



**MENIFEE UNION ELEMENTARY  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

---

**JUNE 30, 2008**

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**OF RIVERSIDE COUNTY**

**MENIFEE, CALIFORNIA**

**JUNE 30, 2008**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Fred Twyman	President	2008
Victor Giardinelli	Vice President	2008
Phoebe Irely	Member	2008
Robert O'Donnell	Member	2010
Rita Peters	Member	2010

**ADMINISTRATION**

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

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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, 2008, 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 2007-08* 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, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008, 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 47, is not a required part of the basic financial statements, but is 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 on it.

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, including the Combining Statements - Non-Major Governmental Funds and is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 it.

*Vaughan, Tria, Day & Co., LLP*  
Rancho Cucamonga, California  
November 17, 2008



# MENIFEE UNION SCHOOL DISTRICT

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

**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, 2008. 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 (including capital assets), 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, Capital Projects Funds, and Debt Service Funds.

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

The *Fiduciary Activities* 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.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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### *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.

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 aid, 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, 2008

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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 Joint Community Facilities Districts. 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 \$185.3 million for the fiscal year ended June 30, 2008. Of this amount, \$8.9 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing 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 Activities	
	2008	2007
<b>ASSETS</b>		
Current and other assets	\$ 44,460,911	\$ 64,744,188
Capital assets	169,811,228	124,080,457
Total Assets	<u>214,272,139</u>	<u>188,824,645</u>
<b>LIABILITIES</b>		
Current liabilities	7,132,080	3,947,188
Long-term obligations	21,841,166	22,087,684
Total Liabilities	<u>28,973,246</u>	<u>26,034,872</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	148,197,770	102,214,423
Restricted	28,180,768	52,931,334
Unrestricted	8,920,355	7,644,016
Total Net Assets	<u>\$ 185,298,893</u>	<u>\$ 162,789,773</u>

The \$8.9 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, 2008

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### 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 Activities	
	2008	2007
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,549,644	\$ 2,022,959
Operating grants and contributions	10,666,625	11,208,087
Capital grants and contributions	22,862,525	3,814,459
General revenues:		
State revenue limit sources	45,814,825	44,166,719
Property and other taxes	6,875,079	6,324,411
Other general revenues	8,219,221	22,451,957
Total Revenues	<u>95,987,919</u>	<u>89,988,592</u>
<b>Expenses</b>		
Instruction-related	52,835,463	46,672,764
Pupil services	6,168,342	5,373,481
Administration	5,127,169	4,546,189
Plant services	6,611,127	6,276,480
Other	2,736,698	3,020,065
Total Expenses	<u>73,478,799</u>	<u>65,888,979</u>
Change in Net Assets	<u>\$ 22,509,120</u>	<u>\$ 24,099,613</u>

### Governmental Activities

As reported in the *Statement of Activities* on page 13 the cost of all of our governmental activities this year was \$73.5 million. Program revenues supported this amount by contributing revenues from Charges for services. Operating grants and contributions, as well as, Capital grants and contributions totaling \$35.1 million. We paid the remainder with General Revenues including State revenue limit sources, Property and other taxes, as well as, other general revenues.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2008**

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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.

**TABLE 3**

	Total Net Cost of Services	
	2008	2007
Instruction	\$ 16,616,625	\$ 29,904,668
Instruction-related activities	5,637,048	5,023,713
Other pupil services	3,015,978	1,844,775
General administration	4,266,435	3,881,171
Plant services	6,294,037	6,004,391
Facility acquisition and construction	1,734,433	-
Interest on long-term obligations and other	835,449	2,184,756
Total	<u>\$ 38,400,005</u>	<u>\$ 48,843,474</u>

### ***THE DISTRICTS FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$37.7 million as detailed below:

**TABLE 4**

	Fund Balance at June 30,	
	2008	2007
General Fund	\$ 11,191,600	\$ 10,965,383
Capital Facilities Fund	18,572,707	29,371,112
County School Facilities Fund	-	2,497
Capital Project for Blended Component Units Fund	5,565,965	18,167,113
Child Development Fund	56,112	54,853
Cafeteria Fund	727,550	541,812
Deferred Maintenance Fund	331,851	149,527
Special Reserve Fund for Other than Capital Outlay	37,086	35,407
Building Fund	-	567,501
Bond Interest and Redemption Fund	599,556	697,985
COP Debt Service Fund	592,571	592,435
Total	<u>\$ 37,674,998</u>	<u>\$ 61,145,625</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2008**

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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 2008. (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 47.)

### **COMMENTS ON MAJOR FUNDS**

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

- The General Fund is the chief operating fund of the District used primarily for the salary, benefits, curriculum support, and ordinary operational costs of the District.
- The Capital Facilities Fund (Fund 25) - In 2007-08, major expenditures were incurred in this fund for Quail Valley Elementary (QVE) of \$16.35 million and for Southshore Elementary (SSE) of \$15.21 million. The State apportionments received in the County School Facilities Fund (Fund 35) totaling approximately \$21.83 million for QVE and SSE were used to cover a portion of the expenditures. Other currently planned projects slated to be funded from the Capital Facilities Fund include approximately one-half the total cost of a third middle school and two additional elementary schools; a gymnasium at an existing middle school site, and a maintenance/operations/transportation facility on an existing elementary school site.
- The County School Facilities Fund (Fund 35) - State apportionments for Quail Valley Elementary and Southshore Elementary were approved and received totaling approximately \$21.83 million. Additional apportionments subsequent to the close of the fiscal year have been approved for \$465,698 and \$465,697 respectively and are pending receipt. In addition, the State apportionment for Middle School #3 has been approved in the sum of \$16,983,452 and is also pending receipt. The total estimated cost of Middle School #3 is \$44.6 million.
- The Capital Project Fund for Blended Component Units (Fund 49) - This fund is used to account for the school improvements funds of capital projects financed by Community Facilities Districts (CFDs) for the purpose of building new school facilities including land purchases and new construction. The 2007-08 ending balance in this fund is \$5.5 million and is earmarked for expenditures related to costs associated with future district facilities.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### **Capital Assets**

At June 30, 2008, the District had \$169.8 million in a broad range of capital assets, including land, buildings, and equipment.

**TABLE 5**

(Net of Accumulated Depreciation)

	Governmental Activities	
	2008	2007
Land and construction in process	\$ 82,646,074	\$ 51,595,816
Buildings and improvements/site improvements	83,389,365	68,226,320
Equipment	3,775,789	4,258,321
Total	<u>\$ 169,811,228</u>	<u>\$ 124,080,457</u>

#### **Long-Term Obligations**

At the end of this year, the District had \$21.8 million in long-term obligations outstanding versus \$22.1 million last year. Those long-term obligations consisted of the following:

	Governmental Activities	
	2008	2007
General obligation bonds (financed with property taxes)	\$ 14,403,458	\$ 14,361,034
Certificates of participation	7,210,000	7,505,000
Compensated absences	227,708	221,650
Total	<u>\$ 21,841,166</u>	<u>\$ 22,087,684</u>

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 \$14.4 million are significantly below this statutorily-imposed limit.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-2008***

- Completed construction of Quail Valley and Southshore Elementary Schools.
- Construction of Middle School #3 continues with an anticipated delivery date of August 2009.
- Sold Series A of the 2008 General Obligation Bond. The District has received \$15.73 in revenue.
- Menifee Elementary School (MES) has been temporarily closed as a cost saving strategy. MES students were transferred to Quail Valley and Morrison Elementary Schools.
- Approximately \$10 million was cut from the District's multi-year budget forecast (2007-08 through 2010-11) in reaction to the State budget crisis. The cuts are spread out over the next three fiscal years and were required for the District to maintain the state mandated 3% reserve for economic uncertainty.

