



**MENIFEE UNION ELEMENTARY  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2011**

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Menifee Union Elementary School District  
Menifee, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Menifee Union Elementary School District (the District) as of and for the year ended June 30, 2011, 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 2010-11*, 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, 2011, and the respective changes in financial position and cash flows, where applicable, 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 accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 17.

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 November 11, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 11 and budgetary comparison and other postemployment information on pages 50 and 51, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California

November 11, 2011



# 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, 2011. 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, 2011

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

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

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

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

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

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

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

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

#### **Fund Financial Statements**

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

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### *THE DISTRICT AS TRUSTEE*

#### **Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and Joint Community Facilities Districts. The District's fiduciary activities are reported in 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 \$196,876,954 for the fiscal year ended June 30, 2011. Of this amount, \$13,557,171 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	
	2011	2010
<b>ASSETS</b>		
Current and other assets	\$ 50,168,548	\$ 52,009,394
Capital assets	202,862,467	200,057,392
Total Assets	<u>253,031,015</u>	<u>252,066,786</u>
<b>LIABILITIES</b>		
Current liabilities	1,975,678	2,942,308
Long-term obligations	54,178,383	54,266,383
Total Liabilities	<u>56,154,061</u>	<u>57,208,691</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	159,291,223	165,713,403
Restricted	24,028,560	18,720,652
Unrestricted	13,557,171	10,424,040
Total Net Assets	<u>\$ 196,876,954</u>	<u>\$ 194,858,095</u>

The \$13,557,171 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, 2011

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### Changes in Net Assets

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

**TABLE 2**

	Governmental Activities	
	2011	2010
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,154,662	\$ 1,119,052
Operating grants and contributions	12,220,158	10,554,048
General revenues:		
State revenue limit sources	38,853,693	34,885,580
Property and other taxes	6,276,616	7,712,491
Other general revenues	14,562,713	10,945,250
Total Revenues	<u>73,067,842</u>	<u>65,216,421</u>
<b>Expenses</b>		
Instruction-related	51,685,621	51,948,556
Pupil services	5,709,874	5,909,989
Administration	4,333,970	4,723,395
Plant services	6,523,883	6,148,056
Other	2,795,635	3,620,862
Total Expenses	<u>71,048,983</u>	<u>72,350,858</u>
Change in Net Assets	<u>\$ 2,018,859</u>	<u>\$ (7,134,437)</u>

### Governmental Activities

As reported in the *Statement of Activities* on page 13 the cost of all of our governmental activities this year was \$71 million. Program revenues supported this amount by contributing revenues from charges for services and operating grants and contributions totaling \$13 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, 2011

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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	
	2011	2010
Instruction	\$ 37,969,216	\$ 39,590,875
Instruction-related activities	4,467,173	4,792,426
Other pupil services	2,475,352	2,589,419
General administration	3,636,088	4,105,290
Plant services	6,464,938	6,134,290
Facility acquisition and construction	-	608,587
Interest on long-term obligations and other	2,661,396	2,856,871
Total	<u>\$ 57,674,163</u>	<u>\$ 60,677,758</u>

### ***THE DISTRICT'S FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$48,323,535 as detailed below:

**TABLE 4**

	Fund Balance at June 30,	
	2011	As Restated 2010
General Fund	\$ 13,818,844	\$ 11,050,087
Building Fund	10,131,130	18,415,533
Capital Facilities Fund	15,323,630	14,086,020
Child Development Fund	18,104	54,707
Cafeteria Fund	996,478	902,654
Capital Project for Blended Component Units Fund	5,703,506	2,162,338
Bond Interest and Redemption Fund	1,739,603	1,888,842
COP Debt Service Fund	592,240	592,240
Total	<u>\$ 48,323,535</u>	<u>\$ 49,152,421</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

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### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in 2011. (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 50.)

### 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. These funds were used to complete construction projects. The funds were also used for construction of elementary school #9, Canyon Hills. The District has entered negotiations for land acquisition in order to begin construction on elementary school #10. The District has been placed on the State Allocation Board's unfunded list for the State's portion of the construction cost of ES #9 which will be approximately \$11,304,439. The District anticipates receiving this money in 2011-12.
- 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. Home construction within the District boundaries was minimal for the year ending June 30, 2011.
- The Capital Project Fund for Blended Component Units (Fund 49) is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

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### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### **Capital Assets**

At June 30, 2011, the District had \$202.9 million in a broad range of capital assets, including land, buildings, and equipment.

**TABLE 5**

(Net of Accumulated Depreciation)	Governmental Activities	
	2011	2010
Land and construction in process	\$ 50,540,916	\$ 42,534,760
Buildings and improvements/site improvements	150,030,095	154,713,816
Equipment	2,291,456	2,808,816
Total	<u>\$ 202,862,467</u>	<u>\$ 200,057,392</u>

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

At the end of this year, the District had \$54.2 million in long-term obligations outstanding versus \$54.3 million last year. Those long-term obligations consisted of the following:

	Governmental Activities	
	2011	2010
General obligation bonds (financed with property taxes)	\$ 47,719,750	\$ 47,476,443
Certificates of participation	6,280,000	6,600,000
Accumulated vacation	159,820	130,125
Capital leases	28,800	59,815
Net OPEB asset	(9,987)	-
Total	<u>\$ 54,178,383</u>	<u>\$ 54,266,383</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 \$47.7 million are below this statutorily-imposed limit.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2010-2011***

- The District's Academic Performance Index (API) increased 15 points to 843. All elementary schools and two middle schools are over 820 and one middle school is entering their third year with a 794 score, which is an increase of 22 points over last year. The District has three elementary schools nearing 900.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2011**

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- The District met all English Learner targets for accountability.
- The District identified Collective Commitments in order to prioritize fiscal and human resources.
- The District continues to expand and improve on its instructional practices with the coaching support program for the benefit of its stakeholders. Double digit gains at the majority of schools demonstrates the success of these efforts.
- The District continues to seek to improve support services that offer cost savings.
- The District is completing the new construction of its 10<sup>th</sup> elementary school (ES#9) and entered the due diligence phase of the process to acquire land for its 11<sup>th</sup> elementary school.

