35,024	36,163	(1,139)
	<u>44,556</u>	<u>44,838</u>	<u>(282)</u>
Safe Schools:			
Services	4,950	2,105	2,845
Supplies	4,558	4,558	0
	<u>9,508</u>	<u>6,663</u>	<u>2,845</u>
School Transportation:			
Salaries	114,918	111,597	3,321
Benefits	36,813	33,818	2,995
Services	25,313	11,252	14,061
Supplies	101,926	72,521	29,405
	<u>278,970</u>	<u>229,188</u>	<u>49,782</u>
Activity Transportation:			
Salaries	9,361	9,263	98
Benefits	2,080	1,137	943
Services	300	217	83
Supplies	18,100	8,193	9,907
Capital Outlay	13,000	13,000	0
	<u>42,841</u>	<u>31,810</u>	<u>11,031</u>
Other Support Services:			
Benefits	40,000	39,999	1
Services	41,384	41,384	0
	<u>81,384</u>	<u>81,383</u>	<u>1</u>
Total Support Services	<u>2,152,045</u>	<u>1,907,574</u>	<u>244,471</u>
Non- Instruction			
Food Service	4,562	4,615	(53)
Total Expenditures	<u>\$ 4,799,652</u>	<u>\$ 4,442,116</u>	<u>\$ 357,536</u>

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2017

	Special Revenue				
	Local Projects	Driver's Education	Vocational Education	Title I-A Basic	Title I Migrant
Assets					
Cash and Cash Equivalents	\$ 134,899	\$ 9,174	\$ 0	\$ 0	\$ 0
Receivables, Net					
Intergovernmental	0	0	12,612	46,971	11,813
Inventory	0	0	0	0	0
Total Assets	<u>134,899</u>	<u>9,174</u>	<u>12,612</u>	<u>46,971</u>	<u>11,813</u>
Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 134,899</u>	<u>\$ 9,174</u>	<u>\$ 12,612</u>	<u>\$ 46,971</u>	<u>\$ 11,813</u>
Liabilities					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,441
Internal Balances	0	0	9,834	27,740	6,847
Salaries Payable and Related Liabilities	7,921	0	2,778	19,231	1,525
Total Liabilities	<u>7,921</u>	<u>0</u>	<u>12,612</u>	<u>46,971</u>	<u>11,813</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	126,978	9,174	0	0	0
Total Fund Balances	<u>126,978</u>	<u>9,174</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 134,899</u>	<u>\$ 9,174</u>	<u>\$ 12,612</u>	<u>\$ 46,971</u>	<u>\$ 11,813</u>

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2017
(continued)

	Special Revenue				
	Title VI-B	Title VI-B Preschool	Rural and Low Income	Title III Perkins	Title II-A
Assets					
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Receivables, Net					
Intergovernmental	37,853	1,990	0	19,314	184
Prepaid Items	0	0	0	0	0
Inventory	0	0	0	0	0
Total Assets	<u>37,853</u>	<u>1,990</u>	<u>0</u>	<u>19,314</u>	<u>184</u>
Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 37,853</u>	<u>\$ 1,990</u>	<u>\$ 0</u>	<u>\$ 19,314</u>	<u>\$ 184</u>
Liabilities					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Internal Balances	28,248	1,055	0	19,314	184
Salaries Payable and Related Liabilities	9,605	935	0	0	0
Total Liabilities	<u>37,853</u>	<u>1,990</u>	<u>0</u>	<u>19,314</u>	<u>184</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	0	0	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 37,853</u>	<u>\$ 1,990</u>	<u>\$ 0</u>	<u>\$ 19,314</u>	<u>\$ 184</u>

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2017
(continued)

	Special Revenue		Capital Projects		Total
	Food Service	Plant Facilities	Building Maintenance	Bus Depreciation	
Assets					
Cash and Cash Equivalents	\$ 70,157	\$ 2,354	\$ 142	\$ 32,011	\$ 248,737
Receivables, Net					
Intergovernmental	0	0	0	0	130,737
Prepaid Items	0	0	0	0	0
Inventory	7,602	0	0	0	7,602
Total Assets	77,759	2,354	142	32,011	387,076
Deferred Outflows	0	0	0	0	0
Total Assets and Deferred Outflows	\$ 77,759	\$ 2,354	\$ 142	\$ 32,011	\$ 387,076
Liabilities					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,441
Internal Balances	0	0	0	0	93,222
Salaries Payable and Related Liabilities	9,009	0	0	0	51,004
Total Liabilities	9,009	0	0	0	147,667
Deferred Inflows	0	0	0	0	0
Fund Balances					
Nonspendable:					
Inventory	7,602	0	0	0	7,602
Restricted	61,148	2,354	142	32,011	231,807
Total Fund Balances	68,750	2,354	142	32,011	239,409
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 77,759	\$ 2,354	\$ 142	\$ 32,011	\$ 387,076

