



**MENIFEE UNION ELEMENTARY  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2005**

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**OF RIVERSIDE COUNTY**

**MENIFEE, CALIFORNIA**

**JUNE 30, 2005**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Rita J. Peters	President	2006
Victor Giardinelli	Clerk	2008
Phoeba Irely	Member	2008
Chester W. Morrison	Member	2006
Fred Twyman	Member	2008

**ADMINISTRATION**

Gary Cringan, Ed.D.	Superintendent
Daniel Wood	Assistant Superintendent, Business
Linda Callaway, Ed.D.	Assistant Superintendent, Personnel Services
Laraine Hair	Assistant Superintendent, Curriculum and Instruction
Jeanne Bargman	Director of Pupil Personnel Services
Pam Gillette	Director of Fiscal Services

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

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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, 2005, 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 2004-05 *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. 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, 2005, and the respective changes in financial positions, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005, 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 10 and budgetary comparison information on page 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*, are presented for purposes of additional analysis and are 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

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

*Vavrunik, Trimi, Day & Co., LLP*

Rancho Cucamonga, California  
September 23, 2005





# MENIFEE UNION SCHOOL DISTRICT

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

**Menifee Pride**  
Working For You

**Superintendent**  
Gary Cringan, Ed.D.

This section of Menifee Union Elementary School District's (audited) annual financial report presents our discussion and analysis of the Menifee Union Elementary School District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

### ***The Financial Statements***

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

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

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

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

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

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

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

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

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

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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

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

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

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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### *THE DISTRICT AS TRUSTEE*

#### Reporting the District's Fiduciary Responsibilities

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

### *THE DISTRICT AS A WHOLE*

#### Net Assets

The District's net assets were \$77.8 million for the fiscal year ended June 30, 2005. Of this amount, \$6.4 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2005	2004
Current and other assets	\$ 75,120,942	\$ 45,701,837
Capital assets	76,075,381	57,258,198
<b>Total Assets</b>	<b>151,196,323</b>	<b>102,960,035</b>
Current liabilities	3,721,885	3,571,002
Long-term debt	69,657,185	37,688,927
<b>Total Liabilities</b>	<b>73,379,070</b>	<b>41,259,929</b>
Net assets		
Invested in capital assets, net of related debt	6,575,269	19,191,895
Restricted	64,802,988	13,852,563
Unrestricted	6,438,995	28,655,648
<b>Total Net Assets</b>	<b>\$ 77,817,252</b>	<b>\$ 61,700,106</b>

The \$6.4 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

### 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 12.

Table 2

	Governmental Activities	
	2005	2004
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,748,051	\$ 7,301,609
Operating grants and contributions	6,966,705	6,712,732
Capital grants and contributions	6,247,301	-
General revenues:		
State revenue limit sources	29,284,221	24,200,877
Property taxes	5,364,727	6,117,754
Other general revenues	16,308,041	1,638,310
<b>Total Revenues</b>	<b>65,919,046</b>	<b>45,971,282</b>
<b>Expenses</b>		
Instruction-related	33,416,830	27,253,767
Student support services	3,595,182	3,206,723
Administration	2,894,780	2,024,153
Maintenance and operations	6,640,198	10,369,599
Interest on Long-term debt and other outgo	3,254,909	3,397,765
<b>Total Expenses</b>	<b>49,801,899</b>	<b>46,252,007</b>
<b>Change in Net Assets</b>	<b>\$ 16,117,147</b>	<b>\$ (280,725)</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 12, the cost of all of our governmental activities this year was \$50.0 million. However, \$34.8 million of that balance was financed from District's unrestricted general revenues. This represents the total cost less the costs paid by those who benefited from the programs (\$1.7 million), or by the other governments and organizations who subsidized certain programs with grants and contributions (\$13.2 million). We paid the \$34.8 million remaining "public benefit" portion of our governmental activities from General Revenues including property taxes, State and local income.

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Table 3

	Total Cost of Services	Net Cost of Services *
Instruction	\$ 29,143,565	\$ (17,966,226)
Instruction-related activities	4,273,265	(3,731,182)
Other pupil services	3,595,182	(1,411,463)
General administration	2,894,780	(2,503,604)
Plant services	4,219,840	(4,018,143)
Facility acquisition and construction	2,420,358	(2,420,358)
Interest on long-term debt	3,254,909	(2,788,867)
<b>Totals</b>	<b>\$ 49,801,899</b>	<b>\$ (34,839,843)</b>

\* Net of changes for services, sales, and operating grants.

### *THE DISTRICTS FUNDS*

As the District completed this year, our governmental funds reported a combined fund balance of \$70 million as detailed below:

Table 4

	Fund Balance June 30,	
	2005	2004
General	\$ 5,742,393	\$ 6,204,450
Building	8,410,056	7,548,760
Capital Facilities	26,645,685	15,870,455
Combined Community Facilities District - Capital Facilities	22,035,842	9,453,663
Child Development	32,497	12,148
Cafeteria	233,797	77,840
Deferred Maintenance	197,368	59,358
Special Reserve (Non Capital)	32,374	91,290
Bond Interest and Redemption	654,919	416,959
Combined Community Facilities District - Debt Service	5,897,229	3,004,483
COP Debt Service	608,705	620,677
<b>Totals</b>	<b>\$ 70,490,865</b>	<b>\$ 43,360,083</b>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2005. (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 51.)

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

#### Capital Assets

At June 30, 2005, the District had \$76.0 million in a broad range of capital assets, including land, buildings, and equipment.

Table 5

(Net of Accumulated Depreciation)

#### Governmental Activities

	2005	2004
Land and construction in process	\$ 29,333,832	\$ 10,460,885
Buildings and improvements/site improvements	45,614,584	46,149,217
Equipment	1,126,965	648,096
<b>Totals</b>	<b>\$ 76,075,381</b>	<b>\$ 57,258,198</b>

#### Long-term Debt

At the end of this year, the District had \$70 million in long-term debt outstanding versus \$38 million last year. Those long-term debt liabilities consisted of the following:

#### Governmental Activities

	2005	2004
General obligation bonds (Financed with property taxes)	\$ 14,625,111	\$ 9,446,303
Community facilities district	46,740,000	21,165,000
Certificates of participation	8,135,000	7,455,000
Compensated absences	157,074	127,624
<b>Totals</b>	<b>\$ 69,657,185</b>	<b>\$ 38,193,927</b>

The District's general obligation bond rating with Fitch is A+, and with S&P it is an A-. The State limits the amount of general obligation debt that District's can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$14.0 million is significantly below this statutorily-imposed limit.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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### *SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2004-2005*

#### **Significant Accomplishments:**

- Completed construction of Elementary School #6, Oak Meadows Elementary.
- Completed construction of a seven (7) classroom wing at Meniffee Elementary School.
- Completed bond closings for six (6) CFD's: 2002-2, 2002-4, 2002-5, 2004-3, 2003-1, and 2004-4.
- Refinanced Certificate of Participation (COP) for Ridgemoor Elementary School.
- Sold Series "B" of the District's General Obligation Bond (GO) for \$5,069,720.
- Began construction on Elementary School #7.
- Acquired six (6) new CNG buses.
- Began design of a new Transportation/Maintenance facility.
- Nearly completed installation of six (6) relocatable classrooms and a restroom at Freedom Crest Elementary.