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

The following are some of the key budget assumptions the District is making:

- The District anticipates enrollment will remain steady. As of October 5, 2011, the enrollment is 8901 pupils, 0.2 percent higher than the 2010-2011 California Basic Educational Data System (CBEDS) count.
- The District projects enrollment growth for 2011-2012 at 0.3 percent, for 2013-2014 at one percent and for 2014-2015 at 0.2 percent.
- Numerous developers are planning to begin some building within the District boundaries. However, construction is not anticipated to be at the scale or quantity as occurred earlier at this time.
- The District does not foresee any change in the State's economic condition within the projection period and anticipates a zero increase to the base revenue limit funding in 2012-2013.
- The District anticipates a period of time of financial austerity for the projection period.
- Staffing issues and financial planning will continue to be very conservative during the projection period.

### ***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 [business@menifeeusd.org](mailto:business@menifeeusd.org).

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2011

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 33,643,762
Receivables	15,736,473
Stores inventories	9,353
Deferred charges	778,960
Capital Assets:	
Land and construction in process	50,540,916
Other capital assets	184,446,240
Less: Accumulated depreciation	(32,124,689)
Total Capital Assets	<u>202,862,467</u>
<b>Total Assets</b>	<u><u>253,031,015</u></u>
 <b>LIABILITIES</b>	
Accounts payable	1,034,083
Accrued interest	909,625
Deferred revenue	31,970
Long-term Obligations:	
Current portion	519,400
Noncurrent portion	53,658,983
Total Long-term Obligations	<u>54,178,383</u>
<b>Total Liabilities</b>	<u><u>56,154,061</u></u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	159,291,223
Restricted for:	
Debt service	1,422,218
Capital projects	20,700,960
Educational programs	890,800
Other activities	1,014,582
Unrestricted	13,557,171
<b>Total Net Assets</b>	<u><u>\$ 196,876,954</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, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 46,170,976	\$ -	\$ 8,201,760	\$ (37,969,216)
Instruction-related activities:				
Supervision of instruction	1,436,291	-	1,045,445	(390,846)
Instructional library, media, and technology	596,225	-	-	(596,225)
School site administration	3,482,129	-	2,027	(3,480,102)
Pupil services:				
Home-to-school transportation	1,225,447	180,990	126,500	(917,957)
Food services	2,337,565	762,522	1,452,540	(122,503)
All other pupil services	2,146,862	-	711,970	(1,434,892)
General administration:				
Data processing	794,759	-	123	(794,636)
All other general administration	3,539,211	81,268	616,491	(2,841,452)
Plant services	6,523,883	12,760	46,185	(6,464,938)
Ancillary services	4,807	-	-	(4,807)
Enterprise services	624	-	-	(624)
Interest on long-term obligations	2,790,881	-	-	(2,790,881)
Other outgo	(677)	117,122	17,117	134,916
<b>Total Governmental Activities</b>	<b>\$ 71,048,983</b>	<b>\$ 1,154,662</b>	<b>\$ 12,220,158</b>	<b>(57,674,163)</b>
General revenues and subventions:				
				4,186,536
				2,090,080
				38,853,693
				3,673,732
				10,888,981
				<b>59,693,022</b>
				<b>2,018,859</b>
				194,858,095
				<b>\$ 196,876,954</b>

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2011**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 4,940,409	\$ 10,457,306	\$ 9,392,751
Receivables	15,458,054	16,152	22,120
Due from other funds	86,177	-	6,000,000
Stores inventories	-	-	-
<b>Total Assets</b>	<u>\$ 20,484,640</u>	<u>\$ 10,473,458</u>	<u>\$ 15,414,871</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 633,826	\$ 342,328	\$ 34,161
Due to other funds	6,000,000	-	57,080
Deferred revenue	31,970	-	-
<b>Total Liabilities</b>	<u>6,665,796</u>	<u>342,328</u>	<u>91,241</u>
<b>FUND BALANCES</b>			
Nonspendable	5,000	-	-
Restricted	890,800	10,131,130	15,323,630
Assigned	3,723,942	-	-
Unassigned	9,199,102	-	-
<b>Total Fund Balances</b>	<u>13,818,844</u>	<u>10,131,130</u>	<u>15,323,630</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 20,484,640</u>	<u>\$ 10,473,458</u>	<u>\$ 15,414,871</u>

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



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<b>Capital Project Fund for Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,703,506	\$ 3,149,790	\$ 33,643,762
-	240,147	15,736,473
-	-	6,086,177
-	9,353	9,353
<u>\$ 5,703,506</u>	<u>\$ 3,399,290</u>	<u>\$ 55,475,765</u>

\$ -	\$ 23,768	\$ 1,034,083
-	29,097	6,086,177
-	-	31,970
<u>-</u>	<u>52,865</u>	<u>7,152,230</u>

-	9,353	14,353
5,703,506	3,337,072	35,386,138
-	-	3,723,942
-	-	9,199,102
<u>5,703,506</u>	<u>3,346,425</u>	<u>48,323,535</u>
<u>\$ 5,703,506</u>	<u>\$ 3,399,290</u>	<u>\$ 55,475,765</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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<b>Total Fund Balance - Governmental Funds</b>		\$ 48,323,535
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 234,987,156	
Accumulated depreciation is	(32,124,689)	
Total Capital Assets	<u>202,862,467</u>	202,862,467
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. Costs of issuance are capitalizable and amortized over the life of the debt.		778,960
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.		(909,625)
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	46,323,718	
Unamortized premium	1,396,032	
Certificates of participation	6,280,000	
Capital lease obligations	28,800	
Accumulated vacation	159,820	
Net OPEB Asset	(9,987)	
Total Long-Term Obligations	<u>(54,178,383)</u>	(54,178,383)
<b>Total Net Assets - Governmental Activities</b>		<u><u>\$ 196,876,954</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 BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>		
Revenue limit sources	\$ 43,040,229	\$ -
Federal sources	5,673,104	-
Other State sources	8,425,597	-
Other local sources	4,721,390	101,645
<b>Total Revenues</b>	<b>61,860,320</b>	<b>101,645</b>
<b>EXPENDITURES</b>		
Current		
Instruction	40,534,848	-
Instruction-related activities:		
Supervision of instruction	1,345,956	-
Instructional library, media, and technology	596,225	-
School site administration	3,481,090	-
Pupil services:		
Home-to-school transportation	1,221,980	-
Food services	-	-
All other pupil services	2,126,607	-
General administration:		
Data processing	793,889	-
All other general administration	3,240,684	-
Plant services	5,683,018	-
Facility acquisition and construction	-	8,386,048
Ancillary services	4,534	-
Other outgo	(677)	-
Debt service		
Principal	28,357	-
Interest and other	-	-
<b>Total Expenditures</b>	<b>59,056,511</b>	<b>8,386,048</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,803,809</b>	<b>(8,284,403)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	-	-
Other sources	-	-
Transfers out	(35,052)	-
<b>Net Financing Sources (Uses)</b>	<b>(35,052)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,768,757</b>	<b>(8,284,403)</b>
<b>Fund Balance - Beginning s</b>	<b>11,011,635</b>	<b>18,415,533</b>
<b>Restatement</b>	<b>38,452</b>	<b>-</b>
<b>Fund Balances - Beginning (As restated)</b>	<b>11,050,087</b>	<b>18,415,533</b>
<b>Fund Balances - Ending</b>	<b>\$ 13,818,844</b>	<b>\$ 10,131,130</b>

