

**MENIFEE UNION ELEMENTARY  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2006**



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**OF RIVERSIDE COUNTY**

**MENIFEE, CALIFORNIA**

**JUNE 30, 2006**

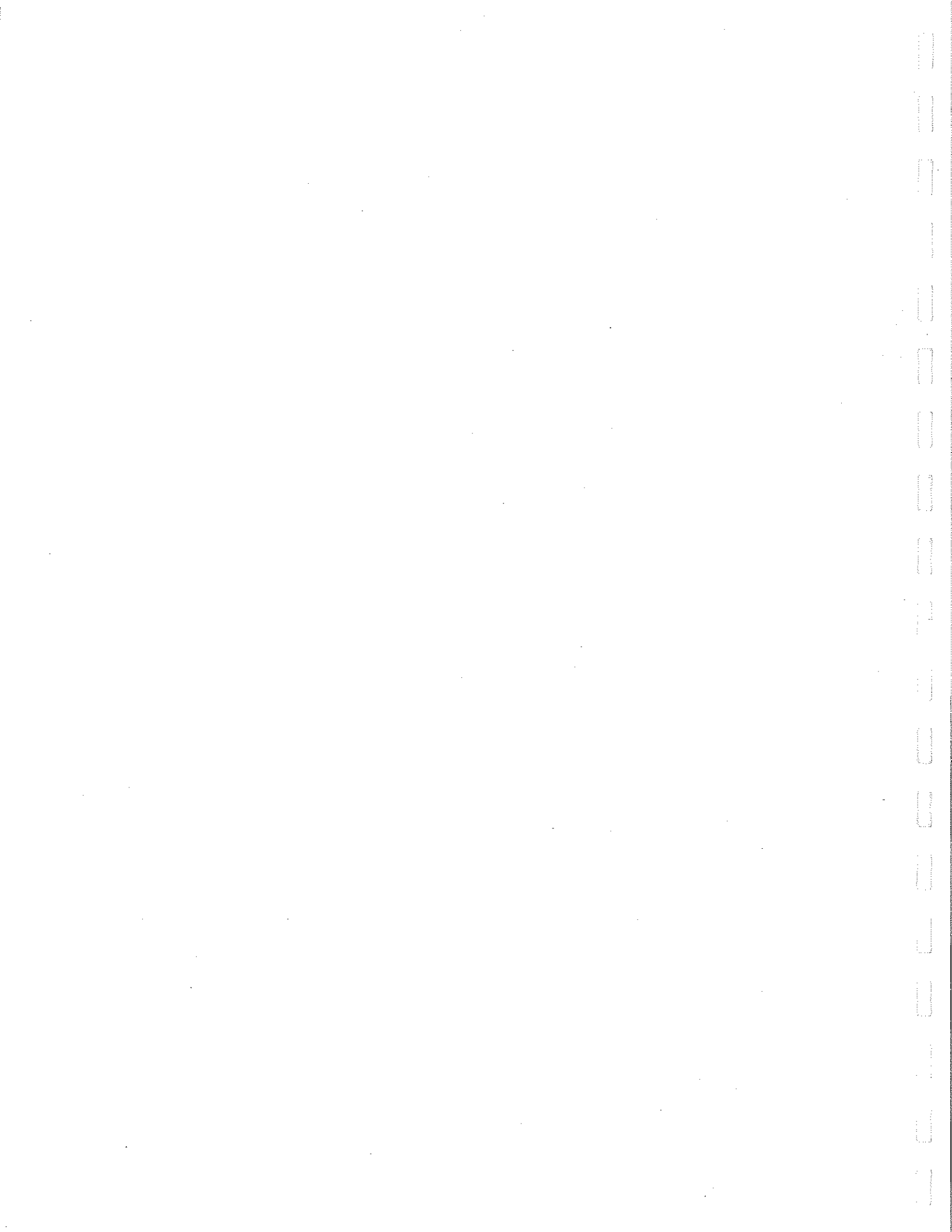
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**GOVERNING BOARD**

| <u>MEMBER</u>      | <u>OFFICE</u>  | <u>TERM EXPIRES</u> |
|--------------------|----------------|---------------------|
| Rita J. Peters     | President      | 2006                |
| Phoebe Irely       | Vice President | 2008                |
| Fred Twyman        | Member         | 2008                |
| Tim Rudd           | Member         | 2006                |
| Victor Giardinelli | Member         | 2008                |

**ADMINISTRATION**

|                          |  |
|--------------------------|--|
| Linda C. Callaway, Ed.D. | Superintendent                                       |
| Daniel Wood              | Assistant Superintendent, Business                   |
| Gil Compton              | Assistant Superintendent, Personnel Services         |
| Laraine Hair             | Assistant Superintendent, Curriculum and Instruction |
| Jeanne Bargman           | Director of Pupil Personnel Services                 |
| Pam Gillette             | Director of Fiscal Services                          |



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2006

---

### ***FINANCIAL SECTION***

|  |    |
|--|----|
| Independent Auditors' Report   | 2  |
| Management's Discussion and Analysis   | 4  |
| Basic Financial Statements   |    |
| Government-Wide Financial Statements   |    |
| Statement of Net Assets  | 12 |
| Statement of Activities  | 13 |
| Fund Financial Statements  |    |
| Governmental Funds - Balance Sheet   | 14 |
| Reconciliation of the Governmental Funds Balance Sheet to the<br>Statement of Net Assets   | 15 |
| Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance  | 16 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and<br>Changes in Fund Balances to the District-Wide Statement of Activities | 17 |
| Fiduciary Funds - Statement of Net Assets  | 19 |
| Notes to Financial Statements  | 20 |

### ***REQUIRED SUPPLEMENTARY INFORMATION***

|  |    |
|--|----|
| General Fund - Budgetary Comparison Schedule | 53 |
|--|----|

### ***SUPPLEMENTARY INFORMATION***

|  |      |
|--|------|
| Schedule of Expenditures of Federal Awards   | 55   |
| Schedule of Average Daily Attendance   | 56   |
| Schedule of Instructional Time   | 57   |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 58   |
| Schedule of Financial Trends and Analysis  | 59   |
| Schedule of Charter Schools  | 59-A |
| Note to Supplementary Information  | 60   |

### ***SUPPLEMENTARY INFORMATION - UNAUDITED***

|  |    |
|--|----|
| Combining Statements - Non-Major Governmental Funds                                    |    |
| Combining Balance Sheet - Unaudited  | 62 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited | 63 |
| Note to Supplementary Information - Unaudited  | 64 |

### ***OTHER SUPPLEMENTARY INFORMATION - UNAUDITED***

|  |    |
|--|----|
| Combining Statements - CFD's - Capital Project for Blended Component Units             |    |
| Combining Balance Sheet - Unaudited  | 66 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited | 68 |
| Combining Statements - CFD's - Debt Service for Blended Component Units                |    |
| Combining Balance Sheet - Unaudited  | 70 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited | 72 |
| Note to Other Supplementary Information - Unaudited                                    | 74 |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2006

---

### ***INDEPENDENT AUDITORS' REPORTS***

|  |    |
|--|----|
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in Accordance with <i>Government<br/>Auditing Standards</i> | 76 |
| Report on Compliance with Requirements Applicable to Each Major Program and on Internal<br>Control over Compliance in Accordance with OMB Circular A-133   | 78 |
| Report on State Compliance   | 80 |

### ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

|   |    |
|---|----|
| Summary of Auditors' Results                | 83 |
| Financial Statement Findings                | 84 |
| Federal Award Findings and Questioned Costs | 87 |
| State Award Findings and Questioned Costs   | 88 |
| Summary Schedule of Prior Audit Findings    | 89 |
| Management Letter                           | 91 |

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Menifee Union Elementary School District  
Menifee, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Menifee Union Elementary School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-06*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Menifee Union Elementary School District, as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2006, on our consideration of the District'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 11 and budgetary comparison information on page 53, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents as Supplementary Information - Unaudited and Other Supplementary Information - Unaudited, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This includes:

- Combining Statements – Non-Major Governmental Funds
- Combining Statements – CFD's – Capital Projects for Blended Component Units
- Combining Statements – CFD's – Debt Service for Blended Component Units

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Vavreck, Tami, Day, Co., LLP*

Rancho Cucamonga, California  
October 5, 2006



# MENIFEE UNION SCHOOL DISTRICT

30205 Menifee Road, Menifee, California 92584  
(951) 672-1851 • FAX (951) 672-1385

**Menifee Pride**  
Working For You

**Superintendent**  
Linda C. Callaway, Ed.D.

This section of Menifee Union Elementary School District's (audited) annual financial report presents our discussion and analysis of the Menifee Union Elementary School District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the Menifee Union Elementary School District (the District) and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District, as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include a variety of funds to include the General Fund, Special Reserve Funds, and Capital Projects Funds.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Menifee Union Elementary School District.

## **FINANCIAL HIGHLIGHTS OF THE PAST YEAR**

### **REPORTING THE DISTRICT AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities**

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be important components in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we report the District activities as follows:

**Governmental activities** - All of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, food service, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds and Community Facilities Districts, finance these activities.

### **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education and the California Department of Education.

**Governmental funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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### *THE DISTRICT AS TRUSTEE*

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate *Statement of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### *THE DISTRICT AS A WHOLE*

#### Net Assets

The District's net assets were \$73.4 million for the fiscal year ended June 30, 2006. Of this amount, \$5.5 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

|  | Governmental<br>Activities |                      |
|--|----------------------------|----------------------|
|  | 2006                       | 2005                 |
| Current and other assets                           | \$ 79,336,118              | \$ 75,120,942        |
| Capital assets                                     | 99,659,813                 | 76,075,381           |
| <b>Total Assets</b>                                | <b>178,995,931</b>         | <b>151,196,323</b>   |
| Current liabilities                                | 8,721,691                  | 3,721,885            |
| Long-term obligations                              | 96,866,290                 | 69,657,185           |
| <b>Total Liabilities</b>                           | <b>105,587,981</b>         | <b>73,379,070</b>    |
| Net assets   |                            |                      |
| Invested in capital assets,<br>net of related debt | 2,972,801                  | 6,575,269            |
| Restricted   | 64,925,999                 | 64,802,988           |
| Unrestricted                                       | 5,509,150                  | 6,438,995            |
| <b>Total Net Assets</b>                            | <b>\$ 73,407,950</b>       | <b>\$ 77,817,252</b> |

The \$5.5 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13.

Table 2

|   | Governmental<br>Activities |                      |
|---|----------------------------|----------------------|
|   | 2006                       | 2005                 |
| <b>Revenues</b>                                   |                            |                      |
| Program revenues:                                 |                            |                      |
| Charges for services                              | \$ 1,583,968               | \$ 1,748,051         |
| Operating grants and contributions                | 8,411,104                  | 6,966,705            |
| Capital grants and contributions                  | 7,177,124                  | 6,247,301            |
| General revenues:                                 |                            |                      |
| State revenue limit sources                       | 34,062,828                 | 29,284,221           |
| Property and other taxes                          | 6,531,351                  | 5,364,727            |
| Other general revenues                            | 11,769,604                 | 16,308,041           |
| <b>Total Revenues</b>                             | <b>69,535,979</b>          | <b>65,919,046</b>    |
| <b>Expenses</b>                                   |                            |                      |
| Instruction-related                               | 39,417,747                 | 33,416,830           |
| Pupil services                                    | 4,456,929                  | 3,595,182            |
| Administration                                    | 4,067,478                  | 2,894,780            |
| Maintenance and operations                        | 5,216,019                  | 6,640,198            |
| Interest on long-term obligations and other outgo | 20,787,109                 | 3,254,909            |
| <b>Total Expenses</b>                             | <b>73,945,282</b>          | <b>49,801,899</b>    |
| <b>Change in Net Assets</b>                       | <b>\$ (4,409,303)</b>      | <b>\$ 16,117,147</b> |

### Governmental Activities

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year was \$73.9 million. However, \$50.7 million of that balance was financed from District's unrestricted general revenues. This represents the total cost less the costs paid by those who benefited from the programs (\$1.6 million), or by the other governments and organizations who subsidized certain programs with grants and contributions (\$15.5 million). We paid the \$56.8 million remaining "public benefit" portion of our governmental activities from General Revenues including property taxes, State and local income.

In Table 3, we have presented the cost of each of the District's seven largest functions – instruction, instruction-related activities, pupil services, general administration, plant services, facilities acquisition and construction, and interest on long-term obligations. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2006**

Table 3

|                                       | Total Net Cost<br>of Services |                      |
|---------------------------------------|-------------------------------|----------------------|
|                                       | 2006                          | 2005                 |
| Instruction                           | \$ 21,177,564                 | \$ 17,966,226        |
| Instruction-related activities        | 4,472,121                     | 3,731,182            |
| Other pupil services                  | 1,922,174                     | 1,411,463            |
| General administration                | 3,626,371                     | 2,503,604            |
| Plant services                        | 4,945,840                     | 4,018,143            |
| Facility acquisition and construction | 7,016,334                     | 2,420,358            |
| Interest on long-term obligations     | 13,612,682                    | 2,788,867            |
| <b>Totals</b>                         | <b>\$ 56,773,086</b>          | <b>\$ 34,839,843</b> |

***THE DISTRICTS FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$71.1 million as detailed below:

Table 4

|   | Fund Balance<br>June 30, |                      |
|---|--------------------------|----------------------|
|   | 2006                     | 2005                 |
| General                                 | \$ 6,348,081             | \$ 5,742,393         |
| Building                                | 6,004,107                | 8,410,056            |
| Capital Facilities                      | 16,455,369               | 26,645,685           |
| County School Facilities                | 1,907                    | -                    |
| Capital Projects Blended Component Unit | 31,418,207               | 22,035,842           |
| Debt Service for Blended Component Unit | 8,811,948                | 5,897,229            |
| Child Development                       | 54,365                   | 32,497               |
| Cafeteria                               | 350,293                  | 233,797              |
| Deferred Maintenance                    | 175,396                  | 197,368              |
| Special Reserve (Non Capital)           | 33,652                   | 32,374               |
| Bond Interest and Redemption            | 871,982                  | 654,919              |
| COP Debt Service                        | 592,402                  | 608,705              |
| <b>Totals</b>                           | <b>\$ 71,117,709</b>     | <b>\$ 70,490,865</b> |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2006. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 53.)

### **COMMENTS ON MAJOR FUNDS**

Each of the District's major funds is discussed below.

The General Fund provides most of the salary, benefits and curriculum support for the District.

The Capital Facilities Fund provided the largest portion of funding for Elementary School #7, funded portables for four schools and funded the additional offices for the District Administration offices.

The County School Facilities Fund utilized State funding to pay \$7 million of the construction costs of Elementary School #7.

The Capital Projects for Blended Component Units Fund provided resources that funded the acquisition of compressed natural gas (CNG) school buses need to support transportation, maintenance and food services.

The Debt Service for Blended Component Units Fund is used to record Special taxes collected to fund required debt service payments on the Special Tax Bonds issued by the Community Facilities Districts.

The Building Fund was used to fund the remaining projects of the District's General Obligation Bond.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### Capital Assets

At June 30, 2006, the District had \$99.7 million in a broad range of capital assets, including land, buildings, and equipment.