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

Although the budget for 2005-2006 will inevitably be changing, following are some of the key budget assumptions made at time of budget development:

- Average Daily Attendance projected at 6,842, growth of 9.7 percent.
- Revenue Limit and Categorical COLA estimated at 4.23 percent with a deficit of 1.132 percent applied on the revenue limit resulting in an increase of only 3.1 percent.
- Staffing based on the following formulas:
  - Kindergarten                    20:1
  - 1-2-3                                20:1
  - 4-5                                    30:1
  - Middle School 6-8                30:1
- Negotiations with both bargaining units have not been settled as of this printing.

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

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Dan Wood, Assistant Superintendent of Business Services, at Meniffee Union Elementary School District, 30205 Meniffee Road, Meniffee CA 92584, or e-mail at [dwood@meniffeeusd.k12.ca.us](mailto:dwood@meniffeeusd.k12.ca.us).

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

<b>Assets</b>	<b>Governmental Activities</b>
Deposits and investments	\$ 68,390,867
Receivables	4,653,376
Prepaid expenses	1,858,892
Stores inventories	16,176
Deferred charges	201,631
Capital assets:	
Land and construction in process	29,333,832
Other capital assets	57,203,498
Less: Accumulated depreciation	(10,461,949)
Total Capital Assets	<u>76,075,381</u>
<b>Total Assets</b>	<u><u>151,196,323</u></u>
 <b>Liabilities</b>	
Accounts payable	2,210,308
Accrued interest	1,152,331
Deferred revenue	359,246
Long-term liabilities:	
Current portion of long-term obligations	815,000
Noncurrent portion of long-term obligations	68,842,185
Total Long-term Liabilities	<u>69,657,185</u>
<b>Total Liabilities</b>	<u><u>73,379,070</u></u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	6,575,270
Restricted for:	
Debt service	7,160,853
Capital projects	57,091,583
Educational programs	54,516
Other activities	496,036
Unrestricted	6,438,995
<b>Total Net Assets</b>	<u><u>\$ 77,817,253</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, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 29,143,565	\$ 58,951	\$ 4,871,087	\$ 6,247,301
Instruction-related activities:				
Supervision of instruction	944,406	-	541,614	-
Instructional library, media, and technology	407,166	-	-	-
School site administration	2,921,693	-	469	-
Pupil services:				
Home-to-school transportation	1,337,289	185,386	214,826	-
Food services	1,317,137	885,737	582,141	-
All other pupil services	940,756	-	315,629	-
General administration:				
Data processing	540,580	-	-	-
All other general administration	2,354,200	176,999	214,177	-
Plant services	4,219,840	-	201,697	-
Facility acquisition and construction	2,420,358	-	-	-
Interest on long-term debt and other outgo.	3,254,909	440,978	25,065	-
<b>Total Governmental Activities</b>	<b>\$ 49,801,899</b>	<b>\$ 1,748,051</b>	<b>\$ 6,966,705</b>	<b>\$ 6,247,301</b>

General revenues and subventions:

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

**Subtotal, General Revenues**

**Excess of Revenues Over Expenses**

**Total General Revenues and Transfers**

**Change in Net Assets**

Net Assets - Beginning

Net Assets - Ending

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

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<b>Net (Expenses) Revenues and Changes in Net Assets</b>	
<b>Governmental Activities</b>	
\$	(17,966,226)
	(402,792)
	(407,166)
	(2,921,224)
	(937,077)
	150,741
	(625,127)
	(540,580)
	(1,963,024)
	(4,018,143)
	(2,420,358)
	(2,788,866)
	<u>(34,839,842)</u>
	3,906,789
	687,823
	770,115
	29,284,221
	109,955
	<u>16,198,086</u>
	<u>50,956,989</u>
	<u>16,117,147</u>
	16,117,147
	61,700,106
\$	<u><u>77,817,253</u></u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>			
Cash			
Deposits and investments	\$ 2,510,700	\$ 8,498,175	\$ 21,474,409
Receivables	4,307,398	32,827	186,947
Due from other funds	46,278	-	6,247,301
Stores inventories	-	-	-
<b>Total Assets</b>	<b>\$ 6,864,376</b>	<b>\$ 8,531,002</b>	<b>\$ 27,908,657</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	754,396	120,946	1,262,972
Due to other funds	8,341	-	-
Deferred revenue	359,246	-	-
<b>Total Liabilities</b>	<b>1,121,983</b>	<b>120,946</b>	<b>1,262,972</b>
<b>FUND BALANCES</b>			
Reserved	57,016	-	-
Unreserved:			
Designated	5,685,377	8,410,056	26,645,685
Undesignated, reported in:			
Debt service funds	-	-	-
Capital projects funds	-	-	-
<b>Total Fund Balance</b>	<b>5,742,393</b>	<b>8,410,056</b>	<b>26,645,685</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,864,376</b>	<b>\$ 8,531,002</b>	<b>\$ 27,908,657</b>

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

<b>County School Facilities Fund</b>	<b>Capital Projects Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 6,247,301	\$ 22,035,842	\$ 7,624,440	\$ 68,390,867
-	-	126,204	4,653,376
-	-	8,953	6,302,532
-	-	16,176	16,176
<u>\$ 6,247,301</u>	<u>\$ 22,035,842</u>	<u>\$ 7,775,773</u>	<u>\$ 79,362,951</u>
-	-	71,994	2,210,308
6,247,301	-	46,890	6,302,532
-	-	-	359,246
<u>6,247,301</u>	<u>-</u>	<u>118,884</u>	<u>8,872,086</u>
-	-	16,176	73,192
-	-	479,860	41,220,978
-	-	7,160,853	7,160,853
-	22,035,842	-	22,035,842
-	22,035,842	7,656,889	70,490,865
<u>\$ 6,247,301</u>	<u>\$ 22,035,842</u>	<u>\$ 7,775,773</u>	<u>\$ 79,362,951</u>

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

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

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 70,490,865</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	\$ 86,537,330
Accumulated depreciation is	<u>(10,461,949)</u>
Total Capital Assets	76,075,381
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis. Cost of issuances are capitalizable and amortized over the life of the debt.	
	2,060,523
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	
	(1,152,330)
Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
The District issued General Obligation Bonds with a face value of \$5,069,720 at a premium of \$187,539. The premium will be amortized as an adjustment of interest income in the Statement of Activities over the remaining life of the new debt. In addition, during the year the District refunded existing debt of \$7,455,000. The amount borrowed is received in the governmental funds and increases fund balance. The difference between the amount that was sent to the escrow agent, \$7,905,734 for the payment of the old debt, \$450,734 will be amortized as an adjustment to interest expense over the remaining life of the refunded debt.	
Long-term liabilities at year end consist of:	
General obligation bonds	14,625,112
Certificates of participation	8,135,000
Special tax revenue bonds	46,740,000
Compensated absences	<u>157,074</u>
Total Long-term Liabilities	(69,657,186)
<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 77,817,253</u></b>