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

<b>Capital Facilities Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 43,040,229
-	-	1,628,320	7,301,424
-	-	472,371	8,897,968
2,079,112	305,539	2,946,803	10,154,489
<u>2,079,112</u>	<u>305,539</u>	<u>5,047,494</u>	<u>69,394,110</u>
-	-	197,210	40,732,058
-	-	89,434	1,435,390
-	-	-	596,225
-	-	1,039	3,482,129
-	-	-	1,221,980
-	-	2,335,120	2,335,120
-	-	20,255	2,146,862
-	-	-	793,889
164,348	-	120,075	3,525,107
7,141	-	54,753	5,744,912
134,892	438,103	9,953	8,968,996
-	-	-	4,534
-	-	-	(677)
14,400	-	620,000	662,757
-	-	2,247,446	2,247,446
<u>320,781</u>	<u>438,103</u>	<u>5,695,285</u>	<u>73,896,728</u>
<u>1,758,331</u>	<u>(132,564)</u>	<u>(647,791)</u>	<u>(4,502,618)</u>
35,052	-	555,773	590,825
-	3,673,732	-	3,673,732
(555,773)	-	-	(590,825)
<u>(520,721)</u>	<u>3,673,732</u>	<u>555,773</u>	<u>3,673,732</u>
1,237,610	3,541,168	(92,018)	(828,886)
14,086,020	2,162,338	3,476,895	49,152,421
-	-	(38,452)	-
<u>14,086,020</u>	<u>2,162,338</u>	<u>3,438,443</u>	<u>49,152,421</u>
<u>\$ 15,323,630</u>	<u>\$ 5,703,506</u>	<u>\$ 3,346,425</u>	<u>\$ 48,323,535</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

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**Total Net Change in Fund Balances - Governmental Funds** \$ (828,886)

**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	\$ 8,253,980	
Depreciation expense	<u>(5,448,905)</u>	
		2,805,075

In the Statement of Activities, Other Postemployment Benefits (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB asset were more than the ARC by \$9,987.

9,987

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 less than amounts earned by \$29,695 during the year.

(29,695)

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	300,000
Certificates of participation	320,000
Capital lease obligations	31,015

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 STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011**

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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	\$ 61,687	
Amortization of cost of issuance	(56,944)	
Combined adjustment	<u>4,743</u>	\$ 4,743

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	11,614	
Accretion on the capital appreciation General Obligation Bonds	(604,994)	
	<u>(593,380)</u>	
<b>Change in Net Assets of Governmental Activities</b>		<u><u>\$ 2,018,859</u></u>

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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	<u>Agency Funds</u>	
	<u>Fund for Special Tax Bonds</u>	<u>Associated Student Bodies</u>
<b>ASSETS</b>		
Deposits and investments	\$ 11,994,175	\$ 68,686
<b>LIABILITIES</b>		
Due to student groups	\$ -	\$ 68,686
Due to bond holders	11,994,175	-
<b>Total Liabilities</b>	<u>\$ 11,994,175</u>	<u>\$ 68,686</u>

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The Meniffee Union Elementary School District (the District) was organized December 7, 1951, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates eight elementary schools, three 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 Meniffee Union Elementary School District, this includes general operations, food service, and student related activities of the District.

#### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes the component units 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 Meniffee 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 Fund for Blended Component Units. The debt service reserve fund proceeds are presented in an agency fund.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### **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 and report all financial resources not accounted for and reported in another fund.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$38,719, \$38,719, and \$267, respectively.

**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).

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

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

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

**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).

**Debt Service Funds** The Debt Service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term obligations.

**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.

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

### Basis of Accounting - Measurement Focus

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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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 balances 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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**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. The following revenue sources are considered to be both measurable and available at fiscal year-end: state apportionments, interest, certain grants, and other local sources.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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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.

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

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, 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.

### **Investments**

Investments held at June 30, 2011, 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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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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**

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy intends for the District to maintain a minimum fund balance equal to three percent of the District's general fund annual operating expenditures and other financing uses plus two months of general fund annual operating expenditures and other financing uses. If a fund balance drops below five percent, it shall be recovered at a rate of two percent minimally, each year, when financial circumstances permit.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$24,028,560 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 on behalf of the District. Local property tax revenues are recorded when received.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Changes in Accounting Principles

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 initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 33,643,762
Fiduciary funds	<u>12,062,861</u>
Total Deposits and Investments	<u><u>\$ 45,706,623</u></u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$ 68,686
Cash in revolving	5,000
Investments	<u>45,632,937</u>
Total Deposits and Investments	<u><u>\$ 45,706,623</u></u>

#### Policies and Practices

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### General Authorizations

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

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

### Authorized Under Debt Agreements

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### Weighted Average Maturity

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

Investment Type	Fair Value	Maturity Date/ Average Maturity In Days
Riverside County Investment Pool	\$ 27,373,093	478
First American Prime Obligation Fund Class Y	17,712,376	7/1/2011
FSA Investment Agreement	592,240	8/15/2025
Total	\$ 45,677,709	

