



**MENIFEE UNION ELEMENTARY
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

OF RIVERSIDE COUNTY

MENIFEE, CALIFORNIA

JUNE 30, 2009

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Robert O'Donnell	President	2010
Rita Peters	Vice President	2010
Jerry Bowman	Member	2012
Randall T. Freeman	Member	2012
Ron Ulibarra	Member	2012

ADMINISTRATION

Linda C. Callaway, Ed.D	Superintendent
Robert Wolfe	Assistant Superintendent, Business Services
Steve Kennedy	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



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, 2009, 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 2008-09*, 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, 2009, 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.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, 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.

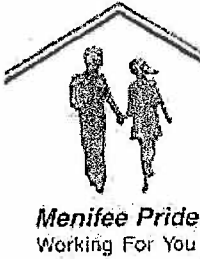
The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 49, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted 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.

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*, and the Combining Statements – Non-Major Governmental Funds, 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California

December 7, 2009



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 (the District) (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, 2009. 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 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 prepared using the economic resources management focus and the accrual basis of accounting.

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, 2009

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, 2009

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 the *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 \$202 million for the fiscal year ended June 30, 2009. Of this amount, \$10.1 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	
	2009	2008
ASSETS		
Current and other assets	\$ 66,581,670	\$ 44,460,911
Capital assets	194,971,415	169,811,228
Total Assets	<u>261,553,085</u>	<u>214,272,139</u>
LIABILITIES		
Current liabilities	5,123,078	7,132,080
Long-term obligations	54,437,475	21,841,166
Total Liabilities	<u>59,560,553</u>	<u>28,973,246</u>
NET ASSETS		
Invested in capital assets, net of related debt	163,657,796	148,197,770
Restricted	28,233,168	28,180,768
Unrestricted	10,101,568	8,920,355
Total Net Assets	<u>\$ 201,992,532</u>	<u>\$ 185,298,893</u>

The \$10.1 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, 2009

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 14.

TABLE 2

	Governmental Activities	
	2009	2008
Revenues		
Program revenues:		
Charges for services	\$ 1,217,111	\$ 1,549,644
Operating grants and contributions	7,118,534	10,666,625
Capital grants and contributions	17,919,654	22,862,525
General revenues:		
State revenue limit sources	39,570,353	45,814,825
Property and other taxes	7,776,494	6,875,079
Other general revenues	16,877,712	8,219,221
Total Revenues	<u>90,479,858</u>	<u>95,987,919</u>
Expenses		
Instruction-related	52,111,567	52,835,463
Pupil services	5,827,676	6,168,342
Administration	4,367,774	5,127,169
Plant services	6,811,140	6,611,127
Other	4,668,062	2,736,698
Total Expenses	<u>73,786,219</u>	<u>73,478,799</u>
Change in Net Assets	<u>\$ 16,693,639</u>	<u>\$ 22,509,120</u>

Governmental Activities

As reported in the *Statement of Activities* on page 14 the cost of all of our governmental activities this year was \$73.8 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 \$26.3 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, 2009

In Table 3, we have presented the cost of each of the District's largest functions – instruction, instruction-related activities, other pupil services, general administration, plant services, facilities acquisition and construction, interest on long-term obligations and other services. 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	
	2009	2008
Instruction	\$ 23,900,421	\$ 16,616,625
Instruction-related activities	5,391,847	5,637,048
Other pupil services	2,956,719	3,015,978
General administration	3,925,748	4,266,435
Plant services	6,784,774	6,294,037
Facility acquisition and construction	1,557,659	1,734,433
Interest on long-term obligations and other	3,013,752	835,449
Total	<u>\$ 47,530,920</u>	<u>\$ 38,400,005</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$61.5 million as detailed below:

TABLE 4

	Fund Balance at June 30,	
	2009	2008
General Fund	\$ 13,246,096	\$ 11,191,600
Building Fund	21,994,307	-
Capital Facilities Fund	17,952,559	18,572,707
Child Development Fund	53,850	56,112
Cafeteria Fund	743,517	727,550
Deferred Maintenance Fund	102,484	331,851
Special Reserve Fund for Other than Capital Outlay	37,971	37,086
Capital Project for Blended Component Units Fund	4,935,154	5,565,965
Bond Interest and Redemption Fund	1,798,216	599,556
COP Debt Service Fund	592,266	592,571
Total	<u>\$ 61,456,420</u>	<u>\$ 37,674,998</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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 2009. (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 49.)

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 to account for ordinary operations. All transactions except for those required or permitted by law to be in another fund are accounted for in this fund.
- The Building Fund (Fund 21) exists to account separately for the proceeds from the sale of bonds. In 2008-2009, the District sold voter approved general obligation bonds. These funds will be used to build new school facilities to house future pupil growth.
- The Capital Facilities Fund (Fund 25) is used primarily to account separately for monies received from fees levied on developers to meet pupil housing needs.
- The Capital Projects Fund for Blended Component Units (Fund 49) is used to account for the school improvement funds financed by Community Facilities Districts (CFD) for the purpose of building new school facilities including land purchases and new construction.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had \$195 million in a broad range of capital assets, including land, buildings, and equipment.

TABLE 5

(Net of Accumulated Depreciation)	Governmental Activities	
	2009	2008
Land and construction in process	\$ 71,591,280	\$ 82,646,074
Buildings and improvements/site improvements	120,036,226	83,389,365
Equipment	3,343,909	3,775,789
Total	<u>\$ 194,971,415</u>	<u>\$ 169,811,228</u>

Long-Term Obligations

At the end of this year, the District had \$54.4 million in long-term obligations outstanding versus \$21.8 million last year. Those long-term obligations consisted of the following:

	Governmental Activities	
	2009	2008
General obligation bonds (financed with property taxes)	\$ 47,240,476	\$ 14,403,458
Certificates of participation	6,910,000	7,210,000
Compensated absences	168,174	227,708
Capital leases	118,825	-
Total	<u>\$ 54,437,475</u>	<u>\$ 21,841,166</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 \$47.2 million are below this statutorily-imposed limit.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008-2009