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

Although the budget for 2008-2009 will inevitably be changing, following are some of the key budget assumptions made at time of budget development:

- District enrollment was over 250 students less to start the 2008-09 school from the close of the previous year. The District is anticipating 2008-09 growth rate that will not exceed our highest enrollment from the 2007-08 fiscal year.
- Revenue Limit cost of living adjustment (COLA) estimated at 5.66% with a deficit of 5.36% resulting in less than \$2/ADA increase to the Funded Base Revenue Limit.
- Categorical cuts of 6.5% across the board.
- Staffing based on the following formulas:
  - Kindergarten 20:1
  - Grades 1-2-3 20:1
  - Grades 4-5 30:1
  - Middle School 6-8 30:1
- Negotiations with both bargaining units have not been settled as of this printing.
- Further, the voters of the District approved a bond measure in February. The total authorized is \$31.46 million. Of this the District issued \$15.73 million in August 2008. The funds will be used to finance construction of a third middle school and two additional elementary schools.

### ***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 Gil Compton, Assistant Superintendent of Business Services, at Menifee Union Elementary School District, 30205 Menifee Road, Menifee, CA 92584, or e-mail at [gcompton@menifeeusd.org](mailto:gcompton@menifeeusd.org).

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2008

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 38,505,593
Receivables	5,940,502
Stores inventories	14,816
Capital Assets:	
Land and construction in process	82,646,074
Other capital assets	104,297,648
Less: Accumulated depreciation	(17,132,494)
Total Capital Assets	<u>169,811,228</u>
<b>Total Assets</b>	<u><u>214,272,139</u></u>
 <b>LIABILITIES</b>	
Accounts payable	6,774,724
Accrued interest	346,167
Deferred revenue	11,189
Long-term Obligations:	
Current portion	332,814
Noncurrent portion	<u>21,508,352</u>
Total Long-term Obligations	<u>21,841,166</u>
<b>Total Liabilities</b>	<u><u>28,973,246</u></u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	148,197,770
Restricted for:	
Debt service	1,192,127
Capital projects	24,138,672
Educational programs	1,734,456
Other activities	1,115,513
Unrestricted	<u>8,920,355</u>
<b>Total Net Assets</b>	<u><u>\$ 185,298,893</u></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, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 46,625,542	\$ 85,275	\$ 7,061,117	\$ 22,862,525	\$(16,616,625)
Instruction-related activities:					
Supervision of instruction	1,408,438	-	572,373	-	(836,065)
Instructional library, media, and technology	595,674	-	-	-	(595,674)
School site administration	4,205,809	-	500	-	(4,205,309)
Pupil services:					
Home-to-school transportation	1,782,308	216,906	149,645	-	(1,415,757)
Food services	2,094,220	1,081,304	1,041,234	-	28,318
All other pupil services	2,291,814	-	663,275	-	(1,628,539)
General administration:					
Data processing	729,816	-	-	-	(729,816)
All other general administration	4,397,353	99,043	761,691	-	(3,536,619)
Plant services	6,611,127	2,535	314,555	-	(6,294,037)
Facility acquisition and construction	1,734,433	-	-	-	(1,734,433)
Interest on long-term obligations	903,313	-	-	-	(903,313)
Other outgo	98,952	64,581	102,235	-	67,864
<b>Total Governmental Activities</b>	<b>\$ 73,478,799</b>	<b>\$ 1,549,644</b>	<b>\$ 10,666,625</b>	<b>\$ 22,862,525</b>	<b>(38,400,005)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					6,396,898
Property taxes, levied for debt service					478,181
State aid not restricted to specific purposes					45,814,825
Interest and investment earnings					876,370
Miscellaneous					7,342,851
<b>Total General Revenues and Subventions</b>					<b>60,909,125</b>
<b>Change in Net Assets</b>					<b>22,509,120</b>
Net Assets - Beginning					162,789,773
Net Assets - Ending					<b>\$185,298,893</b>

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2008**

	<b>General Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 7,729,232	\$ 22,896,270	\$ 4
Receivables	5,451,932	276,644	6,192
Due from other funds	64,429	137,367	-
Stores inventories	-	-	-
<b>Total Assets</b>	<b>\$ 13,245,593</b>	<b>\$ 23,310,281</b>	<b>\$ 6,196</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	2,032,336	4,691,723	-
Due to other funds	10,468	45,851	6,196
Deferred revenue	11,189	-	-
<b>Total Liabilities</b>	<b>2,053,993</b>	<b>4,737,574</b>	<b>6,196</b>
<b>FUND BALANCES</b>			
Reserved for:			
Revolving cash	2,500	-	-
Stores inventories	-	-	-
Restricted programs	1,734,456	-	-
General reserve	4,000,000	-	-
Unreserved:			
Designated	5,454,644	18,572,707	-
Undesignated, reported in:			
Debt Service Funds	-	-	-
Capital Projects Funds	-	-	-
<b>Total Fund Balance</b>	<b>11,191,600</b>	<b>18,572,707</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,245,593</b>	<b>\$ 23,310,281</b>	<b>\$ 6,196</b>

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

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<b>Capital Projects for Blended Component Units Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,697,119	\$ 2,182,968	\$ 38,505,593
-	205,734	5,940,502
-	10,468	212,264
-	14,816	14,816
<u>\$ 5,697,119</u>	<u>\$ 2,413,986</u>	<u>\$ 44,673,175</u>

-	50,665	6,774,724
131,154	18,595	212,264
-	-	11,189
<u>131,154</u>	<u>69,260</u>	<u>6,998,177</u>

-	-	2,500
-	14,816	14,816
-	-	1,734,456
-	-	4,000,000
-	1,137,783	25,165,134
-	1,192,127	1,192,127
5,565,965	-	5,565,965
<u>5,565,965</u>	<u>2,344,726</u>	<u>37,674,998</u>
<u>\$ 5,697,119</u>	<u>\$ 2,413,986</u>	<u>\$ 44,673,175</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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

<b>Total Fund Balance - Governmental Funds</b>		\$ 37,674,998
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	\$ 186,943,722	
Accumulated depreciation is	<u>(17,132,494)</u>	
<b>Total Capital Assets</b>		169,811,228
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(346,167)
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	14,239,361	
Unamortized premium	164,097	
Certificates of participation	7,210,000	
Compensated absences	<u>227,708</u>	
<b>Total Long-Term Obligations</b>		<u>(21,841,166)</u>
<b>Total Net Assets - Governmental Activities</b>		<u><u>\$ 185,298,893</u></u>