### 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 Prime Obligation 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, 2011, 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, 2011**

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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 1,062,735	\$ -	\$ -	\$ 219,939	\$ 1,282,674
State Government					
Apportionment	11,019,645	-	-	-	11,019,645
Categorical aid	1,343,673	-	-	18,259	1,361,932
Lottery	578,420	-	-	-	578,420
Local Government					
Interest	20,461	16,152	9,467	1,277	47,357
SELPA Master Plan	1,178,069	-	-	-	1,178,069
Other Local Sources	255,051	-	12,653	672	268,376
Total	<u>\$ 15,458,054</u>	<u>\$ 16,152</u>	<u>\$ 22,120</u>	<u>\$ 240,147</u>	<u>\$ 15,736,473</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 38,072,052	\$ 19,918	\$ -	\$ 38,091,970
Construction in process	4,462,708	7,986,238	-	12,448,946
Total Capital Assets Not Being Depreciated	<u>42,534,760</u>	<u>8,006,156</u>	<u>-</u>	<u>50,540,916</u>
Capital Assets Being Depreciated				
Site improvements	7,857,195	26,350	-	7,883,545
Buildings and improvements	170,282,002	46,869	-	170,328,871
Furniture and equipment	6,081,462	174,605	22,243	6,233,824
Total Capital Assets Being Depreciated	<u>184,220,659</u>	<u>247,824</u>	<u>22,243</u>	<u>184,446,240</u>
Total Capital Assets	<u>226,755,419</u>	<u>8,253,980</u>	<u>22,243</u>	<u>234,987,156</u>
Less Accumulated Depreciation				
Site improvements	1,154,169	392,881	-	1,547,050
Buildings and improvements	22,271,212	4,364,059	-	26,635,271
Furniture and equipment	3,272,646	691,965	22,243	3,942,368
Total Accumulated Depreciation	<u>26,698,027</u>	<u>5,448,905</u>	<u>22,243</u>	<u>32,124,689</u>
Governmental Activities Capital Assets, Net	<u>\$ 200,057,392</u>	<u>\$ 2,805,075</u>	<u>\$ -</u>	<u>\$ 202,862,467</u>

The District closed Meniffee Elementary School as of June 30, 2008. The book value of the asset at June 30, 2011 is \$4,846,971, and at June 30, 2010 was \$5,024,715.

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 5,285,438
Home-to-school transportation	163,467
Total Depreciation Expenses Governmental Activities	<u>\$ 5,448,905</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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, 2011, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 57,080	\$ 29,097	\$ 86,177
Capital Facilities Fund	6,000,000	-	-	6,000,000
Total	<u>\$ 6,000,000</u>	<u>\$ 57,080</u>	<u>\$ 29,097</u>	<u>\$ 6,086,177</u>

The balance of \$6,000,000 is due to the Capital Facilities Fund from the General Fund for temporary loan.

\$ 6,000,000

The balance of \$57,080 is due to the General Fund from the Capital Facilities Fund for three percent of the developer fees collected for Administration (*Education Code* Section 17620).

57,080

A balance of \$24,358 is due to the General Fund from the Cafeteria (Non-Major) Fund for indirect costs.

24,358

The Child Development Fund owes \$4,739 to the General Fund for indirect costs.

4,739  
\$ 6,086,177

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfer To	Transfer From		
	General Fund	Capital Facilities Fund	Total
Capital Facilities Fund	\$ 35,052	\$ -	\$ 35,052
Non-Major Governmental Funds	-	555,773	555,773
Total	\$ 35,052	\$ 555,773	\$ 590,825

The General Fund transferred to the Capital Facilities Fund for interest owed on monies borrowed.

\$ 35,052

The Capital Facilities Fund transferred to the COP Debt Service Fund for debt service payments on Certificates of Participation.

555,773

Total

\$ 590,825

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2011, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 272,591	\$ 4,625	\$ 12,695	\$ 23,768	\$ 313,679
State Apportionment	251,910	-	-	-	251,910
Salaries and benefits	109,325	-	-	-	109,325
Construction payables	-	337,703	21,466	-	359,169
Total	\$ 633,826	\$ 342,328	\$ 34,161	\$ 23,768	\$ 1,034,083

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2011, consists of the following:

	General Fund
Federal financial assistance	\$ 31,970



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### 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	Addition	Deductions	Balance End of Year	Due in One Year
General obligation bonds	\$ 46,018,724	\$ 604,994	\$ 300,000	\$ 46,323,718	\$ 175,000
Premium on issuance	1,457,719	-	61,687	1,396,032	-
Certificates of Participation					
2004 Refunding Series	6,600,000	-	320,000	6,280,000	330,000
Accumulated vacation	130,125	29,695	-	159,820	-
Capital leases	59,815	-	31,015	28,800	14,400
Net OPEB Asset	-	70,699	80,686	(9,987)	-
Total Long-Term Obligations	<u>\$ 54,266,383</u>	<u>\$ 705,388</u>	<u>\$ 793,388</u>	<u>\$ 54,178,383</u>	<u>\$ 519,400</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 interest and capital 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 an election held February 5, 2008, the District voters authorized bonds in the amount of \$31,460,000. In August 2008, the District issued General Obligation Bonds, Series A in the amount of \$15,730,000, 50 percent of the authorized amount. The bonds were issued for the purpose of financing the acquisition and construction of new District facilities.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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. This amount was the remaining amount on the voter authorized amount and exhausts the voter authorized bonds of the February 2008 authorization of \$31,460,000. The bonds include current interest bond maturities totaling \$7,975,000 with interest rates ranging from 3 percent to 5.25 percent, and capital accretion type bonds with denominational amounts totaling \$4,655,000 (maturing to \$25.6 million) with accretion rates ranging from 6.8 percent to 10.509 percent. 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			Bonds/Premium Outstanding End of Year	Due in One Year
				Outstanding Beginning of Year	Accreted Interest Addition	Redeemed or Amortized		
2002A	2027-2028	2.37-7.40%	\$ 9,429,203	\$ 9,181,244	\$ 42,636	\$ 25,000	\$ 9,198,880	\$ 75,000
2002 B	2008-2030	3.00-4.27%	5,069,720	5,059,604	26,478	100,000	4,986,082	100,000
	Premiums on Issuance		-	148,469	-	7,814	140,655	-
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	16,047,876	535,880	175,000	16,408,756	-
	Premiums on Issuance		-	1,309,250	-	53,873	1,255,377	-
			<u>\$ 45,958,923</u>	<u>\$ 47,476,443</u>	<u>\$ 604,994</u>	<u>\$ 361,687</u>	<u>\$ 47,719,750</u>	<u>\$ 175,000</u>