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Building Fund	Capital Facilities Fund
<b>REVENUES</b>			
Revenue limit sources	\$ 29,453,173	\$ -	\$ -
Federal sources	1,578,736	-	-
Other State sources	6,308,798	-	-
Other local sources	3,127,957	115,990	14,309,851
<b>Total Revenues</b>	<u>40,468,664</u>	<u>115,990</u>	<u>14,309,851</u>
<b>EXPENDITURES</b>			
Current			
Instruction	27,688,980	-	-
Instruction-related activities:			
Supervision of instruction	857,160	-	-
Instructional library, media, and technology	407,166	-	-
School site administration	2,921,693	-	-
Pupil services:			
Home-to-school transportation	1,299,147	-	-
Food services	-	-	-
All other pupil services	937,201	-	-
General administration:			
Data processing	540,580	-	-
All other general administration	2,151,150	-	147,825
Plant services	3,829,625	-	-
Facility acquisition and construction	26,291	4,316,162	2,918,091
Debt service			
Principal	-	-	-
Interest and other	-	154,731	-
<b>Total Expenditures</b>	<u>40,658,993</u>	<u>4,470,893</u>	<u>3,065,916</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(190,329)</u>	<u>(4,354,903)</u>	<u>11,243,935</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	60,000	-	5,200
Other sources	-	5,224,451	-
Transfers out	(331,728)	(8,252)	(473,905)
Other uses	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>(271,728)</u>	<u>5,216,199</u>	<u>(468,705)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(462,057)</u>	<u>861,296</u>	<u>10,775,230</u>
<b>Fund Balance - Beginning</b>	6,204,450	7,548,760	15,870,455
<b>Fund Balance - Ending</b>	<u>\$ 5,742,393</u>	<u>\$ 8,410,056</u>	<u>\$ 26,645,685</u>

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



<b>County School Facilities Fund</b>	<b>Capital Projects Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 29,453,173
-	-	567,227	2,145,963
6,247,301	-	558,497	13,114,596
-	790,615	3,186,044	21,530,457
6,247,301	790,615	4,311,768	66,244,189
-	-	191,892	27,880,872
-	-	87,246	944,406
-	-	-	407,166
-	-	-	2,921,693
-	-	-	1,299,147
-	-	1,317,137	1,317,137
-	-	3,555	940,756
-	-	-	540,580
-	-	55,225	2,354,200
-	-	390,215	4,219,840
6,247,301	10,781,282	-	24,289,127
-	-	325,000	325,000
-	-	2,790,277	2,945,008
6,247,301	10,781,282	5,160,547	70,384,932
-	(9,990,667)	(848,779)	(4,140,743)
-	366,324	875,564	1,307,088
-	22,273,401	11,679,407	39,177,259
-	(66,879)	(426,324)	(1,307,088)
-	-	(7,905,734)	(7,905,734)
-	22,572,846	4,222,913	31,271,525
-	12,582,179	3,374,134	27,130,782
-	9,453,663	4,282,755	43,360,083
\$ -	\$ 22,035,842	\$ 7,656,889	\$ 70,490,865

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>27,130,782</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>		
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 statements of activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	\$ 20,413,711	
Depreciation expense	<u>(1,271,385)</u>	19,142,326
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(325,143)
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).		
This year, vacation used was less than the amounts earned by \$29,450.		
		(29,450)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities:		
Sale of general obligation bonds		(5,069,720)
Sale of special tax revenue bonds		(25,785,000)
Refunding general obligation bonds/certificates of participation/special tax revenue bonds		(8,135,000)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:		
Premium on issuance	(187,539)	
Cost of issuance	1,881,981	
Deferred amount on refunding	<u>178,542</u>	
Combined adjustment		1,872,984
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:		
General obligation bonds		115,000
Special tax revenue bonds		210,000
Certificates of participation		7,455,000

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2005**

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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the certificates of participation and bonds is increased by \$428,083 and secondly accreted interest increased by \$36,550.

	\$ (464,633)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 16,117,146</b>

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 38,562
<b>LIABILITIES</b>	
Due to student groups	\$ 38,562

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

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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

#### **Financial Reporting Entity**

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

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

#### **Component Units**

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

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

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### **Manifestations of Oversight**

The Community Facilities Districts and the District have common boards.

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

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

### **Accountability for Fiscal Matters**

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

### **Scope of Public Service**

The Community Facilities Districts were created specifically to finance capital improvements for the Meniffee Union Elementary School District.

### **Financial Presentation**

For financial presentation purposes, the CFDs financial activity has been blended, or combined with the financial data of the District. The financial statements present the CFDs financial activity within the CFD Debt Service and CFD Capital Projects Funds.

### **Other Related Entities**

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

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

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

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

### Major Governmental Funds

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

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

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

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

**Capital Project Blended Component Units** The Capital Project Blended Component Units accumulate processes from bond issuance to be used for acquisition construction of improvement to major capital facilities.

**Capital Projects Fund** The Capital Projects Fund is used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

### Non-Major Governmental Funds

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

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

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

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

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

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

**Debt Service for Blended Component Units** The Debt Service for Blended Component Units is used to account for the interest and redemption of principal of Special Tax Revenue Bonds.

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

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

**Agency Funds** are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB). Agency funds are custodial by nature.

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the District and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program segment is self-financing or draws from the general revenues of the District.

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

**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.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

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

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

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2004, 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.

### **Restricted Assets**

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

### **Stores Inventory**

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

### **Capital Assets and Depreciation**

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

---

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

### **Interfund Balances**

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

### **Compensated Absences**

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

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

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

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

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

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$64,802,988 of restricted net assets, of which \$54,516 is restricted by enabling legislation.

### **Interfund Activity**

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

### **Estimates**

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

### **Budgetary Data**

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Property Tax

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

### Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 40, *Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

### New Accounting Pronouncements

In November 2003, GASB issued GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year.

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

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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In December 2004, GASB issued GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005. The District has not implemented the statement and has not determined the effect on the financial statements.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 68,390,867
Fiduciary funds	38,562
Total Deposits and Investments	<u>\$ 68,429,429</u>

Deposits and investments as of June 30, 2005, consists of the following:

Cash on hand and in banks	\$ 38,562
Cash in revolving	2,500
Investments	68,388,367
Total Deposits and Investments	<u>\$ 68,429,429</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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

### General Authorizations

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

<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 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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Interest Rate Risk

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

### Weighted Average Maturity

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date/ Average maturity In Days</u>
First American Treasury Money Market Mutual Funds	\$ 27,949,536	3 days
Riverside County Investment Pool	39,692,944	274 days
FSA Investment Agreement	592,240	9/1/2025
Total	<u>\$ 68,234,720</u>	

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments with the Riverside County Investment Pool, First American Treasury Money Market Mutual Funds are rated Aaa by Moody's Investor Service. The FSA Investment Agreement is not required to be rated, nor is it required to be rated.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2005, the District's bank balance of \$67,334 was fully insured.