- District's Academic Performance Index (API) increased 24 points. Individual school site API scores increased between 12 and 45 points.
- Opened 2 new elementary schools, Southshore and Quail Valley.
- Completed construction on new middle school (#3) Hans Christensen Middle.
- Completed construction on a new gym facility at Menifee Valley Middle School.
- Sold Series B and C of the 2008 General Obligation Bond. The District has received \$11,897,935 in Series B bonds and \$3,832,065 in Series C bonds.
- Responded to mid-year and end of year's reduction of revenue by the state of California and maintained required reserves.
- Prepared and initiated procedures to move to a traditional instructional program school calendar in 2009-2010.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Although the budget for 2009-2010 will inevitably be changing, following are some of the key budget assumptions made at time of budget development:

- The District experienced a loss of 148 pupils from the highest to date enrollment in 2007-2008. The current 2009-2010 enrollment as of September 18, 2009, is 8,867, higher by 165 from 2008-2009 and higher by 17 pupils over 2007-2008.
- The District has moved to a traditional instructional calendar that is now aligned with the high school district, and it is anticipated that attendance will be positively impacted because of this change.
- The current recession is the biggest question surrounding the fiscal position of the District. Nearly 87 percent on the District's unrestricted revenue is from State aid. The fiscal health of California, therefore, has a major impact on the fiscal health of the District. As the recession continues and the State's outlook continues to deteriorate, there will be a negative impact on the District.
- The 2008-2009 and 2009-2010 school years have brought unprecedented changes to school finance. The State passed its earliest budget yet that was for two years, which eliminated a number of categorically funded programs. This budget was almost immediately out of balance as State revenues failed to meet expectations and provisions of the budget agreement were being challenged in court.
- The District experienced a revenue limit deficit in mid-year with the passage of the new budget. The final deficit was not known until June 30, at the end of the year.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

- The State has passed their cash shortage problem onto the District by delaying revenue payments to the District.
- The District has experienced a 22 percent reduction in unrestricted revenues for 2009-2010. The District should receive the undeficit revenue limit of \$6,099 in 2009-10. The funded revenue limit per ADA in 2009-2010 is \$4,727, which represents a loss of \$1,372 per ADA. Although increased flexibility was provided to the District when restricted program funding from the State was re-designated as unrestricted, the amount of this funding is insufficient to replace the revenue limit funding.
- The employee groups have worked cooperatively with the District to address the unprecedented cuts to education funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, pupils, 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 further financial information, contact the Assistant Superintendent, Business Services, Menifee Union School District, 30205 Menifee Road, Menifee, California 92584 or email at rwolfe@menifeeUSD.org.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2009

	Governmental Activities
ASSETS	
Deposits and investments	\$ 56,809,896
Receivables	8,883,805
Prepaid expenses	5,794
Stores inventories	16,417
Costs of issuance	865,758
Capital Assets:	
Land and construction in process	71,591,280
Other capital assets	144,841,045
Less: Accumulated depreciation	(21,460,910)
Total Capital Assets	<u>194,971,415</u>
Total Assets	<u><u>261,553,085</u></u>
 LIABILITIES	
Accounts payable	3,676,794
Accrued interest	863,586
Deferred revenue	582,698
Long-term Obligations:	
Current portion	493,995
Noncurrent portion	<u>53,943,480</u>
Total Long-term Obligations	<u>54,437,475</u>
Total Liabilities	<u><u>59,560,553</u></u>
 NET ASSETS	
Invested in capital assets, net of related debt	163,657,796
Restricted for:	
Debt service	1,526,896
Capital projects	22,792,096
Educational programs	3,014,325
Other activities	899,851
Unrestricted	<u>10,101,568</u>
Total Net Assets	<u><u>\$ 201,992,532</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, 2009

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	
Governmental Activities:					
Instruction	\$ 46,059,821	\$ -	\$ 4,239,746	\$ 17,919,654	\$ (23,900,421)
Instruction-related activities:					
Supervision of instruction	1,312,322	-	659,899	-	(652,423)
Instructional library, media, and technology	648,244	-	-	-	(648,244)
School site administration	4,091,180	-	-	-	(4,091,180)
Pupil services:					
Home-to-school transportation	1,553,805	199,587	159,803	-	(1,194,415)
Food services	2,136,778	952,577	1,064,367	-	(119,834)
All other pupil services	2,137,093	-	494,623	-	(1,642,470)
General administration:					
Data processing	609,398	-	-	-	(609,398)
All other general administration	3,758,376	56,997	385,029	-	(3,316,350)
Plant services	6,811,140	239	26,127	-	(6,784,774)
Facility acquisition and construction	1,557,659	-	-	-	(1,557,659)
Interest on long-term obligations	2,997,147	-	-	-	(2,997,147)
Other outgo	113,256	7,711	88,940	-	(16,605)
Total Governmental Activities	\$ 73,786,219	\$ 1,217,111	\$ 7,118,534	\$ 17,919,654	(47,530,920)
General revenues and subventions:					
Property taxes, levied for general purposes					6,130,652
Property taxes, levied for debt service					1,645,842
State aid not restricted to specific purposes					39,570,353
Interest and investment earnings					1,182,596
Miscellaneous					15,695,116
Total General Revenues and Subventions					64,224,559
Change in Net Assets					16,693,639
Net Assets - Beginning					185,298,893
Net Assets - Ending					\$ 201,992,532

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 6,618,367	\$ 22,089,924	\$ 19,853,296
Receivables	8,541,628	85,968	160,074
Due from other funds	59,981	-	7
Prepaid expenditures	1,750	-	4,044
Stores inventories	-	-	-
Total Assets	\$ 15,221,726	\$ 22,175,892	\$ 20,017,421
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,392,932	\$ 181,585	\$ 2,052,205
Due to other funds	-	-	12,657
Deferred revenue	582,698	-	-
Total Liabilities	1,975,630	181,585	2,064,862
FUND BALANCES			
Reserved for:			
Revolving cash	5,000	-	-
Stores inventories	-	-	-
Prepays	1,750	-	4,044
Restricted programs	3,014,325	-	-
General reserve	5,432,659	-	-
Unreserved:			
Designated	4,792,362	15,730,000	17,948,515
Undesignated, reported in:			
Debt Service Funds	-	-	-
Capital Projects Funds	-	6,264,307	-
Total Fund Balance	13,246,096	21,994,307	17,952,559
Total Liabilities and Fund Balances	\$ 15,221,726	\$ 22,175,892	\$ 20,017,421