**Debt Service Requirements to Maturity**

**Series 2002 A**

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2012	\$ 75,000	\$ -	\$ 383,536	\$ 458,536
2013	100,000	-	380,661	480,661
2014	150,000	-	376,193	526,193
2015	174,622	50,378	373,474	598,474
2016	216,328	83,672	373,474	673,474
2017-2021	1,947,930	107,070	1,744,306	3,799,306
2022-2026	4,090,000	-	1,128,697	5,218,697
2026-2028	2,445,000	-	125,625	2,570,625
Total	<u>\$ 9,198,880</u>	<u>\$ 241,120</u>	<u>\$ 4,885,966</u>	<u>\$ 14,325,966</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Series 2002 B**

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2012	\$ 100,000	\$ 20,494	\$ 209,770	\$ 330,264
2013	125,000	21,763	205,676	352,439
2014	125,000	23,110	200,989	349,099
2015	125,000	24,540	196,145	345,685
2016	125,000	26,059	191,145	342,204
2017-2021	620,000	156,583	887,563	1,664,146
2022-2026	1,100,000	211,429	707,447	2,018,876
2027-2030	2,666,082	184,940	259,438	3,110,460
Total	\$ 4,986,082	\$ 668,918	\$ 2,858,173	\$ 8,513,173

**Series 2008 A**

Fiscal Year	Principal	Current Interest to Maturity	Total
2012	\$ -	\$ 849,900	\$ 849,900
2013	25,000	849,400	874,400
2014	75,000	847,400	922,400
2015	100,000	843,900	943,900
2016	150,000	838,713	988,713
2017-2021	1,525,000	4,013,094	5,538,094
2022-2026	3,205,000	3,406,893	6,611,893
2027-2031	5,650,000	2,217,875	7,867,875
2032-2034	5,000,000	430,375	5,430,375
Total	\$ 15,730,000	\$ 14,297,550	\$ 30,027,550

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Series 2008 B and C**

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2012	\$ -	\$ 428,281	\$ 534,281	\$ 962,562
2013	-	462,662	534,281	996,943
2014	-	499,902	534,281	1,034,183
2015	100,000	540,250	532,781	1,173,031
2016	125,000	583,974	529,250	1,238,224
2017-2021	1,550,000	3,715,988	2,512,391	7,778,379
2022-2026	3,625,000	5,519,767	1,953,625	11,098,392
2027-2031	5,759,825	8,177,866	623,438	14,561,129
2032-2036	2,310,583	7,844,808	-	10,155,391
2037-2040	2,938,348	2,317,746	-	5,256,094
Total	<u>\$ 16,408,756</u>	<u>\$ 30,091,244</u>	<u>\$ 7,754,328</u>	<u>\$ 54,254,328</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, 2011, the principal balance outstanding was \$6,280,000.

Fiscal Year	Principal	Interest	Total
2012	\$ 330,000	\$ 251,790	\$ 581,790
2013	345,000	239,978	584,978
2014	355,000	227,728	582,728
2015	370,000	214,809	584,809
2016	375,000	201,071	576,071
2017-2021	2,130,000	763,315	2,893,315
2022-2026	2,375,000	256,688	2,631,688
Total	<u>\$ 6,280,000</u>	<u>\$ 2,155,379</u>	<u>\$ 8,435,379</u>

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$159,820.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### Capital Leases

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

	OME Portables	Kronos System	Total
Balance, June 30, 2010	\$ 43,200	\$ 23,262	\$ 66,462
Payments	14,400	23,262	37,662
Balance, June 30, 2011	<u>\$ 28,800</u>	<u>\$ -</u>	<u>\$ 28,800</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2012	\$ 14,400
2013	14,400
Total	28,800
Less: Amount Representing Interest	-
Present Value of Minimum Lease Payments	<u>\$ 28,800</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### NOTE 9 - NON OBLIGATORY DEBT

#### Community Facilities Districts (CFDs)

The special tax bonds issued by the Community Facilities District's and the Public Finance Authority (hereinafter referred to as the CFDs) are not obligations of the Meniffee Union Elementary School District. The bonds, the interest thereon, and any premiums on the redemption of any of the bonds are not an indebtedness of the District, the State of California, or any of its political subdivisions. Neither the faith and credit nor the taxing power of the District is pledged to the payment of the bonds. The bonds are payable from proceeds of Net Special Taxes levied on property within the 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	\$ 33,105,000
Special Tax Refunding Bonds	
CFD 94-1	11,035,000
CFD 99-1 Zone 1	4,785,000
CFD 99-1 Zone 2	5,325,000
CFD 99-1 Improvement Area A	945,000
CFD 2002-1	4,965,000
CFD 2002-3	4,045,000
CFD 2003-3	2,570,000
Special Tax Bonds	
CFD 2002-2	7,550,000
CFD 2002-4	2,175,000
CFD 2002-5	5,605,000
CFD 2003-1	2,105,000
CFD 2003-2	10,495,000
CFD 2003-4	2,390,000
CFD 2004-2	4,230,000
CFD 2004-3	3,790,000
CFD 2004-4	2,285,000
CFD 2004-5	4,320,000
CFD 2005-2	4,500,000
CFD 2006-3	1,970,000
Total	<u>\$ 118,190,000</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund
	<u>          </u>	<u>          </u>	<u>          </u>
Nonspendable:			
Revolving cash	\$ 5,000	\$ -	\$ -
Stores inventories	-	-	-
Total Nonspendable	<u>5,000</u>	<u>-</u>	<u>-</u>
Restricted			
Legally restricted programs	890,800	-	-
Capital projects	-	10,131,130	15,323,630
Debt services	-	-	-
Total Restricted	<u>890,800</u>	<u>10,131,130</u>	<u>15,323,630</u>
Assigned			
Medi-cal administrative activites	250,000	-	-
Deferred maintenance program	857,577	-	-
Instructional materials realignment (IMFRP)	436,365	-	-
Curriculum adoption	180,000	-	-
Equipment replacement	500,000	-	-
Step and column	600,000	-	-
New school start up	900,000	-	-
Total Assigned	<u>3,723,942</u>	<u>-</u>	<u>-</u>
Unassigned			
Economic uncertainties	9,160,383	-	-
Remaining unassigned	38,719	-	-
Total Unassigned	<u>9,199,102</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,818,844</u>	<u>\$ 10,131,130</u>	<u>\$ 15,323,630</u>