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**NOTE 3 – RECEIVABLES**

Receivables at June 30, 2005, 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 Funds
Federal Government					
Categorical aid	\$ 344,618	\$ -	\$ -	\$ 107,500	\$ 452,118
State Government					
Apportionment	2,539,078	-	-	-	2,539,078
Categorical aid	391,309	-	-	6,277	397,586
Lottery	427,160	-	-	-	427,160
Other State	558,582	-	-	-	558,582
Local Government					
Interest	38,745	32,827	186,947	2,837	261,356
Other Local Sources	7,906	-	-	9,590	17,496
Total	<u>\$ 4,307,398</u>	<u>\$ 32,827</u>	<u>\$ 186,947</u>	<u>\$ 126,204</u>	<u>\$ 4,653,376</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 7,679,219	\$ 5,543,167	\$ -	\$ 13,222,386
Construction in process	2,781,666	13,487,000	157,220	16,111,446
Total Capital Assets Not Being Depreciated	10,460,885	19,030,167	157,220	29,333,832
<b>Capital Assets Being Depreciated</b>				
Site improvements	508,892	520,828	114,160	915,560
Buildings and improvements	53,675,493	403,910	448,729	53,630,674
Furniture and equipment	2,062,660	616,026	21,422	2,657,264
Total Capital Assets Being Depreciated	56,247,045	1,540,764	584,311	57,203,498
Total Capital Assets	66,707,930	20,570,931	741,531	86,537,330
<b>Less Accumulated Depreciation</b>				
Site improvements	9,344	19,991	5,006	24,329
Buildings and improvements	8,025,824	1,135,659	254,162	8,907,321
Furniture and equipment	1,414,564	115,735	-	1,530,299
Total Accumulated Depreciation	9,449,732	1,271,385	259,168	10,461,949
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 57,258,198</b>	<b>\$ 19,299,546</b>	<b>\$ 482,363</b>	<b>\$ 76,075,381</b>

Assets consisting of land and building in the amount of \$10,668,140 have been pledged as collateral for the certificates of participation described in Note 8.

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 1,233,243
Home-to-school transportation	38,142
Total Depreciation Expenses Governmental Activities	<u>\$ 1,271,385</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances consist of amounts advanced between funds for various purposes. Interfund receivable and payable balances at June 30, 2005, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 46,278	\$ 46,278
Capital Facilities Fund	-	6,247,301	-	6,247,301
Non-Major Governmental funds	8,341	-	612	8,953
Total	<u>\$ 8,341</u>	<u>\$ 6,247,301</u>	<u>\$ 46,890</u>	<u>\$ 6,302,532</u>

The General Fund owes the Cafeteria Fund for a split billing.	\$ 7,554
The General Fund owes the Child Development Fund for indirect costs.	787
The Child Development Fund owes the General Fund for copying costs.	705
The Cafeteria Fund owes the Child Development Fund for an adjustment to cost of meals served.	612
The Cafeteria Fund owes the General Fund for indirect costs.	45,573
The County School Facilities Fund owes the Capital Facilities Fund for construction reimbursement.	6,247,301
Total	<u>\$ 6,302,532</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Operating Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Transfer To	Transfer From					Total
	General Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,000
Capital Facilities Fund	5,200	-	-	-	-	5,200
Capital Projects Fund for Blended Component Units	-	-	-	-	366,324	366,324
Non-Major Governmental funds	326,528	8,252	473,905	66,879	-	875,564
<b>Total</b>	<b>\$ 331,728</b>	<b>\$ 8,252</b>	<b>\$ 473,905</b>	<b>\$ 66,879</b>	<b>\$ 426,324</b>	<b>\$ 1,307,088</b>

The General Fund transferred to the Deferred Maintenance Fund for required annual match.	\$ 326,528
The General Fund transferred to the Capital Facilities Fund for attendance incentives.	5,200
The Building Fund transferred to the Bond Interest and Redemption Fund for the refunded by excess issuance costs.	8,252
The Capital Facilities Fund transferred to the Debt Service Fund to Fund debt service payments on Certificates of Participation.	473,905
The Capital Projects Fund for Blended Component Units transferred excess issuance costs to related Debt Service Fund.	66,879
The Debt Service Fund for Blended Component Units transferred funds to the Capital Projects Fund for Blended Component Units.	366,324
The Special Reserve - Other than Capital Outlay transferred to the General Fund for purchase of buses.	60,000
<b>Total</b>	<b>\$ 1,307,088</b>

### NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 320,381	\$ -	\$ -	\$ 21,190	\$ 341,571
State apportionment	147,507	-	-	-	147,507
Salaries and benefits	286,508	-	-	17,262	303,770
Construction payables	-	120,946	852,810	33,542	1,007,298
Neff Construction	-	-	410,162	-	410,162
<b>Total</b>	<b>\$ 754,396</b>	<b>\$ 120,946</b>	<b>\$ 1,262,972</b>	<b>\$ 71,994</b>	<b>\$ 2,210,308</b>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2005, consists of the following:

	General Fund
Federal financial assistance	\$ 196,948
State categorical aid	162,298
Total	<u>\$ 359,246</u>

### NOTE 8 – LONG-TERM LIABILITIES

#### Long-Term Debt Summary

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

	Balance Beginning of Year	Issuances	Accretion Addition	Deductions	Balance End of Year	Due in One Year
General Obligation Bond Payable						
Series A	\$ 9,446,303	\$ -	\$ 27,579	\$ 115,000	\$ 9,358,882	\$ 150,000
Series B	-	5,069,720	8,970	-	5,078,690	-
Premium on issuance	-	187,539	-	-	187,539	-
Total General Obligation Bonds	<u>9,446,303</u>	<u>5,257,259</u>	<u>36,549</u>	<u>115,000</u>	<u>14,625,111</u>	<u>150,000</u>
Certificates of participation						
1996 Series	7,455,000	-	-	7,455,000	-	N/A
2004 Refunding Series	-	8,135,000	-	-	8,135,000	335,000
Total Certificates of Participation	<u>7,455,000</u>	<u>8,135,000</u>	<u>-</u>	<u>7,455,000</u>	<u>8,135,000</u>	<u>335,000</u>
Special Tax Bonds- Community Facilities Districts						
99-1 Series A	2,485,000	-	-	40,000	2,445,000	40,000
99-1 Series B	1,895,000	-	-	25,000	1,870,000	25,000
99-1 2003 Series Zone 2	4,990,000	-	-	75,000	4,915,000	80,000
99-1 2003 Series Imp Area A	875,000	-	-	15,000	860,000	15,000
2002-1	4,590,000	-	-	55,000	4,535,000	60,000
2002-2	-	8,250,000	-	-	8,250,000	-
2002-3	3,885,000	-	-	-	3,885,000	65,000
2002-4	-	2,405,000	-	-	2,405,000	-
2002-5	-	6,195,000	-	-	6,195,000	-
2003-1	-	2,315,000	-	-	2,315,000	-
2003-3	2,445,000	-	-	-	2,445,000	45,000
2004-3	-	4,160,000	-	-	4,160,000	-
2004-4	-	2,460,000	-	-	2,460,000	-
Total Special Tax Bonds	<u>21,165,000</u>	<u>25,785,000</u>	<u>-</u>	<u>210,000</u>	<u>46,740,000</u>	<u>330,000</u>
Accumulated vacation - net	127,624	29,450	-	-	157,074	-
Total	<u>\$ 38,193,927</u>	<u>\$ 39,206,709</u>	<u>\$ 36,549</u>	<u>\$ 7,780,000</u>	<u>\$ 69,657,185</u>	<u>\$ 815,000</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### General Obligation Bond