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 8,248,309	\$ 56,809,896
7	96,128	8,883,805
-	-	59,988
-	-	5,794
-	16,417	16,417
<u>\$ 7</u>	<u>\$ 8,360,854</u>	<u>\$ 65,775,900</u>

\$ -	\$ 50,072	\$ 3,676,794
7	47,324	59,988
-	-	582,698
<u>7</u>	<u>97,396</u>	<u>4,319,480</u>

-	-	5,000
-	16,417	16,417
-	-	5,794
-	-	3,014,325
-	-	5,432,659
-	921,405	39,392,282
-	2,390,482	2,390,482
-	4,935,154	11,199,461
-	8,263,458	61,456,420
<u>\$ 7</u>	<u>\$ 8,360,854</u>	<u>\$ 65,775,900</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balance - Governmental Funds		\$ 61,456,420
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
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	\$ 216,432,325	
Accumulated depreciation is	<u>(21,460,910)</u>	
Total Capital Assets		194,971,415
Expenditures relating to issuance of debt of next fiscal year were recognized on the modified accrual basis, but should not be recognized on the accrual basis. Cost of issuances are capitalizable and amortized over the life of the debt.		865,758
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.		(863,586)
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	45,728,184	
Unamortized premium	1,512,292	
Certificates of participation	6,910,000	
Capital lease obligations	118,825	
Compensated absences	<u>168,174</u>	
Total Long-Term Obligations		<u>(54,437,475)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 201,992,532</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, 2009**

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 45,701,005	\$ -
Federal sources	4,735,355	-
Other State sources	9,497,918	-
Other local sources	4,040,602	286,383
Total Revenues	63,974,880	286,383
EXPENDITURES		
Current		
Instruction	41,673,818	-
Instruction-related activities:		
Supervision of instruction	1,212,369	-
Instructional library, media, and technology	656,959	-
School site administration	4,112,337	-
Pupil services:		
Home-to-school transportation	1,436,482	-
Food services	-	-
All other pupil services	2,116,972	-
General administration:		
Data processing	611,362	-
All other general administration	3,576,163	-
Plant services	6,526,058	-
Facility acquisition and construction	-	9,752,076
Other outgo	113,256	-
Debt service		
Principal	23,427	-
Interest and other	3,433	880,252
Total Expenditures	62,062,636	10,632,328
Excess (Deficiency) of Revenues Over Expenditures	1,912,244	(10,345,945)
Other Financing Sources (Uses)		
Transfers in	-	-
Other sources	142,252	32,340,252
Transfers out	-	-
Net Financing Sources (Uses)	142,252	32,340,252
NET CHANGE IN FUND BALANCES	2,054,496	21,994,307
Fund Balance - Beginning	11,191,600	-
Fund Balance - Ending	\$ 13,246,096	\$ 21,994,307

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

Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 45,701,005
-	-	1,175,795	5,911,150
-	17,914,847	452,140	27,864,905
1,244,145	4,807	3,389,858	8,965,795
<u>1,244,145</u>	<u>17,919,654</u>	<u>5,017,793</u>	<u>88,442,855</u>
-	-	188,552	41,862,370
-	-	101,900	1,314,269
-	-	-	656,959
-	-	-	4,112,337
-	-	-	1,436,482
-	-	2,150,963	2,150,963
-	-	20,990	2,137,962
-	-	-	611,362
59,955	-	114,374	3,750,492
17,556	-	263,146	6,806,760
20,646,760	-	658,390	31,057,226
-	-	-	113,256
-	-	325,000	348,427
14,400	-	1,552,539	2,450,624
<u>20,738,671</u>	<u>-</u>	<u>5,375,854</u>	<u>98,809,489</u>
<u>(19,494,526)</u>	<u>17,919,654</u>	<u>(358,061)</u>	<u>(10,366,634)</u>
19,384,511	-	552,951	19,937,462
42,818	-	1,622,734	34,148,056
(552,951)	(17,919,654)	(1,464,857)	(19,937,462)
<u>18,874,378</u>	<u>(17,919,654)</u>	<u>710,828</u>	<u>34,148,056</u>
(620,148)	-	352,767	23,781,422
18,572,707	-	7,910,691	37,674,998
<u>\$ 17,952,559</u>	<u>\$ -</u>	<u>\$ 8,263,458</u>	<u>\$ 61,456,420</u>

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, 2009

Total Net Change in Fund Balances - Governmental Funds \$ 23,781,422

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	\$ 29,499,567	
Depreciation expense	<u>(4,337,735)</u>	25,161,832

Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds. (1,645)

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 paid were more than amounts earned by \$59,534 during the year. 59,534

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities:

Sale of Series A , general obligation bonds	(15,730,000)	
Sale of Series B and C, general obligation bonds	(15,730,000)	
Proceeds from capital lease	(142,252)	

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:

Cost of issuance	895,612	
Premium on issuance	<u>(1,402,768)</u>	
Combined adjustment		(32,109,408)

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, 2009

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:

General obligation bonds	\$	25,000	
Certificates of participation			300,000
Capital lease obligations			23,427

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$	54,573	
Amortization of cost of issuance		(29,854)	
Combined adjustment			24,719

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		(517,419)	
Accretion on the capital appreciation General Obligation Bonds		(53,823)	
			(571,242)
Change in Net Assets of Governmental Activities			\$ 16,693,639

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 13,837,925
LIABILITIES	
Due to bond holders	\$ 12,760,908
Due to other agencies	1,023,708
Due to student groups	53,309
	<u>\$ 13,837,925</u>

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 eight elementary schools, two middle schools, and a preschool.

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 (CFDs) 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, 2009

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 and non-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.

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.

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.).

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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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).

Capital Project 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).

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.

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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009

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 within 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, and typically paid within 90 days. Principal and interest on general long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

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, 2009

Investments

Investments held at June 30, 2009, 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.

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.

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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

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, 2009

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 \$28,233,168 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 budget purposes, 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, 2009

Change in Accounting Principles

In July 2004, the 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.

In accordance with the parameters of GASB Statement No. 45, Management has determined that the District does not currently have any OPEB related costs.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 56,809,896
Fiduciary funds	13,837,925
Total Deposits and Investments	<u>\$ 70,647,821</u>

Deposits and investments as of June 30, 2009, consist of the following:

Investments	\$ 70,589,173
Cash on hand and in banks	53,648
Cash in revolving	5,000
Total Deposits and Investments	<u>\$ 70,647,821</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.

