MELBA JOINT SCHOOL DISTRICT NO. 136

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2026

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

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, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, 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, 2026, 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 on Each Major Fund and the Aggregate Remaining Fund Information

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 (the District), as of June 30, 2026 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.

Basis for Qualified and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Melba Joint School District No. 136, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the 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 and any related deferred inflows or outflows be recorded for other post-employment benefits, which would initially decrease net position, increase liabilities, deferred inflows or outflows, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, deferred inflows or outflows, and expenses in the governmental activities is not reasonably determinable.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2026, the District adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Melba Joint School District No. 136's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Melba Joint School District No. 136's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Melba Joint School District No. 136's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 (asset) – 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 is the responsibility of management and, 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary 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 accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the supplementary schedule of revenues by source – budget and actual – General fund and the supplementary schedule of expenditures by object of expenditure – budget and actual – General fund but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2026, 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 solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bailey & Co.

Nampa, Idaho
October 28, 2026

Melba Joint School District No. 136
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 9,336,416
Receivables, Net	
Property Taxes	26,313
Intergovernmental	322,800
Interest	27,158
Other	13,649
Prepaid Items	53,104
Inventory	44,285
Capital Assets:	
Land	759,486
Buildings and Improvements, Net	13,392,364
Equipment and Vehicles, Net	1,007,948
Right-of-Use Assets, Net	31,869
Total Assets	25,015,392
Deferred Outflows	
Pension	1,001,464
Liabilities	
Accounts Payable and Other Current Liabilities	19,777
Salaries and Benefits Payable	824,063
Unearned Revenues	14,197
Accrued Interest	36,300
Long-Term Liabilities:	
Due Within One Year:	
Compensated Absences	54,286
Lease Liability	12,085
Bonds Payable	560,000
Due in More Than One Year:	
Compensated Absences	132,924
Lease Liability	18,660
Bonds Payable	2,013,460
Net Pension Liability	2,163,892
Total Liabilities	5,849,644
Deferred Inflows	
Pension	1,076,874
Net Position	
Net Investment in Capital Assets	12,587,462
Restricted for:	
Debt Service	814,930
Capital Projects	2,698,801
Special Revenue and Other Purposes	446,896
Unrestricted	2,542,249
Total Net Position	$ 19,090,338

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, 2026

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position - Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	$ 4,732,360	$ 0	$ 488,930	$ 0	$ (4,243,430)
Support Services	4,278,326	384,941	204,510	0	(3,688,875)
Non-Instruction	349,234	98,035	186,825	0	(64,374)
Interest	68,486	0	0	0	(68,486)
Debt Fees	450	0	0	0	(450)
Total Governmental Activities	$ 9,428,856	$ 482,976	$ 880,265	$ 0	(8,065,615)
General Revenues:					
Property Taxes					48,931
State Sources					8,705,242
Earnings on Investments					376,177
Gain (Loss) on Disposal of Capital Assets					4,264
Other					3,118
Total General Revenues					9,137,732
Change in Net Position					1,072,117
Net Position - Beginning					18,018,221
Net Position - Ending					$ 19,090,338

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

Melba Joint School District No. 136
Balance Sheet -
Governmental Funds
June 30, 2026

	General	Debt Service	Plant Facilities	School Modernization Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$4,014,073	$841,526	$ 944,644	$ 2,201,443	$ 1,334,730	$ 9,336,416
Receivables, Net:						
Property Taxes	19,132	7,181	0	0	0	26,313
Intergovernmental	195,790	0	0	0	127,010	322,800
Interest	20,330	2,523	2,320	0	1,985	27,158
Other	0	0	0	0	13,649	13,649
Internal Balances	59,916	0	0	0	4,606	64,522
Prepaid Items	23,019	0	0	0	0	23,019
Inventory	0	0	0	0	44,285	44,285
Total Assets	4,332,260	851,230	946,964	2,201,443	1,526,265	9,858,162
Deferred Outflows	0	0	0	0	0	0
Total Assets and Deferred Outflows	$4,332,260	$851,230	$ 946,964	$ 2,201,443	$ 1,526,265	$ 9,858,162
Liabilities						
Accounts Payable	$ 12,858	$ 0	$ 0	$ 0	$ 6,919	$ 19,777
Internal Balances	0	0	0	0	64,522	64,522
Salaries and Benefits Payable	725,678	0	0	0	98,385	824,063
Unearned Revenues	0	0	0	0	14,197	14,197
Total Liabilities	738,536	0	0	0	184,023	922,559
Deferred Inflows						
Unavailable Property Taxes	1,190	6,487	0	0	0	7,677
Fund Balances						
Nonspendable:						
Inventory	0	0	0	0	44,285	44,285
Prepaid Items	23,019	0	0	0	0	23,019
Restricted	10,735	844,743	324,040	2,201,443	538,342	3,919,303
Committed	0	0	422,924	0	0	422,924
Assigned	0	0	200,000	0	759,615	959,615
Unassigned	3,558,780	0	0	0	0	3,558,780
Total Fund Balances	3,592,534	844,743	946,964	2,201,443	1,342,242	8,927,926
Total Liabilities, Deferred Inflows, and Fund Balances	$4,332,260	$851,230	$ 946,964	$ 2,201,443	$ 1,526,265	$ 9,858,162

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, 2026

Total Fund Balances - Governmental Funds		$ 8,927,926
Amounts reported for governmental activities in the statement of net position are different because of the following:		
Governmental fund expenditures extending over more than one accounting period should be accounted for as expenditures of the period of acquisition but for the government-wide statements, these are prepaid items until the services are received.		30,085
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:		
Tangible:		
Land	$ 759,486	
Buildings and Improvements, Net of $8,037,865 Accumulated Depreciation	13,392,364	
Equipment and Vehicles, Net of $1,826,732 Accumulated Depreciation	1,007,948	
		15,159,798
Intangible:		
SBITA Assets, Net of $28,000 Accumulated Amortization	0	
Right-of-Use Assets, Net of $16,865 Accumulated Amortization	31,869	
		31,869
Property taxes and intergovernmental receivables will be collected this year, but some 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.		7,677
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 Outflows Related to Net Pension Liability (Asset)	1,001,464	
Deferred Inflows Related to Net Pension Liability (Asset)	(1,076,874)	
		(75,410)
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		(36,300)
Long-term liabilities 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	(2,163,892)	
Compensated Absences	(187,210)	
Lease Liability	(30,745)	
Bonds Payable (Including Bond Premium)	(2,573,460)	
		(4,955,307)
Total Net Position - Governmental Activities		$ 19,090,338