In June 2003, the District issued current and appreciation bonds, 2002 Election General Obligation Bond, Series A, in the amount of \$9,429,203 (accreting to \$17,794,734) in order to raise money for modernization, reconstruction, and new construction. The Bonds have a maturity date of August 1, 2027, with interest rates varying from 2.37 to 7.40 percent. At June 30, 2005, 2002 Election General Obligation Bond, Series A totaled \$9,358,883. The outstanding general obligation bonded debt is as follows:

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

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

- Addition and modernization of school facilities in the District.

At June 30, 2005, the principal balance outstanding is \$5,078,690.

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest Addition	Redeemed	Bonds	
				Outstanding Beginning of Year	Issued			Outstanding End of Year	Due in One Year
2002-2003	2027-2028	2.37-7.40%	\$ 9,429,203	\$ 9,446,303	\$ -	\$ 27,579	\$ 115,000	\$ 9,358,882	\$ 150,000
2004-2005	2008-2029	3.00-4.27%	5,069,720	-	5,069,720	8,970	-	5,078,690	-
			<u>\$ 14,498,923</u>	<u>\$ 9,446,303</u>	<u>\$ 5,069,720</u>	<u>\$ 36,549</u>	<u>\$ 115,000</u>	<u>\$ 14,437,572</u>	<u>\$ 150,000</u>

### Debt Service Requirements to Maturity

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total 2002 Series A
2006	\$ 150,000	\$ -	\$ 391,936	\$ 541,936
2007	175,000	-	388,076	563,076
2008	-	-	385,999	385,999
2009	-	-	385,999	385,999
2010	25,000	-	385,674	410,674
2011-2015	463,078	111,922	1,898,869	2,473,869
2016-2020	1,470,804	344,196	1,802,381	3,617,381
2021-2025	3,595,000	-	1,295,971	4,890,971
2026-2030	3,480,000	-	273,750	3,753,750
Total	<u>\$ 9,358,882</u>	<u>\$ 456,118</u>	<u>\$ 7,208,655</u>	<u>\$ 17,023,655</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total 2002 Series B
2006	\$ -	\$ 15,004	\$ 217,630	\$ 232,634
2007	-	15,947	217,630	233,577
2008	25,000	16,949	217,630	259,579
2009	60,000	18,014	216,880	294,894
2010	100,000	19,147	215,020	334,167
2011-2015	600,000	115,372	1,015,163	1,730,535
2016-2020	620,000	156,486	899,852	1,676,338
2021-2025	1,100,000	212,253	732,670	2,044,923
2026-2030	2,573,690	192,138	316,250	3,082,078
Total	<u>\$ 5,078,690</u>	<u>\$ 761,310</u>	<u>\$ 4,048,725</u>	<u>\$ 9,888,725</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 2025.

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

At June 30, 2005, the principal balance outstanding was \$8,135,000.

Year Ending June 30,	Principal	Interest	Total
2006	\$ 335,000	\$ 300,590	\$ 635,590
2007	295,000	294,290	589,290
2008	295,000	287,653	582,653
2009	300,000	280,215	580,215
2010	310,000	271,815	581,815
2011-2015	1,720,000	1,196,669	2,916,669
2016-2020	2,045,000	848,103	2,893,103
2021-2025	2,515,000	365,611	2,880,611
2026	320,000	7,360	327,360
Total	<u>\$ 8,135,000</u>	<u>\$ 3,852,306</u>	<u>\$ 11,987,306</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Community Facilities District 99-1, Zone 1, Series A

In August 2000, the Community Facilities District No.99-1 of the Menifee Union School District issued Series A of the Zone 1 Special Tax Bonds in the amount of \$2,585,000 with interest rates ranging from 4.6 percent to 6.875 percent. At June 30, 2005, the principal outstanding balance was \$2,445,000. The bonds mature through 2030 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 40,000	\$ 163,255	\$ 203,255
2007	40,000	161,085	201,085
2008	45,000	158,725	203,725
2009	45,000	156,183	201,183
2010	50,000	153,450	203,450
2011-2015	290,000	716,441	1,006,441
2016-2020	400,000	599,844	999,844
2021-2025	565,000	435,703	1,000,703
2026-2030	970,000	213,468	1,183,468
Total	<u>\$ 2,445,000</u>	<u>\$ 2,758,154</u>	<u>\$ 5,203,154</u>

### Community Facilities District 99-1, Zone 1, Series B

In July 2001, the Community Facilities District No.99-1 of the Menifee Union School District issued Series B of the Zone 1 Special Tax Bonds in the amount of \$1,930,000 with interest rates ranging from 4.0 percent to 6.4 percent. At June 30, 2005, the principal outstanding balance was \$1,870,000. The bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 25,000	\$ 114,689	\$ 139,689
2007	30,000	113,360	143,360
2008	30,000	111,874	141,874
2009	35,000	110,215	145,215
2010	30,000	108,510	138,510
2011-2015	195,000	513,280	708,280
2016-2020	260,000	446,763	706,763
2021-2025	345,000	352,130	697,130
2026-2030	480,000	221,120	701,120
2031-2032	440,000	37,880	477,880
Total	<u>\$ 1,870,000</u>	<u>\$ 2,129,821</u>	<u>\$ 3,999,821</u>



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

### Community Facilities District 99-1, Zone 2

In April 2003, the Community Facilities District No.99-1 of the Meniffee Union School District issued Zone 2 of the Zone 1 Special Tax Bonds 2003 in the amount of \$4,990,000 with interest rates ranging from 2.75 percent to 6.3 percent. At June 30, 2005, the principal outstanding balance was \$4,915,000. The bonds mature through 2033 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 80,000	\$ 284,693	\$ 364,693
2007	80,000	282,192	362,192
2008	85,000	279,341	364,341
2009	85,000	276,090	361,090
2010	90,000	272,478	362,478
2011-2015	510,000	1,293,242	1,803,242
2016-2020	665,000	1,134,970	1,799,970
2021-2025	880,000	908,603	1,788,603
2026-2030	1,190,000	589,795	1,779,795
2031-2033	1,250,000	163,170	1,413,170
Total	<u>\$ 4,915,000</u>	<u>\$ 5,484,574</u>	<u>\$ 10,399,574</u>