Table 5

| (Net of Accumulated Depreciation)            | Governmental<br>Activities |                      |
|--|----------------------------|----------------------|
|  | 2006                       | 2005                 |
| Land and construction in process             | \$ 39,926,447              | \$ 29,333,832        |
| Buildings and improvements/site improvements | 56,558,189                 | 45,614,584           |
| Equipment                                    | 3,175,177                  | 1,126,965            |
| <b>Totals</b>                                | <b>\$ 99,659,813</b>       | <b>\$ 76,075,381</b> |



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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### Long-term Obligations

At the end of this year, the District had \$96.9 million in long-term obligations outstanding versus \$69.7 million last year. Those long-term obligations consisted of the following:

|   | Governmental<br>Activities |                      |
|---|----------------------------|----------------------|
|   | 2006                       | 2005                 |
| General obligation bonds (financed with property taxes) | \$ 14,496,954              | \$ 14,625,111        |
| Certificates of participation                           | 7,800,000                  | 8,135,000            |
| Community facilities district                           | 74,390,058                 | 46,740,000           |
| Compensated absences                                    | 179,278                    | 157,074              |
| <b>Totals</b>   | <b>\$ 96,866,290</b>       | <b>\$ 69,657,185</b> |

The District's general obligation bond rating with Fitch is A+, and with S&P it is an A-. The State limits the amount of general obligation bonds that districts can issue to five percent of the assessed value of all taxable property within the district's boundaries. The District's outstanding general obligation bonds of \$14.5 million is significantly below this statutorily-imposed limit.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2005-2006***

#### **Significant Accomplishments:**

- Completed construction of Elementary School #7, Evans Ranch Elementary.
- Completed construction of portable classrooms at Freedom Crest Elementary, Oak Meadows Elementary, Bell Mountain Middle School and Menifee Valley Middle School.
- Refinanced Community Facilities District's (CFD's) 99-1,99-1 Zone 'A', 99-1 Improvement Area 'A', 2002-1, 2002-3, 2003-3; the refinancing included sale of bonds for the first time for CFD 94-1.
- Acquired fifteen (15) new CNG buses.
- Added five new office buildings at the District Office.
- Sold bonds for CFD's 2003-4, 2004-2, and 2004-5.
- Received notice of a \$400,000 EPA grant for CNG buses.
- Acquired twenty-one (21) maintenance, transportation and food service vehicles. These vehicles are in addition to the fifteen (15) CNG buses above.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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### *FACTORS BEARING ON THE DISTRICT'S FUTURE*

Although the budget for 2006-2007 will inevitably be changing, following are some of the key budget assumptions made at time of budget development:

- Average Daily Attendance projected at 7,670, growth of 8.0 percent.
- Revenue Limit and Categorical COLA estimated at 5.92 percent with no deficit and equalization funding totaling 7.79 percent over the previous fiscal year.
- Staffing based on the following formulas:
  - Kindergarten 20:1
  - 1-2-3 20:1
  - 4-5 20:1
  - Middle School 6-8 30:1
- Negotiations with both bargaining units have not been settled as of this printing.

### *CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT*

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Dan Wood, Assistant Superintendent of Business Services, at Menifee Union Elementary School District, 30205 Menifee Road, Menifee, CA 92584, or e-mail at [dwood@menifeeusd.org](mailto:dwood@menifeeusd.org).

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

| <b>Assets</b>                                   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| Deposits and investments                        | \$ 69,827,994                      |
| Receivables                                     | 5,564,612                          |
| Prepaid expenses                                | 3,825,864                          |
| Stores inventories                              | 16,833                             |
| Deferred charges                                | 100,815                            |
| Capital assets:                                 |                                    |
| Land and construction in process                | 39,926,447                         |
| Other capital assets                            | 71,448,496                         |
| Less: Accumulated depreciation                  | (11,715,130)                       |
| <b>Total Capital Assets</b>                     | <u>99,659,813</u>                  |
| <b>Total Assets</b>                             | <u>178,995,931</u>                 |
| <br>  |                                    |
| <b>Liabilities</b>                              |                                    |
| Accounts payable                                | 3,493,231                          |
| Accrued interest                                | 4,429,961                          |
| Deferred revenue                                | 112,865                            |
| Due to developers                               | 685,634                            |
| Long-term Obligations:                          |                                    |
| Current portion                                 | 1,592,814                          |
| Noncurrent portion                              | 95,273,476                         |
| <b>Total Long-term Obligations</b>              | <u>96,866,290</u>                  |
| <b>Total Liabilities</b>                        | <u>105,587,981</u>                 |
| <br>  |                                    |
| <b>Net Assets</b>                               |                                    |
| Invested in capital assets, net of related debt | 2,972,801                          |
| Restricted for:                                 |                                    |
| Debt service                                    | 10,276,332                         |
| Capital projects                                | 53,877,683                         |
| Educational programs                            | 158,278                            |
| Other activities                                | 613,706                            |
| Unrestricted                                    | 5,509,150                          |
| <b>Total Net Assets</b>                         | <u>\$ 73,407,950</u>               |

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

| Functions/Programs                           | Expenses             | Program Revenues               |                                    |                                  |
|--|----------------------|--------------------------------|------------------------------------|----------------------------------|
|  |                      | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental Activities:</b>              |                      |                                |                                    |                                  |
| Instruction                                  | \$ 34,398,317        | \$ 175,028                     | \$ 5,868,601                       | \$ 7,177,124                     |
| Instruction-related activities:              |                      |                                |                                    |                                  |
| Supervision of instruction                   | 1,056,307            | -                              | 540,922                            | -                                |
| Instructional library, media, and technology | 497,216              | -                              | 3,995                              | -                                |
| School site administration                   | 3,465,907            | -                              | 2,392                              | -                                |
| Pupil services:                              |                      |                                |                                    |                                  |
| Home-to-school transportation                | 1,517,750            | 201,606                        | 277,255                            | -                                |
| Food services                                | 1,652,927            | 974,037                        | 720,963                            | -                                |
| All other pupil services                     | 1,286,252            | -                              | 360,894                            | -                                |
| General administration:                      |                      |                                |                                    |                                  |
| Data processing                              | 695,525              | -                              | -                                  | -                                |
| All other general administration             | 3,371,953            | 110,993                        | 330,114                            | -                                |
| Plant services                               | 5,216,019            | 23,135                         | 247,044                            | -                                |
| Interest on long-term obligations            | 7,016,334            | -                              | -                                  | -                                |
| Other outgo                                  | 13,770,775           | 99,169                         | 58,924                             | -                                |
| <b>Total Governmental Activities</b>         | <b>\$ 73,945,282</b> | <b>\$ 1,583,968</b>            | <b>\$ 8,411,104</b>                | <b>\$ 7,177,124</b>              |

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

**Total General Revenues and Subventions**

**Change in Net Assets**

- Net Assets - Beginning
- Net Assets - Ending

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

---

**Net (Expenses)  
Revenues and  
Changes in  
Net Assets**

**Governmental  
Activities**

|    |                          |
|----|--------------------------|
| \$ | (21,177,564)             |
|    | (515,385)                |
|    | (493,221)                |
|    | (3,463,515)              |
|    | (1,038,889)              |
|    | 42,073                   |
|    | (925,358)                |
|    | (695,525)                |
|    | (2,930,846)              |
|    | (4,945,840)              |
|    | (7,016,334)              |
|    | (13,612,682)             |
|    | <u>(56,773,086)</u>      |
|    | 5,633,221                |
|    | 863,792                  |
|    | 34,338                   |
|    | 34,062,828               |
|    | 252,793                  |
|    | <u>11,516,811</u>        |
|    | <u>52,363,783</u>        |
|    | (4,409,303)              |
|    | <u>77,817,253</u>        |
| \$ | <u><u>73,407,950</u></u> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2006**

|  | <b>General<br/>Fund</b> | <b>Building<br/>Fund</b> | <b>Capital<br/>Facilities<br/>Fund</b> |
|--|-------------------------|--------------------------|--|
| <b>ASSETS</b>                                  |                         |                          |  |
| Deposits and investments                       | \$ 2,805,830            | \$ 5,999,857             | \$ 18,131,724                          |
| Receivables                                    | 5,149,075               | 71,420                   | 181,483                                |
| Due from other funds                           | 92,437                  | -                        | -                                      |
| Stores inventories                             | -                       | -                        | -                                      |
| <b>Total Assets</b>                            | <b>\$ 8,047,342</b>     | <b>\$ 6,071,277</b>      | <b>\$ 18,313,207</b>                   |
| <b>LIABILITIES AND FUND BALANCES</b>           |                         |                          |  |
| <b>Liabilities:</b>                            |                         |                          |  |
| Accounts payable                               | 1,583,702               | 67,170                   | 1,766,204                              |
| Due to other funds                             | 2,694                   | -                        | 91,634                                 |
| Due to developers                              | -                       | -                        | -                                      |
| Deferred revenue                               | 112,865                 | -                        | -                                      |
| <b>Total Liabilities</b>                       | <b>1,699,261</b>        | <b>67,170</b>            | <b>1,857,838</b>                       |
| <b>FUND BALANCES</b>                           |                         |                          |  |
| Reserved                                       | 160,778                 | -                        | -                                      |
| Unreserved:                                    |                         |                          |  |
| Designated                                     | 4,428,890               | 6,004,107                | 16,455,369                             |
| Undesignated, reported in:                     |                         |                          |  |
| General Fund                                   | 1,758,413               | -                        | -                                      |
| Debt Service Funds                             | -                       | -                        | -                                      |
| Capital Projects Funds                         | -                       | -                        | -                                      |
| <b>Total Fund Balance</b>                      | <b>6,348,081</b>        | <b>6,004,107</b>         | <b>16,455,369</b>                      |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 8,047,342</b>     | <b>\$ 6,071,277</b>      | <b>\$ 18,313,207</b>                   |

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

| <b>County School<br/>Facilities<br/>Fund</b> | <b>Capital Projects<br/>for Blended<br/>Component<br/>Units</b> | <b>Debt Service<br/>for Blended<br/>Component<br/>Units</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---|---|---|---|
| \$ -   | \$ 31,418,207   | \$ 9,497,582  | \$ 1,974,794                                | \$ 69,827,994                           |
| 1,907  | -   | -   | 160,727                                     | 5,564,612                               |
| -  | -   | -   | 2,740                                       | 95,177                                  |
| -  | -   | -   | 16,833                                      | 16,833                                  |
| <u>\$ 1,907</u>                              | <u>\$ 31,418,207</u>  | <u>\$ 9,497,582</u>   | <u>\$ 2,155,094</u>                         | <u>\$ 75,504,616</u>                    |
| -  | -   | -   | 76,155                                      | 3,493,231                               |
| -  | -   | -   | 849   | 95,177                                  |
| -  | -   | 685,634   | -   | 685,634                                 |
| -  | -   | -   | -   | 112,865                                 |
| -  | -   | <u>685,634</u>  | <u>77,004</u>                               | <u>4,386,907</u>                        |
| -  | -   | -   | 16,833                                      | 177,611                                 |
| 1,907  | -   | -   | 596,873                                     | 27,487,146                              |
| -  | -   | -   | -   | 1,758,413                               |
| -  | -   | 8,811,948   | 1,464,384                                   | 10,276,332                              |
| -  | 31,418,207  | -   | -   | 31,418,207                              |
| <u>1,907</u>                                 | <u>31,418,207</u>   | <u>8,811,948</u>  | <u>2,078,090</u>                            | <u>71,117,709</u>                       |
| <u>\$ 1,907</u>                              | <u>\$ 31,418,207</u>  | <u>\$ 9,497,582</u>   | <u>\$ 2,155,094</u>                         | <u>\$ 75,504,616</u>                    |

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCES SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

---

**Amounts Reported for Governmental Activities in the Statement of  
Net Assets are Different Because:**

|  |                     |                             |
|--|---------------------|-----------------------------|
| <b>Total Fund Balance - Governmental Funds</b>   |                     | <b>\$ 71,117,709</b>        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.   |                     |                             |
| The cost of capital assets is  | \$ 111,374,943      |                             |
| Accumulated depreciation is  | <u>(11,715,130)</u> |                             |
| <b>Total Capital Assets</b>  |                     | <b>99,659,813</b>           |
| Expenditures relating to issuance of debt of next fiscal year were recognized on the modified accrual basis, but should not be recognized on the accrual basis. Cost of issuances are capitalizable and amortized over the life of the debt. |                     | 3,926,679                   |
| In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.                           |                     | (4,429,961)                 |
| Long-term liabilities, including general obligation bonds, 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:  |                     |                             |
| General obligation bonds   | 14,317,229          |                             |
| Certificates of participation  | 7,800,000           |                             |
| Special tax revenue bonds  | 74,795,000          |                             |
| Compensated absences   | 179,278             |                             |
| Unamortized premium/discount/deferred amount on refunding  | <u>(225,217)</u>    |                             |
| <b>Total Long-term Liabilities</b>   |                     | <b>(96,866,290)</b>         |
| <b>Total Net Assets - Governmental Activities</b>  |                     | <b><u>\$ 73,407,950</u></b> |

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006**

|  | General<br>Fund     | Building<br>Fund    | Capital<br>Facilities<br>Fund |
|--|---------------------|---------------------|-------------------------------|
| <b>REVENUES</b>  |                     |                     |                               |
| Revenue limit sources                                    | \$ 35,365,949       | \$ -                | \$ -                          |
| Federal sources  | 1,809,898           | -                   | -                             |
| Other State sources                                      | 7,602,480           | -                   | -                             |
| Other local sources                                      | 4,000,273           | 281,037             | 4,651,434                     |
| <b>Total Revenues</b>                                    | <b>48,778,600</b>   | <b>281,037</b>      | <b>4,651,434</b>              |
| <b>EXPENDITURES</b>                                      |                     |                     |                               |
| <b>Current</b>   |                     |                     |                               |
| Instruction  | 32,578,274          | -                   | -                             |
| Instruction-related activities:                          |                     |                     |                               |
| Supervision of instruction                               | 962,818             | -                   | -                             |
| Instructional library, media, and technology             | 495,785             | -                   | -                             |
| School site administration                               | 3,460,460           | -                   | -                             |
| Pupil services:  |                     |                     |                               |
| Home-to-school transportation                            | 1,468,137           | -                   | -                             |
| Food services  | -                   | -                   | -                             |
| All other pupil services                                 | 1,282,349           | -                   | -                             |
| General administration:                                  |                     |                     |                               |
| Data processing  | 691,997             | -                   | -                             |
| All other general administration                         | 2,351,851           | -                   | 272,596                       |
| Plant services   | 4,713,626           | -                   | 137,900                       |
| Facility acquisition and construction                    | 1,267               | 2,686,986           | 14,973,268                    |
| Other outgo  | 61,348              | -                   | -                             |
| Debt service   |                     |                     |                               |
| Principal  | -                   | -                   | -                             |
| Interest and other                                       | -                   | -                   | -                             |
| <b>Total Expenditures</b>                                | <b>48,067,912</b>   | <b>2,686,986</b>    | <b>15,383,764</b>             |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>710,688</b>      | <b>(2,405,949)</b>  | <b>(10,732,330)</b>           |
| <b>Other Financing Sources (Uses):</b>                   |                     |                     |                               |
| Transfers in   | -                   | -                   | 1,133,134                     |
| Other sources  | -                   | -                   | -                             |
| Transfers out  | (105,000)           | -                   | (591,120)                     |
| Other uses   | -                   | -                   | -                             |
| <b>Net Financing Sources (Uses)</b>                      | <b>(105,000)</b>    | <b>-</b>            | <b>542,014</b>                |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <b>605,688</b>      | <b>(2,405,949)</b>  | <b>(10,190,316)</b>           |
| <b>Fund Balance - Beginning</b>                          | <b>5,742,393</b>    | <b>8,410,056</b>    | <b>26,645,685</b>             |
| <b>Fund Balance - Ending</b>                             | <b>\$ 6,348,081</b> | <b>\$ 6,004,107</b> | <b>\$ 16,455,369</b>          |

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

| County<br>School<br>Facilities<br>Fund | Capital Projects<br>for Blended<br>Component<br>Units | Debt Service<br>for Blended<br>Component<br>Units | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---|---|------------------------------------|--------------------------------|
| \$ -                                   | \$ -  | \$ -  | \$ -                               | \$ 35,365,949                  |
| -                                      | -   | -   | 777,267                            | 2,587,165                      |
| 7,175,217                              | -   | -   | 608,026                            | 15,385,723                     |
| 1,907                                  | 1,024,850   | 4,321,005   | 1,931,165                          | 16,211,671                     |
| 7,177,124                              | 1,024,850   | 4,321,005   | 3,316,458                          | 69,550,508                     |
| -                                      | -   | -   | 195,982                            | 32,774,256                     |
| -                                      | -   | -   | 94,002                             | 1,056,820                      |
| -                                      | -   | -   | -                                  | 495,785                        |
| -                                      | -   | -   | -                                  | 3,460,460                      |
| -                                      | -   | -   | -                                  | 1,468,137                      |
| -                                      | -   | -   | 1,653,596                          | 1,653,596                      |
| -                                      | -   | -   | 3,721                              | 1,286,070                      |
| -                                      | -   | -   | -                                  | 691,997                        |
| -                                      | 643,825   | -   | 86,873                             | 3,355,145                      |
| -                                      | -   | -   | 360,169                            | 5,211,695                      |
| 6,042,083                              | 1,578,754   | -   | -                                  | 25,282,358                     |
| -                                      | 6,638,202   | -   | -                                  | 6,699,550                      |
| -                                      | -   | 330,000   | 485,000                            | 815,000                        |
| -                                      | 2,647,060   | 2,511,749   | 829,150                            | 5,987,959                      |
| 6,042,083                              | 11,507,841  | 2,841,749   | 3,708,493                          | 90,238,828                     |
| 1,135,041                              | (10,482,991)  | 1,479,256   | (392,035)                          | (20,688,320)                   |
| -                                      | 313,549   | 54,513  | 696,120                            | 2,197,316                      |
| -                                      | 25,666,245  | 23,343,756  | 14,345                             | 49,024,346                     |
| (1,133,134)                            | (54,513)  | (313,549)   | -                                  | (2,197,316)                    |
| -                                      | (6,059,925)   | (21,649,257)                                      | -                                  | (27,709,182)                   |
| (1,133,134)                            | 19,865,356  | 1,435,463   | 710,465                            | 21,315,164                     |
| 1,907                                  | 9,382,365   | 2,914,719   | 318,430                            | 626,844                        |
| -                                      | 22,035,842  | 5,897,229   | 1,759,660                          | 70,490,865                     |
| \$ 1,907                               | \$ 31,418,207   | \$ 8,811,948                                      | \$ 2,078,090                       | \$ 71,117,709                  |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006**