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, 2008**

	<b>General Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>
<b>REVENUES</b>			
Revenue limit sources	\$ 46,465,715	\$ -	\$ -
Federal sources	2,097,363	-	-
Other State sources	10,247,570	-	22,855,060
Other local sources	5,207,364	4,316,007	7,465
<b>Total Revenues</b>	<b>64,018,012</b>	<b>4,316,007</b>	<b>22,862,525</b>
<b>EXPENDITURES</b>			
Current			
Instruction	42,993,443	-	-
Instruction-related activities:			
Supervision of instruction	1,308,430	-	-
Instructional library, media, and technology	595,674	-	-
School site administration	4,205,809	-	-
Pupil services:			
Home-to-school transportation	1,676,105	-	-
Food services	-	-	-
All other pupil services	2,271,567	-	-
General administration:			
Data processing	729,816	-	-
All other general administration	3,449,379	233,890	-
Plant services	6,094,301	36,000	-
Facility acquisition and construction	18,319	41,400,221	-
Other outgo	98,952	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>63,441,795</b>	<b>41,670,111</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>576,217</b>	<b>(37,354,104)</b>	<b>22,862,525</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	27,311,925	201,508
Other sources	-	-	-
Transfers out	(350,000)	(756,226)	(23,066,530)
<b>Net Financing Sources (Uses)</b>	<b>(350,000)</b>	<b>26,555,699</b>	<b>(22,865,022)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>226,217</b>	<b>(10,798,405)</b>	<b>(2,497)</b>
<b>Fund Balance - Beginning</b>	<b>10,965,383</b>	<b>29,371,112</b>	<b>2,497</b>
<b>Fund Balance - Ending</b>	<b>\$ 11,191,600</b>	<b>\$ 18,572,707</b>	<b>\$ -</b>

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

<b>Capital Projects for Blended Component Units Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 46,465,715
-	1,130,108	3,227,471
-	733,595	33,836,225
838,347	1,680,363	12,049,546
838,347	3,544,066	95,578,957
-	198,189	43,191,632
-	100,008	1,408,438
-	-	595,674
-	-	4,205,809
-	-	1,676,105
-	2,094,220	2,094,220
-	20,247	2,291,814
-	-	729,816
592,061	115,965	4,391,295
-	480,826	6,611,127
9,171,814	414,963	51,005,317
-	-	98,952
-	295,000	295,000
-	863,347	863,347
9,763,875	4,582,765	119,458,546
(8,925,528)	(1,038,699)	(23,879,589)
-	904,718	28,418,151
408,962	-	408,962
(4,084,582)	(160,813)	(28,418,151)
(3,675,620)	743,905	408,962
(12,601,148)	(294,794)	(23,470,627)
18,167,113	2,639,520	61,145,625
\$ 5,565,965	\$ 2,344,726	\$ 37,674,998

**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, 2008**

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**Total Net Change in Fund Balances - Governmental Funds** \$ (23,470,627)

**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 expense in the period.

Capital outlays	\$ 49,270,884	
Depreciation expense	<u>(3,540,113)</u>	
		45,730,771

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). Amounts earned were more than amounts paid by \$6,058 during the year. (6,058)

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:

Premium on issuance		7,814
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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities:

Certificates of participation		<u>295,000</u>
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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, 2008**

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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.

Change in accrued interest	\$ 2,458	
Accretion on the capital appreciation General Obligation Bonds	<u>(50,238)</u>	
		\$ (47,780)
<b>Change in Net Assets of Governmental Activities</b>		<u><u>\$ 22,509,120</u></u>

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



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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	<b>Agency Funds</b>
	<u>                    </u>
<b>ASSETS</b>	
Deposits and investments	\$ 13,915,672
	<u>                    </u>
<b>LIABILITIES</b>	
Due to bond holders	\$ 11,753,287
Due to other agencies	2,089,564
Due to student groups	72,821
	<u>                    </u>
	<u>\$ 13,915,672</u>

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Menifee 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 seven 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 Menifee 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 have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, 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.

The Menifee Union Elementary School District Public Financing Authority (the "Authority") is a joint exercise of powers authority organized and existing under laws of the State of California, and Joint Exercise of Powers Agreement. The Authority was formed to issue bonds under the Marks-Roos Local Bond Pooling Act of 1985. The Authority was formed for the purpose of financing school facilities.

Pursuant to the Mello-Roos Community Facilities Act of 1982, the District established Community Facilities Districts (CFD) 94-1, 99-1 Zone 1, 2, Improvement Zone A, 2002-1 through 5, 2003-1 through 4, 2004-2 through 5, 2005-2, 2006-1, 2006-3 and 2006-4. Each CFD is a legally constituted governmental entity formed for the purpose of financing special capital projects. The CFDs were authorized, at special elections, to finance school facilities and in certain cases to fund improvements for the benefit of other governmental agencies including a Parks and Recreation District and a Water District.

#### Financial Presentation

For financial presentation purposes, the Authority and the CFDs financial activity has been blended with the financial data of the District. The financial statements present the construction and acquisition bond proceeds within the Capital Project for Blended Component Units Fund. The debt service reserve fund proceeds are presented in an agency fund.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### 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 16 to the financial statements. These organizations are:

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

### 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.

**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 is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Capital Project Fund for Blended Component Units Fund** The Capital Project Fund for Blended Component Units Fund is 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).

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Special Reserve Fund for Other Than Capital Outlay Projects** The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

**Capital Project Funds** The Capital Project Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Debt Service Funds** The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

**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** The Fiduciary Funds 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:

**Debt Service Special Tax Bonds** is an Agency fund used to account for the resources accumulated for the repayment of special tax debt of the Authority and CFDs described under financial reporting entity.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

**Joint CFD Fund** is an Agency fund used to account for certain proceeds of Community Facilities District (CFD) bond issuances' not available to finance school improvements.

**Associated Student Body Fund** is an Agency fund used to account for student body activities.

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

**Government-Wide Financial Statements** The government-wide financial 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, and excludes fiduciary activity. 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. Eliminations have been made to minimize the double counting of internal activities.

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.

**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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**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 90 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.

**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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### **Investments**

Investments held at June 30, 2008, 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 investments 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.

### **Store Inventories**

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.