### Community Facilities District No. 99-1, Improvement Area A

In May 2003, the Community Facilities District No. 99-1 of the Meniffee Union School District issued Improvement Area A Special Tax Bonds in the amount of \$875,000 with interest rates ranging from 2.75 percent to 6.3 percent. At June 30, 2005, the principal outstanding was \$860,000. The Bond matures through 2033 as follows:

June 30,	Principal	Interest	Total
2006	\$ 15,000	\$ 49,763	\$ 64,763
2007	15,000	49,294	64,294
2008	15,000	48,776	63,776
2009	15,000	48,203	63,203
2010	15,000	47,584	62,584
2011-2015	90,000	226,061	316,061
2016-2020	115,000	198,218	313,218
2021-2025	155,000	158,885	313,885
2026-2030	205,000	103,074	308,074
2031-2033	220,000	28,663	248,663
Total	<u>\$ 860,000</u>	<u>\$ 958,521</u>	<u>\$ 1,818,521</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Community Facilities District No. 2002-1

In October 2002, the Community Facilities District No. 2002-1 of the Meniffee Union School District issued Special Tax Bonds in the amount of \$4,590,000 with interest rates ranging from 2.6 percent to 6.4 percent. At June 30, 2005, the principal outstanding balance was \$4,535,000. The bonds mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 60,000	\$ 274,693	\$ 334,693
2007	65,000	272,523	337,523
2008	70,000	269,792	339,792
2009	70,000	266,650	336,650
2010	75,000	263,205	338,205
2011-2015	425,000	1,253,139	1,678,139
2016-2020	560,000	1,111,754	1,671,754
2021-2025	760,000	908,487	1,668,487
2026-2030	1,035,000	626,626	1,661,626
2031-2034	1,415,000	237,600	1,652,600
Total	<u>\$ 4,535,000</u>	<u>\$ 5,484,469</u>	<u>\$ 10,019,469</u>

### Community Facilities District No. 2002-2

In August 2004, the Community Facilities District No. 2002-2 of the Meniffee Union School District issued Special Tax Bonds in the amount of \$8,250,000. Interest rates range from 2.75 percent to 5.85 percent. At June 30, 2005, the principal outstanding balance was \$8,250,000. The bonds mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ -	\$ 468,630	\$ 468,630
2007	130,000	466,842	596,842
2008	135,000	462,827	597,827
2009	140,000	458,045	598,045
2010	145,000	452,590	597,590
2011-2015	830,000	2,156,709	2,986,709
2016-2020	1,060,000	1,916,155	2,976,155
2021-2025	1,405,000	1,562,879	2,967,879
2026-2030	1,880,000	1,069,285	2,949,285
2031-2034	2,525,000	403,362	2,928,362
Total	<u>\$ 8,250,000</u>	<u>\$ 9,417,324</u>	<u>\$ 17,667,324</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Community Facilities District No. 2002-3

In July 2003, the Community Facilities District No. 2002-3 of the Menifee Union School District issued Special Tax Bonds in the amount of \$3,885,000 with interest rates ranging from 2.40 to 5.9 percent. At June 30, 2005, the principal outstanding was \$3,885,000. The Bond matures through 2033 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 65,000	\$ 211,008	\$ 276,008
2007	65,000	209,253	274,253
2008	70,000	207,053	277,053
2009	70,000	204,428	274,428
2010	75,000	201,452	276,452
2011-2015	420,000	952,592	1,372,592
2016-2020	530,000	833,412	1,363,412
2021-2025	700,000	663,455	1,363,455
2026-2030	930,000	426,663	1,356,663
2031-2033	960,000	117,115	1,077,115
Total	<u>\$ 3,885,000</u>	<u>\$ 4,026,431</u>	<u>\$ 7,911,431</u>

### Community Facilities District No. 2002-4

In December 2004, the Community Facilities District No. 2002-4 of the Menifee Union School District issued Special Tax Bonds in the amount of \$2,405,000. Interest rates range from 2.40 percent to 5.52 percent. At June 30, 2005, the principal outstanding balance was \$2,405,000. The bonds mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ -	\$ 118,975	\$ 118,975
2007	45,000	118,435	163,435
2008	45,000	117,288	162,288
2009	45,000	116,005	161,005
2010	45,000	114,576	159,576
2011-2015	265,000	544,100	809,100
2016-2020	325,000	479,894	804,894
2021-2025	410,000	388,609	798,609
2026-2030	530,000	265,570	795,570
2031-2034	695,000	99,689	794,689
Total	<u>\$ 2,405,000</u>	<u>\$ 2,363,141</u>	<u>\$ 4,768,141</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Community Facilities District No. 2002-5

In December 2004, the Community Facilities District No. 2002-5 of the Menifee Union School District issued Special Tax Bonds in the amount of \$6,195,000. Interest rates range from 2.40 percent to 5.52 percent. At June 30, 2005, the principal outstanding balance was \$6,195,000. The bonds mature through 2035 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ -	\$ 306,561	\$ 306,561
2007	110,000	305,242	415,242
2008	115,000	302,369	417,369
2009	120,000	299,016	419,016
2010	120,000	295,206	415,206
2011-2015	675,000	1,402,881	2,077,881
2016-2020	835,000	1,238,530	2,073,530
2021-2025	1,060,000	1,004,010	2,064,010
2026-2030	1,375,000	683,702	2,058,702
2031-2035	1,785,000	255,613	2,040,613
Total	<u>\$ 6,195,000</u>	<u>\$ 6,093,130</u>	<u>\$ 12,288,130</u>

### Community Facilities District No. 2003-1

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

Year Ending June 30,	Principal	Interest	Total
2006	\$ -	\$ 123,292	\$ 123,292
2007	40,000	113,895	153,895
2008	40,000	112,845	152,845
2009	40,000	111,695	151,695
2010	45,000	110,342	155,342
2011-2015	235,000	525,745	760,745
2016-2020	295,000	467,869	762,869
2021-2025	375,000	385,458	760,458
2026-2030	475,000	274,384	749,384
2031-2035	625,000	127,305	752,305
2036	145,000	3,915	148,915
Total	<u>\$ 2,315,000</u>	<u>\$ 2,356,745</u>	<u>\$ 4,671,745</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**Community Facilities District No. 2003-3**

In October 2003, the Community Facilities District No. 2003-3 of the Menifee Union School District issued Special Tax Bonds in the amount of \$2,445,000 with interest rates ranging from 2.0 percent to 6.0 percent. At June 30, 2005, the principal outstanding balance was \$2,445,000. The bonds mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 45,000	\$ 130,694	\$ 175,694
2007	45,000	129,749	174,749
2008	45,000	128,635	173,635
2009	45,000	127,319	172,319
2010	45,000	125,811	170,811
2011-2015	260,000	598,570	858,570
2016-2020	335,000	526,628	861,628
2021-2025	435,000	420,538	855,538
2026-2030	585,000	271,972	856,972
2031-2034	605,000	75,150	680,150
Total	<u>\$ 2,445,000</u>	<u>\$ 2,535,066</u>	<u>\$ 4,980,066</u>