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 626,844**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceed depreciation in the period.

|                      |                    |            |
|----------------------|--------------------|------------|
| Capital outlays      | \$ 25,288,536      |            |
| Depreciation expense | <u>(1,675,229)</u> | 23,613,307 |

Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds. (28,875)

In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (22,204)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities:  
 Sale and refunding of special tax revenue bonds (49,010,000)

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:

|                              |                  |           |
|------------------------------|------------------|-----------|
| Discount on issuance         | 404,942          |           |
| Premium on issuance          | 7,814            |           |
| Cost of issuance             | 1,966,972        |           |
| Deferred amount on refunding | <u>(100,816)</u> |           |
| Combined adjustment          |                  | 2,278,912 |

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

|                               |  |            |
|-------------------------------|--|------------|
| General obligation bonds      |  | 150,000    |
| Special tax revenue bonds     |  | 20,955,000 |
| Certificates of participation |  | 335,000    |

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2006**

---

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the certificates of participation and bonds is increased by \$3,277,630 and, secondly, accreted interest increased by \$29,657.

|  |                              |
|--|------------------------------|
|  | \$ (3,307,287)               |
| <b>Change in Net Assets of Governmental Activities</b> | <b><u>\$ (4,409,303)</u></b> |

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

---

|                          | <b>Agency Funds</b>  |                                    |
|--------------------------|----------------------|------------------------------------|
|                          | <b>Joint<br/>CFD</b> | <b>Associated<br/>Student Body</b> |
| <b>ASSETS</b>            |                      |                                    |
| Deposits and investments | \$ 6,059,925         | \$ 63,645                          |
| <b>LIABILITIES</b>       |                      |                                    |
| Due to other agencies    | 6,059,925            | -                                  |
| Due to student groups    | -                    | 63,645                             |
|                          | <u>\$ 6,059,925</u>  | <u>\$ 63,645</u>                   |

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

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The Meniffee Union Elementary School District (the District) was organized December 7, 1951, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates six elementary and two middle schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the Meniffee Union Elementary School District, this includes general operations, food service, and student related activities of the District.

#### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes the component units discussed below are reported in the District's financial statements because of the significance of their relationship with the District. The component units, although a legally separate entity, are reported in the financial statements as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

Pursuant to the Mello-Roos Community Facilities Act of 1982, the District established the Community Facilities Districts (CFD), CFD 94-1; CFD 99-1 (Zone 1 Series A and B); CFD 99-1 (2003 Series); CFD 2002-1 (2002 Series); CFD 2002-2 (2004 Series); CFD 2002-3 (2003 Series); 2002-4 (2004 Series); 2002-5 (2004 Series); 2003-1 (2005 Series); CFD 2003-3 (2003 Series); CFD 2003-4 (2005 Series); CFD 2004-2 (2005 Series); 2004-3 (2003 Series); and 2004-4 (2003 Series); CFD 2004-5 (2005 Series), legally constituted governmental entities, for the purpose of financing special capital projects. The Community Facilities Districts were authorized, at special elections, to incur indebtedness and subsequently sold bonds for the purpose of providing educational facilities within the District boundaries. The repayment of the bonds are not a general or special obligation of the Community Facilities Districts, but rather are limited obligations payable solely from the proceeds of special taxes levied on property within the Community Facilities Districts.

The Community Facilities Districts' financial activity is presented in the financial statements in the capital project funds and the debt service funds. Bonds issued by the Facilities Districts are included in the long-term debt.

The following are those aspects of the relationship between the District and the Community Facilities Districts, which satisfy Statement Three criteria.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### **Manifestations of Oversight**

The Community Facilities Districts and the District have common boards.

The Community Facilities Districts have no employees. The District's Superintendent functions as an agent of the Community Facilities District.

The District exercises significant influence over operations of the Community Facilities Districts as all projects of the Community Facilities Districts involve the Meniffee Union Elementary School District.

### **Accountability for Fiscal Matters**

The District is responsible for preparation of the annual budgets for the Community Facilities Districts.

### **Scope of Public Service**

The Community Facilities Districts were created specifically to finance capital improvements for the Meniffee Union Elementary School District and other governmental agencies, if they choose to participate within the debt issuance.

### **Financial Presentation**

For financial presentation purposes, the CFDs financial activity has been blended, or combined with the financial data of the District. The financial statements present the CFDs financial activity within the Capital Project for Blended Component Units and Debt Service for Blended Component Units.

### **Other Related Entities**

**Joint Powers Agencies** The District is associated with three joint powers agencies. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Western Riverside County Self-Insurance Program for Employees (WRCSIPE)
- Self Insurance Schools of California III (SISC III)
- Riverside Schools Insurance Authority (RSIA)

### **Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

### Major Governmental Funds

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Government Code and California Education Code.

**County School Facilities (Capital Projects) Fund** The County Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10 – 17076.10).

**Capital Project for Blended Component Unit Funds** The Capital Project Blended Component Unit Funds are used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

**Debt Service for Blended Component Unit Funds** The Debt Service Component Unit Funds are used to account for the accumulation of resources for the payment of the principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

**Child Development Fund** The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

**Cafeteria Fund** The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

**Special Reserve Fund for Other than Capital Outlay** The Special Reserve Fund for Other than Capital Outlay is used to provide for the accumulation of General Fund monies for general operating purposes.

**Debt Service Funds** The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains the following debt service funds:

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

**COP Debt Service Fund** The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The District maintains fiduciary funds that are classified as Agency funds.

**Agency Funds** are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District's agency funds include:

- Joint CFD Fund - Agency fund is used to account for certain proceeds of Community Facilities District bond issuances' not available to finance school improvements.
- Associated Student Body Fund - Agency fund is used to account for student body activities.

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the District and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program segment is self-financing or draws from the general revenues of the District.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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**Associated Student Body Fund** Associated Student Body Fund is used to account for the funds of the District's Schools Associated Student Bodies.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met, are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected with the available period are also recorded as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Cash and Cash Equivalents**

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### **Investments**

Investments held at June 30, 2006, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund represent cash and cash equivalents required by federal and state agencies to be set-aside by the District for the purpose of satisfying certain requirements of the Federal and State programs.

### **Stores Inventory**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000 dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net assets. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for the net residual amounts due between governmental activities, which are presented as internal balances.

### **Compensated Absences**

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. As such, the District has made all applicable required disclosures.

### **New Accounting Pronouncements**

In July 2004, GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, the GASB issued GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45. GASB Statement No. 45 is effective in three phases, with implementation required for Phase 1 governments in periods beginning after December 15, 2006. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASB Statement No. 47 is encouraged.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

|                                |                      |
|--------------------------------|----------------------|
| Governmental activities        | \$ 63,768,069        |
| Fiduciary funds                | 6,123,570            |
| Total Deposits and Investments | <u>\$ 69,891,639</u> |

Deposits and investments as of June 30, 2006, consist of the following:

|                                |                      |
|--------------------------------|----------------------|
| Investments                    | \$ 69,546,052        |
| Cash on hand and in banks      | 343,087              |
| Cash in revolving              | 2,500                |
| Total Deposits and Investments | <u>\$ 69,891,639</u> |

#### Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

| <u>Authorized<br/>Investment Type</u>   | <u>Maximum<br/>Remaining<br/>Maturity</u> | <u>Maximum<br/>Percentage<br/>of Portfolio</u> | <u>Maximum<br/>Investment<br/>In One Issuer</u> |
|---|---|--|---|
| Local Agency Bonds, Notes, Warrants     | 5 years                                   | None   | None  |
| Registered State Bonds, Notes, Warrants | 5 years                                   | None   | None  |
| U.S. Treasury Obligations               | 5 years                                   | None   | None  |
| U.S. Agency Securities                  | 5 years                                   | None   | None  |
| Banker's Acceptance                     | 180 days                                  | 40%  | 30%   |
| Commercial Paper                        | 270 days                                  | 25%  | 10%   |
| Negotiable Certificates of Deposit      | 5 years                                   | 30%  | None  |
| Repurchase Agreements                   | 1 year                                    | None   | None  |
| Reverse Repurchase Agreements           | 92 days                                   | 20% of base                                    | None  |
| Medium-term Corporate Notes             | 5 years                                   | 30%  | None  |
| Mutual Funds                            | N/A                                       | 20%  | 10%   |
| Money Market Mutual Funds               | N/A                                       | 20%  | 10%   |
| Mortgage Pass-through Securities        | 5 years                                   | 20%  | None  |
| County Pooled Investment Funds          | N/A                                       | None   | None  |
| Local Agency Investment Fund (LAIF)     | N/A                                       | None   | None  |
| Joint Powers Authority Pools            | N/A                                       | None   | None  |

### Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

| <u>Investment Type</u>                            | <u>Fair Value</u>    | <u>Maturity Date/<br/>Average maturity<br/>In Years</u> |
|---|----------------------|---|
| First American Treasury Money Market Mutual Funds | \$ 46,975,829        | 1*  |
| Riverside County Investment Pool                  | 27,899,549           | 0.79  |
| FSA Investment Agreement                          | 592,288              | 9/1/2025  |
| Total   | <u>\$ 75,467,666</u> |   |

\* Average maturity in days.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments with the Riverside County Investment Pool, First American Treasury Money Market Mutual Funds are rated Aaa by Moody's Investor Service. The Financial Security Assurance (FSA) Investment Agreement is not required to be rated. However, the investment agreement is insured by FSA who is rated Aaa by Moody's Investor Service.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2006, the District's bank balance of \$207,880 was fully insured.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 3 – RECEIVABLES**

Receivables at June 30, 2006, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

|                            | General Fund        | Building Fund    | Capital Facilities Fund | County School Facilities Fund | Non-Major Governmental Funds | Total               |
|----------------------------|---------------------|------------------|-------------------------|-------------------------------|------------------------------|---------------------|
| <b>Federal Government</b>  |                     |                  |                         |                               |                              |                     |
| Categorical aid            | \$ 596,322          | \$ -             | \$ -                    | \$ -                          | \$ 133,373                   | \$ 729,695          |
| <b>State Government</b>    |                     |                  |                         |                               |                              |                     |
| Apportionment              | 2,997,894           | -                | -                       | -                             | -                            | 2,997,894           |
| Categorical aid            | 627,668             | -                | -                       | -                             | -                            | 627,668             |
| Lottery                    | 234,568             | -                | -                       | -                             | -                            | 234,568             |
| Other State                | 611,144             | -                | -                       | -                             | 7,836                        | 618,980             |
| <b>Local Government</b>    |                     |                  |                         |                               |                              |                     |
| Interest                   | 71,328              | 71,420           | 173,137                 | 1,907                         | 5,783                        | 323,575             |
| <b>Other Local Sources</b> | 10,151              | -                | 8,346                   | -                             | 13,735                       | 32,232              |
| <b>Total</b>               | <b>\$ 5,149,075</b> | <b>\$ 71,420</b> | <b>\$ 181,483</b>       | <b>\$ 1,907</b>               | <b>\$ 160,727</b>            | <b>\$ 5,564,612</b> |

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

|  | Balance July 1, 2005 | Additions            | Deductions           | Balance June 30, 2006 |
|--|----------------------|----------------------|----------------------|-----------------------|
| <b>Governmental Activities</b>                     |                      |                      |                      |                       |
| <b>Capital Assets Not Being Depreciated</b>        |                      |                      |                      |                       |
| Land   | \$ 13,222,386        | \$ 166,511           | \$ -                 | \$ 13,388,897         |
| Construction in process                            | 16,111,446           | 21,680,204           | 11,254,100           | 26,537,550            |
| <b>Total Capital Assets Not Being Depreciated</b>  | <b>29,333,832</b>    | <b>21,846,715</b>    | <b>11,254,100</b>    | <b>39,926,447</b>     |
| <b>Capital Assets Being Depreciated</b>            |                      |                      |                      |                       |
| Site improvements                                  | 915,560              | 796,849              | -                    | 1,712,409             |
| Buildings and improvements                         | 53,630,674           | 11,681,415           | 98,928               | 65,213,161            |
| Furniture and equipment                            | 2,657,264            | 2,217,657            | 351,995              | 4,522,926             |
| <b>Total Capital Assets Being Depreciated</b>      | <b>57,203,498</b>    | <b>14,695,921</b>    | <b>450,923</b>       | <b>71,448,496</b>     |
| <b>Total Capital Assets</b>                        | <b>86,537,330</b>    | <b>36,542,636</b>    | <b>11,705,023</b>    | <b>111,374,943</b>    |
| <b>Less Accumulated Depreciation</b>               |                      |                      |                      |                       |
| Site improvements                                  | 24,329               | 80,034               | -                    | 104,363               |
| Buildings and improvements                         | 8,907,321            | 1,425,750            | 70,053               | 10,263,018            |
| Furniture and equipment                            | 1,530,299            | 169,445              | 351,995              | 1,347,749             |
| <b>Total Accumulated Depreciation</b>              | <b>10,461,949</b>    | <b>1,675,229</b>     | <b>422,048</b>       | <b>11,715,130</b>     |
| <b>Governmental Activities Capital Assets, Net</b> | <b>\$ 76,075,381</b> | <b>\$ 34,867,407</b> | <b>\$ 11,282,975</b> | <b>\$ 99,659,813</b>  |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

Assets consisting of land and building in the amount of \$5,252,109 have been pledged as collateral for the certificates of participation described in Note 9.