### **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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### **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.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

### **Deferred Issuance Costs, Premiums, and Discounts**

Long-term obligations are reported as liabilities in the government-wide statement of net assets for governmental activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund equity indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties, and other purposes.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$28,180,768 of restricted net assets.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### Estimates

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

### Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes in behalf of the District. Local property tax revenues are recorded when received.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### New Accounting Pronouncements

In July 2004, GASB issued 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, GASB issued 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.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 38,505,593
Fiduciary funds	13,915,672
Total Deposits and Investments	<u>\$ 52,421,265</u>

Deposits and investments as of June 30, 2008, consist of the following:

Investments	\$ 52,345,944
Cash on hand and in banks	72,821
Cash in revolving	2,500
Total Deposits and Investments	<u>\$ 52,421,265</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, 2008

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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 Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment 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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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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:

Investment Type	Fair Value	Maturity Date/ Average maturity In Years
Riverside County Investment Pool	\$ 32,222,743	1.22
First American Prime Obligation Fund Class Y	19,539,970	49*
FSA Investment Agreement	592,571	9/1/2025
Total	\$ 52,355,284	

\* 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, 2008, the District had no balances exposed to custodial credit risk. All balances were fully insured.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 492,293	\$ -	\$ -	\$ 169,392	\$ 661,685
State Government					
Apportionment	3,523,558	-	-	-	3,523,558
Categorical aid	358,088	-	-	14,950	373,038
Lottery	538,698	-	-	-	538,698
Local Government					
Interest	104,967	218,105	6,192	8,911	338,175
Other Local Sources	434,328	58,539	-	12,481	505,348
Total	<u>\$ 5,451,932</u>	<u>\$ 276,644</u>	<u>\$ 6,192</u>	<u>\$ 205,734</u>	<u>\$ 5,940,502</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 25,744,763	\$ 9,408,511	\$ -	\$ 35,153,274
Construction in process	25,851,053	38,292,382	16,650,635	47,492,800
Total Capital Assets Not Being Depreciated	<u>51,595,816</u>	<u>47,700,893</u>	<u>16,650,635</u>	<u>82,646,074</u>
Capital Assets Being Depreciated				
Site improvements	2,456,246	1,490,477	-	3,946,723
Buildings and improvements	78,078,524	16,556,538	-	94,635,062
Furniture and equipment	5,623,279	173,611	81,027	5,715,863
Total Capital Assets Being Depreciated	<u>86,158,049</u>	<u>18,220,626</u>	<u>81,027</u>	<u>104,297,648</u>
Total Capital Assets	<u>137,753,865</u>	<u>65,921,519</u>	<u>16,731,662</u>	<u>186,943,722</u>
Less Accumulated Depreciation				
Site improvements	221,308	194,267	-	415,575
Buildings and improvements	12,087,142	2,689,703	-	14,776,845
Furniture and equipment	1,364,958	656,143	81,027	1,940,074
Total Accumulated Depreciation	<u>13,673,408</u>	<u>3,540,113</u>	<u>81,027</u>	<u>17,132,494</u>
Governmental Activities Capital Assets, Net	<u>\$ 124,080,457</u>	<u>\$ 62,381,406</u>	<u>\$ 16,650,635</u>	<u>\$ 169,811,228</u>

The District has closed Meniffee Elementary School as of June 30, 2008. Meniffee Union Elementary School District has the intention of reopening the school; however, a date to reopen has not been determined. The book value of the asset at June 30, 2008 is \$5,127,747.

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 3,433,910
Home-to-school transportation	106,203
Total Depreciation Expenses Governmental Activities	<u>\$ 3,540,113</u>



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**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, 2008, between major and non-major governmental funds are as follows:

Due To	Due From					Total
	General Fund	Capital Facilities Fund	County School Facilities Fund	Capital Project for Blended Component Units Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 45,851	\$ -	\$ -	\$ 18,578	\$ 64,429
Capital Facilities Fund	-	-	6,196	131,154	17	137,367
Non-Major Governmental Funds	10,468	-	-	-	-	10,468
Total	<u>\$ 10,468</u>	<u>\$ 45,851</u>	<u>\$ 6,196</u>	<u>\$ 131,154</u>	<u>\$ 18,595</u>	<u>\$ 212,264</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, 2008**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From					Total
	General Fund	Capital Facilities Fund	County School Facilities Fund	Capital Project for Blended Component Units Fund	Non-Major Governmental Funds	
Capital Facilities Fund	\$ -	\$ -	\$23,066,530	\$ 4,084,582	\$ 160,813	\$ 27,311,925
County School Facilities Fund	-	201,508	-	-	-	201,508
Non-Major Governmental Funds	350,000	554,718	-	-	-	904,718
Total	<u>\$ 350,000</u>	<u>\$ 756,226</u>	<u>\$23,066,530</u>	<u>\$ 4,084,582</u>	<u>\$ 160,813</u>	<u>\$ 28,418,151</u>

The General Fund transferred to the Deferred Maintenance Fund for required annual match.	\$ 350,000
The Capital Facilities Fund transferred to the Debt Service Fund to fund debt service payments on Certificates of Participation.	554,718
The Capital Facilities Fund transferred to the County School Facilities Fund to reimburse project costs.	201,508
The County School Facilities Fund transferred to the Capital Facilities Fund to reimburse cost of portables projects.	23,066,530
The Capital Project for Blended Component Units Fund transferred to the Capital Facilities Fund to reimburse project costs.	4,084,582
The Building Fund transferred to the Capital Facilities Fund to reimburse projects costs.	160,813
Total	<u>\$ 28,418,151</u>

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Salaries and benefits	\$ 237,598	\$ -	\$ 12,390	\$ 249,988
State apportionment	891,996	-	-	891,996
Construction payables	-	3,596,273	-	3,596,273
Vendor payables	902,742	1,095,450	38,275	2,036,467
Total	<u>\$ 2,032,336</u>	<u>\$ 4,691,723</u>	<u>\$ 50,665</u>	<u>\$ 6,774,724</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2008, consists of the following:

	General Fund
Federal financial assistance	\$ 2,342
State categorical aid	8,847
Total	<u>\$ 11,189</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance Beginning of Year as Restated	Addition	Deductions	Balance End of Year	Due in One Year
General obligation bonds	\$ 14,361,034	\$ 50,238	\$ 7,814	\$ 14,403,458	\$ 32,814
Certificates of Participation					
2004 Refunding Series	7,505,000	-	295,000	7,210,000	300,000
Accumulated vacation	221,650	6,058	-	227,708	-
Total Long-Term Obligations	<u>\$ 22,087,684</u>	<u>\$ 56,296</u>	<u>\$ 302,814</u>	<u>\$ 21,841,166</u>	<u>\$ 332,814</u>

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 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, 2008**

### 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 \$9,930,000) 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.

In May 2006, 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) in order to raise money for modernization, reconstruction, and new construction. 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 (Fiscal year 2030).

At June 30, 2008, the principal balance outstanding on the Series A bonds is \$9,129,720 and on the Series B bonds it is \$5,109,641 with an unamortized premium of \$164,097.