**Community Facilities District No. 2004-3**

In January 2005, the Community Facilities District No. 2004-3 of the Menifee Union School District issued Special Tax Bonds in the amount of \$4,160,000. Interest rates range from 2.40 percent to 5.50 percent. At June 30, 2005, the principal outstanding balance was \$4,160,000. The bonds mature through 2035 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ -	\$ 228,758	\$ 228,758
2007	70,000	208,178	278,178
2008	75,000	206,325	281,325
2009	75,000	204,206	279,206
2010	75,000	201,844	276,844
2011-2015	420,000	962,820	1,382,820
2016-2020	525,000	857,900	1,382,900
2021-2025	665,000	709,508	1,374,508
2026-2030	860,000	507,258	1,367,258
2031-2035	1,395,000	241,587	1,636,587
Total	<u>\$ 4,160,000</u>	<u>\$ 4,328,384</u>	<u>\$ 8,488,384</u>

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Community Facilities District No. 2004-4

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

Year Ending June 30,	Principal	Interest	Total
2006	\$ -	\$ 107,958	\$ 107,958
2007	-	124,968	124,968
2008	40,000	124,368	164,368
2009	45,000	123,014	168,014
2010	45,000	121,450	166,450
2011-2015	250,000	578,703	828,703
2016-2020	315,000	514,320	829,320
2021-2025	405,000	423,252	828,252
2026-2030	525,000	300,310	825,310
2031-2035	675,000	139,339	814,339
2036	160,000	4,360	164,360
Total	<u>\$ 2,460,000</u>	<u>\$ 2,562,042</u>	<u>\$ 5,022,042</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2005, amounted to \$157,074.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 9 – FUND BALANCES**

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

	General Fund	Building Fund	Capital Facilities Fund	Capital Projects Blended Component Fund	Non-Major Governmental Funds	Total
<b>Reserved</b>						
Revolving cash	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ 2,500
Stores inventory	-	-	-	-	16,176	16,176
Prepaid expenditures	-	-	-	-	-	-
Restricted programs	54,516	-	-	-	-	54,516
<b>Total Reserved</b>	<b>57,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,176</b>	<b>73,192</b>
<b>Unreserved</b>						
<b>Designated</b>						
Economic uncertainties	2,686,973	-	-	-	217,621	2,904,594
Other designation	2,998,404	8,410,056	26,645,685	-	262,239	38,316,384
<b>Total Designated</b>	<b>5,685,377</b>	<b>8,410,056</b>	<b>26,645,685</b>	<b>-</b>	<b>479,860</b>	<b>41,220,978</b>
<b>Undesignated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,035,842</b>	<b>7,160,853</b>	<b>29,196,695</b>
<b>Total Unreserved</b>	<b>5,685,377</b>	<b>8,410,056</b>	<b>26,645,685</b>	<b>22,035,842</b>	<b>7,640,713</b>	<b>70,417,673</b>
<b>Total</b>	<b>\$5,742,393</b>	<b>\$8,410,056</b>	<b>\$26,645,685</b>	<b>\$22,035,842</b>	<b>\$ 7,656,889</b>	<b>\$70,490,865</b>

**NOTE 10 – EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2005, the following District major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
County School Facilities Fund	<u>\$6,028,735</u>	<u>\$6,247,301</u>	<u>\$218,566</u>

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005**

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### **NOTE 11 – RISK MANAGEMENT**

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

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

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

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

#### **STRS**

##### **Plan Description**

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

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal year ending June 30, 2005, 2004, and 2003 were \$1,746,451, \$1,514,588, and \$1,413,678, respectively, and equal 100 percent of the required contributions for each year.



# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **PERS**

#### **Plan Description**

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

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2004-2005 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2005, 2004, and 2003 were \$483,130, \$439,865, and \$101,028, respectively, and equal 100 percent of the required contributions for each year.

#### **On Behalf Payments**

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$965,557 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2005. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

### **NOTE 13 – 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, 2005.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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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, 2005.

### Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Elementary #7	\$ 11,607,942	06/30/06
Elementary #6	681,157	11/01/05
Modernization	1,179,482	02/01/06
Modernization	127,000	12/01/05
	<u>\$ 13,642,098</u>	

### NOTE 14 – PARTICIPATION IN JOINT POWER AUTHORITIES

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

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

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

During the year ended June 30, 2005, the District made payments of \$195,186 to RSIA and \$3,465,678 to SISC III for insurance.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005**

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### **NOTE 15 – SUBSEQUENT EVENTS**

Community Facilities Districts No 2003-4 and 2004-2 issued Special Tax Bonds. The Bonds are issued under the Mello-Roos Community Facilities Act of 1982 as follows:

On July 14, 2005, Community Facilities District No. 2003-4 issued \$2,580,000. Scheduled maturities begin September 1, 2007, occurring annually until September 1, 2035. Bond interest rates begin at 3.05 percent for the 2007 maturity and rise to 5.20 percent on the September 1, 2035 maturity.

On August 3, 2005, Community Facilities District 2004-2 issued \$4,480,000. Scheduled maturities begin September 1, 2008, occurring annually until September 1, 2035. Bond interest rates begin at 3.50 percent for the 2008 maturity and rise to 5.25 percent on the September 1, 2035 maturity.

In each case the purpose of the bonds is for acquisition and construction of school facilities to be owned and operated by the district for the benefit of the property in each community facilities district.

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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, 2005**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$28,755,728	\$29,334,741	\$ 29,453,173	\$ (118,432)
Federal sources	1,317,166	1,742,146	1,578,736	163,410
Other State sources	4,425,065	5,433,968	6,308,798	(874,830)
Other local sources	2,874,926	2,995,326	3,127,957	(132,631)
<b>Total Revenues</b>	<b>37,372,885</b>	<b>39,506,181</b>	<b>40,468,664</b>	<b>(962,483)</b>
<b>EXPENDITURES</b>				
Current				
Instruction	25,467,640	27,585,539	27,688,980	(103,441)
Instruction-related activities:				
Supervision of instruction	754,131	888,045	857,160	30,885
Instructional library, media, and technology	320,361	444,887	407,166	37,721
School site administration	2,865,868	2,928,379	2,921,693	6,686
Pupil services:				
Home-to-school transportation	1,307,890	1,367,890	1,299,147	68,743
All other pupil services	937,117	1,002,116	937,201	64,915
General administration:				
Data processing	471,791	479,107	540,580	(61,473)
All other general administration	2,028,202	2,217,737	2,151,150	66,587
Plant services	4,320,192	3,934,005	3,829,625	104,380
Facility acquisition and construction	-	26,291	26,291	-
<b>Total Expenditures</b>	<b>38,473,192</b>	<b>40,873,996</b>	<b>40,658,993</b>	<b>215,003</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(1,100,307)</b>	<b>(1,367,815)</b>	<b>(190,329)</b>	<b>(1,177,486)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	60,000	(60,000)
Transfers out	(105,000)	-	(331,728)	(331,728)
<b>Net Financing Sources (Uses)</b>	<b>(105,000)</b>	<b>-</b>	<b>(271,728)</b>	<b>(391,728)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,205,307)</b>	<b>(1,367,815)</b>	<b>(462,057)</b>	<b>(1,569,214)</b>
<b>Fund Balance - Beginning</b>	<b>6,204,450</b>	<b>6,204,450</b>	<b>6,204,450</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,999,143</b>	<b>\$ 4,836,635</b>	<b>\$ 5,742,393</b>	<b>\$ (1,569,214)</b>