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, 2026

	General	Debt Service	Plant Facilities	School Modernization Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$ 55,516	$ 6,605	$ 0	$ 0	$ 0	$ 62,121
State Support	7,880,815	737,775	0	933	85,719	8,705,242
Charges for Services	0	0	0	0	482,976	482,976
Grants and Contributions	64,363	0	0	0	825,902	890,265
Earnings on Investments	284,690	25,089	29,114	0	37,284	376,177
Other	3,118	0	0	0	0	3,118
Total Revenues	8,288,502	769,469	29,114	933	1,431,881	10,519,899
Expenditures						
Current:						
Instruction	4,270,571	0	7,763	0	503,710	4,782,044
Support Services	2,856,478	0	0	0	721,085	3,577,563
Non-Instruction	6,656	0	0	0	344,850	351,506
Debt Service:						
Principal	11,988	540,000	0	0	0	551,988
Interest	353	104,900	0	0	0	105,253
Debt Fees	0	450	0	0	0	450
Capital Outlay	108,912	0	285,142	300,641	176,283	870,978
Total Expenditures	7,254,958	645,350	292,905	300,641	1,745,928	10,239,782
Excess (Deficiency) of Revenues Over Expenditures	1,033,544	124,119	(263,791)	(299,708)	(314,047)	280,117
Other Financing Sources (Uses)						
Disposal of Assets	0	0	0	0	4,264	4,264
Right-of-Use Asset Lease Addition	31,422	0	0	0	0	31,422
Transfers In	0	0	203,267	0	364,560	567,827
Transfers Out	(564,560)	0	0	0	(3,267)	(567,827)
Total Other Financing Sources (Uses)	(533,138)	0	203,267	0	365,557	35,686
Net Change in Fund Balances	500,406	124,119	(60,524)	(299,708)	51,510	315,803
Fund Balances - Beginning	3,092,128	720,624	1,007,488	2,501,151	1,290,732	8,612,123
Fund Balances - Ending	$3,592,534	$844,743	$ 946,964	$ 2,201,443	$ 1,342,242	$ 8,927,926

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, 2026

Total Net Change in Fund Balance - Governmental Funds		$ 315,803
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Governmental fund expenditures extending over more than one accounting period should be accounted for as expenditures of the period of acquisition but for the government-wide statements, these are prepaid items until the services are received. This is the change in long-term prepaid items for the current period.		(14,119)
Capital outlays and intangible 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	$ 818,071	
Depreciation and Amortization Expense	(716,183)	
Net		101,888
Because some revenues 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 revenues. They are, however, recorded as revenues in the statement of activities.		(23,190)
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 (Asset) and Related Deferral Changes	143,044	
Change in Compensated Absences	(8,642)	
Change in Accrued Interest on Long-term Debt	6,075	
		140,477
Lease liabilities, 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 debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Lease Liability Acquired	(31,422)	
Amortization of Bond Premium	30,692	
Principal Payments Made	551,988	
		551,258
Change in Net Position of Governmental Activities		$ 1,072,117

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

Melba Joint School District No. 136
Statement of Fiduciary Net Position
June 30, 2026

	Private Purpose Trust Fund
Assets	
Cash and Cash Equivalents	$ 110,128
Interest Receivable	263
Total Assets	110,391
Deferred Outflows	0
Liabilities	0
Deferred Inflows	0
Net Position	
Restricted for Scholarships and Others	110,391
Total Net Position	$ 110,391

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, 2026

	Private Purpose Trust Fund
Additions	
Contributions	$ 18,190
Investment Income	3,211
Total Additions	21,401
Deductions	
Donations to Others	22,000
Changes in Net Position	(599)
Net Position - Beginning	110,990
Net Position - Ending	$ 110,391

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Melba Joint School District No. 136 (the District) is governed by a 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.

Basis of Presentation

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses 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.
- *Plant Facilities fund.* This fund accounts for resources accumulated for the construction and/or improvement of school facilities.
- *School Modernization Facilities fund.* This fund accounts for resources accumulated for school facility capital projects, such as construction of new school facilities, renovations, or facility repair and maintenance needs.

For fiduciary fund types, the District reports a private-purpose trust fund. This fund reports a trust arrangement under which principal and income benefit a college scholarship program.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.
- *Committed*. Balances obligated to a specific purpose by a formal action of the Board of Trustees, the District's highest level of decision-making authority. $422,924 in the Plant Facilities fund is committed for repairs and maintenance of existing facilities and for future plant facilities.
- *Assigned.* Balances the District intends to obligate, but has not been formally committed. The Board of Trustees has authorized the Superintendent to assign fund balance. $759,615 is assigned for future technology replacements and $200,000 is assigned for the maintenance shop.
- *Unassigned.* Balances available for any purpose or funds with deficit fund balances.

The District's policy is to maintain a minimum unassigned fund balance in the General fund of approximately $500,000. The minimum fund balance is to protect against cash shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

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

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.

Special revenue funds are generally 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. Plant facility revenues provided by the State of Idaho in the current year are also restricted for student occupied buildings. In addition, the District carried over from the prior year funds from the Blue Cross of Idaho Foundation that are to be used to support a health professions program. $1,297 of these funds had not been spent by year-end. The District also carried over funds from the prior year from IDLA to be used to cover the cost of future IDLA course fees. $9,438 of these funds had not been spent by year-end.

Cash and Investments

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.

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.