General Authorizations

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

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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

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 Days
Riverside County Investment Pool	\$ 51,504,572	337
First American Prime Obligation Fund Class Y	18,719,798	49
FSA Investment Agreement	592,240	9/1/2025
Total	\$ 70,816,610	

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 have been rated AAA/V1+ by Fitch Ratings. The 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 agency. 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, 2009, 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, 2009

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	\$ 934,511	\$ -	\$ -	\$ -	\$ 90,478	\$ 1,024,989
State Government						
Apportionment	5,438,635	-	-	-	-	5,438,635
Categorical aid	22,790	-	-	-	-	22,790
CSR	1,240,527	-	-	-	-	1,240,527
Lottery	542,857	-	-	-	-	542,857
Other State	170,091	-	-	-	2,485	172,576
Local Government						
Interest	34,542	85,968	160,074	7	2,845	283,436
Other Local Sources	157,675	-	-	-	320	157,995
Total	<u>\$ 8,541,628</u>	<u>\$ 85,968</u>	<u>\$ 160,074</u>	<u>\$ 7</u>	<u>\$ 96,128</u>	<u>\$ 8,883,805</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 35,153,274	\$ 115,419	\$ -	\$ 35,268,693
Construction in process	47,492,800	28,075,670	39,245,883	36,322,587
Total Capital Assets Not Being Depreciated	<u>82,646,074</u>	<u>28,191,089</u>	<u>39,245,883</u>	<u>71,591,280</u>
Capital Assets Being Depreciated				
Site improvements	3,946,723	2,125,197	-	6,071,920
Buildings and improvements	94,635,062	38,187,386	-	132,822,448
Furniture and equipment	5,715,863	241,778	10,964	5,946,677
Total Capital Assets Being Depreciated	<u>104,297,648</u>	<u>40,554,361</u>	<u>10,964</u>	<u>144,841,045</u>
Total Capital Assets	<u>186,943,722</u>	<u>68,745,450</u>	<u>39,256,847</u>	<u>216,432,325</u>
Less Accumulated Depreciation				
Site improvements	415,575	363,019	-	778,594
Buildings and improvements	14,776,845	3,302,703	-	18,079,548
Furniture and equipment	1,940,074	672,013	9,319	2,602,768
Total Accumulated Depreciation	<u>17,132,494</u>	<u>4,337,735</u>	<u>9,319</u>	<u>21,460,910</u>
Governmental Activities Capital Assets, Net	<u>\$ 169,811,228</u>	<u>\$ 64,407,715</u>	<u>\$ 39,247,528</u>	<u>\$ 194,971,415</u>

The District has closed Menifee Elementary School as of June 30, 2008. Menifee 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, 2009 is \$5,202,890.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,207,602
Home-to-school transportation	130,133
Total Depreciation Expenses Governmental Activities	<u>\$ 4,337,735</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2009, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	Capital Facilities Fund	County		
		School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ 12,657	\$ -	\$ 47,324	\$ 59,981
Capital Facilities Fund	-	7	-	7
Total	<u>\$ 12,657</u>	<u>\$ 7</u>	<u>\$ 47,324</u>	<u>\$ 59,988</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.

Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer To	Transfer From			Total
	Capital Facilities Fund	County		
		School Facilities Fund	Non-Major Governmental Funds	
Capital Facilities Fund	\$ -	\$ 17,919,654	\$ 1,464,857	\$ 19,384,511
Non-Major Governmental Funds	552,951	-	-	552,951
Total	<u>\$ 552,951</u>	<u>\$ 17,919,654</u>	<u>\$ 1,464,857</u>	<u>\$ 19,937,462</u>

The Capital Facilities Fund transferred to the Debt Service Fund to fund debt service payments on Certificates of Participation.	\$ 552,951
The County School Facilities Fund transferred to the Capital Facilities Fund to reimburse cost of portables projects.	17,919,654
The Non-Major Capital Project for Blended Component Units Fund transferred to the Capital Facilities Fund to reimburse project costs.	<u>1,464,857</u>
Total	<u>\$ 19,937,462</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,037,230	\$ -	\$ 407,033	\$ 21,227	\$ 1,465,490
Salaries and benefits	300,614	-	-	28,576	329,190
Construction payables	-	181,585	1,645,172	-	1,826,757
Other	55,088	-	-	269	55,357
Total	<u>\$ 1,392,932</u>	<u>\$ 181,585</u>	<u>\$ 2,052,205</u>	<u>\$ 50,072</u>	<u>\$ 3,676,794</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2009, consists of the following:

	General Fund
Federal financial assistance	\$ 577,307
State categorical aid	5,391
Total	<u>\$ 582,698</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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	\$ 14,403,458	\$ 32,916,591	\$ 79,573	\$ 47,240,476	\$ 139,573
Certificates of Participation					
2004 Refunding Series	7,210,000	-	300,000	6,910,000	310,000
Accumulated vacation	227,708	-	59,534	168,174	-
Capital Leases	-	142,252	23,427	118,825	44,362
Total Long-Term Obligations	<u>\$ 21,841,166</u>	<u>\$ 33,058,843</u>	<u>\$ 462,534</u>	<u>\$ 54,437,475</u>	<u>\$ 493,935</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. Capital lease payments come from the unrestricted resources of the General Fund.

Series 2002 A

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.

Series 2002 B

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.

Series 2008 A

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Series 2008 B and C

In February 2009, the District issued General Obligation Bonds, Series B and C, in the aggregate amount of \$15,730,000. The issuance exhausts the voter authorized election of 2008. The bonds are comprised of two types of bonds. The current interest bond maturities total \$7,975,000. The capital accretion bonds total \$4,655,000 (accreting to \$25.6 million). The bonds are issued for the purpose of financing acquisition and construction of new District facilities.