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds/Premium			Redeemed or Amortized	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	\$ 9,095,429	\$ 34,291	\$ -	\$ 9,129,720	\$ -	
2005-2006	2008-2029	3.00-4.27%	5,069,720	5,093,694	15,947	-	5,109,641	25,000	
	Premiums on Issuance		-	171,911	-	7,814	164,097	7,814	
			<u>\$14,498,923</u>	<u>\$ 14,361,034</u>	<u>\$ 50,238</u>	<u>\$ 7,814</u>	<u>\$ 14,403,458</u>	<u>\$ 32,814</u>	

### Debt Service Requirements to Maturity

#### Series A Bonds

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2009	\$ -	\$ -	\$ 385,999	\$ 385,999
2010	25,000	-	410,674	435,674
2011	25,000	-	410,005	435,005
2012	75,000	-	458,536	533,536
2013	100,000	-	480,661	
2014-2018	964,720	360,280	3,188,750	4,513,750
2019-2023	2,740,000	-	4,299,134	7,039,134
2024-2028	5,200,000	-	5,898,884	11,098,884
Total	<u>\$ 9,129,720</u>	<u>\$ 360,280</u>	<u>\$ 15,532,643</u>	<u>\$ 24,441,982</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### Series B Bonds

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2009	\$ 25,000	\$ -	\$ 242,255	\$ 267,255
2010	60,000	-	275,950	335,950
2011	100,000	-	313,270	413,270
2012	100,000	-	309,770	409,770
2013	125,000	-	330,676	455,676
2014-2018	600,000	-	1,556,600	2,156,600
2019-2023	780,000	-	1,611,476	2,391,476
2024-2028	1,350,000	-	1,941,838	3,291,838
2029-2030	1,969,641	730,359	2,853,188	5,553,188
Total	<u>\$ 5,109,641</u>	<u>\$ 730,359</u>	<u>\$ 9,435,023</u>	<u>\$ 15,275,023</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 on an advance basis the outstanding 1996 lease obligation of the District and the related certificates of participation.

At June 30, 2008, the principal balance outstanding was \$7,210,000.

Year Ending June 30,	Principal	Interest	Total
2009	\$ 300,000	\$ 280,215	\$ 580,215
2010	310,000	271,815	581,815
2011	320,000	262,365	582,365
2012	330,000	251,790	581,790
2013	345,000	239,978	584,978
2014-2018	1,900,000	1,000,819	2,900,819
2019-2023	2,315,000	576,575	2,891,575
2024-2026	1,390,000	86,217	1,476,217
Total	<u>\$ 7,210,000</u>	<u>\$ 2,969,774</u>	<u>\$ 10,179,774</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$227,708.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### NOTE 9 - NON OBLIGATORY DEBT

#### Community Facilities Districts (CFDs)

The special tax bonds issued by the Community Facilities District's and the Public Finance Authority (hereinafter referred to as the CFD's) are not obligations of the Meniffee Union Elementary School District. The bonds, the interest thereon, and any premiums on the redemption of any of the bonds are not an indebtedness of the District, the State of California, or any of its political subdivisions. Neither the faith and credit nor the taxing power of the District is pledged to the payment of the bonds. The bonds are payable from proceeds of Net Special Taxes levied on property within the CFD's according to the rate and method of apportionment of special tax approved by the Board and the eligible landowner voters in the CFD's. The bonds are secured only by a first pledge of all revenues derived from the net special taxes and the moneys deposited in certain funds held by the fiscal agent under the fiscal agent agreement. Therefore, the bonds are not included in the financial statements.

	<u>Balance</u> <u>End of Year</u>
Public Finance Authority	\$ 35,775,000
Special Tax Refunding Bonds	
CFD 94-1	11,840,000
CFD 99-1 Zone 1	5,145,000
CFD 99-1 Zone 2	5,670,000
CFD 99-1 Improvement Area A	1,005,000
CFD 2002-1	5,175,000
CFD 2002-3	4,300,000
CFD 2003-3	2,650,000
Special Tax Bonds	
CFD 2002-2	7,985,000
CFD 2002-4	2,315,000
CFD 2002-5	5,970,000
CFD 2003-1	2,235,000
CFD 2003-2	10,900,000
CFD 2003-4	2,535,000
CFD 2004-2	4,480,000
CFD 2004-3	4,015,000
CFD 2004-4	2,420,000
CFD 2004-5	4,555,000
CFD 2005-2	4,740,000
CFD 2006-3	2,040,000
Total	<u>\$ 125,750,000</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**NOTE 10 - FUND BALANCES**

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

	General Fund	Capital Facilities Fund	County School Facilities Fund
Reserved			
Revolving cash	\$ 2,500	\$ -	\$ -
Store inventories	-	-	-
Restricted programs	1,734,456	-	-
General reserve	4,000,000	-	-
<b>Total Reserved</b>	<b>5,736,956</b>	<b>-</b>	<b>-</b>
Unreserved			
Designated			
Economic uncertainties	2,369,408	-	-
Other designation	3,085,236	18,572,707	-
Total Designated	5,454,644	18,572,707	-
Undesignated	-	-	-
<b>Total Unreserved</b>	<b>5,454,644</b>	<b>18,572,707</b>	<b>-</b>
<b>Total</b>	<b>\$ 11,191,600</b>	<b>\$ 18,572,707</b>	<b>\$ -</b>

	Capital Project for Blended Component Units Fund	Non-Major Governmental Funds	Total Governmental Funds
Reserved			
Revolving cash	\$ -	\$ -	\$ 2,500
Store inventories	-	14,816	14,816
Restricted programs	-	-	1,734,456
General reserve	-	-	4,000,000
<b>Total Reserved</b>	<b>-</b>	<b>14,816</b>	<b>5,751,772</b>
Unreserved			
Designated			
Economic uncertainties	-	-	2,369,408
Other designation	-	1,137,783	22,795,726
Total Designated	-	1,137,783	25,165,134
Undesignated	5,565,965	1,192,127	6,758,092
<b>Total Unreserved</b>	<b>5,565,965</b>	<b>2,329,910</b>	<b>31,923,226</b>
<b>Total</b>	<b>\$ 5,565,965</b>	<b>\$ 2,344,726</b>	<b>\$ 37,674,998</b>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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### NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2008, the following District fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Child Development Fund	<u>\$ 357,788</u>	<u>\$ 360,010</u>	<u>\$ 2,222</u>

### NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with certain past District employment contracts. Currently, three employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents and the retiree contributes the remainder. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$32,053 were recognized for retirees' health care benefits.

### NOTE 13 - 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 16 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 14 - EMPLOYEE RETIREMENT SYSTEM

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



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### CalSTRS

#### Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$2,699,807, \$2,458,321, and \$2,079,530, respectively, and equal 100 percent of the required contributions for each year.

### CalPERS

#### 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 issue 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 95811.

#### Funding Policy

Active plan members are required to contribute 7.0 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal 2007-2008 was 9.306 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 years ending June 30, 2008, 2007, and 2006, were \$745,364, \$656,506, and \$525,141, respectively, and equal 100 percent of the required contributions for each year.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,478,183 (4.517 percent of salaries subject to CalSTRS). This amount was reported in both State revenues and Instructional Expenditures within the General Fund. No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

### **NOTE 15 - COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

The District is involved in various litigation 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, 2008.

#### **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, 2008.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Elementary School # 9	\$ 25,000,000	July 2009
Middle School # 3	19,372,956	July 2009
Maintenance, Operations and Transportation Yard	5,000,000	January 2010
Menifee Valley Middle School Gymnasium	4,500,000	January 2010
Elementary School # 8	1,113,090	July 2008
Elementary School #11	1,032,712	July 2008
	<u>\$ 56,018,758</u>	

### NOTE 16 - 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 (WRCSIPE) 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.

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, 2008, the District made payments of \$297,244 to RSIA and \$6,029,972 to SISC III for insurance.