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Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total
\$ -	\$ -	\$ 5,000
-	9,353	9,353
-	9,353	14,353
-	1,005,229	1,896,029
5,703,506	-	31,158,266
-	2,331,843	2,331,843
5,703,506	3,337,072	35,386,138
-	-	250,000
-	-	857,577
-	-	436,365
-	-	180,000
-	-	500,000
-	-	600,000
-	-	900,000
-	-	3,723,942
-	-	9,160,383
-	-	38,719
-	-	9,199,102
\$ 5,703,506	\$ 3,346,425	\$48,323,535



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

#### Plan Description

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 two of these retirees and their dependents; the other retiree and dependent is subject to the District's cap on health and welfare contributions. Education Code requires the District to make a health package available to certificated retirees. The District offers the opportunity for classified retirees to purchase this plan as well even though not required to do so by California law. The District does not contribute any funds toward these retiree health plans and those retirees which choose the plan are required to pay all premium costs associated with the plan.

#### Contribution Information

Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. For fiscal year 2010-2011, the District contributed \$80,686, of which \$39,099 was used for current premiums and \$41,587 was contributed by the District as an implicit rate subsidy to current retirees.

#### Annual OPEB Cost and Net OPEB Asset

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset:

Annual required contribution	\$ 70,699
Contributions made	(80,686)
Increase in net OPEB asset	<u>(9,987)</u>
Net OPEB asset, beginning of year	-
Net OPEB asset, end of year	<u><u>\$ (9,987)</u></u>

### 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.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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### **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, 2011, 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 2011, the District participated in the Protected Insurance Program for Schools (PIPS). The intent of the PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the PIPS. 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.

##### **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 year 2010-2011 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, 2011, 2010, and 2009, were \$2,732,759, \$2,673,365, and \$2,706,383, respectively, and equal 100 percent of the required contributions for each year.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 year 2010-2011 was 10.707 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, 2011, 2010, and 2009, were \$923,607, \$802,864, and \$773,728, 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 \$1,413,416 (4.267 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*.

### 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, 2011.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### 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, 2011.

### Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Evans Ranch Driveway Expansion	\$ 117,000	December 2011
Southshore Ground Water Mitigation	63,000	December 2011
Elementary School #10 Land Purchase and Due Dilligence	1,689,110	N/A
Elementary School #9 Remaining Construction	3,000,000	June 2012
	<u>\$ 4,869,110</u>	

### 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 Protected Insurance Program for Schools (PIPS) 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, 2011, the District made payments of \$587,905 to Protected Insurance Program for Schools, \$352,980 to Riverside Schools' Insurance Authority and \$5,943,720 to Self Insurance Schools' of California III for insurance.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), and Assembly Bill 1610 (AB 1610) (Chapter 724, Statutes of 2010), 28 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 – RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year fund balances for the General Fund and for the Non-Major Governmental Funds have been restated as of June 30, 2011 to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance for Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, as presented in the Non-Major Governmental Fund opinion unit, is reported as a restatement to the beginning fund balance of the General Fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

#### General Fund

Fund Balance - Beginning	\$ 11,011,635
Change in accounting principles to conform to GASB Statement No. 54	38,452
Fund Balance - Beginning as Restated	<u>\$ 11,050,087</u>

#### Non-Major Governmental Funds

Fund Balance - Beginning	\$ 3,476,895
Change in accounting principles to conform to GASB Statement No. 54	(38,452)
Fund Balance - Beginning as Restated	<u>\$ 3,438,443</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
	<b>REVENUES</b>			
Revenue limit sources	\$ 40,305,369	\$ 42,743,961	\$ 43,040,229	\$ 296,268
Federal sources	108,293	5,679,509	5,673,104	(6,405)
Other State sources	5,510,604	6,716,668	8,425,597	1,708,929
Other local sources	418,277	4,641,705	4,721,390	79,685
<b>Total Revenues<sup>1</sup></b>	<b>46,342,543</b>	<b>59,781,843</b>	<b>61,860,320</b>	<b>2,078,477</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	27,010,300	32,138,157	31,673,410	464,747
Classified salaries	5,566,058	8,713,718	8,634,443	79,275
Employee benefits	9,057,985	11,618,628	12,694,774	(1,076,146)
Books and supplies	1,012,917	2,180,067	1,562,363	617,704
Services and operating expenditures	3,563,431	4,635,644	4,461,640	174,004
Other outgo	-	(81,620)	(147,870)	66,250
Capital outlay	55,000	156,996	149,394	7,602
Debt service - principal	23,686	23,686	28,357	(4,671)
<b>Total Expenditures<sup>1</sup></b>	<b>46,289,377</b>	<b>59,385,276</b>	<b>59,056,511</b>	<b>328,765</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>53,166</b>	<b>396,567</b>	<b>2,803,809</b>	<b>2,407,242</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	70,000	-	70,000
Transfers out	-	-	(35,052)	(35,052)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>70,000</b>	<b>(35,052)</b>	<b>34,948</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>53,166</b>	<b>466,567</b>	<b>2,768,757</b>	<b>2,442,190</b>
<b>Fund Balances - Beginning</b>	<b>11,011,635</b>	<b>11,011,635</b>	<b>11,011,635</b>	<b>-</b>
<b>Restatement</b>	<b>38,452</b>	<b>38,452</b>	<b>38,452</b>	<b>-</b>
<b>Fund Balances-Beginning (As restated)</b>	<b>11,050,087</b>	<b>11,050,087</b>	<b>11,050,087</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 11,103,253</b>	<b>\$ 11,516,654</b>	<b>\$ 13,818,844</b>	<b>\$ 2,442,190</b>