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, 2017

	Special Revenue				
	Local Projects	Driver's Education	Vocational Education	Titla I-A Basic	Title I Migrant
Revenues					
State	\$ 55,263	\$ 3,340	\$ 42,194	\$ 0	\$ 0
Charges for Services	0	6,767	0	0	0
Grants and Contributions	0	0	0	166,351	37,719
Earnings on Investments	0	0	0	0	0
Total Revenues	55,263	10,107	42,194	166,351	37,719
Expenditures					
Instruction:					
Salaries	0	5,812	10,513	64,790	16,935
Benefits	0	1,666	6,185	37,154	9,836
Services	0	572	12,087	20,416	5,469
Supplies	0	333	11,727	1,426	2,221
Total Instruction	0	8,383	40,512	123,786	34,461
Support Services:					
Salaries	32,030	0	0	7,188	7,107
Benefits	14,075	0	0	0	0
Services	34,963	0	0	0	0
Total Support Services	81,068	0	0	7,188	7,107
Food Service	0	0	0	0	0
Capital Outlay	0	0	1,682	35,010	0
Total Expenditures	81,068	8,383	42,194	165,984	41,568
Excess (Deficiency) of Revenues Over Expenditures	(25,805)	1,724	0	367	(3,849)
Other Financing Sources (Uses)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	(1,936)	(491)
Total Other Financing Sources (Uses)	0	0	0	(1,936)	(491)
Net Change in Fund Balances	(25,805)	1,724	0	(1,569)	(4,340)
Fund Balances - Beginning	152,783	7,450	0	1,569	4,340
Fund Balances - Ending	\$ 126,978	\$ 9,174	\$ 0	\$ 0	\$ 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, 2017
(continued)

	Special Revenue				
	Title VI-B	Title VI-B Preschool	Rural and Low Income	Title III Perkins	Title II-A
Revenues					
State	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charges for Services	0	0	0	0	0
Grants and Contributions	126,330	6,351	0	19,315	4,611
Earnings on Investments	0	0	0	0	0
Total Revenues	126,330	6,351	0	19,315	4,611
Expenditures					
Instruction:					
Salaries	42,751	3,146	0	8,000	0
Benefits	15,289	2,304	0	0	0
Services	58,828	196	275	1,957	3,299
Supplies	7,622	613	667	9,451	1,245
Total Instruction	124,490	6,259	942	19,408	4,544
Support Services:					
Salaries	0	0	0	0	0
Benefits	0	0	0	0	0
Services	0	0	0	0	0
Total Support Services	0	0	0	0	0
Food Service	0	0	0	0	0
Capital Outlay	0	0	0	0	0
Total Expenditures	124,490	6,259	942	19,408	4,544
Excess (Deficiency) of Revenues Over Expenditures	1,840	92	(942)	(93)	67
Other Financing Sources (Uses)					
Transfers In	0	0	0	0	0
Transfers Out	(1,840)	(92)	0	0	(67)
Total Other Financing Sources (Uses)	(1,840)	(92)	0	0	(67)
Net Change in Fund Balances	0	0	(942)	(93)	0
Fund Balances - Beginning	0	0	942	93	0
Fund Balances - Ending	\$ 0	\$ 0	\$ 0	\$ 0	\$ 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, 2017
(continued)

	Special Revenue		Capital Projects		Total
	Food Service	Plant Facilities	Building Maintenance	Bus Depreciation	
Revenues					
State	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,797
Charges for Services	59,976	0	0	0	66,743
Grants and Contributions	206,340	0	0	0	567,017
Earnings on Investments	269	5,953	0	0	6,222
Total Revenues	266,585	5,953	0	0	740,779
Expenditures					
Instruction:					
Salaries	0	0	0	0	151,947
Benefits	0	0	0	0	72,434
Services	0	0	0	0	103,099
Supplies	0	0	0	0	35,305
Total Instruction	0	0	0	0	362,785
Support Services:					
Salaries	0	0	0	0	46,325
Benefits	0	0	0	0	14,075
Services	0	0	0	0	34,963
Total Support Services	0	0	0	0	95,363
Food Service	260,980	0	0	0	260,980
Capital Outlay	69,811	4,079	0	91,328	201,910
Total Expenditures	330,791	4,079	0	91,328	921,038
Excess (Deficiency) of Revenues Over Expenditures	(64,206)	1,874	0	(91,328)	(180,259)
Other Financing Sources (Uses)					
Transfers In	0	0	0	32,011	32,011
Transfers Out	0	0	0	0	(4,426)
Total Other Financing Sources (Uses)	0	0	0	32,011	27,585
Net Change in Fund Balances	(64,206)	1,874	0	(59,317)	(152,674)
Fund Balances - Beginning	132,956	480	142	91,328	392,083
Fund Balances - Ending	\$ 68,750	\$ 2,354	\$ 142	\$ 32,011	\$ 239,409

FEDERAL REPORT



Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Melba Joint School District No. 136**, as of and for the year ended June 30, 2017, 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 6, 2017.

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 6, 2017