### NOTE 17 - SUBSEQUENT EVENTS

In an election on February 5, 2008, the voters of the District authorized bonds in the amount of \$31,460,000. In August 2008, the District issued General Obligation Bonds, Series A in the amount of \$15,730,000. The interest rates on the bonds range from 4.0 percent to 5.5 percent. The bonds are issued for the purpose of financing acquisition and construction of new District facilities.

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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, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 48,584,562	\$46,536,770	\$ 46,465,715	\$ (71,055)
Federal sources	1,783,063	2,295,128	2,097,363	(197,765)
Other State sources	8,244,315	8,626,723	10,247,570	1,620,847
Other local sources	4,785,133	5,103,328	5,207,364	104,036
<b>Total Revenues<sup>1</sup></b>	<b>63,397,073</b>	<b>62,561,949</b>	<b>64,018,012</b>	<b>1,456,063</b>
<b>EXPENDITURES</b>				
Current				
Instruction	41,995,846	43,090,431	42,993,443	96,988
Instruction-related activities:				
Supervision of instruction	1,579,193	1,483,292	1,308,430	174,862
Instructional library, media, and technology	632,898	625,974	595,674	30,300
School site administration	4,247,678	4,285,758	4,205,809	79,949
Pupil services:				
Home-to-school transportation	1,897,058	1,807,226	1,676,105	131,121
All other pupil services	2,279,073	2,449,135	2,271,567	177,568
General administration:				
Data processing	971,733	854,152	729,816	124,336
All other general administration	3,509,224	3,619,213	3,449,379	169,834
Plant services	6,669,964	6,271,712	6,094,301	177,411
Facility acquisition and construction	-	18,324	18,319	5
Other outgo	-	118,297	98,952	19,345
<b>Total Expenditures<sup>1</sup></b>	<b>63,782,667</b>	<b>64,623,514</b>	<b>63,441,795</b>	<b>1,181,719</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(385,594)</b>	<b>(2,061,565)</b>	<b>576,217</b>	<b>2,637,782</b>
<b>Other Financing Sources</b>				
Transfers out	(557,055)	(350,000)	(350,000)	-
<b>Net Financing Sources</b>	<b>(557,055)</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(942,649)</b>	<b>(2,411,565)</b>	<b>226,217</b>	<b>2,637,782</b>
<b>Fund Balance - Beginning</b>	<b>10,965,383</b>	<b>10,965,383</b>	<b>10,965,383</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 10,022,734</b>	<b>\$ 8,553,818</b>	<b>\$ 11,191,600</b>	<b>\$ 2,637,782</b>

<sup>1</sup> On behalf payment of \$1,478,183 is included in the actual revenues and expenditures, but has not been included in the budgeted 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, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 444,276
Title II, Part A, Teacher Quality	84.367	14341	97,930
Title II, Part D, Enhancing Education Through Technology	84.318	14334	5,401
Title III, Immigrant Education Program	84.365	14346	6,814
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	84,488
Title IV, Part A, Drug-Free Schools	84.186	14347	16,789
Title V, Part A, Innovative Education Strategies	84.298A	14354	6,643
Subtotal			<u>662,341</u>
Passed through Riverside Special Education Local Plan Area:			
Special Education Cluster :			
Part B, Section 611, Basic Local Assistance Entitlement	84.027	13379	1,015,139
Part B, Section 611, Preschool Local Entitlements	84.027A	13682	83,837
Part B, Section 611, Federal Preschool Grants	84.173	13430	42,500
Part B, Section 611, Preschool Staff Development	84.173A	13431	16
Subtotal			<u>1,141,492</u>
Total U.S. Department of Education			<u>1,803,833</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	905,825
Especially Needy Breakfast	10.553	13526	61,937
Basic School Breakfast	10.553	13390	13,161
Food Distribution	10.555	13158	149,185
Total U.S. Department of Agriculture			<u>1,130,108</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
Passed through California Department of Health and Human Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	22,495
Medi-Cal Administrative Activities	93.778	10060	271,035
Total U.S. Department of Health and Human Resources			<u>293,530</u>
Total Expenditures of Federal Awards			<u>\$3,227,471</u>

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

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### ORGANIZATION

The Meniffee Union Elementary School District (the "District") was established on December 7, 1951, and consists of an area comprising approximately 56 square miles. The District operates seven elementary schools and two middle schools. There were no boundary changes during this year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Fred Twyman	President	2008
Victor Giardinelli	Vice President	2008
Phoebe Irey	Member	2008
Robert O'Donnell	Member	2010
Rita Peters	Member	2010

### ADMINISTRATION

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

See accompanying note to supplementary information.



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

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	<u>Second Period Report</u>	<u>Amended Annual Report</u>
ELEMENTARY		
Kindergarten	806	807
First through third	2,803	2,803
Fourth through sixth	2,717	2,714
Seventh and eighth	1,868	1,864
Opportunity schools	5	5
Home and hospital	2	2
Special education	185	188
Total Elementary	<u>8,386</u>	<u>8,383</u>
 SUMMER SCHOOL HOURS		
Elementary		<u>75,173</u>

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number of Days Multitrack Calendar	Status
Kindergarten	31,500	36,000	38,055	177	Complied
Grades 1 - 3	50,750	50,400			
Grade 1			52,638	177	Complied
Grade 2			52,638	177	Complied
Grade 3			52,638	177	Complied
Grades 4 - 6	50,750	54,000			
Grade 4			54,375	177	Complied
Grade 5			54,375	177	Complied
Grade 6			56,334	177	Complied
Grades 7 - 8	50,750	54,000			
Grade 7			56,334	177	Complied
Grade 8			56,334	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, 2008**

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There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2008.

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget)			
	2009 <sup>1</sup>	2008	2007	2006
<b>GENERAL FUND</b>				
Revenues	\$ 62,974,798	\$ 64,018,012	\$ 62,488,442	\$ 48,778,600
Total Revenues and Other Sources	62,974,798	64,018,012	62,488,442	48,778,600
Expenditures	63,216,015	63,441,795	57,521,140	48,067,912
Other uses and transfers out	250,000	350,000	350,000	105,000
Total Expenditures and Other Uses	63,466,015	63,791,795	57,871,140	48,172,912
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ (491,217)</b>	<b>\$ 226,217</b>	<b>\$ 4,617,302</b>	<b>\$ 605,688</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 10,700,383</b>	<b>\$ 11,191,600</b>	<b>\$ 10,965,383</b>	<b>\$ 6,348,081</b>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<b>\$ 6,403,980</b>	<b>\$ 2,369,408</b>	<b>\$ 5,673,878</b>	<b>\$ 3,169,240</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	<b>10.09%</b>	<b>3.80%</b>	<b>10.04%</b>	<b>6.74%</b>
<b>LONG-TERM OBLIGATION</b>	<b>\$ 21,508,352</b>	<b>\$ 21,841,166</b>	<b>\$ 22,087,684</b>	<b>\$ 22,476,232</b>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>8,386</b>	<b>8,386</b>	<b>7,102</b>	<b>5,675</b>

The General Fund balance has increased by \$4,843,519 over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$491,217 (4.4 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 each of the past three years but anticipates incurring an operating deficit during the 2008-2009 fiscal year. Total long-term obligations have decreased by \$635,066 in the past two years.