Investments are stated at fair value as determined by the fair value hierarchy, except certificates of deposit (which are non-participating contracts and are, therefore, carried at amortized cost).

Inventories

Inventories on government-wide and fund financial statements are stated at cost if purchased and at estimated fair value if donated 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, 2026, are considered by the District as a receivable.

Taxes not collected within 60 days after June 30, 2026, are not considered available for use by the District and are recorded as deferred inflows in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

For purposes of measuring the net pension liability (asset) and pension expense (offset), 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.

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 - 50 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 employees. Sick leave may be carried over from one year to the next, but neither are 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.

2. CASH AND INVESTMENTS

Deposits

As of June 30, 2026, the carrying amount of the District's deposits was $871,296 and the respective bank balances totaled $1,059,845. The total bank balances were insured or collateralized with securities held by the pledging financial institutions' trust department or agent but not in the District's name.

2. CASH AND INVESTMENTS (continued)

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, 2026, the District's bank balances were covered by federal depository insurance or by collateral held by the District's agent or pledging financial institution's trust department 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 State Treasurer must operate and invest the funds of the pool for the benefit of the participants. They make investments in accordance with Idaho Code, Sections 67-1210 and 67-1210A. The pool is not rated and is not registered with the Securities and Exchange Commission or any other regulatory body. The pool is valued using the Net Asset Value (NAV) per share method. Investments using the NAV per share method do not have readily obtainable fair values and are, instead, valued based on the District's pro-rata share of the pool's net position. The District values these investments based on the State of Idaho Treasurer's Office. The State Treasurer does not provide any legally binding guarantees to support the value of the shares to participants. Participants have overnight availability to their funds up to $10 million. Withdrawals of more than $10 million require 3 business days' notification.

The District's investments at June 30, 2026 are as follows:

Investment	Fair Value	Investment Maturities (in Years) Less Than 1	1-5
External Investment Pool	$ 8,575,248	$ 8,575,248	$ 0

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

	Governmental Activities	Fiduciary Funds	Total
Cash	$ 845,073	$ 26,223	$ 871,296
Investments categorized as cash	8,491,343	83,905	8,575,248
	$ 9,336,416	$ 110,128	$ 9,446,544

3. 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 policies.

4. RECEIVABLE – INTERGOVERNMENTAL

Amounts due from other governments consists of $195,790 from the State of Idaho Department of Education for school support, $23,697 from the State of Idaho Department of Health and Welfare for Medicaid reimbursements, and $103,313 passed through the State for federal programs for a total of $322,800. These amounts are all considered collectible.

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2026, was as follows:

	06/30/2025	Reclass-ifications	Additions	Disposals	06/30/2026
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	$ 759,486	$ 0	$ 0	$ 0	$ 759,486
Construction in Progress	1,235,988	(1,235,988)	0	0	0
Total Historical Cost	1,995,474	(1,235,988)	0	0	759,486
Capital Assets Being Depreciated:					
Buildings and Improvements	19,708,741	1,235,988	485,500	0	21,430,229
Equipment and Vehicles	2,735,141	0	301,150	(201,611)	2,834,680
Total Historical Cost	22,443,882	1,235,988	786,650	(201,611)	24,264,909
Less: Accumulated Depreciation					
Buildings and Improvements	7,504,465	0	533,400	0	8,037,865
Equipment and Vehicles	1,858,393	0	169,950	(201,611)	1,826,732
Total Accum. Depr.	9,362,858	0	703,350	(201,611)	9,864,597
Net Depreciable Assets	13,081,024	1,235,988	83,300	0	14,400,312
Tangible Assets - Net	15,076,498	0	83,300	0	15,159,798
SBITA Assets	28,000	0	0	0	28,000
Less: Accumulated Amortization	27,222	0	778	0	28,000
SBITA Assets - Net	778	0	(778)	0	0
Right-of-Use Assets	17,312	0	31,422	0	48,734
Less: Accumulated Amortization	4,810	0	12,055	0	16,865
Right-of-Use Assets - Net	12,502	0	19,367	0	31,869
Total Capital Assets - Net	$ 15,089,778	$ 0	$ 101,889	$ 0	$ 15,191,667

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

Instruction	$ 6,468
Support Services	709,715
	$ 716,183

6. INTERFUND BALANCES AND ACTIVITY

Internal balances as of June 30, 2026, consist of the following:

$ 59,916	Due to the General fund from nonmajor funds representing cash overdrafts and amounts deposited to the wrong bank accounts.
4,606	Due to nonmajor funds from nonmajor funds representing amounts deposited to the wrong bank accounts.
$ 64,522	

7. TRANSFERS TO/FROM OTHER FUNDS

Transfer activity for the year ended June 30, 2026, is as follows:

$ 119,027	From the General fund to the nonmajor Bus Depreciation fund for bus depreciation and for future bus purchases.
200,000	From the General fund to the Plant Facilities fund to set aside funds for future capital projects.
3,267	From nonmajor funds to the Plant Facitlities fund to repay prior year costs.
245,533	From the General fund to nonmajor funds to set aside funds for CTE and other technology projects.
$ 567,827	

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, 2026, 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. COMPENSATED ABSENCES

Although sick leave is not paid out or otherwise settled when an employee separates from the District (other than to report to PERSI the unused sick leave hours of participating employees), the District does allow its employees to carry over unused sick leave while they are employed by the District. As such, the District reports the following balances and activity for compensated absences, which are reported in the government-wide statement of net position:

	06/30/2025	Change	06/30/2026	Current
Sick Leave	$ 178,568	$ 8,642	$ 187,210	$ 54,286

10. CHANGE IN ACCOUNTING PRINCIPLE

The impact of GASB Statement No. 103, *Financial Reporting Model Improvements,* included adding an additional variance column to the budgetary comparison schedule as listed in the table of contents and providing explanations for significant variances in the notes to the schedule. No other reporting model changes in this standard impacted the District.