Series	Fiscal Year of Maturities	Interest and Accretion Rates	Original Issue	Bonds/Premium		Redeemed or Amortized	Bonds/Premium	
				Outstanding Beginning of Year	Accreted Interest Addition		Outstanding End of Year	Due in One Year
2002A	2027-2028	2.37-7.40%	\$ 9,429,203	\$ 9,129,720	\$ 36,874	\$ -	\$ 9,166,594	\$ 25,000
2002 B	2008-2029	3.00-4.27%	5,069,720	5,109,641	16,949	25,000	5,101,590	60,000
	Premiums on Issuance		-	164,097	-	7,814	156,283	7,814
2008 A	2013-2034	4.00-5.50%	15,730,000	15,730,000	-	-	15,730,000	-
2008 B & C	2011-2040	3.00-10.51%	15,730,000	15,730,000	-	-	15,730,000	-
	Premiums on Issuance		-	1,402,768	-	46,759	1,356,009	46,759
			<u>\$ 45,958,923</u>	<u>\$ 47,266,226</u>	<u>\$ 53,823</u>	<u>\$ 79,573</u>	<u>\$ 47,240,476</u>	<u>\$ 139,573</u>

Debt Service Requirements to Maturity

Series 2002 A

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2010	\$ 25,000	\$ -	\$ 385,674	\$ 410,674
2011	25,000	-	385,005	410,005
2012	75,000	-	383,536	458,536
2013	100,000	-	300,661	400,661
2014	150,000	-	376,193	526,193
2015-2019	1,251,594	323,406	1,840,356	3,415,356
2020-2024	3,150,000	-	1,437,563	4,587,563
2025-2028	4,390,000	-	467,656	4,857,656
Total	<u>\$ 9,166,594</u>	<u>\$ 323,406</u>	<u>\$ 5,576,644</u>	<u>\$ 15,066,644</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Series 2002 B

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2010	\$ 60,000	\$ -	\$ 215,950	\$ 275,950
2011	100,000	-	231,270	331,270
2012	100,000	-	209,770	309,770
2013	125,000	-	205,676	330,676
2014	125,000	-	200,989	325,989
2015-2019	575,000	-	933,694	1,508,694
2020-2024	905,000	-	796,356	1,701,356
2025-2029	2,325,000	-	500,750	2,825,750
2030	786,590	713,410	10,938	1,510,938
Total	<u>\$ 5,101,590</u>	<u>\$ 713,410</u>	<u>\$ 3,305,393</u>	<u>\$ 9,120,393</u>

Series 2008 A

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2010	\$ -	\$ -	\$ 849,900	\$ 849,900
2011	-	-	849,900	849,900
2012	-	-	849,900	849,900
2013	25,000	-	849,400	874,400
2014	75,000	-	847,400	922,400
2015-2019	1,000,000	-	4,139,125	5,139,125
2020-2024	2,450,000	-	3,705,625	6,155,625
2025-2029	4,555,000	-	2,777,913	7,332,913
2030-2034	7,625,000	-	1,128,187	8,753,187
Total	<u>\$ 15,730,000</u>	<u>\$ -</u>	<u>\$ 15,997,350</u>	<u>\$ 31,727,350</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Series 2008 B and C

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2010	\$ -	\$ -	\$ 469,092	\$ 469,092
2011	175,000	-	536,906	711,906
2012	-	-	534,281	534,281
2013	-	-	534,281	534,281
2014	-	-	534,281	534,281
2015-2019	950,000	-	2,608,859	3,558,859
2020-2024	2,650,000	-	2,245,594	4,895,594
2025-2029	5,650,000	-	1,253,719	6,903,719
2030-2034	2,472,935	7,577,065	43,314	10,093,314
2035-2069	3,267,000	19,233,000	-	22,500,000
2040	565,065	3,934,935	-	4,500,000
Total	<u>\$ 15,730,000</u>	<u>\$ 30,745,000</u>	<u>\$ 8,760,327</u>	<u>\$ 55,235,327</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, 2009, the principal balance outstanding was \$6,910,000.

Fiscal Year	Principal	Interest	Total
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	355,000	227,728	582,728
2015-2019	1,970,000	927,119	2,897,119
2020-2024	2,415,000	474,150	2,889,150
2025-2026	865,000	34,615	899,615
Total	<u>\$ 6,910,000</u>	<u>\$ 2,689,560</u>	<u>\$ 9,599,560</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2009, amounted to \$168,174.

Capital Leases

The District's liability for capital lease obligations is summarized below:

	OME Portables	Kronos System	Total
Balance, June 30, 2008	\$ -	\$ -	\$ -
Additions/adjustments	72,000	99,620	171,620
Payments	14,400	26,820	41,220
Balance, June 30, 2009	<u>\$ 57,600</u>	<u>\$ 72,800</u>	<u>\$ 130,400</u>

Year Ending June 30,	Lease Payment
2010	\$ 63,938
2011	37,662
2012	14,400
2013	14,400
Total	<u>130,400</u>
Less: Amount Representing Interest	<u>11,575</u>
Present Value of Minimum Lease Payments	<u>\$ 118,825</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 CFDs) are not obligations of the Menifee 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 CFDs according to the rate and method of apportionment of special tax approved by the Board and the eligible landowner voters in the CFDs. The bonds are secured only by a first pledge of all revenues derived from the net special taxes and the monies deposited in certain funds held by the fiscal agent under the fiscal agent agreement. Therefore, the bonds are not included in the financial statements.

	Balance End of Year
Public Finance Authority	\$ 34,910,000
Special Tax Refunding Bonds	
CFD 94-1	11,585,000
CFD 99-1 Zone 1	5,030,000
CFD 99-1 Zone 2	5,560,000
CFD 99-1 Improvement Area A	985,000
CFD 2002-1	5,080,000
CFD 2002-3	4,220,000
CFD 2003-3	2,595,000
Special Tax Bonds	
CFD 2002-2	7,845,000
CFD 2002-4	2,270,000
CFD 2002-5	5,850,000
CFD 2003-1	2,195,000
CFD 2003-2	10,900,000
CFD 2003-4	2,490,000
CFD 2004-2	4,400,000
CFD 2004-3	3,940,000
CFD 2004-4	2,375,000
CFD 2004-5	4,480,000
CFD 2005-2	4,665,000
CFD 2006-3	2,040,000
Total	<u>\$ 123,415,000</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 10 - FUND BALANCES

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

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Reserved					
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Store inventories	-	-	-	16,417	16,417
Prepaid expenditures	1,750	-	4,044	-	5,794
Restricted programs	3,014,325	-	-	-	3,014,325
General reserve	5,432,659	-	-	-	5,432,659
Total Reserved	<u>8,453,734</u>	<u>-</u>	<u>4,044</u>	<u>16,417</u>	<u>8,474,195</u>
Unreserved					
Designated					
Economic uncertainties	1,817,426	-	-	-	1,817,426
Other designations	2,974,936	15,730,000	17,948,515	921,405	37,574,856
Total Designated	<u>4,792,362</u>	<u>15,730,000</u>	<u>17,948,515</u>	<u>921,405</u>	<u>39,392,282</u>
Undesignated	-	6,264,307	-	7,325,636	13,589,943
Total Unreserved	<u>4,792,362</u>	<u>21,994,307</u>	<u>17,948,515</u>	<u>8,247,041</u>	<u>52,982,225</u>
Total	<u><u>\$ 13,246,096</u></u>	<u><u>\$ 21,994,307</u></u>	<u><u>\$ 17,952,559</u></u>	<u><u>\$ 8,263,458</u></u>	<u><u>\$ 61,456,420</u></u>

NOTE 11 - 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 these retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$34,396 were recognized for retirees' health care benefits.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters.