Average daily attendance has increased by 2,711 over the past two years. Additional growth in ADA is not anticipated during fiscal year 2008-2009.

<sup>1</sup> Budget 2009 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 of \$1,478,183, \$1,352,740, and \$1,145,332 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2008, 2007 and 2006, respectively.

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2008**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Santa Rosa Charter School	No

See accompanying note to supplementary information.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **EXCESS SICK LEAVE**

**JUNE 30, 2008**

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### **Section 19833.5 (a)(3)(c) Disclosure**

Menifee Union Elementary School District provides more than 12 sick leave days in a school year to the following groups of employees who are CalSTRS members:

1. Superintendent
2. Assistant Superintendent

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

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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.

#### **Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of administration.

#### **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.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008**

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### **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.

### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized for members of the California State Teachers Retirement System (CalSTRS).



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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, 2008**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 75,218	\$ 540,726	\$ 338,108
Receivables	819	201,358	3,243
Due from other funds	1,428	9,040	-
Stores inventories	-	14,816	-
<b>Total Assets</b>	<b>\$ 77,465</b>	<b>\$ 765,940</b>	<b>\$ 341,351</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,819	\$ 38,346	\$ 9,500
Due to other funds	18,534	44	-
<b>Total Liabilities</b>	<b>21,353</b>	<b>38,390</b>	<b>9,500</b>
<b>Fund Balances:</b>			
Reserved for:			
Stores inventories	-	14,816	-
Unreserved:			
Designated	56,112	712,734	331,851
Undesignated, reported in:			
Debt service funds	-	-	-
<b>Total Fund Balance</b>	<b>56,112</b>	<b>727,550</b>	<b>331,851</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 77,465</b>	<b>\$ 765,940</b>	<b>\$ 341,351</b>

See accompanying note to supplementary information - unaudited.

<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 36,772	\$ 17	\$ 599,556	\$ 592,571	\$ 2,182,968
314	-	-	-	205,734
-	-	-	-	10,468
-	-	-	-	14,816
<u>\$ 37,086</u>	<u>\$ 17</u>	<u>\$ 599,556</u>	<u>\$ 592,571</u>	<u>\$ 2,413,986</u>
\$ -	\$ -	\$ -	\$ -	\$ 50,665
-	17	-	-	18,595
<u>-</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>69,260</u>
-	-	-	-	14,816
37,086	-	-	-	1,137,783
-	-	599,556	592,571	1,192,127
<u>37,086</u>	<u>-</u>	<u>599,556</u>	<u>592,571</u>	<u>2,344,726</u>
<u>\$ 37,086</u>	<u>\$ 17</u>	<u>\$ 599,556</u>	<u>\$ 592,571</u>	<u>\$ 2,413,986</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, 2008**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 1,130,108	\$ -
Other State sources	357,838	87,128	282,933
Other local sources	3,431	1,152,972	14,366
<b>Total Revenues</b>	<b>361,269</b>	<b>2,370,208</b>	<b>297,299</b>
<b>EXPENDITURES</b>			
Current			
Instruction	198,189	-	-
Instruction-related activities:			
Supervision of instruction	100,008	-	-
Pupil services:			
Food services	-	2,094,220	-
All other pupil services	20,247	-	-
General administration:			
All other general administration	25,715	90,250	-
Plant services	15,851	-	464,975
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>360,010</b>	<b>2,184,470</b>	<b>464,975</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,259</b>	<b>185,738</b>	<b>(167,676)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	350,000
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>350,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,259</b>	<b>185,738</b>	<b>182,324</b>
<b>Fund Balance - Beginning</b>	<b>54,853</b>	<b>541,812</b>	<b>149,527</b>
<b>Fund Balance - Ending</b>	<b>\$ 56,112</b>	<b>\$ 727,550</b>	<b>\$ 331,851</b>

See accompanying note to supplementary information - unaudited.

<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,130,108
-	-	5,696	-	733,595
1,679	8,275	499,504	136	1,680,363
1,679	8,275	505,200	136	3,544,066
-	-	-	-	198,189
-	-	-	-	100,008
-	-	-	-	2,094,220
-	-	-	-	20,247
-	-	-	-	115,965
-	-	-	-	480,826
-	414,963	-	-	414,963
-	-	-	295,000	295,000
-	-	603,629	259,718	863,347
-	414,963	603,629	554,718	4,582,765
1,679	(406,688)	(98,429)	(554,582)	(1,038,699)
-	-	-	554,718	904,718
-	(160,813)	-	-	(160,813)
-	(160,813)	-	554,718	743,905
1,679	(567,501)	(98,429)	136	(294,794)
35,407	567,501	697,985	592,435	2,639,520
\$ 37,086	\$ -	\$ 599,556	\$ 592,571	\$ 2,344,726

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008**

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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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***INDEPENDENT AUDITORS' REPORTS***

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2008, which collectively comprise Menifee Union Elementary School District's basic financial statements and have issued our report thereon dated November 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Menifee Union Elementary School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Menifee Union Elementary School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Menifee Union Elementary School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. Significant deficiencies in the Financial Statement Findings Section of the accompanying Schedule of Findings, and Questioned Costs as items 2008-1 and 2008-2.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Menifee Union Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of Menifee Union Elementary School District in a separate letter dated November 17, 2008.

Menifee Union Elementary School District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Menifee Union Elementary School District's response and, accordingly, express no opinion on it.

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.

*Vaurink, Trine, Day & Co., LLP*  
Rancho Cucamonga, California  
November 17, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Menifee Union Elementary School District  
Menifee, California

**Compliance**

We have audited the compliance of Menifee Union Elementary School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Menifee Union Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Menifee Union Elementary School District's management. Our responsibility is to express an opinion on Menifee Union Elementary School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Menifee Union Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Menifee Union Elementary School District's compliance with those requirements.

In our opinion, Menifee Union Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

## 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Menifee Union Elementary School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined 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, 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.

Vaurink, Trine, Day & Co., LLP  
Rancho Cucamonga, California  
November 17, 2008



**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, 2008, and have issued our report thereon dated November 17, 2008. 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 2007-08*, 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 Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Not Applicable

	Procedures in Audit Guide	Procedures Performed
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	3	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
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) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
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
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based 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.

*Vauriac, Triac, Day & Co., LLP*  
Rancho Cucamonga, California  
November 17, 2008

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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, 2008**

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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>
Significant deficiencies 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>
Significant deficiencies 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	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster :
<u>84.027</u>	<u>Part B, Section 611, Basic Local Assistance Entitlement</u>
<u>84.027A</u>	<u>Part B, Section 611, Preschool Local Entitlements</u>
<u>84.173</u>	<u>Part B, Section 611, Federal Preschool Grants</u>
<u>84.173A</u>	<u>Part B, Section 611, Preschool Staff Development</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies 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, 2008

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The following findings represent significant deficiencies, 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

### *Financial Statement Findings*

#### **BLENDING COMPONENT UNITS**

**2008-1 30000**

#### **Criteria or Specific Requirements**

The District has the fiduciary responsibility to account for the financial transactions of the Community Facilities Districts as required by the bond documents for each CFD.