Depreciation expense was charged to governmental functions as follows:

**Governmental Activities**

|   |                     |
|---|---------------------|
| Instruction   | \$ 1,624,972        |
| Home-to-school transportation                       | 50,257              |
| Total Depreciation Expenses Governmental Activities | <u>\$ 1,675,229</u> |

**NOTE 5 – INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances consist of amounts advanced between funds for various purposes. Interfund receivable and payable balances at June 30, 2006, between major and non-major governmental funds are as follows:

| Due To                       | Due From        |                         |                              | Total            |
|------------------------------|-----------------|-------------------------|------------------------------|------------------|
|                              | General Fund    | Capital Facilities Fund | Non-Major Governmental Funds |                  |
| General Fund                 | \$ -            | \$ 91,634               | \$ 803                       | \$ 92,437        |
| Non-Major Governmental Funds | 2,694           | -                       | 46                           | 2,740            |
| Total                        | <u>\$ 2,694</u> | <u>\$ 91,634</u>        | <u>\$ 849</u>                | <u>\$ 95,177</u> |

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2006, consisted of the following:

| Transfer To                                      | Transfer From     |                         |                               |  |  | Total               |
|--|-------------------|-------------------------|-------------------------------|--|--|---------------------|
|  | General Fund      | Capital Facilities Fund | County School Facilities Fund | Capital Projects for Blended Component Unit Fund | Debt Service for Blended Component Unit Fund |                     |
| Capital Facilities Fund                          | \$ -              | \$ -                    | \$ 1,133,134                  | \$ -   | \$ -   | \$ 1,133,134        |
| Capital Projects for Blended Component Unit Fund | -                 | -                       | -                             | -  | 313,549                                      | 313,549             |
| Debt Service for Blended Component Units Fund    | -                 | -                       | -                             | 54,513   | -  | 54,513              |
| Non-Major Governmental Funds                     | 105,000           | 591,120                 | -                             | -  | -  | 696,120             |
| <b>Total</b>                                     | <b>\$ 105,000</b> | <b>\$ 591,120</b>       | <b>\$ 1,133,134</b>           | <b>\$ 54,513</b>                                 | <b>\$ 313,549</b>                            | <b>\$ 2,197,316</b> |

|  |                     |
|--|---------------------|
| The County School Facilities Fund transferred to the Capital Facilities Fund.  | \$ 1,133,134        |
| The General Fund transferred to the Deferred Maintenance Fund for required annual match.   | 105,000             |
| The Capital Facilities Fund transferred to the Debt Service Fund to fund debt service payments on Certificates of Participation. | 591,120             |
| The Capital Projects for Blended Component Unit Fund transferred to the Debt Service for Blended Component Unit Fund.            | 313,549             |
| The Debt Service Fund for Blended Component Unit Fund transferred to the Capital Project for Blended Component Unit Fund.        | 54,513              |
| <b>Total</b>   | <b>\$ 2,197,316</b> |

**NOTE 6 – ACCOUNTS PAYABLE**

Accounts payable at June 30, 2006, consisted of the following:

|                       | General Fund        | Building Fund    | Capital Facilities Fund | Non-Major Governmental Funds | Total               |
|-----------------------|---------------------|------------------|-------------------------|------------------------------|---------------------|
| Vendor payables       | \$ 549,905          | \$ -             | \$ 438,858              | \$ 65,458                    | \$ 1,054,221        |
| State apportionment   | 812,716             | -                | -                       | -                            | 812,716             |
| Salaries and benefits | 221,081             | -                | -                       | 10,697                       | 231,778             |
| Construction payables | -                   | 67,170           | 1,327,346               | -                            | 1,394,516           |
| <b>Total</b>          | <b>\$ 1,583,702</b> | <b>\$ 67,170</b> | <b>\$ 1,766,204</b>     | <b>\$ 76,155</b>             | <b>\$ 3,493,231</b> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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**NOTE 7 – DEFERRED REVENUE**

Deferred revenue at June 30, 2006, consists of the following:

|                              | General<br>Fund   |
|------------------------------|-------------------|
| Federal financial assistance | \$ 59,030         |
| State categorical aid        | 53,835            |
| Total                        | <u>\$ 112,865</u> |

**NOTE 8 – DUE TO DEVELOPERS**

The balance represents refundable deposits made by developers to the Community Facilities Districts. The purpose of the deposit is to insure that sufficient funds are available to fund debt service payments as they become due on related special tax bonds issued by the Community Facilities District. These deposits are refundable when enough of the properties of the development have been sold to provide tax revenues sufficient to make the required debt service payments. The Due to Developers deposits at June 30, 2006, consist of the following:

|                                      | Debt Service<br>for Blended<br>Component Units<br>Fund |
|--------------------------------------|--|
| Community Facilities District 2004-5 | \$ 334,272   |
| Community Facilities District 2005-2 | 351,362  |
| Total                                | <u>\$ 685,634</u>                                      |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 9 – LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consist of the following:

|   | Balance<br>Beginning<br>of Year | Issuances           | Accretion<br>Addition | Deductions          | Balance<br>End of Year | Due in<br>One Year |
|---|---------------------------------|---------------------|-----------------------|---------------------|------------------------|--------------------|
| <b>General Obligation Bond Payable</b>                    |                                 |                     |                       |                     |                        |                    |
| Series A  | \$ 9,358,882                    | \$ -                | \$ 29,657             | \$ 150,000          | \$ 9,238,539           | \$ 175,000         |
| Series B  | 5,078,690                       | -                   | -                     | -                   | 5,078,690              | -                  |
| Premium on issuance                                       | 187,539                         | -                   | -                     | 7,814               | 179,725                | 7,814              |
| <b>Total General Obligation Bonds</b>                     | <b>14,625,111</b>               | <b>-</b>            | <b>29,657</b>         | <b>157,814</b>      | <b>14,496,954</b>      | <b>182,814</b>     |
| <b>Certificates of Participation</b>                      |                                 |                     |                       |                     |                        |                    |
| 2004 Refunding Series                                     | 8,135,000                       | -                   | -                     | 335,000             | 7,800,000              | 295,000            |
| <b>Total Certificates of Participation</b>                | <b>8,135,000</b>                | <b>-</b>            | <b>-</b>              | <b>335,000</b>      | <b>7,800,000</b>       | <b>295,000</b>     |
| <b>Special Tax Bonds - Community Facilities Districts</b> |                                 |                     |                       |                     |                        |                    |
| Public Finance Authority                                  | -                               | 37,325,000          | -                     | -                   | 37,325,000             | 720,000            |
| 99-1 Series A   | 2,445,000                       | -                   | -                     | 2,445,000           | -                      | -                  |
| 99-1 Series B   | 1,870,000                       | -                   | -                     | 1,870,000           | -                      | -                  |
| 99-1 2003 Series Zone 2                                   | 4,915,000                       | -                   | -                     | 4,915,000           | -                      | -                  |
| 99-1 2003 Series Imp Area A                               | 860,000                         | -                   | -                     | 860,000             | -                      | -                  |
| 2002-1  | 4,535,000                       | -                   | -                     | 4,535,000           | -                      | -                  |
| 2002-2  | 8,250,000                       | -                   | -                     | -                   | 8,250,000              | 130,000            |
| 2002-3  | 3,885,000                       | -                   | -                     | 3,885,000           | -                      | -                  |
| 2002-4  | 2,405,000                       | -                   | -                     | -                   | 2,405,000              | 45,000             |
| 2002-5  | 6,195,000                       | -                   | -                     | -                   | 6,195,000              | 110,000            |
| 2003-1  | 2,315,000                       | -                   | -                     | -                   | 2,315,000              | 40,000             |
| 2003-3  | 2,445,000                       | -                   | -                     | 2,445,000           | -                      | -                  |
| 2003-4  | -                               | 2,580,000           | -                     | -                   | 2,580,000              | -                  |
| 2004-2  | -                               | 4,480,000           | -                     | -                   | 4,480,000              | -                  |
| 2004-3  | 4,160,000                       | -                   | -                     | -                   | 4,160,000              | 70,000             |
| 2004-4  | 2,460,000                       | -                   | -                     | -                   | 2,460,000              | -                  |
| 2004-4  | -                               | 4,625,000           | -                     | -                   | 4,625,000              | -                  |
| Discount on Bonds   | -                               | (404,942)           | -                     | -                   | (404,942)              | -                  |
| <b>Total Special Tax Bonds</b>                            | <b>46,740,000</b>               | <b>48,605,058</b>   | <b>-</b>              | <b>20,955,000</b>   | <b>74,390,058</b>      | <b>1,115,000</b>   |
| Accumulated vacation - net                                | 157,074                         | 22,204              | -                     | -                   | 179,278                | -                  |
| <b>Total</b>  | <b>\$69,657,185</b>             | <b>\$48,627,262</b> | <b>\$ 29,657</b>      | <b>\$21,447,814</b> | <b>\$ 96,866,290</b>   | <b>\$1,592,814</b> |

General Obligation Bonds are paid from the Bond interest and Redemption fund from tax revenues collected from the property owners within the boundaries of the District. Certificates of Participations are paid from the COP Debt Service Fund from resources of the Capital Facilities Fund including developer fees. The Special Tax Bonds are paid from the Debt Service Blended Component Unit Fund from tax revenues collected from property owners within the boundaries of each community facilities district of which bonds were issued. The Accumulated Vacation liability is liquidated in the fund which the employee who earned the vacation is paid from.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**General Obligation Bond**

In June 2003, the District issued current and appreciation bonds, 2002 Election General Obligation Bond, Series A, in the amount of \$9,429,203 (accreting to \$17,794,734) in order to raise money for modernization, reconstruction, and new construction. The Bonds have a maturity date of August 1, 2027, with interest rates varying from 2.37 to 7.40 percent. At June 30, 2006, 2002 Election General Obligation Bond, Series A totaled \$9,238,539.

In May 2005, the District issued current interest and capital appreciation bonds, 2002 Series B General Obligation Bonds in the amount of \$5,069,720 (accreting to \$5,840,000). Interest rates on the bonds range from 3.00 percent to 4.27 percent. The bonds mature on August 1 of each year beginning 2008 through 2029.

The Series B Bonds were authorized at an election of the registered voters for the District held on November 5, 2002, which authorized a total of \$14,500,000 principal amount of general obligation bonds to finance:

- Addition and modernization of school facilities in the District.

At June 30, 2006, the principal balance outstanding is \$5,078,690.

| Issue Date | Maturity Date        | Interest Rate | Original Issue       | Bonds/Premium                 |                            | Redeemed          | Bonds/Premium           |                   |
|------------|----------------------|---------------|----------------------|-------------------------------|----------------------------|-------------------|-------------------------|-------------------|
|            |                      |               |                      | Outstanding Beginning of Year | Accreted Interest Addition |                   | Outstanding End of Year | Due in One Year   |
| 2002-2003  | 2027-2028            | 2.37-7.40%    | \$ 9,429,203         | \$ 9,358,882                  | \$ 29,657                  | \$ 150,000        | \$ 9,238,539            | \$ 175,000        |
| 2004-2005  | 2008-2029            | 3.00-4.27%    | 5,069,720            | 5,078,690                     | -                          | -                 | 5,078,690               | -                 |
|            | Premiums on Issuance |               | -                    | 187,539                       | -                          | 7,814             | 179,725                 | 7,814             |
|            |                      |               | <u>\$ 14,498,923</u> | <u>\$ 14,625,111</u>          | <u>\$ 29,657</u>           | <u>\$ 157,814</u> | <u>\$ 14,496,954</u>    | <u>\$ 182,814</u> |

**Debt Service Requirements to Maturity**

| Fiscal Year | Principal Including Accreted Interest to Date | Accreted Interest | Current Interest to Maturity | Total 2002 Series A  |
|-------------|---|-------------------|------------------------------|----------------------|
| 2007        | \$ 175,000                                    | \$ -              | \$ 388,077                   | \$ 563,077           |
| 2008        | -   | -                 | 385,999                      | 385,999              |
| 2009        | -   | -                 | 385,999                      | 385,999              |
| 2010        | 25,000  | -                 | 385,674                      | 410,674              |
| 2011        | 25,000  | -                 | 385,005                      | 410,005              |
| 2012-2016   | 596,998                                       | 253,002           | 1,887,337                    | 2,737,337            |
| 2017-2021   | 1,881,541                                     | 173,459           | 1,744,306                    | 3,799,306            |
| 2022-2026   | 4,090,000                                     | -                 | 1,128,697                    | 5,218,697            |
| 2027-2028   | 2,445,000                                     | -                 | 125,625                      | 2,570,625            |
| Total       | <u>\$ 9,238,539</u>                           | <u>\$ 426,461</u> | <u>\$ 6,816,719</u>          | <u>\$ 16,481,719</u> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

| Fiscal Year | Principal<br>Including Accreted<br>Interest to Date | Accreted<br>Interest | Current<br>Interest to<br>Maturity | Total 2002<br>Series B |
|-------------|---|----------------------|------------------------------------|------------------------|
| 2007        | \$ -  | \$ -                 | \$ 217,630                         | \$ 217,630             |
| 2008        | -   | -                    | 217,630                            | 217,630                |
| 2009        | 25,000  | -                    | 217,255                            | 242,255                |
| 2010        | 60,000  | -                    | 215,950                            | 275,950                |
| 2011        | 100,000   | -                    | 213,270                            | 313,270                |
| 2012-2016   | 600,000   | -                    | 1,003,725                          | 1,603,725              |
| 2017-2021   | 620,000   | -                    | 887,563                            | 1,507,563              |
| 2022-2026   | 1,100,000   | -                    | 707,447                            | 1,807,447              |
| 2027-2029   | 2,573,690   | 761,310              | 259,438                            | 3,594,438              |
| Total       | <u>\$ 5,078,690</u>                                 | <u>\$ 761,310</u>    | <u>\$ 3,939,908</u>                | <u>\$ 9,779,908</u>    |

**Certificates of Participation**

In September 2004, the District, through the Riverside County Schools Finance Corporation, issued Refunding Certificates of Participation in the amount of \$8,135,000. Interest rates on the certificates range from 2.00 percent to 4.60 percent. The certificates mature through 2026.

The certificates are issued to refinance and an advance basis the outstanding 1996 lease obligation of the District and the related certificates of participation.

At June 30, 2005, the principal balance outstanding was \$7,800,000.

| Year Ending<br>June 30, | Principal           | Interest            | Total                |
|-------------------------|---------------------|---------------------|----------------------|
| 2007                    | \$ 295,000          | \$ 294,290          | \$ 589,290           |
| 2008                    | 295,000             | 287,653             | 582,653              |
| 2009                    | 300,000             | 280,215             | 580,215              |
| 2010                    | 310,000             | 271,815             | 581,815              |
| 2011                    | 320,000             | 262,365             | 582,365              |
| 2012-2016               | 1,775,000           | 1,135,375           | 2,910,375            |
| 2017-2021               | 2,130,000           | 763,316             | 2,893,316            |
| 2022-2026               | 2,375,000           | 256,687             | 2,631,687            |
| Total                   | <u>\$ 7,800,000</u> | <u>\$ 3,551,716</u> | <u>\$ 11,351,716</u> |



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Community Facilities Districts (CFDs)

None of the CFD bonds described below constitute indebtedness of the District payable from its general funds, and the District is in no way obligated for their repayment except to the extent of any special taxes collected and pledged for their repayment. The District is only acting on behalf of the bondholders in collecting the special taxes levied to repay the bonds. These are included in the financials since they are considered a blended component unit of the District as addressed in Note 1.

### Public Finance Authority

In January 2006, the Meniffee Union Elementary School District Public Finance Authority authorized and issued Special Tax Revenue Bonds, 2006 Series A in the amount of \$37,325,000. The new CFD No. 94-1 bonds were used to refund the following:

- CFD No. 99-1, Zone 1
- CFD No. 99-1, Zone 2
- CFD No. 99-1, Improvement Area A
- CFD No. 2002-1
- CFD No. 2002-3
- CFD No. 2003-3

The refunding also provided funds to be used for certain school facilities of each respective Community Facilities District, fund a reserve, pay initial administrative expenses and costs of issuance. Interest rates on the bonds range from 3.25 percent to 4.35 percent.

At June 30, 2006, the outstanding principal balance was \$37,325,000. The bonds mature annually from September 2006 through 2036 as follows:

| Year Ending<br>June 30, | Principal            | Interest             | Total                |
|-------------------------|----------------------|----------------------|----------------------|
| 2007                    | \$ 720,000           | \$ 1,591,808         | \$ 2,311,808         |
| 2008                    | 830,000              | 1,502,480            | 2,332,480            |
| 2009                    | 865,000              | 1,473,855            | 2,338,855            |
| 2010                    | 885,000              | 1,443,230            | 2,328,230            |
| 2011                    | 920,000              | 1,411,643            | 2,331,643            |
| 2012-2016               | 5,105,000            | 6,527,425            | 11,632,425           |
| 2017-2021               | 6,190,000            | 5,413,350            | 11,603,350           |
| 2022-2026               | 7,585,000            | 3,993,081            | 11,578,081           |
| 2027-2031               | 9,085,000            | 2,181,507            | 11,266,507           |
| 2032-2036               | 5,140,000            | 356,175              | 5,496,175            |
|                         | <u>\$ 37,325,000</u> | <u>\$ 25,894,554</u> | <u>\$ 63,219,554</u> |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Community Facilities District No. 2002-2

In August 2004, the Community Facilities District No. 2002-2 of the Meniffee Union Elementary School District issued Special Tax Bonds in the amount of \$8,250,000. Interest rates range from 2.75 percent to 5.85 percent. At June 30, 2006, the principal outstanding balance was \$8,250,000. The bonds mature through 2034 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total                |
|-------------------------|---------------------|---------------------|----------------------|
| 2007                    | \$ 130,000          | \$ 466,843          | \$ 596,843           |
| 2008                    | 135,000             | 462,828             | 597,828              |
| 2009                    | 140,000             | 458,045             | 598,045              |
| 2010                    | 145,000             | 452,590             | 597,590              |
| 2011                    | 150,000             | 446,465             | 596,465              |
| 2012-2016               | 870,000             | 2,115,819           | 2,985,819            |
| 2017-2021               | 1,120,000           | 1,855,537           | 2,975,537            |
| 2022-2026               | 1,490,000           | 1,476,147           | 2,966,147            |
| 2027-2031               | 1,990,000           | 951,511             | 2,941,511            |
| 2032-2034               | 2,080,000           | 262,910             | 2,342,910            |
| Total                   | <u>\$ 8,250,000</u> | <u>\$ 8,948,695</u> | <u>\$ 17,198,695</u> |