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 but are not required to be 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 percentage 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 and school employees and 72% for police and firefighters. As of June 30, 2026, it was 7.18% for general employees, 8.08% for school employees, and 10.36% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.96% for general employees, 13.48% for school employees, and 13.98% for police and firefighters. The District's employer contributions were $587,660 for the year ended June 30, 2026.

11. PENSION PLAN (continued)

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

At June 30, 2026, the District reported a liability for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (asset) 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, 2025, the District's proportion was 0.08948496%.

For the year ended June 30, 2026, the District recognized pension expense of $445,615 in the government-wide statements. At June 30, 2026, 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	$ 407,772	$ 0
Changes in assumptions or other inputs	0	380,514
Net difference between projected and actual earnings on pension plan investments	0	556,263
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	6,032	140,097
District contributions subsequent to the measurement date	587,660	0
Total	$ 1,001,464	$ 1,076,874

$587,660 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 (increase to a net pension asset) in the year ending June 30, 2027.

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, 2024, the beginning of the measurement period ended June 30, 2025 is 4.4 years, as well as for the measurement period ended June 30, 2024.

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

Year Ended June 30,	
2027	$ 317,847
2028	$ (407,229)
2029	$ (358,637)
2030	$ (215,051)

11. PENSION PLAN (continued)

Actuarial Assumptions

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

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.40%
- Salary increases, including inflation 3.15%
- Investment rate of return, net of investment fees 6.55%
- Cost-of-living adjustments 1.00%

There were changes in some of the actuarial assumptions. The following identifies the prior period assumptions that changed in the current measurement period:

- Inflation 2.30%
- Salary increases, including inflation 3.05%
- Investment rate of return, net of investment fees 6.35%

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service, and beneficiaries. These rates were adopted for the valuation dated July 1, 2021 using the following tables:

- General Employees and All Beneficiaries - Males Pub-2010 General Tables, increased 11%
- General Employees and All Beneficiaries - Females Pub-2010 General Tables, increased 21%
- Teachers - Males Pub-2010 Teacher Tables, increased 12%
- Teachers - Females Pub-2010 Teacher Tables, increased 21%
- Fire & Police - Males Pub-2010 Safety Tables, increased 21%
- Fire & Police - Females Pub-2010 Safety Tables, increased 26%
- Disabled Members - Males Pub-2010 Disabled Tables, increased 38%
- Disabled Members - Females Pub-2010 Disabled Tables, increased 36%

An experience study was performed for the period 2020 through 2024, which reviewed all economic assumptions. Demographic assumptions, including mortality, were studied for the period 2020 through 2024.

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.

11. PENSION PLAN (continued)

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. 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 PERSI'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 (arithmetic) and reflecting expected volatility and correlation. Capital market assumptions are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap US Equity	22.00%	4.75%
Small/Mid Cap US Equity	10.00%	4.95%
International Equity	11.00%	4.75%
Emerging Markets Equity	11.00%	4.95%
Domestic Fixed	20.00%	2.25%
TIPS	10.00%	2.05%
Core Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

Discount Rate

The discount rate used to measure the total pension liability was 6.55%. 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 plan's 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 District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.55%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.55%) or 1% higher (7.55%) than the current rate:

	1% Decrease (5.55%)	Current Discount Rate (6.55%)	1% Increase (7.55%)
District's proportionate share of the net pension liability (asset)	$ 5,206,335	$ 2,163,892	$ (321,649)

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. LEASE AND SUBSCRIPTION COMMITMENTS

Leases

The District entered into a lease for a GPS Paint Robot with Turf Tank beginning September 2024 for three years at $6,000 per year. This agreement does not include any variable payments.

The District entered into a lease agreement with Fisher's Technology for five copier/printers beginning July 2025 for 60 months at $576.41 per month. This agreement does not include any variable payments.

Other leases had terms of less than one year.

Changes in lease liabilities are as follows:

Right-of-Use Lease	Maturity	Interest	06/30/2025	Increase	Decrease	06/30/2026	Current
GPS Paint Robot	2027	3.50%	$ 11,312	$ 0	$ (5,768)	$ 5,544	$ 5,544
Copier/Printers	2031	3.84%	0	31,422	(6,221)	25,201	6,541
			$ 11,312	$ 31,422	$ (11,989)	$ 30,745	$ 12,085

Future minimum repayments for lease liabilities are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 12,085	$ 832	$ 12,917
2028	6,295	622	6,917
2029	6,058	858	6,916
2030	5,831	1,086	6,917
2031	476	101	577
	$ 30,745	$ 3,499	$ 34,244

Subscriptions

Under *GASBS No. 96, Subscription-Based Information Technology Arrangements* (SBITAs) the District performs evaluations of its subscriptions to determine if the District has any arrangements that qualify as a right-of-use SBITA asset. The District determined there were no new qualifying subscriptions in the current year.

The District continues to report the only qualifying SBITA asset under a subscription arrangement with School Pulse for the Social Emotional Support application for three years beginning July 1, 2022. There were no other variable payments for this application. The cost of this right-of-use asset is included with the capital assets and is being amortized over the life of the agreement (see Note 5).

13. 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.

14. UNUSED CREDIT

The District has several credit cards with a combined limit of $60,000. None of this credit was in use at June 30, 2026. The District also has charge accounts with several vendors. The more substantial credit lines with vendors include a $10,000 line with Lowes and a $83,000 line with Amazon. No balances were owed on these lines at June 30, 2026.

15. 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. $104,900 of interest expense was incurred during the year, all of which was expensed.

Defeasances of the bonds have occurred in prior years. At June 30, 2026, $3,480,000 of the bonds remained outstanding with the escrow agent and are considered defeased.