#### **Condition**

The District uses spreadsheets to reconcile the monthly statements received from the various trustees for each of the CFDs. These spreadsheets reconcile the monthly activity and also summarize all of the financial transactions into a trial balance format. The trial balances are used at the end of the year to prepare the District's financial statements. We found three misclassifications that were material to the financial reporting.

#### **Questioned costs**

None

#### **Context**

The misclassifications were discovered during our testing of the year-end reconciliations of the financial activity of the CFDs.

#### **Effect**

The District was required to update the classifications so that the financial activity of the CFDs would be properly presented within the District's financial statements.

#### **Cause**

The cause was clerical and due to the complexity of the process.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### **Recommendation**

Financial assets tracked are generally, land purchases that can be reconciled with the Capital Asset Module additions reports.

### **District Response**

The Facilities Department will continue to reconcile the CFD bank statements using the existing Excel spreadsheets. On a monthly basis the spreadsheets and bank statements will be reviewed, and checked for accuracy by the Facilities Office staff. All transactions involving capital assets will be assigned an asset number by the Purchasing Department and tracked using the existing log sheets. The Fiscal and Facilities Departments will jointly review the spreadsheets during the already scheduled monthly Fiscal/Facilities Accounting meeting.

### *CAPITAL ASSETS SYSTEM*

**2008-2 30000**

### **Criteria or Specific Requirements**

The District is required to account for all capital assets owned by the District. To meet this requirement the District uses the County's Galaxy Capital Asset Module.

### **Condition**

Though the Capital Asset Reports were much improved, we found that the summary system generated report contained adjustments to beginning balances and was not mathematically correct.

### **Questioned Costs**

None

### **Context**

The discrepancies in the reports were discovered during our testing of the capital assets.

### **Effect**

The proper classification of capital asset activity.

### **Cause**

The County Galaxy Capital Asset module summary report did not include a depreciation adjustment in the depreciation asset class. It was instead reported in a non-depreciable asset class.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### **Recommendation**

We believe that the issue is a reporting issue within the galaxy system, and should be investigated with the service provider.

### **District Response**

The County Office of Education has corrected the report issue to properly account for prior year depreciation adjustments in the correct category/asset class.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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None reported.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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None reported.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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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*

#### ***BLENDED COMPONENT UNITS***

**2007-1     30000**

#### **Criteria or Specific Requirements**

The District has the fiduciary responsibility to account for the financial transactions of the Community Facilities Districts as required by the bond documents for each CFD.

#### **Condition**

The District uses spreadsheets to reconcile the monthly statements received from the various trustees for each of the CFDs. These spreadsheets reconcile the monthly activity and also summarize all of the financial transactions into a trail balance format. The trial balances are used at the end of the year to prepare the District's financial statements. These spreadsheets contained misclassifications of revenues and expenditures that required a significant amount of additional work to properly classify the activity.

#### **Questioned Costs**

None

#### **Context**

The misclassifications were discovered during our testing of the year end reconciliations of the financial activity of the CFD's.

#### **Effect**

The District was required to update the classifications so that the financial activity of the CFD's would be properly presented within the District's financial statements.

#### **Cause**

The financial activity was incorrectly classified within the District's reconciliation process.

#### **Recommendation**

The District should review the monthly reconciliations of the CFD financial activity to ensure that all transactions have been properly classified. To assist in the process the debt service payments should be agreed to semi-annual debt service schedules for each CFD to insure that payments have been made and are correctly classified in the financial summaries.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### Current Status

Improved, see 2008-1.

### *CAPITAL ASSETS SYSTEM*

2007-2    30000

### Criteria or Specific Requirements

The District is required to account for all of the capital assets owned by the District. To meet this requirement the District uses the County's Galaxy Capital Asset module.

### Condition

We found that the system generated reports contain adjustments to the beginning balances of capital assets that were not adjustments but were instead additional expenditures related to an asset that were under construction. The District's internal controls should identify these items and resolve the presentation of information as a routine part of the analysis of the information output of the system.

### Questioned Costs

None

### Context

The discrepancies in the reports were discovered during our testing of the capital assets.

### Effect

The proper classification of capital asset activity.

### Cause

The County Galaxy Capital Asset module did not account for additions to ongoing projects accurately.

### Recommendation

We believe that the issue is a reporting issue within the galaxy system. The County has indicated that the reports generated will be modified to provide better information, however, the internal controls of the District should include procedures to identify discrepancies and resolve them as part of routine management of the system information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**Current Status**

Improved, see 2008-2.



November 17, 2008

Board of Trustees  
Menifee Union School District  
Menifee, California

To Whom It May Concern:

In planning and performing our audit of the financial statements of Menifee Union School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Menifee Union School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. As part of our audit, we performed procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they had been implemented. We also performed procedures to test the operating effectiveness of certain controls. Based on those and other procedures performed during the audit, we identified certain deficiencies in internal control that we consider to be minor control deficiencies, as described below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be minor control deficiencies.

#### ***SEGREGATION OF DUTIES - BELL MOUNTAIN MS ASB***

##### ***Condition***

The Associated Student Body's bookkeeper performs all accounting functions such as recording transactions, receipting deposits, making bank deposits, and reconciling the account.



***Recommendation***

The site should consider policies and procedures to mitigate the control deficiency described above. This can be accomplished through oversight and monitoring with some physical segregation of functions. For example, monthly financial reports and cash account reconciliations should be presented to the student groups for their review. The review or approval of the activity can then be documented in the organizations minutes. Site administration or advisors should review key accounting records such as comparing revenue potentials to bank deposits and check registers to bank reconciliations. These reviews should be documented so that district management as well as the independent auditor can corroborate that the controls are functioning effectively.

***CASH - BELL MOUNTAIN MS ASB***

***Condition***

All monies collected are kept in the cash drawer in the ASB office at all times. ASB monies are not moved to a more secure location at the end of the day; furthermore, the monies collected remain in the drawer until the weekly "close-out" and subsequent deposit without adequate safeguards.

***Recommendation***

ASB monies should be moved to a more secure location at the end of the day or even throughout the day if a large sum of cash has been collected; for example, the school safe in the Principal's office.

***BALANCE SHEET - NEGATIVE TRUST ACCOUNT- BELL MOUNTAIN MS ASB AND MENIFEE VALLEY MS***

***Condition***

We identified student trust accounts with negative balances at both middle schools. At Bell Mountain we noted that the 6th grade camp account had a negative balance of \$2,464. At Menifee Valley, the PE Club had a negative balance of \$9,514.

***Recommendation***

The student groups accounting ledgers are set up as a series of trust balances, each with a unique purpose and claim on the cumulative cash balance. Clubs with negative balances have in effect expended funds that belong to the other trusts. The site administration has a fiduciary responsibility to all student body clubs to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves the fiduciary responsibilities to the other clubs is not being met. The bookkeeper should ensure that all clubs have sufficient funds available in their account prior to expenditures or transfers being made.

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

*Vavriack, Trine, Day & Co., LLP*  
Rancho Cucamonga, California  
November 17, 2008