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2009, the District contracted with Riverside Schools' Insurance Authority (RSIA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2009, the District participated in the Western Riverside County Self-Insurance Program for Employees (WRCSIPE). The intent of the WRCSIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the WRCSIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate. Each participant pays its workers' compensation premium based on its individual rate.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM

Qualified employees are covered under multiple-employer 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).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, 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, California 95826.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 2008-2009 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, 2009, 2008, and 2007, were \$2,706,383, \$2,699,807, and \$2,458,321, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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 survivor 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, California 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 2008-2009 was 9.428 percent of covered 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, 2009, 2008, and 2007, were \$773,728, \$745,364, and \$656,506, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,481,784 (4.517 percent of annual payroll). This amount was reported in both State revenues and Instructional Expenditures within the General Fund. 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 Comparison Schedule*.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 14 - 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, 2009.

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, 2009.

Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>
Middle School #3	\$ 1,651,559
Menifee Valley Middle School Gymnasium	340,271
Oak Meadows Portables	66,256
Elementary School #8	168,263
Elementary School #11	76,274
Elementary School #9	24,630,000
	<u>\$ 26,932,623</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 15 - 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 authorities (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, 2009, the District made payments of \$578,286 to Western Riverside County Self-Insurance Program for Employees, \$298,385 to Riverside Schools' Insurance Authority and \$6,078,586 to Self Insurance Schools' of California III for insurance.

NOTE 16 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-2010 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

NOTE 17 - SUBSEQUENT EVENTS

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-2009 and 2009-2010 California State Budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession and the State's budget actions of February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-2009 Proposition 98 funding through a reversion of the undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-2010 to backfill \$1.5 billion of these cuts to repay the 2008-2009 reversions of the undistributed categorical program balances.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

The District recorded the revenue and related receivables associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the State that the 2009-2010 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, an adjustment to reduce revenue and the related receivables has been included in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Revenue limit sources	\$ 46,626,910	\$ 45,695,168	\$ 45,701,005	\$ 5,837
Federal sources	1,842,834	4,818,348	4,735,355	(82,993)
Other State sources	9,931,182	8,396,124	9,497,918	1,101,794
Other local sources	4,573,872	4,878,279	4,040,602	(837,677)
Total Revenues¹	62,974,798	63,787,919	63,974,880	186,961
EXPENDITURES				
Current				
Instruction	41,439,588	41,499,287	41,673,818	(174,531)
Instruction-related activities:				
Supervision of instruction	1,293,294	1,277,987	1,212,369	65,618
Instructional library, media, and technology	652,589	722,918	656,959	65,959
School site administration	4,223,099	4,201,987	4,112,337	89,650
Pupil services:				
Home-to-school transportation	1,493,676	1,605,111	1,436,482	168,629
All other pupil services	2,264,825	2,394,307	2,116,972	277,335
General administration:				
Data processing	790,880	763,479	611,362	152,117
All other general administration	3,776,516	3,772,241	3,576,163	196,078
Plant services	7,199,548	7,172,540	6,526,058	646,482
Other outgo	82,000	134,710	113,256	21,454
Debt service				
Principal	-	-	23,427	(23,427)
Capital outlay	-	-	3,433	(3,433)
Total Expenditures¹	63,216,015	63,544,567	62,062,636	1,481,931
Excess (Deficiency) of Revenues Over Expenditures	(241,217)	243,352	1,912,244	1,668,892
Other Financing Sources (Uses)				
Other sources	-	(8,000)	142,252	(150,252)
NET CHANGE IN FUND BALANCES	(241,217)	235,352	2,054,496	1,518,640
Fund Balance - Beginning	11,191,600	11,191,600	11,191,600	-
Fund Balance - Ending	\$ 10,950,383	\$ 11,426,952	\$ 13,246,096	\$ 1,518,640

¹On behalf payment of \$1,481,784 is included in the actual revenues and expenditures, but has not been included in the budgeted amounts.

SUPPLEMENTARY INFORMATION

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 393,425
Title II, Part A, Teacher Quality	84.367	14341	144,960
Title II, Part D, Enhancing Education Through Technology	84.318	14334	2,850
Title III, Immigrant Education Program	84.365	14346	465
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	86,943
Title IV, Part A, Drug-Free Schools	84.186	14347	10,840
Title V, Part A, Innovative Education Strategies	84.298A	13340	6,458
Subtotal			<u>645,941</u>
Passed through CDE and Riverside Special Education Local Plan Area:			
Special Education Cluster :			
IDEA, Basic Local Assistance Entitlement, Part B	84.027	13379	1,100,245
IDEA, Preschool Grants, Part B	84.173	13430	40,133
IDEA, Preschool Local Entitlement, Part B	84.027A	13682	81,228
Subtotal			<u>1,221,606</u>
Total U.S. Department of Education			<u>1,867,547</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	935,760
Especially Needy Breakfast	10.553	13526	61,732
Basic School Breakfast	10.553	13390	29,118
Food Distribution	10.555	13158	149,185
Total U.S. Department of Agriculture			<u>1,175,795</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Human Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	256,466
Medi-Cal Administrative Activities	93.778	10060	5,091
Total U.S. Department of Health and Human Services			<u>261,557</u>
Total Expenditures of Federal Awards			<u>\$ 3,304,899</u>

See accompanying note to supplementary information.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2009