<sup>1</sup> On behalf payments of \$1,413,416 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2011**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
July 1, 2009	\$ -	\$ 661,123	\$ 661,123	0%	\$ -	0%



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***SUPPLEMENTARY INFORMATION***

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through Riverside County Special Education Local Plan Area:			
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	\$ 1,429,858
Basic Local Assistance ARRA, Part B, Section 611	84.391	15003	547,038
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	56,916
Preschool Grants ARRA, Part B, Section 619	84.392	15000	101,024
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	131,338
Preschool Local Entitlement ARRA, Part B, Section 611	84.391	15002	60,575
Preschool Staff Development, Part B, Section 619	84.173A	13431	1,108
Total Special Education (IDEA) Cluster			<u>2,327,857</u>
No Child Left Behind Act (NCLB)			
Title I, Part A Cluster			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	521,784
Title I, Part A - ARRA Basic Grants Low Income and Neglected	84.389	15005	141,345
Total Title I, Part A Cluster			<u>663,129</u>
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394	25008	372,740
Education Jobs Fund	84.410	25152	1,583,136
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	113,009
Education Technology State Grants Cluster			
Title II, Part D - Enhancing Education Through Technology (EETT), Formula Grants	84.318	14344	7,528
Title II, Part D - ARRA Enhancing Education Through Technology (EETT), Formula Grants	84.386	15019	8,692
Total Education Technology State Grants Cluster			<u>16,220</u>
Title III - Immigrant Education Program	84.365	14346	10,523
Title III - Limited English Proficient (LEP) Student Program	84.365	10084	186,541
Title IV, Part A - Safe and Drug Free Schools and Communities, Formula Grants	84.186	14347	2,705
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	2,030
Total U.S. Department of Education			<u>5,277,890</u>

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster			
Basic School Breakfast Program	10.553	13390	\$ 23,762
Especially Needy Breakfast	10.553	13526	114,801
National School Lunch Program	10.555	13524	1,281,522
Commodities	10.555	13524	208,235
Total Child Nutrition Cluster			<u>1,628,320</u>
Total U.S. Department of Agriculture			<u>1,628,320</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	46,749
Medical Administrative Activities Program	93.778	10060	54,698
Total Medicaid Cluster			<u>101,447</u>
Total U.S. Department of Health and Human Services			<u>101,447</u>
Total Federal Programs			<u>\$ 7,007,657</u>

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2011

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### ORGANIZATION

The Meniffee Union Elementary School District (the District) was established on December 7, 1951, and consists of an area comprising approximately 56 square miles. The District operates eight elementary schools, three 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>
Jerry Bowman	President	2013
Randall T. Freeman	Vice President	2013
Ron Ulibarri	Clerk	2013
Robert O'Donnell	Member	2011
Rita Peters	Member	2011

### 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, 2011**

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	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	900	902
First through third	2,811	2,818
Fourth through sixth	2,825	2,822
Seventh and eighth	1,790	1,783
Home and hospital	5	5
Special education	191	194
Total Elementary	<u>8,522</u>	<u>8,524</u>

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2011

Grade Level	1982-83	Reduced	1986-87	Reduced	2010-11	Number of	Status
	Actual	1982-83	Minutes	1986-87	Actual	Days	
	Minutes	Actual	Requirement	Minutes	Requirement	Multitrack	
		Minutes		Requirement	Minutes	Calendar	
Kindergarten	31,500	30,625	36,000	35,000	37,625	175	Complied
Grades 1 - 3	50,750	49,340	50,400	49,000			
Grade 1					51,835	175	Complied
Grade 2					51,835	175	Complied
Grade 3					53,676	175	Complied
Grades 4 - 6	50,750	49,340	54,000	52,500			
Grade 4					53,676	175	Complied
Grade 5					53,676	175	Complied
Grade 6					55,865	175	Complied
Grades 7 - 8	50,750	49,340	54,000	52,500			
Grade 7					55,865	175	Complied
Grade 8					55,865	175	Complied

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

	(Budget) 2012 <sup>1</sup>	2011	2010	2009
GENERAL FUND <sup>4</sup>				
Revenues	\$ 53,980,595	\$ 61,860,053	\$ 57,972,931	\$ 63,974,880
Other sources	-	-	283,943	142,252
Total Revenues and Other Sources	<u>53,980,595</u>	<u>61,860,053</u>	<u>58,256,874</u>	<u>64,117,132</u>
Expenditures	58,948,689	59,056,511	60,491,335	62,062,636
Other uses and transfers out	-	35,052	-	-
Total Expenditures and Other Uses	<u>58,948,689</u>	<u>59,091,563</u>	<u>60,491,335</u>	<u>62,062,636</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (4,968,094)</u>	<u>\$ 2,768,490</u>	<u>\$ (2,234,461)</u>	<u>\$ 2,054,496</u>
ENDING FUND BALANCE	<u>\$ 8,812,031</u>	<u>\$ 13,780,125</u>	<u>\$ 11,011,635</u>	<u>\$ 13,246,096</u>
AVAILABLE RESERVES <sup>2</sup>	<u>\$ 4,277,668</u>	<u>\$ 9,199,102</u>	<u>\$ 1,773,259</u>	<u>\$ 1,817,426</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	<u>3.00%</u>	<u>15.95%</u>	<u>3.00%</u>	<u>3.00%</u>
LONG-TERM OBLIGATION	<u>N/A</u>	<u>\$ 54,178,383</u>	<u>\$ 54,266,383</u>	<u>\$ 54,437,475</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>8,583</u>	<u>8,522</u>	<u>8,496</u>	<u>8,304</u>

The General Fund balance has decreased by \$534,029 over the past two years. The fiscal year 2011-2012 budget projects a further decrease of \$4,968,094 (36 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long-term obligations have decreased by \$259,092 over the past two years.