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

	Maturity	Interest	06/30/2025	Increase	Decrease	06/30/2026	Current
Direct Borrowings							
2015 Series Bond	2031	3.0%-4.0%	$ 2,960,000	$ 0	$ (540,000)	$ 2,420,000	$ 560,000
Unamortized Bond Premium			184,152	0	(30,692)	153,460	0
Total			$ 3,144,152	$ 0	$ (570,692)	$ 2,573,460	$ 560,000

Debt service requirements on long-term debt at June 30, 2026, are as follows:

Year Ending	Bonds and Notes		
June 30,	Principal	Interest	Total
2027	$ 560,000	$ 85,600	$ 645,600
2028	580,000	62,800	642,800
2029	605,000	39,100	644,100
2030	625,000	14,500	639,500
2031	50,000	1,000	51,000
	$ 2,420,000	$ 203,000	$ 2,623,000

The debt is backed by the District's ability to pay and the pledge of property taxes. Therefore, none of the District's assets are held as collateral for the debt. Due to general obligation bonds typically not going into default and the District's covenant to levy a tax sufficient to repay the bonds in the event funds are not available, use of other lawful resources of the District in the event of a default and remedies are not needed.

REQUIRED SUPPLEMENTARY INFORMATION

Melba Joint School District No. 136
Budgetary (GAAP Basis) Comparison Schedule
General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance With Original Budget- Over (Under)		Variance With Final Budget- Over (Under)
	Original	Final	Final Budget	Actual	Actual Amounts
Revenues					
Property Taxes	$ 70,500	$ 28,059	$ (42,441)	$ 55,516	$ 27,457
State Support	7,519,308	7,840,151	320,843	7,880,815	40,664
Grants and Contributions	0	64,363	64,363	64,363	0
Earnings on Investments	80,000	280,613	200,613	284,690	4,077
Other	10,365	4,459	(5,906)	3,118	(1,341)
Total Revenues	7,680,173	8,217,645	537,472	8,288,502	70,857
Expenditures					
Current:					
Instruction	4,502,367	4,236,603	(265,764)	4,270,571	(33,968)
Support Services	3,188,226	2,924,118	(264,108)	2,856,478	67,640
Non-Instruction	8,000	5,652	(2,348)	6,656	(1,004)
Debt Service:					
Principal	0	0	0	11,988	(11,988)
Interest	0	0	0	353	(353)
Capital Outlay	151,350	100,071	(51,279)	108,912	(8,841)
Total Expenditures	7,849,943	7,266,444	(583,499)	7,254,958	11,486
Excess (Deficiency) of Revenues Over Expenditures	(169,770)	951,201	1,120,971	1,033,544	82,343
Other Financing Sources (Uses)					
Right-of-Use Asset Lease Addition	0	0	0	31,422	31,422
Transfers In	0	0	0	0	0
Transfers Out	(90,158)	(624,027)	(533,869)	(564,560)	59,467
Total Other Financing Sources (Uses)	(90,158)	(624,027)	(533,869)	(533,138)	90,889
Net Change in Fund Balances	(259,928)	327,174	587,102	500,406	173,232
Fund Balances - Beginning	259,928	(327,174)	(587,102)	3,092,128	3,419,302
Fund Balances - Ending	$ 0	$ 0	$ 0	$ 3,592,534	$ 3,592,534

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Employer's portion of the net pension liability (asset)	0.0894850%	0.0925567%	0.0952820%	0.0998247%	0.0965785%	0.0997022%	0.0967626%	0.0953534%	0.0903432%	0.0929609%
Employer's proportionate share of the net pension liability (asset)	$ 2,163,892	$ 3,462,216	$ 3,802,390	$ 3,931,855	$ (76,276)	$ 2,315,217	$ 1,427,265	$ 1,406,479	$ 1,420,040	$ 1,884,460
Employer's covered payroll	$ 4,220,256	$ 4,127,754	$ 4,022,580	$ 3,936,536	$ 3,604,183	$ 3,564,231	$ 3,286,449	$ 3,067,864	$ 2,805,391	$ 2,728,597
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	51.27%	83.88%	94.53%	99.88%	-2.12%	64.96%	43.43%	45.85%	50.62%	69.06%
Plan fiduciary net position as a percentage of the total pension liability	90.89%	85.54%	83.83%	83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%

Data reported is measured as of June 30th of the prior year.

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	$ 587,660	$ 550,275	$ 507,109	$ 480,296	$ 470,022	$ 430,339	$ 423,903	$ 372,026	$ 347,282	$ 317,570
Contributions in relation to the statutorily required contribution	(587,660)	(550,275)	(507,109)	(480,296)	(470,022)	(430,339)	(423,903)	(372,026)	(347,282)	(317,570)
Contribution (deficiency) excess	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Employer's covered payroll	$ 4,489,831	$ 4,220,256	$ 4,127,754	$ 4,022,580	$ 3,936,536	$ 3,604,183	$ 3,564,231	$ 3,286,449	$ 3,067,864	$ 2,805,391
Contributions as a percentage of covered payroll	13.09%	13.04%	12.29%	11.94%	11.94%	11.94%	11.89%	11.32%	11.32%	11.32%

Data is reported as of June 30.

Melba Joint School District No. 136
Notes to Required Supplementary Information
For the Year Ended June 30, 2026

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.

2. SIGNIFICANT VARIANCES

Original Budget to Final Budget

	Over (Under)
State Support - Mainly this is due to additional revenues provided by the Idaho Department of Education (mainly for salary and benefit apportionment) that were unanticipated in the original budget.	$ 320,843
Grants and Contributions - The District amended the original budget to account for the ICRS Micro Grants, the ISBE Arts Grant, and the Marsh Foundation Grant that were unanticipated in the original budget.	$ 64,363
Earnings on Investments - The District amended the budget when interest rates did not go down as originally anticipated.	$ 200,613
Instruction Expenditures - Mainly this is due to decreasing the budget for salaries and benefits. The original budget had anticipated raises to be higher than they were and more employees.	$ (265,764)
Support Services Expenditures - Mainly this is due to decreasing the budget to account for changes to school building maintenance that the Idaho Department of Education no longer requires and moving this budget to the School Modernization Facilities fund.	$ (264,108)
Transfers Out - The District amended the budget to account for additional funds the District had decided during the year to set aside for technology and capital facility projects.	$ (533,869)