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 eight elementary schools, two middle schools, and one preschool. There were no boundary changes during this year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Robert O'Donnell	President	2010
Rita Peters	Vice President	2010
Jerry Bowman	Member	2012
Randall T. Freeman	Member	2012
Ron Ulibarra	Member	2012

ADMINISTRATION

Linda C. Callaway, Ed.D.	Superintendent
Robert Wolfe	Assistant Superintendent, Business Services
Steve Kennedy	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, 2009**

	<u>Second Period Report</u>	<u>Amended Annual Report</u>
ELEMENTARY		
Kindergarten	873	873
First through third	2,761	2,767
Fourth through sixth	2,630	2,632
Seventh and eighth	1,838	1,832
Home and hospital	2	2
Special education	200	202
Total Elementary	<u>8,304</u>	<u>8,308</u>
 SUMMER SCHOOL HOURS		
Elementary		<u>74,877</u>

See accompanying note to supplementary information.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2009

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2008-09 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			52,659	177	Complied
Grade 2			52,659	177	Complied
Grade 3			54,408	177	Complied
Grades 4 - 6	50,750	54,000			
Grade 4			54,408	177	Complied
Grade 5			54,408	177	Complied
Grade 6			56,520	177	Complied
Grades 7 - 8	50,750	54,000			
Grade 7			56,520	177	Complied
Grade 8			56,520	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, 2009

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the Audited Financial Statements.

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2009, Unaudited Actuals	\$ 14,237,183
Decrease in:	
Accounts receivable ¹	<u>(991,087)</u>
Balance, June 30, 2009, Audited Financial Statement	<u>\$ 13,246,096</u>

¹ The adjustment is the ABX4 3 categorical unappropriated State categorical as described in Note 17 Subsequent Events.

See accompanying note to supplementary information.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

	(Budget) 2010 ¹	2009	2008	2007
GENERAL FUND				
Revenues	\$ 59,770,825	\$ 63,974,880	\$ 64,018,012	\$ 62,488,442
Other sources	-	142,252	-	-
Total Revenues and Other Sources	59,770,825	64,117,132	64,018,012	62,488,442
Expenditures	61,135,178	62,062,636	63,441,795	57,521,140
Other uses and transfers out	-	-	350,000	350,000
Total Expenditures and Other Uses	61,135,178	62,062,636	63,791,795	57,871,140
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,364,353)	\$ 2,054,496	\$ 226,217	\$ 4,617,302
ENDING FUND BALANCE	\$ 11,881,743	\$ 13,246,096	\$ 11,191,600	\$ 10,965,383
AVAILABLE RESERVES ²	\$ 1,834,056	\$ 1,817,426	\$ 2,369,408	\$ 5,673,878
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ^{3,4}	3.00%	3.00%	3.80%	10.04%
LONG-TERM OBLIGATION	\$ 53,943,540	\$ 54,437,475	\$ 21,841,166	\$ 22,087,684
K-12 AVERAGE DAILY ATTENDANCE AT P-2	8,386	8,304	8,386	7,102

The General Fund balance has increased by \$2,280,713 over the past two years. The fiscal year 2009-2010 budget projects a decrease of \$1,364,353 (10.3 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 2009-2010 fiscal year. Total long-term obligations have increased by \$32,349,791 over the past two years.

Average daily attendance has increased by 1202 over the past two years, an additional increase of 82 ADA is anticipated during fiscal year 2009-2010 to restore ADA back to the 2008 level.

¹ Budget 2010 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$1,481,784, \$1,478,183 and \$1,352,740 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2009, 2008, and 2007, respectively.

⁴ The District recorded the revenue and related receivable associated with its portion of the 2008-2009 reverted unallocated, unexpended or un-liquidated categorical program balances identified in the 2009-2010 re-appropriation in the July 2009 State Budget package prior to notification of by the State that the 2009-2010 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, an adjustment to reduce revenue and the related receivable have been included in these financial statements. See Note 17 Subsequent Events. California *Education Code* Section 33128.1 allows the District to include these accruals in their Available Reserves calculation. For the fiscal year 2008-2009, \$603,209 of un-appropriated revenues has been included in the Available Reserves totals that are not reflected in the Audited Financial Statements.

See accompanying note to supplementary information.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2009**

<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

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 74,844	\$ 707,518	\$ 102,484
Receivables	365	95,619	-
Stores inventories	-	16,417	-
Total Assets	\$ 75,209	\$ 819,554	\$ 102,484
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,035	\$ 48,037	\$ -
Due to other funds	19,324	28,000	-
Total Liabilities	21,359	76,037	-
Fund Balances:			
Reserved for:			
Stores inventories	-	16,417	-
Unreserved:			
Designated	53,850	727,100	102,484
Undesignated, reported in:			
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balance	53,850	743,517	102,484
Total Liabilities and Fund Balances	\$ 75,209	\$ 819,554	\$ 102,484

See accompanying note to supplementary information.

Special Reserve Fund for Other Than Capital Outlay Projects	Capital Project for Blended Component Units Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 37,827	\$ 4,935,154	\$ 1,798,216	\$ 592,266	\$ 8,248,309
144	-	-	-	96,128
-	-	-	-	16,417
<u>\$ 37,971</u>	<u>\$ 4,935,154</u>	<u>\$ 1,798,216</u>	<u>\$ 592,266</u>	<u>\$ 8,360,854</u>
\$ -	\$ -	\$ -	\$ -	\$ 50,072
-	-	-	-	47,324
-	-	-	-	97,396
-	-	-	-	16,417
37,971	-	-	-	921,405
-	-	1,798,216	592,266	2,390,482
-	4,935,154	-	-	4,935,154
<u>37,971</u>	<u>4,935,154</u>	<u>1,798,216</u>	<u>592,266</u>	<u>8,263,458</u>
<u>\$ 37,971</u>	<u>\$ 4,935,154</u>	<u>\$ 1,798,216</u>	<u>\$ 592,266</u>	<u>\$ 8,360,854</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ -	\$ 1,175,795	\$ -
Other State sources	357,803	69,633	-
Other local sources	1,639	1,011,393	-
Total Revenues	359,442	2,256,821	-
EXPENDITURES			
Current			
Instruction	188,552	-	-
Instruction-related activities:			
Supervision of instruction	101,900	-	-
Pupil services:			
Food services	6,178	2,144,785	-
All other pupil services	20,990	-	-
General administration:			
All other general administration	18,305	96,069	-
Plant services	25,779	-	237,367
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	361,704	2,240,854	237,367
Excess (Deficiency) of Revenues Over Expenditures	(2,262)	15,967	(237,367)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources	-	-	8,000
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	8,000
NET CHANGE IN FUND BALANCES	(2,262)	15,967	(229,367)
Fund Balance - Beginning	56,112	727,550	331,851
Fund Balance - Ending	\$ 53,850	\$ 743,517	\$ 102,484

See accompanying note to supplementary information.