### Community Facilities District No. 2002-4

In December 2004, the Community Facilities District No. 2002-4 of the Meniffee Union Elementary School District issued Special Tax Bonds in the amount of \$2,405,000. Interest rates range from 2.40 percent to 5.52 percent. At June 30, 2006, the principal outstanding balance was \$2,405,000. The bonds mature through 2034 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2007                    | \$ 45,000           | \$ 118,435          | \$ 163,435          |
| 2008                    | 45,000              | 117,288             | 162,288             |
| 2009                    | 45,000              | 116,005             | 161,005             |
| 2010                    | 45,000              | 114,576             | 159,576             |
| 2011                    | 50,000              | 112,923             | 162,923             |
| 2012-2016               | 275,000             | 533,065             | 808,065             |
| 2017-2021               | 340,000             | 463,957             | 803,957             |
| 2022-2027               | 430,000             | 366,817             | 796,817             |
| 2028-2032               | 560,000             | 236,197             | 796,197             |
| 2032-2034               | 570,000             | 64,900              | 634,900             |
| Total                   | <u>\$ 2,405,000</u> | <u>\$ 2,244,163</u> | <u>\$ 4,649,163</u> |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### Community Facilities District No. 2002-5

In December 2004, the Community Facilities District No. 2002-5 of the Meniffee Union Elementary School District issued Special Tax Bonds in the amount of \$6,195,000. Interest rates range from 2.40 percent to 5.52 percent. At June 30, 2006, the principal outstanding balance was \$6,195,000. The bonds mature through 2035 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total                |
|-------------------------|---------------------|---------------------|----------------------|
| 2007                    | \$ 110,000          | \$ 305,241          | \$ 415,241           |
| 2008                    | 115,000             | 302,369             | 417,369              |
| 2009                    | 120,000             | 299,016             | 419,016              |
| 2010                    | 120,000             | 295,206             | 415,206              |
| 2011                    | 125,000             | 290,946             | 415,946              |
| 2012-2016               | 700,000             | 1,374,844           | 2,074,844            |
| 2017-2021               | 875,000             | 1,197,553           | 2,072,553            |
| 2022-2026               | 1,115,000           | 947,576             | 2,062,576            |
| 2027-2031               | 1,450,000           | 607,581             | 2,057,581            |
| 2032-2035               | 1,465,000           | 166,238             | 1,631,238            |
| Total                   | <u>\$ 6,195,000</u> | <u>\$ 5,786,570</u> | <u>\$ 11,981,570</u> |

### Community Facilities District No. 2003-1

In January 2005, the Community Facilities District No. 2003-1 of the Meniffee Union Elementary School District issued Special Tax Bonds in the amount of \$2,315,000. Interest rates range from 2.50 percent to 5.45 percent. At June 30, 2006, the principal outstanding balance was \$2,315,000. The bonds mature through 2036 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2007                    | \$ 40,000           | \$ 113,895          | \$ 153,895          |
| 2008                    | 40,000              | 112,845             | 152,845             |
| 2009                    | 40,000              | 111,695             | 151,695             |
| 2010                    | 45,000              | 110,341             | 155,341             |
| 2011                    | 45,000              | 108,766             | 153,766             |
| 2012-2016               | 245,000             | 515,879             | 760,879             |
| 2017-2021               | 310,000             | 453,559             | 763,559             |
| 2022-2026               | 390,000             | 365,664             | 755,664             |
| 2027-2031               | 500,000             | 248,199             | 748,199             |
| 2032-2036               | 660,000             | 92,610              | 752,610             |
| Total                   | <u>\$ 2,315,000</u> | <u>\$ 2,233,453</u> | <u>\$ 4,548,453</u> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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**Community Facilities District No. 2003-4**

In July 2005, Community Facilities District No. 2003-4 issued \$2,580,000 in Special Tax Bonds. The bonds were issued to finance the acquisition and construction of certain school facilities and improvements to be owned and operated by Menifee Union Elementary School District of benefit to the property in the Community Facilities District, fund a reserve, pay administration expenses and cost of issuance. Interest rates on the bonds range from 3.5 percent to 5.1 percent. At June 30, 2006, the outstanding principal balance was \$2,580,000. The bonds mature annually through 2036 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2007                    | \$ -                | \$ 125,340          | \$ 125,340          |
| 2008                    | 45,000              | 124,654             | 169,654             |
| 2009                    | 45,000              | 123,225             | 168,225             |
| 2010                    | 50,000              | 121,570             | 171,570             |
| 2011                    | 50,000              | 119,695             | 169,695             |
| 2012-2016               | 280,000             | 565,580             | 845,580             |
| 2017-2021               | 350,000             | 494,678             | 844,678             |
| 2022-2026               | 450,000             | 397,706             | 847,706             |
| 2027-2031               | 575,000             | 267,335             | 842,335             |
| 2032-2036               | 735,000             | 98,930              | 833,930             |
| Total                   | <u>\$ 2,580,000</u> | <u>\$ 2,438,713</u> | <u>\$ 5,018,713</u> |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2006**

### Community Facilities District No. 2004-2

In July 2005, Community Facilities District No. 2004-2 issued \$4,480,000 in Special Tax Bonds. The Bonds were issued to finance the acquisition and construction of certain school facilities and improvements to be owned and operated by Menifee Union Elementary School District of benefit to the property in the Community Facilities District, finance the water and sewer facilities needed by Eastern Municipal Water District to provide services to the property of the Community Facilities District, fund a reserve, pay administration expenses and cost of issuance. Interest rates on the bonds range from 3.5 percent to 5.25 percent. At June 30, 2006, the outstanding principal balance was \$4,480,000. The bonds mature annually through 2036 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2007                    | \$ -                | \$ 222,765          | \$ 222,765          |
| 2008                    | -                   | 222,765             | 222,765             |
| 2009                    | 80,000              | 221,365             | 301,365             |
| 2010                    | 85,000              | 218,329             | 303,329             |
| 2011                    | 85,000              | 214,993             | 299,993             |
| 2012-2016               | 500,000             | 1,014,740           | 1,514,740           |
| 2017-2021               | 620,000             | 885,150             | 1,505,150           |
| 2022-2026               | 790,000             | 711,056             | 1,501,056           |
| 2027-2031               | 1,015,000           | 480,972             | 1,495,972           |
| 2032-2036               | 1,305,000           | 178,631             | 1,483,631           |
| Total                   | <u>\$ 4,480,000</u> | <u>\$ 4,370,766</u> | <u>\$ 8,850,766</u> |

### Community Facilities District No. 2004-3

In January 2005, the Community Facilities District No. 2004-3 of the Menifee Union Elementary School District issued Special Tax Bonds in the amount of \$4,160,000. Interest rates range from 2.40 percent to 5.50 percent. At June 30, 2006, the principal outstanding balance was \$4,160,000. The bonds mature through 2036 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2007                    | \$ 70,000           | \$ 208,178          | \$ 278,178          |
| 2008                    | 75,000              | 206,325             | 281,325             |
| 2009                    | 75,000              | 204,206             | 279,206             |
| 2010                    | 75,000              | 201,844             | 276,844             |
| 2011                    | 75,000              | 199,200             | 274,200             |
| 2012-2016               | 440,000             | 944,872             | 1,384,872           |
| 2017-2021               | 550,000             | 831,963             | 1,381,963           |
| 2022-2026               | 700,000             | 673,838             | 1,373,838           |
| 2027-2031               | 910,000             | 458,700             | 1,368,700           |
| 2032-2036               | 1,190,000           | 170,500             | 1,360,500           |
| Total                   | <u>\$ 4,160,000</u> | <u>\$ 4,099,626</u> | <u>\$ 8,259,626</u> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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**Community Facilities District No. 2004-4**

In April 2005, the Community Facilities District No. 2004-4 of the Meniffee Union Elementary School District issued Special Tax Bonds in the amount of \$2,460,000. Interest rates range from 3.00 percent to 5.45 percent. At June 30, 2006, the principal outstanding balance was \$2,460,000. The bonds mature through 2036 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2007                    | \$ -                | \$ 124,968          | \$ 124,968          |
| 2008                    | 40,000              | 124,368             | 164,368             |
| 2009                    | 45,000              | 123,014             | 168,014             |
| 2010                    | 45,000              | 121,450             | 166,450             |
| 2011                    | 45,000              | 119,785             | 164,785             |
| 2012-2016               | 260,000             | 567,754             | 827,754             |
| 2017-2021               | 335,000             | 498,265             | 833,265             |
| 2022-2026               | 425,000             | 401,544             | 826,544             |
| 2027-2031               | 550,000             | 271,431             | 821,431             |
| 2032-2035               | 715,000             | 101,505             | 816,505             |
| Total                   | <u>\$ 2,460,000</u> | <u>\$ 2,454,084</u> | <u>\$ 4,914,084</u> |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Community Facilities District No. 2004-5

In July 2005, Community Facilities District No. 2004-5 issued \$4,625,000 in Special Tax Bonds. The bonds were issued to finance the acquisition and construction of certain school facilities and improvements to be owned and operated by Menifee Union Elementary School District of benefit to the property in the Community Facilities District, finance the water and sewer back up fees and a sewer treatment plant needed by Eastern Municipal Water District to provide services to the property of the Community Facilities District, fund a reserve, pay administration expenses and cost of issuance. Interest rates on the bonds range from 3.6 percent to 5.25 percent. At June 30, 2006, the outstanding principal balance was \$4,625,000. The bonds mature annually through 2037 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2007                    | \$ -                | \$ 252,492          | \$ 252,492          |
| 2008                    | 70,000              | 232,409             | 302,409             |
| 2009                    | 75,000              | 229,705             | 304,705             |
| 2010                    | 80,000              | 226,661             | 306,661             |
| 2011                    | 80,000              | 223,381             | 303,381             |
| 2012-2016               | 465,000             | 1,057,670           | 1,522,670           |
| 2017-2021               | 585,000             | 932,225             | 1,517,225           |
| 2022-2026               | 755,000             | 761,641             | 1,516,641           |
| 2027-2031               | 975,000             | 537,425             | 1,512,425           |
| 2032-2036               | 1,250,000           | 247,013             | 1,497,013           |
| 2037                    | 290,000             | 7,612               | 297,612             |
| Total                   | <u>\$ 4,625,000</u> | <u>\$ 4,708,234</u> | <u>\$ 9,333,234</u> |

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2006, amounted to \$179,278.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 10 – FUND BALANCES**

Fund balances with reservations/designations are composed of the following elements:

|                         | General<br>Fund     | Building<br>Fund    | Capital<br>Facilities<br>Fund | County<br>School<br>Facilities<br>Fund |
|-------------------------|---------------------|---------------------|-------------------------------|--|
| <b>Reserved</b>         |                     |                     |                               |  |
| Revolving cash          | \$ 2,500            | \$ -                | \$ -                          | \$ -                                   |
| Stores inventory        | -                   | -                   | -                             | -                                      |
| Restricted programs     | 158,278             | -                   | -                             | -                                      |
| <b>Total Reserved</b>   | <b>160,778</b>      | <b>-</b>            | <b>-</b>                      | <b>-</b>                               |
| <b>Unreserved</b>       |                     |                     |                               |  |
| <b>Designated</b>       |                     |                     |                               |  |
| Economic uncertainties  | 1,410,827           | -                   | -                             | -                                      |
| Other designation       | 3,018,063           | 6,004,107           | 16,455,369                    | 1,907                                  |
| <b>Total Designated</b> | <b>4,428,890</b>    | <b>6,004,107</b>    | <b>16,455,369</b>             | <b>1,907</b>                           |
| <b>Undesignated</b>     | 1,758,413           | -                   | -                             | -                                      |
| <b>Total Unreserved</b> | <b>6,187,303</b>    | <b>6,004,107</b>    | <b>16,455,369</b>             | <b>1,907</b>                           |
| <b>Total</b>            | <b>\$ 6,348,081</b> | <b>\$ 6,004,107</b> | <b>\$ 16,455,369</b>          | <b>\$ 1,907</b>                        |



---

| Capital<br>Projects<br>Blended<br>Component<br>Fund | Debt<br>Service<br>Blended<br>Component<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---|------------------------------------|--------------------------------|
| \$ -  | \$ -  | \$ -                               | \$ 2,500                       |
| -   | -   | 16,833                             | 16,833                         |
| -   | -   | -                                  | 158,278                        |
| -   | -   | 16,833                             | 177,611                        |
| -   | -   | -                                  | 1,410,827                      |
| -   | -   | 596,873                            | 26,076,319                     |
| -   | -   | 596,873                            | 27,487,146                     |
| 31,418,207  | 8,811,948                                       | 1,464,384                          | 43,452,952                     |
| 31,418,207  | 8,811,948                                       | 2,061,257                          | 70,940,098                     |
| <u>\$31,418,207</u>                                 | <u>\$ 8,811,948</u>                             | <u>\$ 2,078,090</u>                | <u>\$71,117,709</u>            |

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **NOTE 11 – RISK MANAGEMENT**

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the Western Riverside County Self-Insurance Program for Employees joint powers authority (JPA) for the workers' compensation programs and purchases excess liability coverage through the JPA. Refer to Note 14 for additional information regarding the JPAs. The Property and Liability Program, for which the District retains risk of loss, is covered through the District's participation in the Riverside Schools Insurance Authority.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### **NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

#### **STRS**

##### **Plan Description**

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2005-2006 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal year ending June 30, 2006, 2005, and 2004, were \$2,079,530, \$1,746,451, and \$1,514,588, respectively, and equal 100 percent of the required contributions for each year.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **PERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2005-2006 was 9.116 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2006, 2005, and 2004, were \$525,141, \$483,130, and \$439,865, respectively, and equal 100 percent of the required contributions for each year.

#### **On Behalf Payments**

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,149,259 (4.517 percent of salaries subject to STRS). This amount recorded in the General Fund is \$1,145,332 and the amount recorded in the Child Development Fund is \$3,927. No contributions were made for PERS for the year ended June 30, 2006. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### NOTE 13 – COMMITMENTS AND CONTINGENCIES

#### Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the district at June 30, 2006.

#### Federal and State Grants

The District received financial assistance from Federal and State agencies in the form of grants for categorical and construction. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

#### Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

| CAPITAL PROJECT   | Remaining<br>Construction<br>Commitment | Expected<br>Date of<br>Completion |
|---|---|-----------------------------------|
| Bond Projects - Meniffee Elementary School, Meniffee Valley Middle School and Chester Morrison Elementary School                          | \$ 250,000                              | April 2007                        |
| Portables - Freedom Crest Elementary School, Oak Meadows Elementary School, Bell Mountain Middle School and Meniffee Valley Middle School | 1,300,000                               | April 2007                        |
| Elementary School #7 - Portables  | 730,000                                 | April 2007                        |
| Elementary School #7  | 4,620,000                               | April 2007                        |
|   | <u>\$ 6,900,000</u>                     |                                   |

### NOTE 14 – PARTICIPATION IN JOINT POWER AUTHORITIES

The District is a member of the Riverside Schools Insurance Authority (RSIA), Self Insurance Schools of California III (SISC III), and the Western Riverside County Self Insurance Program for Employees (WRCSIFE) joint powers authority (JPA). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPA's are such that they are not component units of the District for financial reporting purposes.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed one board member to the Governing Board of Riverside Schools Insurance Authority.

During the year ended June 30, 2006, the District made payments of \$194,102 to RSIA and \$4,206,638 to SISC III for insurance.