Average daily attendance has increased by 218 over the past two years. Additional increase of 61 ADA is anticipated during fiscal year 2011-2012.

<sup>1</sup> Budget 2012 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainty contained within the General Fund.

<sup>3</sup> On behalf payment of \$1,413,416 has been excluded from the calculation of available reserves for the fiscal years ending June 30, 2011.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

See accompanying note to supplementary information.



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>
<b>ASSETS</b>			
Deposits and investments	\$ 23,379	\$ 794,568	\$ -
Receivables	67	240,080	-
Stores inventories	-	9,353	-
<b>Total Assets</b>	<b>\$ 23,446</b>	<b>\$ 1,044,001</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 603	\$ 23,165	\$ -
Due to other funds	4,739	24,358	-
<b>Total Liabilities</b>	<b>5,342</b>	<b>47,523</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	-	9,353	-
Restricted	18,104	987,125	-
<b>Total Fund Balances</b>	<b>18,104</b>	<b>996,478</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,446</b>	<b>\$ 1,044,001</b>	<b>\$ -</b>

See accompanying note to supplementary information.

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<b>Bond Interest and Redemption Fund</b>	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,739,603	\$ 592,240	\$ 3,149,790
-	-	240,147
-	-	9,353
<u>\$ 1,739,603</u>	<u>\$ 592,240</u>	<u>\$ 3,399,290</u>
-	-	23,768
-	-	29,097
<u>-</u>	<u>-</u>	<u>52,865</u>
-	-	9,353
<u>1,739,603</u>	<u>592,240</u>	<u>3,337,072</u>
<u>1,739,603</u>	<u>592,240</u>	<u>3,346,425</u>
<u>\$ 1,739,603</u>	<u>\$ 592,240</u>	<u>\$ 3,399,290</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	Child Development Fund	Cafeteria Fund	Special Reserve Fund For Other Than Capital Outlay Projects
<b>REVENUES</b>			
Federal sources	\$ -	\$ 1,628,320	\$ -
Other State sources	319,606	116,172	-
Other local sources	344	820,618	-
<b>Total Revenues</b>	<u>319,950</u>	<u>2,565,110</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current			
Instruction	197,210	-	-
Instruction-related activities:			
Supervision of instruction	89,434	-	-
School site administration	1,039	-	-
Pupil services:			
Food services	-	2,335,120	-
All other pupil services	20,255	-	-
General administration:			
All other general administration	25,362	94,713	-
Plant services	23,253	31,500	-
Facility acquisition and construction	-	9,953	-
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>356,553</u>	<u>2,471,286</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<u>(36,603)</u>	<u>93,824</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(36,603)</u>	<u>93,824</u>	<u>-</u>
<b>Fund Balances - Beginning</b>	54,707	902,654	38,452
<b>Restatement</b>			(38,452)
<b>Fund Balances - Beginning (As restated)</b>	54,707	902,654	-
<b>Fund Balances - Ending</b>	<u>\$ 18,104</u>	<u>\$ 996,478</u>	<u>\$ -</u>

See accompanying note to supplementary information.

<b>Bond Interest and Redemption Fund</b>	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 1,628,320
36,593	-	472,371
2,099,249	26,592	2,946,803
<u>2,135,842</u>	<u>26,592</u>	<u>5,047,494</u>
-	-	197,210
-	-	89,434
-	-	1,039
-	-	2,335,120
-	-	20,255
-	-	120,075
-	-	54,753
-	-	9,953
300,000	320,000	620,000
1,985,081	262,365	2,247,446
<u>2,285,081</u>	<u>582,365</u>	<u>5,695,285</u>
<u>(149,239)</u>	<u>(555,773)</u>	<u>(647,791)</u>
-	555,773	555,773
-	555,773	555,773
<u>(149,239)</u>	-	<u>(92,018)</u>
1,888,842	592,240	3,476,895
		(38,452)
<u>1,888,842</u>	<u>592,240</u>	<u>3,438,443</u>
<u>\$ 1,739,603</u>	<u>\$ 592,240</u>	<u>\$ 3,346,425</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Federal Funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2011. These unspent balances are reported as legally restricted ending balances within the General Fund.

<u>Description</u>	<u>CFDA No.</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 7,301,424
Medi-Cal Billing Option	93.778	(137,553)
Medi-Cal Administrative Activities Program	94.778	(156,214)
Total Schedule of Expenditures of Federal Awards		<u>\$ 7,007,657</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.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011**

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### **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 - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances**

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

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***INDEPENDENT AUDITORS' REPORTS***

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

Governing Board  
Menifee Union Elementary School District  
Menifee, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee Union Elementary School District as of and for the year ended June 30, 2011, which collectively comprise Menifee Union Elementary School District's basic financial statements and have issued our report thereon dated November 11, 2011. 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**

The management of Menifee Union Elementary School District is responsible for establishing and maintaining effective 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 deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

**Vavrinek, Trine, Day & Co., LLP**

Rancho Cucamonga, California

November 11, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON 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 Menifee Union Elementary School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Menifee Union Elementary School District's major Federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

## **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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Menifee Union Elementary School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

**Vavrinek, Trine, Day & Co., LLP**

Rancho Cucamonga, California  
November 11, 2011



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Menifee Union Elementary School District  
 Menifee, California

We have audited Menifee Union Elementary School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to Menifee Union Elementary School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above 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 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 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. 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 compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2011.

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
<b>Attendance Accounting:</b>		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Not applicable
Continuation education	10	Not applicable
<b>Instructional Time:</b>		
School districts	6	Yes
County offices of education	3	Not applicable

	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General requirements	8	Yes
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
Public hearing requirement - receipt of funds	1	Yes
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

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  
November 11, 2011

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

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.394</u>	<u>ARRA: State Fiscal Stabilization Fund</u>
<u>84.389, and 84.010 (ARRA)</u>	<u>NCLB - Title I, Part A Cluster (includes ARRA)</u>
<u>84.027, 84.027A, 84.173, 84.173A, 84.391 ARRA, and 84.392 ARRA</u>	<u>Special Education (IDEA) Cluster (includes ARRA)</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>93.778</u>	<u>Medicaid Cluster</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**

Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>
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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.