2. SIGNIFICANT VARIANCES (continued)

Final Budget to Actual

	Over (Under)
Support Services Expenditures - This is almost entirely due to the District budgeting in error for the Medicaid match as a negative amount rather than a positive amount.	$ 67,640
Transfers Out - The District anticipated the General fund would need to transfer funds to the Food Service fund and this transfer did not occur.	$ 59,467

OTHER INFORMATION

Melba Joint School District No. 136
Supplementary Schedule of Revenues by Source -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2026

	Budget	Actual	Variance
Local Sources			
Property Taxes	$ 28,059	$ 55,516	$ 27,457
Grants and Contributions	64,363	64,363	0
Earnings on Investments	280,613	284,690	4,077
Other	4,459	3,118	(1,341)
Total Local Sources	377,494	407,687	30,193
State Sources			
State Support	6,531,595	6,523,533	(8,062)
State Paid Benefits	837,746	825,897	(11,849)
Revenue in Lieu of Taxes	44,576	43,722	(854)
Other Support	426,234	487,663	61,429
Total State Sources	7,840,151	7,880,815	40,664
Total Revenues	$ 8,217,645	$ 8,288,502	$ 70,857

Melba Joint School District No. 136
Supplementary Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2026

	Budget	Actual	Variance
Instruction			
Elementary:			
Salaries	$ 1,271,158	$ 1,276,956	$ (5,798)
Benefits	432,146	442,093	(9,947)
Services	34,288	34,351	(63)
Supplies	22,168	22,235	(67)
	1,759,760	1,775,635	(15,875)
Secondary:			
Salaries	1,442,076	1,496,131	(54,055)
Benefits	485,073	491,935	(6,862)
Services	33,126	25,680	7,446
Supplies	39,901	32,672	7,229
Capital Outlays	45,203	46,590	(1,387)
	2,045,379	2,093,008	(47,629)
Special Education:			
Salaries	182,866	187,712	(4,846)
Benefits	64,898	66,220	(1,322)
	247,764	253,932	(6,168)
Preschool Special Education:			
Salaries	14,101	14,101	0
Benefits	2,792	2,848	(56)
	16,893	16,949	(56)
Interscholastic:			
Salaries	153,419	137,156	16,263
Benefits	30,002	25,260	4,742
Services	14,478	9,933	4,545
Supplies	14,111	5,288	8,823
	212,010	177,637	34,373
Total Instruction	4,281,806	4,317,161	(35,355)
Support Services			
Attendance, Guidance, and Health:			
Salaries	110,051	114,139	(4,088)
Benefits	29,084	28,788	296
Services	56,393	47,897	8,496
Supplies	1,421	1,421	0
	196,949	192,245	4,704
Special Education Support Services:			
Services	(40,600)	51,279	(91,879)
Instruction Improvement:			
Salaries	15,547	11,310	4,237
Benefits	13,032	6,323	6,709
Services	268	0	268
	28,847	17,633	11,214

Melba Joint School District No. 136
Supplementary Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2026
(continued)

	Budget	Actual	Variance
Educational Media:			
Salaries	24,631	25,420	(789)
Benefits	13,858	13,871	(13)
Supplies	2,000	1,740	260
	40,489	41,031	(542)
Instruction-Related Tech:			
Salaries	128,039	128,139	(100)
Benefits	42,713	42,223	490
Services	67,790	65,111	2,679
Supplies	173,665	109,911	63,754
Capital Outlay	24,868	28,801	(3,933)
	437,075	374,185	62,890
Board of Education:			
Salaries	11,025	10,249	776
Benefits	3,590	3,589	1
Services	87,452	80,909	6,543
Supplies	5,000	4,395	605
	107,067	99,142	7,925
District Administration:			
Salaries	139,030	139,180	(150)
Benefits	41,897	41,929	(32)
Services	5,360	6,135	(775)
Supplies	3,000	474	2,526
	189,287	187,718	1,569
School Administration:			
Salaries	245,318	247,132	(1,814)
Benefits	80,806	87,826	(7,020)
Services	1,000	102	898
	327,124	335,060	(7,936)
Business Operation:			
Salaries	113,122	113,272	(150)
Benefits	42,916	42,711	205
Services	16,000	14,521	1,479
Supplies	4,601	2,757	1,844
	176,639	173,261	3,378
Building Care:			
Salaries	168,656	161,492	7,164
Benefits	62,729	61,928	801
Services	330,691	304,171	26,520
Supplies	61,422	63,563	(2,141)
	623,498	591,154	32,344

Melba Joint School District No. 136
Supplementary Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2026
(continued)

	Budget	Actual	Variance
Building Maintenance:			
Salaries	137,888	130,210	7,678
Benefits	54,277	49,559	4,718
Services	32,058	29,224	2,834
Supplies	8,000	8,136	(136)
Capital Outlay	30,000	2,099	27,901
	262,223	219,228	42,995
Grounds Maintenance:			
Services	20,000	8,520	11,480
Supplies	40,000	34,300	5,700
Capital Outlay	0	31,422	(31,422)
	60,000	74,242	(14,242)
Security:			
Services	37,057	37,057	0
Supplies	21,664	21,664	0
	58,721	58,721	0
School Transportation:			
Salaries	190,441	194,317	(3,876)
Benefits	62,436	64,256	(1,820)
Services	12,533	13,710	(1,177)
Supplies	93,469	77,841	15,628
	358,879	350,124	8,755
Activity Transportation:			
Salaries	6,545	6,413	132
Benefits	1,423	1,456	(33)
Services	156	0	156
Supplies	1,461	2,705	(1,244)
	9,585	10,574	(989)
Other Support Services:			
Benefits	43,265	43,265	0
Insurance	99,938	99,938	0
	143,203	143,203	0
Total Support Services	2,978,986	2,918,800	60,186
Non-Instruction			
Child Nutrition	5,652	6,656	(1,004)
Debt Service			
Principal	0	11,988	(11,988)
Interest	0	353	(353)
	0	12,341	(12,341)
Total Expenditures	$ 7,266,444	$ 7,254,958	$ 11,486