Special Reserve Fund for Other Than Capital Outlay Projects	Capital Project for Blended Component Units Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,175,795
-	-	24,704	-	452,140
885	689,194	1,659,788	26,959	3,389,858
<u>885</u>	<u>689,194</u>	<u>1,684,492</u>	<u>26,959</u>	<u>5,017,793</u>
-	-	-	-	188,552
-	-	-	-	101,900
-	-	-	-	2,150,963
-	-	-	-	20,990
-	-	-	-	114,374
-	-	-	-	263,146
-	658,390	-	-	658,390
-	-	25,000	300,000	325,000
-	288,976	983,348	280,215	1,552,539
-	<u>947,366</u>	<u>1,008,348</u>	<u>580,215</u>	<u>5,375,854</u>
<u>885</u>	<u>(258,172)</u>	<u>676,144</u>	<u>(553,256)</u>	<u>(358,061)</u>
-	-	-	552,951	552,951
-	1,092,218	522,516	-	1,622,734
-	(1,464,857)	-	-	(1,464,857)
-	<u>(372,639)</u>	<u>522,516</u>	<u>552,951</u>	<u>710,828</u>
885	(630,811)	1,198,660	(305)	352,767
37,086	5,565,965	599,556	592,571	7,910,691
<u>\$ 37,971</u>	<u>\$ 4,935,154</u>	<u>\$ 1,798,216</u>	<u>\$ 592,266</u>	<u>\$ 8,263,458</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

<u>Reconciliation of the Schedule of Expenditures of Federal Awards</u>	<u>CFDA No.</u>	<u>Amount</u>
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund balance:		\$ 5,911,150
ARRA-State Fiscal Stabilization Fund	84.394	(2,568,237)
MAA Billing	93.778	(38,014)
Total Schedule of Expenditures of Federal Awards		<u>\$ 3,304,899</u>

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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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.

INDEPENDENT AUDITORS' REPORTS



**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 (the District) as of and for the year ended June 30, 2009, which collectively comprise Menifee Union Elementary School District's basic financial statements and have issued our report thereon dated December 7, 2009. 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.

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.

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 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Vaurine K. Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2009



**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 (the 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, 2009. 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1 to be a significant deficiency in 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. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Menifee Union Elementary School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Menifee Union Elementary School District's response and, accordingly, we 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California

December 7, 2009



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 (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. 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 2008-09*, 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
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	Not Applicable
Instructional Materials general requirements	8	Yes, see below
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 Accountability Report Card	3	Yes

	Procedures in Audit Guide	Procedures Performed
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

We performed testing of procedure (a) only for Instructional Materials General Requirements as additional procedures were determined to not be required.

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.

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 7, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

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>None reported</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>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
<u>10.555</u>	<u>National School Lunch Program</u>
<u>10.553</u>	<u>Especially Needy Breakfast</u>
<u>10.553</u>	<u>Basic School Breakfast</u>
<u>10.555</u>	<u>Food Distribution</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, 2009**

None reported.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

The following findings represent reportable conditions, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control
50000	Federal Compliance

2009-1 30000 – 50000

Program: *Child Nutrition Cluster: National School Lunch Program CFDA #10.555, Especially Needy Breakfast Program CFDA #10.553 and the Basic Breakfast Program CFDA #10.553*

Criteria or Specific Requirements

The A-102 Common Rule and OMB Circular A-110 (2 CFR Part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Source of Governing Requirements – Suspension and Debarment: The requirements for suspension and debarment are contained in the OMB guidance in 2 CFR Part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension; Federal agency regulations in 2 CFR implementing the OMB guidance; the A-102 Common Rule; OMB Circular A-110 (2 CFR Section 215.13); program legislation; Federal awarding agency regulations; and the terms and conditions of the award.

Condition

Significant deficiency noted; internal control over compliance - The policies established covering compliance with debarment requirements are being performed as a matter of business routines and therefore not effective in preventing or detecting non-compliance. District established policy is a memorandum that was drafted in the form of interdepartmental memorandum. This memorandum has not been effectively communicated to new department directors and is not being enforced. Evidence that the controls are implemented and effective was not readily available to support a positive conclusion in our testing of internal controls over procurement/suspension and debarment compliance testing.

Questioned Costs

None; our tests of compliance did not identify expenditures to debarred parties.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Context

Our test included examination of policies and the practical implementation of the policies. We identified interdepartmental memorandum from a retired business administrator that outlined policies and procedures to be performed by directors over programs with Federal awards and by the purchasing department. We found that in purchasing, certifications are retained for vendors exceed \$100,000 upper tier threshold but for vendors who enter into contractual relationships below \$100,000 but above \$25,000 procedures outlined in the memorandum were not being followed. The number of vendors over \$25,000 but below \$100,000 was only four. We tested each and did not find them to be debarred.

Effect

The District has violated the requirements by not insuring that all vendors in the Tier II threshold have been verified as not being disbarred.

Cause

The condition resulted from turnover in personnel within the administration and ineffective communication of established policies and procedures.

Recommendation

Establish formal procurement policy, incorporate requirements in periodic trainings and develop an internal monitoring process to evaluate the effectiveness of established policies and procedures.

District Response

The District developed and formalized a purchasing policy and has instituted it that will allow the District to verify that vendors are not debarred. In addition, the District will require that vendors certify that they are not debarred prior to doing business with the District. The formalized purchasing policy and procedures were put in place on October 16, 2009. Purchasing will verify the vendor's certification at the time the vendor is established and on a semi-annual basis. Additionally, when a purchase order is created, the purchasing staff will verify the vendor's status via the EPLS website and attach a copy as backup when submitted for District authorization. Although the previously identified procedure was not completed, at no time was a debarred vendor used.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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.

<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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

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

Current Status

Implemented.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

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

Current Status

Implemented.