### **NOTE 15 – SUBSEQUENT EVENTS**

On July 13, 2006, Community Facilities District No. 2005-2 issued \$4,740,000 in Special Tax Bonds. The Bonds were issued to finance the acquisition and construction of certain school facilities and improvements to be owned and operated by Menifee Union Elementary School District of benefit to the property in the Community Facilities District, finance the water, sewer back up fees, water supply development fees, automated meter reading fees, and sewer treatment capacity changes needed by Eastern Municipal Water District to provide services to the property of the Community Facilities District, fund a reserve, pay administration expenses and cost of issuance. Interest rates on the bonds range from 4.15 percent to 5.375 percent.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2006**

|  | Budgeted Amounts<br>(GAAP Basis) |                     | Actual<br>(GAAP Basis) | Variances -<br>Positive<br>(Negative) |
|--|----------------------------------|---------------------|------------------------|---------------------------------------|
|  | Original                         | Final               |                        | Final<br>to Actual                    |
|  | <b>REVENUES</b>                  |                     |                        |                                       |
| Revenue limit sources  | \$ 33,747,655                    | \$ 35,295,897       | \$ 35,365,949          | \$ 70,052                             |
| Federal sources  | 1,468,581                        | 1,809,727           | 1,809,898              | 171                                   |
| Other State sources  | 5,583,726                        | 6,433,069           | 7,602,480              | 1,169,411                             |
| Other local sources  | 3,386,162                        | 3,701,192           | 4,000,273              | 299,081                               |
| <b>Total Revenues<sup>1</sup></b>                            | <b>44,186,124</b>                | <b>47,239,885</b>   | <b>48,778,600</b>      | <b>1,538,715</b>                      |
| <b>EXPENDITURES</b>  |                                  |                     |                        |                                       |
| Current  |                                  |                     |                        |                                       |
| Instruction  | 30,098,548                       | 32,736,688          | 32,578,274             | 158,414                               |
| Instruction-related activities:                              |                                  |                     |                        |                                       |
| Supervision of instruction                                   | 969,497                          | 1,045,055           | 962,818                | 82,237                                |
| Instructional library, media, and technology                 | 479,757                          | 520,034             | 495,785                | 24,249                                |
| School site administration                                   | 3,145,358                        | 3,498,802           | 3,460,460              | 38,342                                |
| Pupil services:  |                                  |                     |                        |                                       |
| Home-to-school transportation                                | 1,435,952                        | 1,448,707           | 1,468,137              | (19,430)                              |
| All other pupil services                                     | 1,304,065                        | 1,479,953           | 1,282,349              | 197,604                               |
| General administration:                                      |                                  |                     |                        |                                       |
| Data processing  | 607,823                          | 743,206             | 691,997                | 51,209                                |
| All other general administration                             | 2,206,840                        | 2,471,944           | 2,351,851              | 120,093                               |
| Plant services   | 4,556,337                        | 4,729,928           | 4,713,626              | 16,302                                |
| Facility acquisition and construction                        | -                                | -                   | 1,267                  | (1,267)                               |
| Other outgo  | -                                | 90,432              | 61,348                 | 29,084                                |
| <b>Total Expenditures<sup>1</sup></b>                        | <b>44,804,177</b>                | <b>48,764,749</b>   | <b>48,067,912</b>      | <b>696,837</b>                        |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>(618,053)</b>                 | <b>(1,524,864)</b>  | <b>710,688</b>         | <b>(2,235,552)</b>                    |
| <b>Other Financing Sources (Uses)</b>                        |                                  |                     |                        |                                       |
| Transfers out  | (105,000)                        | (105,000)           | (105,000)              | -                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>(723,053)</b>                 | <b>(1,629,864)</b>  | <b>605,688</b>         | <b>(2,235,552)</b>                    |
| <b>Fund Balance - Beginning</b>                              | <b>5,742,393</b>                 | <b>5,742,393</b>    | <b>5,742,393</b>       | <b>-</b>                              |
| <b>Fund Balance - Ending</b>                                 | <b>\$ 5,019,340</b>              | <b>\$ 4,112,529</b> | <b>\$ 6,348,081</b>    | <b>\$ (2,235,552)</b>                 |

<sup>1</sup> On behalf payments of \$1,145,332 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

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***SUPPLEMENTARY INFORMATION***

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|--|---------------------------|---|-------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                              |                           |   |                         |
| Title I, Part A, Basic Grants Low-Income and Neglected           | 84.010                    | 14329   | \$ 502,496              |
| Title II, Part A, Teacher Quality                                | 84.367                    | 14341   | 122,763                 |
| Title II, Part D, Enhancing Education Through Technology         | 84.318                    | 14335   | 5,806                   |
| Title III, Limited English Proficiency (LEP) Student Program     | 84.365                    | 10084   | 104,825                 |
| Title IV, Part A, Drug-Free Schools                              | 84.186                    | 14347   | 22,038                  |
| Title V, Part A, Innovative Education Strategies                 | 84.298                    | 14354   | 9,132                   |
| Title X, McKinney-Vento Homeless                                 | 84.196                    | 14332   | 800                     |
| Special Education Cluster [1]                                    |                           |   |                         |
| Basic Local Assistance Entitlement                               | 84.027                    | 13379   | 747,969                 |
| Preschool Grants   | 84.173                    | 13430   | 27,405                  |
| Preschool Local Entitlements                                     | 84.027A                   | 13682   | 52,644                  |
| Total U.S. Department of Education                               |                           |   | <u>1,595,878</u>        |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>             |                           |   |                         |
| Medi-Cal Billing Option  | 93.778                    | 10013   | 2,632                   |
| Medi-Cal Administrative Activities                               | 93.778                    | 10013   | 129,818                 |
| Total U.S. Department of Health and Human Resources              |                           |   | <u>132,450</u>          |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                            |                           |   |                         |
| Child Nutrition Cluster [1]                                      |                           |   |                         |
| National School Lunch Program                                    | 10.555                    | 13391   | 663,623                 |
| Especially Needy Breakfast                                       | 10.553                    | 13390   | 43,718                  |
| Food Distribution  | 10.550                    | [2]   | 69,926                  |
| Total U.S. Department of Agriculture                             |                           |   | <u>777,267</u>          |
| Total Expenditures of Federal Awards                             |                           |   | <u>\$ 2,505,595</u>     |

[1] Tested as a major program

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2006**

|                                | <u>Second<br/>Period<br/>Report</u> | <u>Annual<br/>Report</u> |
|--------------------------------|-------------------------------------|--------------------------|
| <b>ELEMENTARY</b>              |                                     |                          |
| Kindergarten                   | 706                                 | 714                      |
| First through third            | 2,242                               | 2,270                    |
| Fourth through sixth           | 2,437                               | 2,464                    |
| Seventh and eighth             | 1,573                               | 1,581                    |
| Opportunity schools            | 11                                  | 11                       |
| Home and hospital              | 1                                   | 2                        |
| Special education              | 132                                 | 138                      |
| Total Elementary               | <u>7,102</u>                        | <u>7,180</u>             |
| <br><b>SUMMER SCHOOL HOURS</b> |                                     |                          |
| Elementary                     |                                     | <u>60,205</u>            |

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2006**

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| Grade Level  | 1982-83           | 1986-87                | 2005-06           | Number of Days         |          | Status   |
|--------------|-------------------|------------------------|-------------------|------------------------|----------|----------|
|              | Actual<br>Minutes | Minutes<br>Requirement | Actual<br>Minutes | Multitrack<br>Calendar | Calendar |          |
| Kindergarten | 31,500            | 36,000                 | 38,055            | 177                    | 177      | Complied |
| Grades 1 - 3 | 50,750            | 50,400                 | 52,659            | 177                    | 177      | Complied |
| Grades 4 - 6 | 50,750            | 54,000                 | 54,408            | 177                    | 177      | Complied |
| Grades 7 - 8 | 50,750            | 54,000                 | 56,334            | 177                    | 177      | Complied |

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

|   | Capital<br>Facilities<br>Fund | Debt Service<br>Blended<br>Component<br>Unit<br>Fund |
|---|-------------------------------|--|
|   | <u>                    </u>   | <u>                    </u>                          |
| <b>FUND BALANCE</b>                                 |                               |  |
| Balance, June 30, 2006, Unaudited Actuals           | \$ 16,813,994                 | \$ 8,836,805   |
| Decrease in:  |                               |  |
| Investments   | -                             | (24,857)   |
| Increase in:  |                               |  |
| Accounts payable                                    | <u>(358,625)</u>              | <u>-</u>   |
| Balance, June 30, 2006, Audited Financial Statement | <u>\$ 16,455,369</u>          | <u>\$ 8,811,948</u>                                  |

See accompanying note to supplementary information.



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

|  | (Budget)<br>2007 <sup>1</sup> | 2006                 | 2005                 | 2004                 |
|--|-------------------------------|----------------------|----------------------|----------------------|
| <b>GENERAL FUND</b>  |                               |                      |                      |                      |
| Revenues   | \$ 53,226,698                 | \$ 48,778,600        | \$ 40,468,664        | \$ 35,078,563        |
| Other sources  | -                             | -                    | 60,000               | 60,000               |
| <b>Total Revenues<br/>    and Other Sources</b>                          | <b>53,226,698</b>             | <b>48,778,600</b>    | <b>40,528,664</b>    | <b>35,138,563</b>    |
| Expenditures   | 54,274,227                    | 48,067,912           | 40,658,993           | 34,506,770           |
| Other uses and transfers out   | 205,000                       | 105,000              | 331,728              | 287,272              |
| <b>Total Expenditures<br/>    and Other Uses</b>                         | <b>54,479,227</b>             | <b>48,172,912</b>    | <b>40,990,721</b>    | <b>34,794,042</b>    |
| <b>INCREASE/(DECREASE)<br/>IN FUND BALANCE</b>                           | <b>\$ (1,252,529)</b>         | <b>\$ 605,688</b>    | <b>\$ (462,057)</b>  | <b>\$ 344,521</b>    |
| <b>ENDING FUND BALANCE</b>   | <b>\$ 5,095,552</b>           | <b>\$ 6,348,081</b>  | <b>\$ 5,742,393</b>  | <b>\$ 6,204,450</b>  |
| <b>AVAILABLE RESERVES<sup>2</sup></b>                                    | <b>\$ 3,169,240</b>           | <b>\$ 3,169,240</b>  | <b>\$ 2,686,973</b>  | <b>\$ 2,691,007</b>  |
| <b>AVAILABLE RESERVES AS A<br/>PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b> | <b>5.82%</b>                  | <b>6.74%</b>         | <b>7.73%</b>         | <b>7.73%</b>         |
| <b>LONG-TERM OBLIGATION</b>  | <b>Not Applicable</b>         | <b>\$ 96,866,290</b> | <b>\$ 69,657,185</b> | <b>\$ 38,193,927</b> |
| <b>K-12 AVERAGE DAILY<br/>ATTENDANCE AT P-2</b>                          | <b>7,670</b>                  | <b>7,102</b>         | <b>5,675</b>         | <b>4,798</b>         |

The General Fund balance has increased by \$143,631 over the past two years. The fiscal year 2006-2007 budget projects a decrease of \$1.25 million (20 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2006-2007 fiscal year. Total long-term obligations have increased by \$58.7 million in the past two years.

Average daily attendance has increased by 2,304 over the past two years. Additional growth of 568 ADA is anticipated during fiscal year 2006-2007.

<sup>1</sup> Budget 2007 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

<sup>3</sup> On-behalf payments have been excluded from the calculation of available reserves for fiscal years ending June 30, 2006.

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2006**

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| <u>Name of Charter School</u> | <u>Included in<br/>Audit Report</u> |
|-------------------------------|-------------------------------------|
| Santa Rosa Academy            | No                                  |

See accompanying note to supplementary information.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2006**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

#### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2006**

|  | <b>Child<br/>Development<br/>Fund</b> | <b>Cafeteria<br/>Fund</b> | <b>Deferred<br/>Maintenance<br/>Fund</b> |
|--|---------------------------------------|---------------------------|--|
| <b>ASSETS</b>                                  |                                       |                           |  |
| Deposits and investments                       | \$ 54,747                             | \$ 235,518                | \$ 186,874                               |
| Receivables                                    | 744                                   | 157,080                   | 2,522                                    |
| Due from other funds                           | 1,551                                 | 1,189                     | -  |
| Stores inventories                             | -                                     | 16,833                    | -  |
| <b>Total Assets</b>                            | <b>\$ 57,042</b>                      | <b>\$ 410,620</b>         | <b>\$ 189,396</b>                        |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>       |                                       |                           |  |
| <b>Liabilities:</b>                            |                                       |                           |  |
| Accounts payable                               | 2,631                                 | 59,524                    | 14,000                                   |
| Due to other funds                             | 46                                    | 803                       | -  |
| <b>Total Liabilities</b>                       | <b>2,677</b>                          | <b>60,327</b>             | <b>14,000</b>                            |
| <b>Fund Balances:</b>                          |                                       |                           |  |
| Reserved for:                                  |                                       |                           |  |
| Stores inventories                             | -                                     | 16,833                    | -  |
| Unreserved:                                    |                                       |                           |  |
| Designated                                     | 54,365                                | 333,460                   | 175,396                                  |
| Undesignated, reported in:                     |                                       |                           |  |
| Debt service funds                             | -                                     | -                         | -  |
| <b>Total Fund Balance</b>                      | <b>54,365</b>                         | <b>350,293</b>            | <b>175,396</b>                           |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 57,042</b>                      | <b>\$ 410,620</b>         | <b>\$ 189,396</b>                        |

See accompanying note to supplementary information - unaudited.

| <b>Special Reserve<br/>Fund for<br/>Other than<br/>Capital Outlay</b> | <b>Bond Interest<br/>and Redemption<br/>Fund</b> | <b>COP<br/>Debt Service<br/>Fund</b> | <b>Total Non-Major<br/>Governmental<br/>Funds</b> |
|---|--|--------------------------------------|---|
| \$ 33,271   | \$ 871,982                                       | \$ 592,402                           | \$ 1,974,794                                      |
| 381   | -  | -                                    | 160,727   |
| -   | -  | -                                    | 2,740   |
| -   | -  | -                                    | 16,833  |
| <u>\$ 33,652</u>  | <u>\$ 871,982</u>                                | <u>\$ 592,402</u>                    | <u>\$ 2,155,094</u>                               |
| -   | -  | -                                    | 76,155  |
| -   | -  | -                                    | 849   |
| -   | -  | -                                    | <u>77,004</u>                                     |
| -   | -  | -                                    | 16,833  |
| 33,652  | -  | -                                    | 596,873   |
| -   | 871,982  | 592,402                              | 1,464,384   |
| <u>33,652</u>   | <u>871,982</u>                                   | <u>592,402</u>                       | <u>2,078,090</u>                                  |
| <u>\$ 33,652</u>  | <u>\$ 871,982</u>                                | <u>\$ 592,402</u>                    | <u>\$ 2,155,094</u>                               |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2006**

|  | <b>Child<br/>Development<br/>Fund</b> | <b>Cafeteria<br/>Fund</b> | <b>Deferred<br/>Maintenance<br/>Fund</b> |
|--|---------------------------------------|---------------------------|--|
| <b>REVENUES</b>  |                                       |                           |  |
| Federal sources  | \$ -                                  | \$ 777,267                | \$ -                                     |
| Other State sources  | 327,151                               | 41,431                    | 225,714                                  |
| Other local sources  | 1,813                                 | 1,024,876                 | 7,483                                    |
| <b>Total Revenues</b>  | <b>328,964</b>                        | <b>1,843,574</b>          | <b>233,197</b>                           |
| <b>EXPENDITURES</b>  |                                       |                           |  |
| Current  |                                       |                           |  |
| Instruction  | 195,982                               | -                         | -  |
| Instruction-related activities:                              |                                       |                           |  |
| Supervision of instruction                                   | 94,002                                | -                         | -  |
| Pupil Services:  |                                       |                           |  |
| Food services  | -                                     | 1,653,596                 | -  |
| All other pupil services                                     | 3,721                                 | -                         | -  |
| General administration:                                      |                                       |                           |  |
| All other general administration                             | 13,391                                | 73,482                    | -  |
| Plant services   | -                                     | -                         | 360,169                                  |
| Debt service   |                                       |                           |  |
| Principal  | -                                     | -                         | -  |
| Interest and other   | -                                     | -                         | -  |
| <b>Total Expenditures</b>                                    | <b>307,096</b>                        | <b>1,727,078</b>          | <b>360,169</b>                           |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | <b>21,868</b>                         | <b>116,496</b>            | <b>(126,972)</b>                         |
| <b>Other Financing Sources</b>                               |                                       |                           |  |
| Transfers in   | -                                     | -                         | 105,000                                  |
| Other sources  | -                                     | -                         | -  |
| <b>Net Financing Sources</b>                                 | <b>-</b>                              | <b>-</b>                  | <b>105,000</b>                           |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>21,868</b>                         | <b>116,496</b>            | <b>(21,972)</b>                          |
| <b>Fund Balance - Beginning</b>                              | <b>32,497</b>                         | <b>233,797</b>            | <b>197,368</b>                           |
| <b>Fund Balance - Ending</b>                                 | <b>\$ 54,365</b>                      | <b>\$ 350,293</b>         | <b>\$ 175,396</b>                        |

See accompanying note to supplementary information - unaudited.



| <b>Special Reserve<br/>Fund for<br/>Other than<br/>Capital Outlay</b> | <b>Bond Interest<br/>and Redemption<br/>Fund</b> | <b>COP<br/>Debt Service<br/>Fund</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|---|--|--------------------------------------|---|
| \$ -  | \$ -   | \$ -                                 | \$ 777,267  |
| -   | 13,730   | -                                    | 608,026   |
| 1,278   | 867,548  | 28,167                               | 1,931,165   |
| <u>1,278</u>  | <u>881,278</u>                                   | <u>28,167</u>                        | <u>3,316,458</u>                                      |
| -   | -  | -                                    | 195,982   |
| -   | -  | -                                    | 94,002  |
| -   | -  | -                                    | 1,653,596   |
| -   | -  | -                                    | 3,721   |
| -   | -  | -                                    | 86,873  |
| -   | -  | -                                    | 360,169   |
| -   | 150,000  | 335,000                              | 485,000   |
| -   | 528,560  | 300,590                              | 829,150   |
| -   | <u>678,560</u>                                   | <u>635,590</u>                       | <u>3,708,493</u>                                      |
| <u>1,278</u>  | <u>202,718</u>                                   | <u>(607,423)</u>                     | <u>(392,035)</u>                                      |
| -   | -  | 591,120                              | 696,120   |
| -   | 14,345   | -                                    | 14,345  |
| -   | 14,345   | 591,120                              | 710,465   |
| 1,278   | 217,063  | (16,303)                             | 318,430   |
| 32,374  | 654,919  | 608,705                              | 1,759,660   |
| <u>\$ 33,652</u>  | <u>\$ 871,982</u>                                | <u>\$ 592,402</u>                    | <u>\$ 2,078,090</u>                                   |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED  
JUNE 30, 2006**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Non-Major Governmental Funds – Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Unaudited**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

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***OTHER SUPPLEMENTARY INFORMATION -  
UNAUDITED***

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT  
CAPITAL PROJECTS FOR BLENDED COMPONENT UNITS  
COMBINING BALANCE SHEET – UNAUDITED  
JUNE 30, 2006**

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|                          | <u>PFA</u> | <u>CFD 94-1</u> | <u>CFD 99-1<br/>(Zone 1 A&amp;B)</u> | <u>CFD 99-1<br/>(2003 Series)</u> |
|--------------------------|------------|-----------------|--------------------------------------|-----------------------------------|
| <b>ASSETS</b>            |            |                 |                                      |                                   |
| Deposits and investments | \$ 17,561  | \$ 11,121,960   | \$ 2,506,012                         | \$ 3,306,517                      |
| <b>FUND BALANCE</b>      |            |                 |                                      |                                   |
| Designated               | \$ 17,561  | \$ 11,121,960   | \$ 2,506,012                         | \$ 3,306,517                      |

See accompanying note to other supplementary information - unaudited.