SUPPLEMENTARY INFORMATION

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

	Special Revenue					
	Student Activity	Driver's Education	Professional Technical	Technology State	Title I-A Basic	Title I-C Migrant
Assets						
Cash and Cash Equivalents	$ 247,094	$ 15,623	$ 0	$ 758,123	$ 0	$ 0
Receivables, Net						
Intergovernmental	0	0	0	0	30,767	13,788
Interest	0	0	0	1,492	0	0
Other	0	0	13,649	0	0	0
Internal Balances	0	0	4,606	0	0	0
Inventory	0	0	0	0	0	0
Total Assets	247,094	15,623	18,255	759,615	30,767	13,788
Deferred Outflows	0	0	0	0	0	0
Total Assets and Deferred Outflows	$ 247,094	$ 15,623	$ 18,255	$ 759,615	$ 30,767	$ 13,788
Liabilities						
Accounts Payable	$ 5,682	$ 0	$ 0	$ 0	$ 0	$ 0
Internal Balances	4,812	0	10,487	0	11,041	4,847
Salaries and Benefits Payable	0	0	1,812	0	19,726	8,107
Unearned Revenues	0	0	0	0	0	834
Total Liabilities	10,494	0	12,299	0	30,767	13,788
Deferred Inflows						
Unavailable Grants and Other Support	0	0	0	0	0	0
Fund Balances						
Nonspendable:						
Inventory	0	0	0	0	0	0
Restricted	236,600	15,623	5,956	0	0	0
Assigned	0	0	0	759,615	0	0
Total Fund Balances	236,600	15,623	5,956	759,615	0	0
Total Liabilities, Deferred Inflows, and Fund Balances	$ 247,094	$ 15,623	$ 18,255	$ 759,615	$ 30,767	$ 13,788

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026
(continued)

	IDEA Part B	IDEA Part B Preschool	School-Based Medicaid	Title IV-A	Title IV Perkins	Title II-A
Assets						
Cash and Cash Equivalents	$ 0	$ 0	$ 553	$ 0	$ 0	$ 0
Receivables, Net						
Intergovernmental	46,703	1,014	23,697	1,041	10,000	0
Interest	0	0	0	0	0	0
Other	0	0	0	0	0	0
Internal Balances	0	0	0	0	0	0
Inventory	0	0	0	0	0	0
Total Assets	46,703	1,014	24,250	1,041	10,000	0
Deferred Outflows	0	0	0	0	0	0
Total Assets and Deferred Outflows	$ 46,703	$ 1,014	$ 24,250	$ 1,041	$ 10,000	$ 0
Liabilities						
Accounts Payable	$ 0	$ 0	$ 0	$ 1,041	$ 0	$ 0
Internal Balances	23,025	311	0	0	9,999	0
Salaries and Benefits Payable	23,678	703	24,250	0	0	0
Unearned Revenues	0	0	0	0	0	0
Total Liabilities	46,703	1,014	24,250	1,041	9,999	0
Deferred Inflows						
Unavailable Grants and Other Support	0	0	0	0	0	0
Fund Balances						
Nonspendable:						
Inventory	0	0	0	0	0	0
Restricted	0	0	0	0	1	0
Assigned	0	0	0	0	0	0
Total Fund Balances	0	0	0	0	1	0
Total Liabilities, Deferred Inflows, and Fund Balances	$ 46,703	$ 1,014	$ 24,250	$ 1,041	$ 10,000	$ 0

Melba Joint School District No. 136
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026
(continued)

	Special Revenue			Capital Projects	
	Special Ed Mini Grant	Cell Phone Grant	Child Nutrition	Bus Depreciation	Total
Assets					
Cash and Cash Equivalents	$ 0	$ 2,607	$ 137,412	$ 173,318	$ 1,334,730
Receivables, Net					
Intergovernmental	0	0	0	0	127,010
Interest	0	0	493	0	1,985
Other	0	0	0	0	13,649
Internal Balances	0	0	0	0	4,606
Inventory	0	0	44,285	0	44,285
Total Assets	0	2,607	182,190	173,318	1,526,265
Deferred Outflows	0	0	0	0	0
Total Assets and Deferred Outflows	$ 0	$ 2,607	$ 182,190	$ 173,318	$ 1,526,265
Liabilities					
Accounts Payable	$ 0	$ 0	$ 196	$ 0	$ 6,919
Internal Balances	0	0	0	0	64,522
Salaries and Benefits Payable	0	0	20,109	0	98,385
Unearned Revenues	0	0	13,363	0	14,197
Total Liabilities	0	0	33,668	0	184,023
Deferred Inflows					
Unavailable Grants and Other Support	0	0	0	0	0
Fund Balances					
Nonspendable:					
Inventory	0	0	44,285	0	44,285
Restricted	0	2,607	104,237	173,318	538,342
Assigned	0	0	0	0	759,615
Total Fund Balances	0	2,607	148,522	173,318	1,342,242
Total Liabilities, Deferred Inflows, and Fund Balances	$ 0	$ 2,607	$ 182,190	$ 173,318	$ 1,526,265