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| <u>CFD 2002-1</u> | <u>CFD 2002-2</u>   | <u>CFD 2002-3</u> | <u>CFD 2002-4</u>   | <u>CFD 2002-5</u>   |
|-------------------|---------------------|-------------------|---------------------|---------------------|
| <u>\$ 942,296</u> | <u>\$ 2,283,924</u> | <u>\$ 612,321</u> | <u>\$ 1,430,433</u> | <u>\$ 1,170,949</u> |
| <u>\$ 942,296</u> | <u>\$ 2,283,924</u> | <u>\$ 612,321</u> | <u>\$ 1,430,433</u> | <u>\$ 1,170,949</u> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT**

**CAPITAL PROJECTS FOR BLENDED COMPONENT UNITS**

**COMBINING BALANCE SHEET – UNAUDITED, Continued**

**JUNE 30, 2006**

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|                          | <u>CFD 2003-1</u> | <u>CFD 2003-3</u> | <u>CFD 2003-4</u>   |
|--------------------------|-------------------|-------------------|---------------------|
| <b>ASSETS</b>            |                   |                   |                     |
| Deposits and investments | <u>\$ 915,095</u> | <u>\$ 334,603</u> | <u>\$ 1,848,710</u> |
| <b>FUND BALANCE</b>      |                   |                   |                     |
| Designated               | <u>\$ 915,095</u> | <u>\$ 334,603</u> | <u>\$ 1,848,710</u> |

See accompanying note to other supplementary information - unaudited.

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| <b>CFD 2004-2</b> | <b>CFD 2004-3</b> | <b>CFD 2004-4</b> | <b>CFD 2004-5</b> | <b>Total<br/>Capital Projects<br/>for Blended<br/>Component Unit<br/>Fund</b> |
|-------------------|-------------------|-------------------|-------------------|---|
| \$ 1,807,891      | \$ 639,940        | \$ 547,672        | \$ 1,932,323      | \$ 31,418,207   |
| \$ 1,807,891      | \$ 639,940        | \$ 547,672        | \$ 1,932,323      | \$ 31,418,207   |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT  
CAPITAL PROJECTS FOR BLENDED COMPONENT UNITS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2006**

|   | <u>PFA</u>         | <u>CFD 94-1</u>      | <u>CFD 99-1<br/>(Zone 1 A&amp;B)</u> |
|---|--------------------|----------------------|--------------------------------------|
| <b>REVENUES</b>                               |                    |                      |                                      |
| Other local sources                           | \$ 522             | \$ 135,257           | \$ 73,044                            |
| <b>Total Revenues</b>                         | <u>522</u>         | <u>135,257</u>       | <u>73,044</u>                        |
| <b>EXPENDITURES</b>                           |                    |                      |                                      |
| General administration:                       |                    |                      |                                      |
| All other general administration              | -                  | 301                  | 41,889                               |
| Facility acquisition and construction         | -                  | -                    | 538,753                              |
| Other outgo                                   | -                  | -                    | -                                    |
| Interest and other                            | 1,540,685          | 122,408              | 52,073                               |
| <b>Total Expenditures</b>                     | <u>1,540,685</u>   | <u>122,709</u>       | <u>632,715</u>                       |
| <b>Excess (Deficiency) of</b>                 |                    |                      |                                      |
| <b>Revenues Over Expenditures</b>             | <u>(1,540,163)</u> | <u>12,548</u>        | <u>(559,671)</u>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                    |                      |                                      |
| Transfers in                                  | -                  | -                    | 77,983                               |
| Other sources                                 | 1,557,724          | 11,109,412           | 800,359                              |
| Transfers out                                 | -                  | -                    | (6,556)                              |
| Other uses                                    | -                  | -                    | -                                    |
| <b>Net Other Financing<br/>Sources (Uses)</b> | <u>1,557,724</u>   | <u>11,109,412</u>    | <u>871,786</u>                       |
| <b>NET CHANGE IN FUND BALANCES</b>            | <u>17,561</u>      | <u>11,121,960</u>    | <u>312,115</u>                       |
| <b>Fund Balance - Beginning</b>               | -                  | -                    | 2,193,897                            |
| <b>Fund Balance - Ending</b>                  | <u>\$ 17,561</u>   | <u>\$ 11,121,960</u> | <u>\$ 2,506,012</u>                  |

See accompanying note to other supplementary information - unaudited.



| CFD 99-1<br>(2003 Series) | CFD 2002-1  | CFD 2002-2   | CFD 2002-3 | CFD 2002-4   | CFD 2002-5   |
|---------------------------|-------------|--------------|------------|--------------|--------------|
| \$ 97,606                 | \$ 41,536   | \$ 221,860   | \$ 13,191  | \$ 50,098    | \$ 67,542    |
| 97,606                    | 41,536      | 221,860      | 13,191     | 50,098       | 67,542       |
| 53,154                    | 37,554      | 15,637       | 32,709     | 21,585       | 19,581       |
| -                         | 116,644     | 812,474      | 77,969     | -            | -            |
| 639,184                   | 1,127,373   | 1,059,535    | -          | -            | 1,022,511    |
| 79,509                    | 66,909      | -            | 51,408     | -            | -            |
| 771,847                   | 1,348,480   | 1,887,646    | 162,086    | 21,585       | 1,042,092    |
| (674,241)                 | (1,306,944) | (1,665,786)  | (148,895)  | 28,513       | (974,550)    |
| 37,244                    | 71,620      | 1,034        | 63,116     | 263          | 677          |
| 841,863                   | 626,950     | -            | 379,240    | -            | -            |
| -                         | (47,957)    | -            | -          | -            | -            |
| -                         | -           | (2,927,340)  | -          | -            | (230,747)    |
| 879,107                   | 650,613     | (2,926,306)  | 442,356    | 263          | (230,070)    |
| 204,866                   | (656,331)   | (4,592,092)  | 293,461    | 28,776       | (1,204,620)  |
| 3,101,651                 | 1,598,627   | 6,876,016    | 318,860    | 1,401,657    | 2,375,569    |
| \$ 3,306,517              | \$ 942,296  | \$ 2,283,924 | \$ 612,321 | \$ 1,430,433 | \$ 1,170,949 |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT**

**CAPITAL PROJECTS FOR BLENDED COMPONENT UNITS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**

**CHANGES IN FUND BALANCE – UNAUDITED, Continued**

**FOR THE YEAR ENDED JUNE 30, 2006**

|                                       | <u>CFD 2003-1</u> | <u>CFD 2003-3</u> | <u>CFD 2003-4</u>   |
|---------------------------------------|-------------------|-------------------|---------------------|
| <b>REVENUES</b>                       |                   |                   |                     |
| Other local sources                   | \$ 44,604         | \$ 6,472          | \$ 59,801           |
| <b>Total Revenues</b>                 | <u>44,604</u>     | <u>6,472</u>      | <u>59,801</u>       |
| <b>EXPENDITURES</b>                   |                   |                   |                     |
| General administration:               |                   |                   |                     |
| All other general administration      | 13,998            | 23,210            | 316,592             |
| Facility acquisition and construction | -                 | 32,914            | -                   |
| Other outgo                           | 858,543           | -                 | -                   |
| Interest and other                    | -                 | 32,635            | 163,081             |
| <b>Total Expenditures</b>             | <u>872,541</u>    | <u>88,759</u>     | <u>479,673</u>      |
| <b>Excess (Deficiency) of</b>         |                   |                   |                     |
| <b>Revenues Over Expenditures</b>     | <u>(827,937)</u>  | <u>(82,287)</u>   | <u>(419,872)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b> |                   |                   |                     |
| Transfers in                          | 1,712             | 43,103            | 3,506               |
| Other sources                         | -                 | 275,330           | 2,265,076           |
| Transfers out                         | -                 | -                 | -                   |
| Other uses                            | (31,274)          | -                 | -                   |
| <b>Net Other Financing</b>            |                   |                   |                     |
| <b>Sources (Uses)</b>                 | <u>(29,562)</u>   | <u>318,433</u>    | <u>2,268,582</u>    |
| <b>NET CHANGE IN FUND BALANCES</b>    | <u>(857,499)</u>  | <u>236,146</u>    | <u>1,848,710</u>    |
| <b>Fund Balance - Beginning</b>       | 1,772,594         | 98,457            | -                   |
| <b>Fund Balance - Ending</b>          | <u>\$ 915,095</u> | <u>\$ 334,603</u> | <u>\$ 1,848,710</u> |

See accompanying note to other supplementary information - unaudited.

| CFD 2004.2   | CFD 2004-3 | CFD 2004-4  | CFD 2004-5   | Total<br>Capital Projects<br>for Blended<br>Component Unit<br>Fund |
|--------------|------------|-------------|--------------|--|
| \$ 108,199   | \$ 23,211  | \$ 28,735   | \$ 53,172    | \$ 1,024,850   |
| 108,199      | 23,211     | 28,735      | 53,172       | 1,024,850  |
| 29,347       | 20,164     | 18,104      | -            | 643,825  |
| -            | -          | -           | -            | 1,578,754  |
| 842,400      | -          | 1,088,656   | -            | 6,638,202  |
| 235,112      | 18,833     | -           | 284,407      | 2,647,060  |
| 1,106,859    | 38,997     | 1,106,760   | 284,407      | 11,507,841   |
| (998,660)    | (15,786)   | (1,078,025) | (231,235)    | (10,482,991)   |
| 5,993        | -          | 4,944       | 2,354        | 313,549  |
| 3,728,077    | -          | -           | 4,082,214    | 25,666,245   |
| -            | -          | -           | -            | (54,513)   |
| (927,519)    | -          | (22,035)    | (1,921,010)  | (6,059,925)  |
| 2,806,551    | -          | (17,091)    | 2,163,558    | 19,865,356   |
| 1,807,891    | (15,786)   | (1,095,116) | 1,932,323    | 9,382,365  |
| -            | 655,726    | 1,642,788   | -            | 22,035,842   |
| \$ 1,807,891 | \$ 639,940 | \$ 547,672  | \$ 1,932,323 | \$ 31,418,207  |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT  
DEBT SERVICE BLENDED COMPONENT UNITS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2006**

|  | PFA                 | CFD 94-1          | CFD 99-1<br>(Zone 1 A&B) |
|--|---------------------|-------------------|--------------------------|
| <b>ASSETS</b>                                  |                     |                   |                          |
| Deposits and investments                       | \$ 2,382,972        | \$ 660,160        | \$ 189,692               |
| <b>LIABILITIES AND FUND BALANCES</b>           |                     |                   |                          |
| <b>LIABILITIES</b>                             |                     |                   |                          |
| Due to Developer - Letter of Credit            | -                   | -                 | -                        |
| <b>Total Liabilities</b>                       | -                   | -                 | -                        |
| <b>FUND BALANCE</b>                            |                     |                   |                          |
| Unreserved:                                    |                     |                   |                          |
| Designated                                     | 2,382,972           | 660,160           | 189,692                  |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 2,382,972</b> | <b>\$ 660,160</b> | <b>\$ 189,692</b>        |

See accompanying note to other supplementary information - unaudited.

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| <b>CFD 99-1<br/>(2003 Series)</b> | <b>CFD 2002-1</b> | <b>CFD 2002-2</b>   | <b>CFD 2002-3</b> | <b>CFD 2002-4</b> | <b>CFD 2002-5</b> |
|-----------------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
| <u>\$ 236,022</u>                 | <u>\$ 352,633</u> | <u>\$ 1,011,554</u> | <u>\$ 145,407</u> | <u>\$ 493,500</u> | <u>\$ 716,548</u> |
| -                                 | -                 | -                   | -                 | -                 | -                 |
| -                                 | -                 | -                   | -                 | -                 | -                 |
| 236,022                           | 352,633           | 1,011,554           | 145,407           | 493,500           | 716,548           |
| <u>\$ 236,022</u>                 | <u>\$ 352,633</u> | <u>\$ 1,011,554</u> | <u>\$ 145,407</u> | <u>\$ 493,500</u> | <u>\$ 716,548</u> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT**

**DEBT SERVICE BLENDED COMPONENT UNITS**

**COMBINING BALANCE SHEET – UNAUDITED, Continued**

**JUNE 30, 2006**

|  | <u>CFD 2003-1</u> | <u>CFD 2003-3</u> | <u>CFD 2003-4</u> |
|--|-------------------|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |                   |
| Deposits and investments                               | <u>\$ 283,888</u> | <u>\$ 110,129</u> | <u>\$ 241,805</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                   |                   |                   |                   |
| <b>LIABILITIES</b>                                     |                   |                   |                   |
| Due to Developer - Letter of Credit                    | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| <b>Total Liabilities</b>                               | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| <b>FUND BALANCE</b>                                    |                   |                   |                   |
| Unreserved:  |                   |                   |                   |
| Designated   | <u>283,888</u>    | <u>110,129</u>    | <u>241,805</u>    |
| <b>Total Liabilities and<br/>        Fund Balances</b> | <u>\$ 283,888</u> | <u>\$ 110,129</u> | <u>\$ 241,805</u> |

See accompanying note to other supplementary information - unaudited.

| <b>CFD 2004-2</b> | <b>CFD 2004-3</b> | <b>CFD 2004-4</b> | <b>CFD 2004-5</b> | <b>CFD 2005-2</b> | <b>Total<br/>Debt Service<br/>for Blended<br/>Component Unit<br/>Fund</b> |
|-------------------|-------------------|-------------------|-------------------|-------------------|---|
| \$ 639,244        | \$ 467,446        | \$ 325,131        | \$ 888,851        | \$ 352,600        | \$ 9,497,582  |
| -                 | -                 | -                 | 334,272           | 351,362           | 685,634   |
| -                 | -                 | -                 | 334,272           | 351,362           | 685,634   |
| 639,244           | 467,446           | 325,131           | 554,579           | 1,238             | 8,811,948   |
| \$ 639,244        | \$ 467,446        | \$ 325,131        | \$ 888,851        | \$ 352,600        | \$ 9,497,582  |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT**

**DEBT SERVICE BLENDED COMPONENT UNITS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**

**CHANGES IN FUND BALANCE - UNAUDITED**

**FOR THE YEAR ENDED JUNE 30, 2006**

|                                       | PFA                 | CFD 94-1          | CFD 99-1<br>(Zone 1 A&B) |
|---------------------------------------|---------------------|-------------------|--------------------------|
| <b>REVENUES</b>                       |                     |                   |                          |
| Other local sources                   | \$ 28,979           | \$ 660,160        | \$ 400,439               |
| <b>Total Revenues</b>                 | <u>28,979</u>       | <u>660,160</u>    | <u>400,439</u>           |
| <b>EXPENDITURES</b>                   |                     |                   |                          |
| Debt service                          |                     |                   |                          |
| Principal                             | -                   | -                 | 65,000                   |
| Interest and other                    | -                   | -                 | 141,932                  |
| <b>Total Expenditures</b>             | <u>-</u>            | <u>-</u>          | <u>206,932</u>           |
| <b>Excess (Deficiency) of</b>         |                     |                   |                          |
| <b>Revenues Over Expenditures</b>     | <u>28,979</u>       | <u>660,160</u>    | <u>193,507</u>           |
| <b>OTHER FINANCING SOURCES (USES)</b> |                     |                   |                          |
| Transfers in                          | -                   | -                 | 6,556                    |
| Other sources                         | 2,353,993           | -                 | 3,935,241                |
| Transfers out                         | -                   | -                 | (77,983)                 |
| Other uses                            | -                   | -                 | (4,473,141)              |
| <b>Net Other Financing</b>            |                     |                   |                          |
| <b>Sources (Uses)</b>                 | <u>2,353,993</u>    | <u>-</u>          | <u>(609,327)</u>         |
| <b>NET CHANGE IN FUND BALANCES</b>    | <u>2,382,972</u>    | <u>660,160</u>    | <u>(415,820)</u>         |
| <b>Fund Balance - Beginning</b>       | -                   | -                 | 605,512                  |
| <b>Fund Balance - Ending</b>          | <u>\$ 2,382,972</u> | <u>\$ 660,160</u> | <u>\$ 189,692</u>        |

See accompanying note to other supplementary information - unaudited.



| <b>CFD 99-1<br/>(2003 Series)</b> | <b>CFD 2002-1</b> | <b>CFD 2002-2</b> | <b>CFD 2002-3</b> | <b>CFD 2002-4</b> | <b>CFD 2002-5</b> |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 492,393                        | \$ 384,192        | \$ 635,154        | \$ 319,118        | \$ 190,996        | \$ 445,558        |
| 492,393                           | 384,192           | 635,154           | 319,118           | 190,996           | 445,558           |
| 95,000                            | 60,000            | -                 | 65,000            | -                 | -                 |
| 170,685                           | 143,659           | 468,630           | 107,673           | 118,975           | 306,561           |
| 265,685                           | 203,659           | 468,630           | 172,673           | 118,975           | 306,561           |
| 226,708                           | 180,533           | 166,524           | 146,445           | 72,021            | 138,997           |
| -                                 | 47,957            | -                 | -                 | -                 | -                 |
| 5,285,770                         | 4,354,830         | -                 | 3,564,110         | -                 | -                 |
| (37,244)                          | (71,620)          | (1,034)           | (63,116)          | (263)             | (677)             |
| (5,960,115)                       | (4,701,366)       | -                 | (4,001,514)       | -                 | -                 |
| (711,589)                         | (370,199)         | (1,034)           | (500,520)         | (263)             | (677)             |
| (484,881)                         | (189,666)         | 165,490           | (354,075)         | 71,758            | 138,320           |
| 720,903                           | 542,299           | 846,064           | 499,482           | 421,742           | 578,228           |
| \$ 236,022                        | \$ 352,633        | \$ 1,011,554      | \$ 145,407        | \$ 493,500        | \$ 716,548        |

## Internal Control Over Compliance

The management of Menifee Union Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Menifee Union Elementary School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vermel, Traci . Day! Co, LLP*

Rancho Cucamonga, California  
October 5, 2006



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Menifee Union Elementary School District  
 Menifee, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee Union Elementary School District as of and for the year ended June 30, 2006, and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-06*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Menifee Union Elementary School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Menifee Union Elementary School District's compliance with the State laws and regulations applicable to the following items:

|  | Procedures in<br>Controller's<br>Audit Guide | Procedures<br>Performed |
|--|--|-------------------------|
| <b>Attendance Accounting:</b>              |  |                         |
| Attendance reporting                       | 8  | Yes                     |
| Kindergarten continuance                   | 3  | Yes                     |
| Independent study                          | 22   | Not Applicable          |
| Continuation education                     | 10   | Not Applicable          |
| Adult education                            | 9  | Not Applicable          |
| Regional occupational centers and programs | 6  | Not Applicable          |
| <b>Instructional Time:</b>                 |  |                         |
| School districts                           | 4  | Yes                     |
| County offices of education                | 3  | Not Applicable          |
| Community day schools                      | 9  | Not Applicable          |
| Morgan-Hart Class Size Reduction           | 7  | Not Applicable          |

|   |    |                |
|---|----|----------------|
| <b>Instructional Materials:</b>                                     |    |                |
| General requirements  | 12 | Yes            |
| K-8 only  | 1  | Yes            |
| 9-12 only   | 1  | Not Applicable |
| Ratios of Administrative Employees to Teachers                      | 1  | Yes            |
| Early retirement incentive  | 4  | Not Applicable |
| Gann limit calculation  | 1  | Yes            |
| <b>School Construction Funds:</b>                                   |    |                |
| School District bonds   | 3  | Yes            |
| State school facilities funds                                       | 1  | Yes            |
| Alternative pension plans   | 2  | Not Applicable |
| Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)        | 2  | Yes            |
| State Lottery Funds (California State Lottery Act of 1984)          | 2  | Yes            |
| California School Age Families Education (Cal-SAFE)<br>Program      | 3  | Not Applicable |
| School Accountability Report Card                                   | 3  | Yes            |
| <b>Class Size Reduction Program (including in Charter Schools):</b> |    |                |
| General requirements  | 7  | Yes            |
| Option one classes  | 3  | Yes            |
| Option two classes  | 4  | Not Applicable |
| District or charter schools with only one school serving K-3        | 4  | Not Applicable |
| <b>Charter Schools:</b>   |    |                |
| Contemporaneous records of attendance                               | 1  | Not Applicable |
| Non classroom-based instruction/independent study                   | 15 | Not Applicable |
| Additional Non classroom-based instruction                          | 1  | Not Applicable |
| Determination of funding for non classroom-based<br>instruction     | 3  | Not Applicable |
| Annual instruction minutes classroom based                          | 3  | Not Applicable |

Based on our audit, we found that for the items tested, the Menifee Union Elementary School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Menifee Union Elementary School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Menifee Union Elementary School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Varrick, Tami, Day, Co., LLP*

Rancho Cucamonga, California  
October 5, 2006

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**FINANCIAL STATEMENTS**

|   |                    |
|---|--------------------|
| Type of auditors' report issued:  | <u>Unqualified</u> |
| Internal control over financial reporting:                                |                    |
| Material weaknesses identified?   | <u>No</u>          |
| Reporting conditions identified not considered to be material weaknesses? | <u>Yes</u>         |
| Noncompliance material to financial statements noted?                     | <u>No</u>          |

**FEDERAL AWARDS**

|  |                      |
|--|----------------------|
| Internal control over major programs:  |                      |
| Material weaknesses identified?  | <u>No</u>            |
| Reporting conditions identified not considered to be material weaknesses?  | <u>None reported</u> |
| Type of auditors' report issued on compliance for major programs:  | <u>Unqualified</u>   |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) |                      |
| Identification of major programs:  | <u>No</u>            |

| <u>CFDA Numbers</u>         | <u>Name of Federal Program or Cluster</u> |
|-----------------------------|---|
| 84.027, 84.027A, and 84.173 | Special Education                         |
| 10.553 and 10.555           | Child Nutrition Cluster                   |

|  |                   |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 300,000</u> |
| Auditee qualified as low-risk auditee?                                   | <u>No</u>         |

**STATE AWARDS**

|   |                      |
|---|----------------------|
| Internal control over State programs:                                     |                      |
| Material weaknesses identified?   | <u>No</u>            |
| Reporting conditions identified not considered to be material weaknesses? | <u>None reported</u> |
| Type of auditors' report issued on compliance for State programs:         | <u>Unqualified</u>   |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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The following findings represent reportable conditions, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

| <u>Five Digit Code</u> | <u>AB 3627 Finding Type</u> |
|------------------------|-----------------------------|
| 30000                  | Internal Control            |

### ***CAPITAL ASSETS***

2006-1 30000

#### **Finding:**

Since the 2003-2004 fiscal year, the District has participated in a pilot capital asset software program with the County Office of Education to account for the District's capital assets in accordance with GASB Statement No. 34 requirements. The program has been structured to allow for an automated approach which tracks capital asset additions from purchase orders into the capital asset system. We noted several areas of concern relating to the accounting for the District's capital assets.

- The District has not reconciled expenditures for capital outlay, facilities acquisition and construction, and off ledger capital outlay (assets processed through the Community Facility District trustee statements) with the capital asset program.
- The District has not reviewed timing issues relating to the automated portion of the capital asset software program. It appears that the software program may not be accounting for year end cutoff properly. Specifically, capital assets that are received and/or constructed before year end for which a payable is accrued may be double counted within the capital asset program. The asset may be added to the system once in the year when the payable is recorded and a second time when the invoice is paid in the subsequent fiscal year.
- The District has not devoted sufficient time during the fiscal year to ensure that the assets as recorded in the asset system have been reconciled to the transactions per the District's accounting systems.

#### **Recommendation:**

The District continues to experience significant growth, therefore, we suggest that a monthly reconciliation of capital assets should be performed. This reconciliation should include the review of expenditures as reported in the SACS account code functions for capital assets (primarily the functions for facilities acquisition and construction and all charges relating to capital outlay, the 6000 series of accounts). These accounts should be summarized and compared to capital asset records of building, site improvement and equipment additions within the software program.

The District should also continue to work with the County Office of Education on a monthly basis to ensure that all aspects of the capital asset software are working properly to record the District's capital assets including the analysis of year end cutoff procedures.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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### **District's Response:**

We concur with the need for monthly reconciliations. As a result, the Purchasing Department will prepare a "Capital Asset Reconciliation" spreadsheet with data from the "Asset Financial Reconciliation Report", District Financial Detail, and CFD payments for each month. Any discrepancies between the asset system and both sets of financial data will be identified as adjustments in the proper area and explained in detail prior to forwarding to the Business Office.

### ***PAYROLL FUNCTIONS***

2006-2      30000

### **Finding:**

A segregation of duties between payroll and personnel functions should be maintained to provide for an adequate internal control structure. We noted that Payroll Department employees have the ability to create new employees within the Galaxy system. This function should be restricted to the Personnel Department.

We noted that a report is provided by the County Office of Education that provides the details for all changes to data within the payroll system. However, the District is not documenting the review of this report. Therefore, we were unable to determine if the changes made by the Payroll Department were properly authorized and recorded in the system.

### **Recommendation:**

To provide for an adequate segregation of duties, the Payroll Department should not have the ability/access to create an employee within the Galaxy system. User access restrictions should be reviewed for these departments. We also suggest that user access relating to the use of the payroll and personnel system should be documented by job description. The specific system access appropriate to that position should be identified and recorded. This would enable the District to track changes. If an employee moves to another position, former access can be eliminated and the new access can be assigned consummate with the new position. The report from the County Office should be reviewed independently of the Payroll Department. This report can play a key roll in preventing unauthorized changes from going undetected.

### **District's Response:**

Upon verbal notification of this potential issue, the District immediately reviewed all screen permissions for Payroll employees. The "Add New Employee" screen was initially given to the Payroll Supervisor to use in an emergency situation only (in the absence of Personnel staff who are assigned this screen). The Payroll Supervisor has never had to use this screen and a request to delete was submitted to the County Office.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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The District currently uses a template for like job responsibilities of Galaxy users when determining and requesting screen permissions from the County Office. The exceptions are accounting level staff at the District Office whose permissions are based on the department for which they are assigned. As these employees move within or out of the organization, their screen permissions are adjusted or deleted.

### *POSITION CONTROL*

2006-3     30000

#### **Finding:**

The position control document outlines all Board approved positions within the District. Currently, this document is maintained by the Payroll Supervisor. This does not provide adequate segregation of duties. As noted in finding 2006-2, the Payroll Department had the ability to create new employees within the Galaxy system. The combination of maintaining the position control document and the ability to create new employees without outside review causes a deficiency in the internal control system.

#### **Recommendation:**

The position control document should be an Accounting/Budget Department function separate from the Payroll Department. Personnel Department should control hiring, Payroll Department should process payroll, and Accounting/Budget Department should control positions.

#### **District's Response:**

The District's Departments of Personnel, Payroll, and Budget have been meeting to develop systems and forms for communication in this area. Our process is as follows:

1. Business Office/Budget will add/assign all Type/Title/Sequence (position control) numbers on the "Add New Position Information" screen for all budgeted positions upon authority.
2. Personnel will hire employees into the vacant Type/Title/Sequence numbers with the ability to modify the position and employee screens for actual data of the employee hired.
3. Payroll will be notified of new hires/terms and will double check that system data is accurate prior to processing first/final payroll.
4. Budget will be notified of new hires/terms/replacements and will revise the budget for same.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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None reported.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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None reported.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *Financial Statement Findings*

2005-1 30000

#### **CAPITAL ASSETS**

##### **Findings:**

During our audit of the District's capital assets, we noted the following:

- We noted that during the setup process for the District's capital asset software that manual entries were used to input the assets. Due to the way the software functions when subsequent payments were made relating to open contracts (for assets within the construction in process classification) certain balances were duplicated within the capital asset software. This was not discovered by District staff during the year end closing process.
- We noted several items within the capital assets listing that did not meet the District's capitalization policy.
- When new assets are entered into the capital assets system, the District must specify whether the asset is a depreciable or non-depreciable asset. We noted several cases where the District had selected the non-depreciable classification for assets that should be subject to depreciation.

##### **Recommendation:**

Procedures should be established for the year end closing process to ensure that beginning balances are reconciled to prior year ending balances. The closing process should also include the review of the construction in process transactions and current year additions and/or deletions. In addition, procedures should be established to monitor the capital asset system on a monthly basis. This monthly monitoring should include the reconciliation of capital expenditures within the District's financial system to additions and/or changes within the capital asset system.

##### **Current Status:**

Not Implemented. See Current Year Financial Statement Findings item 2006-1.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

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*Federal Award Findings*

2005-2    50000

**FEDERAL TITLE I Eligibility for Group of Individuals or Area of Service Delivery**

**Finding:**

We noted that the District did not fund two sites following the guidelines provided within Federal requirements for the Title I programs (Title I, Section 1113(c) of ESEA (20 USC 6313(c)); 34 CFR sections 200.77 and 200.78). The District allocated the Title I funds based upon a per pupil formula for all participating sites. The District had two school sites that did not meet the 35 percent poverty rate as specified within the Federal guidelines. When funding sites below 35 percent, the Federal guidelines must be considered to prevent under funding at sites with poverty rates above 35 percent.

**Recommendation:**

The District should contact the granting agency to determine the appropriate course of action to resolve the compliance finding.

**Current Status:**

Implemented.



Governing Board  
Menifee Union Elementary School District  
Menifee, CA 92584

We have completed our audit of Menifee Union Elementary School District's financial records for the year ended June 30, 2006, and have issued our report dated October 5, 2006. In planning and performing our audit of the financial statements of Menifee Union Elementary School District (the District) for the year ended June 30, 2006, we considered the internal control structure of the District in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operation efficiency. This letter does not affect our report dated October 5, 2006, on the financial statements of the District.

*ASSOCIATE STUDENT BODY (ASB) – BANK RECONCILIATIONS - MENIFEE VALLEY MIDDLE SCHOOL*

**Comment:**

We noted that the bank reconciliations contained outstanding checks that appear old and may be stale dated. This results in understatement of available resources of the ASB.

**Recommendation:**

A policy should be drafted to address how to deal with stale dated checks. Typical policies identify how long these items should remain as reconciling items on the bank reconciliation and when they should be appropriately written off.

*ASSOCIATE STUDENT BODY (ASB) – MENIFEE VALLEY MIDDLE SCHOOL - RECEIVING*

**Comment:**

We found that the ASB had purchased shirts to sell for ASB fundraising. The supporting documentation for the payment for goods did not include evidence that the goods had been received.

**Recommendation:**

The Student Body organization should have or adopt written policies that require all purchases to be supported by sufficient receiving documentation (ex. delivery slip, package invoices). These records need to be maintained for audit.

Governing Board  
Menifee Elementary Unified School District

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel. We will be pleased to perform any additional study of these matters or to assist the District in implementing the recommendations.

We appreciate the time and assistance the staff of the Business Office and each school site has provided during our audit. We will follow up each of the areas noted above during the early stage of our fieldwork for the 2006-2007 fiscal year.

This report is intended solely for the information and use of the Board, management, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

*Vavornik, Tracie Day, CPA*

Rancho Cucamonga, California  
October 5, 2006