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, 2026

	Special Revenue					
	Student Activity	Driver's Education	Professional Technical	Technology State	Title I-A Basic	Title I-C Migrant
Revenues						
State Support	$ 0	$ 0	$ 85,719	$ 0	$ 0	$ 0
Charges for Services	368,317	0	0	16,624	0	0
Grants and Contributions	56,991	0	0	0	126,332	67,316
Earnings on Investments	12,359	0	0	18,732	0	0
Total Revenues	437,667	0	85,719	35,356	126,332	67,316
Expenditures						
Instruction:						
Salaries	0	0	22,585	0	82,801	34,163
Benefits	0	0	6,125	0	35,031	11,988
Services	0	0	20,465	0	0	7,191
Supplies	0	0	27,436	0	0	4,438
Total Instruction	0	0	76,611	0	117,832	57,780
Support Services:						
Salaries	14,560	0	0	0	8,500	9,536
Benefits	0	0	0	0	0	0
Services	159,767	0	0	9,120	0	0
Supplies	275,482	0	0	117,168	0	0
Total Support Services	449,809	0	0	126,288	8,500	9,536
Food Service	0	0	0	0	0	0
Capital Outlay	23,383	0	9,000	0	0	0
Total Expenditures	473,192	0	85,611	126,288	126,332	67,316
Excess (Deficiency) of Revenues Over Expenditures	(35,525)	0	108	(90,932)	0	0
Other Financing Sources (Uses)						
Disposal of Assets	0	0	0	0	0	0
Transfers In	0	0	5,533	240,000	0	0
Transfers Out	(3,267)	0	0	0	0	0
Total Other Financing Sources (Uses)	(3,267)	0	5,533	240,000	0	0
Net Change in Fund Balances	(38,792)	0	5,641	149,068	0	0
Fund Balances - Beginning	275,392	15,623	315	610,547	0	0
Fund Balances - Ending	$ 236,600	$ 15,623	$ 5,956	$ 759,615	$ 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, 2026
(continued)

	IDEA Part B	IDEA Part B Preschool	School-Based Medicaid	Title IV-A	Title IV Perkins	Title II-A
Revenues						
State Support	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Charges for Services	0	0	0	0	0	0
Grants and Contributions	213,534	4,582	126,952	13,269	19,999	7,571
Earnings on Investments	0	0	0	0	0	0
Total Revenues	213,534	4,582	126,952	13,269	19,999	7,571
Expenditures						
Instruction:						
Salaries	100,699	2,725	0	0	0	0
Benefits	46,293	1,359	0	0	0	0
Services	65,478	142	0	4,328	2,500	7,571
Supplies	1,064	356	0	8,941	7,500	0
Total Instruction	213,534	4,582	0	13,269	10,000	7,571
Support Services:						
Salaries	0	0	84,632	0	0	0
Benefits	0	0	42,320	0	0	0
Services	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Total Support Services	0	0	126,952	0	0	0
Food Service	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Total Expenditures	213,534	4,582	126,952	13,269	10,000	7,571
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0	9,999	0
Other Financing Sources (Uses)						
Disposal of Assets	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	9,999	0
Fund Balances - Beginning	0	0	0	0	(9,998)	0
Fund Balances - Ending	$ 0	$ 0	$ 0	$ 0	$ 1	$ 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, 2026
(continued)

	Special Revenue			Capital Projects	
	Special Ed Mini Grant	Cell Phone Grant	Child Nutrition	Bus Depreciation	Total
Revenues					
State Support	$ 0	$ 0	$ 0	$ 0	$ 85,719
Charges for Services	0	0	98,035	0	482,976
Grants and Contributions	2,531	0	186,825	0	825,902
Earnings on Investments	0	0	6,193	0	37,284
Total Revenues	2,531	0	291,053	0	1,431,881
Expenditures					
Instruction:					
Salaries	0	0	0	0	242,973
Benefits	0	0	0	0	100,796
Services	2,531	0	0	0	110,206
Supplies	0	0	0	0	49,735
Total Instruction	2,531	0	0	0	503,710
Support Services:					
Salaries	0	0	0	0	117,228
Benefits	0	0	0	0	42,320
Services	0	0	0	0	168,887
Supplies	0	0	0	0	392,650
Total Support Services	0	0	0	0	721,085
Food Service	0	0	344,850	0	344,850
Capital Outlay	0	0	0	143,900	176,283
Total Expenditures	2,531	0	344,850	143,900	1,745,928
Excess (Deficiency) of Revenues Over Expenditures	0	0	(53,797)	(143,900)	(314,047)
Other Financing Sources (Uses)					
Disposal of Assets	0	0	0	4,264	4,264
Transfers In	0	0	0	119,027	364,560
Transfers Out	0	0	0	0	(3,267)
Total Other Financing Sources (Uses)	0	0	0	123,291	365,557
Net Change in Fund Balances	0	0	(53,797)	(20,609)	51,510
Fund Balances - Beginning	0	2,607	202,319	193,927	1,290,732
Fund Balances - Ending	$ 0	$ 2,607	$ 148,522	$ 173,318	$ 1,342,242

INTERNAL CONTROL AND COMPLIANCE REPORT

Bailey & Company Chtd.
Certified Public Accountants

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Cassie Zattiero, CPA

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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 (the District), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2026.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified the following deficiency in internal control that we consider to be a significant deficiency:

2026-001 STUDENT BODY FUNDS

Condition and Perspective: The Student Body fund cash account balances from the Elementary and JR/SR accounting systems did not match the balances in the District's accounting system. We found one of the journal entries input into i2M of the Student Body fund activity was recorded so that the receipts and disbursements were entered as the same amount, a voided entry was voided again, and other minor recording errors were found in receipts.

Cause: There are no controls in place that verify, after the Business Manager enters the journal entry of the Student Body fund activity for the month in i2M, the balances in i2M match the balances the Student Body fund accounting systems show and then correcting for differences if necessary.

Criteria: Adequately designed and consistently applied internal controls over the accuracy of account balances, helps to prevent or detect errors and fraud.

Effect: Without audit adjustments, the cash account balances in the Student Body fund would have been overstated by $50,839, along with an overstatement of revenue of $34,987 and an understatement of expenditures of $15,852.

Recommendations: We recommend that a budget report is printed after the journal entry for the Student Body fund activity has been recorded each month and the Student Body fund cash balance is compared to the bank reconciliation reports from the Elementary and JR/SR. If the amounts do not match, the differences need to be investigated and corrected if necessary. If the differences are not corrected because a correction is not necessary, the reason a correction is not necessary should be documented. We also recommend that after the audit entries are input into the i2M system for fiscal year 2026, the Business Manager goes back to July 2026 and implements this control.

Views of Responsible Officials: Management agrees with this finding and plans to go back to the July 2026 journal entry and implement the recommended control before the next month's bank reconciliation is completed and continue to implement the recommended control going forward.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described previously. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Bailey & Co.

Nampa, Idaho
October 28, 2026