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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, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Title I, Part A, Basic Grants Low-Income and Neglected [1]	84.010	04329	\$ 589,380
Title II, Part A, Teacher Quality	84.367	04341	155,327
Title II, Part D, Enhancing Education Through Technology	84.318	04335	655
Title III, Limited English Proficiency (LEP) Student Program	84.365	00084	52,428
Title IV, Part A, Drug-Free Schools	84.186	04347	20,457
Title V, Part A, Innovative Education Strategies	84.298	04354	19,422
Special Education			
Basic Local Assistance Entitlement	84.027	03379	620,828
Preschool Grants	84.173	03430	23,282
Preschool Local Entitlements	84.027A	03682	40,763
Local Staff Development Grant	84.027A	03613	1,343
Low-Incidence Entitlement	84.027A	03459	8,615
Total U.S. Department of Education			<u>1,532,500</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>			
Medi-Cal Billing Option	93.778	00013	314
Medi-Cal Administrative Activities	93.778	00013	4,500
Total U.S. Department of Health and Human Resources			<u>4,814</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
National School Lunch Program [1]	10.555	04198	519,753
Especially Needy Breakfast [1]	10.553	04198	47,474
Total U.S. Department of Agriculture			<u>567,227</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,104,541</u></u>

[1] Tested as a major program.

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2005

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	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	601	609
First through third	1,969	1,989
Fourth through sixth	2,099	2,114
Seventh and eighth	1,424	1,433
Opportunity schools	10	11
Home and hospital	2	2
Special education	115	116
Total Elementary	<u>6,220</u>	<u>6,274</u>
 SUMMER SCHOOL HOURS		
Elementary		<u>57,716</u>

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2005

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Grade Level	1982-83	1986-87	2004-05	Number of Days	Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Multitrack Calendar	
Kindergarten	31,500	36,000	38,055	177	Complied
Grades 1 - 3	50,750	50,400	52,639	177	Complied
Grades 4 - 6	50,750	54,000	54,409	177	Complied
Grades 7 - 8	50,750	54,000	56,334	177	Complied

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2005.

Summarized below are the Form Debt reconciliations between the Unaudited Actual Financial Report, and the audited financial statements:

**FORM DEBT**

Total Liabilities, June 30, 2005, Unaudited Actuals	\$ 69,433,597
Increase in:	
General Obligation Bond Debt Accretion	36,550
Premium on General Obligation Bond Issuance	<u>187,039</u>
Total Liabilities, June 30, 2005, Audited Financial Statement	<u><u>\$ 69,657,186</u></u>

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	(Budget) 2006 <sup>1</sup>	2005	2004	2003
<b>GENERAL FUND</b>				
Revenues	\$ 44,186,124	\$ 40,468,664	\$ 35,078,563	\$ 30,076,028
Other sources	-	60,000	60,000	101,000
Total Revenues and Other Sources	44,186,124	40,528,664	35,138,563	30,177,028
Expenditures	44,804,177	40,658,993	34,506,770	28,180,291
Other uses and transfers out	105,000	331,728	287,272	690,574
Total Expenditures and Other Uses	44,909,177	40,990,721	34,794,042	28,870,865
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>	\$ (723,053)	\$ (462,057)	\$ 344,521	\$ 1,306,163
<b>ENDING FUND BALANCE</b>	\$ 5,019,340	\$ 5,742,393	\$ 6,204,450	\$ 4,794,074
<b>AVAILABLE RESERVES<sup>2,3</sup></b>	\$ 1,963,920	\$ 2,686,973	\$ 2,691,007	\$ 1,461,676
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b>	4.37%	6.71%	7.73%	5.06%
<b>LONG-TERM DEBT</b>	Not Applicable	\$ 69,657,186	\$ 38,193,927	\$ 12,407,051
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	6,826	6,220	5,675	4,798

The General Fund balance has increased by \$948,319 over the past two years. The fiscal year 2005-2006 budget projects a decrease of \$723,053 (13 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 deficits in one of the past three years and anticipates incurring an operating deficit during the 2005-2006 fiscal year. Total long-term debt has increased by \$57,250,135 over the past two years.

Average daily attendance has increased by 1,422 over the past two years. Additional growth of 606 ADA is anticipated during fiscal year 2005-2006.

<sup>1</sup> Budget 2006 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On-behalf payments of \$965,557 have been excluded from the calculation of available reserves for fiscal year ending June 30, 2005.

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005

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### NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

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

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

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

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

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

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

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

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



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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2005**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 35,117	\$ 166,756	\$ 229,572
Receivables	263	124,371	1,338
Due from other funds	1,399	7,554	-
Stores inventories	-	16,176	-
<b>Total Assets</b>	<b>\$ 36,779</b>	<b>\$ 314,857</b>	<b>\$ 230,910</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	3,577	34,875	33,542
Due to other funds	705	46,185	-
<b>Total Liabilities</b>	<b>4,282</b>	<b>81,060</b>	<b>33,542</b>
<b>Fund Balances:</b>			
Reserved for:			
Stores inventories	-	16,176	-
Unreserved:			
Designated	32,497	217,621	197,368
Undesignated, reported in:			
Debt service funds	-	-	-
<b>Total Fund Balance</b>	<b>32,497</b>	<b>233,797</b>	<b>197,368</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 36,779</b>	<b>\$ 314,857</b>	<b>\$ 230,910</b>

See accompanying note to supplementary information - unaudited.

<b>Special Reserve Fund for Other than Capital Outlay</b>	<b>Bond Interest and Redemption Fund</b>	<b>Debt Service for Blended Component Units</b>	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 32,142	\$ 654,919	\$ 5,897,229	\$ 608,705	\$ 7,624,440
232	-	-	-	126,204
-	-	-	-	8,953
-	-	-	-	16,176
<u>\$ 32,374</u>	<u>\$ 654,919</u>	<u>\$ 5,897,229</u>	<u>\$ 608,705</u>	<u>\$ 7,775,773</u>
-	-	-	-	71,994
-	-	-	-	46,890
-	-	-	-	118,884
-	-	-	-	16,176
32,374	-	-	-	479,860
-	654,919	5,897,229	608,705	7,160,853
<u>32,374</u>	<u>654,919</u>	<u>5,897,229</u>	<u>608,705</u>	<u>7,656,889</u>
<u>\$ 32,374</u>	<u>\$ 654,919</u>	<u>\$ 5,897,229</u>	<u>\$ 608,705</u>	<u>\$ 7,775,773</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 567,227	\$ -
Other State sources	312,117	32,946	198,882
Other local sources	577	918,494	2,815
<b>Total Revenues</b>	<b>312,694</b>	<b>1,518,667</b>	<b>201,697</b>
<b>EXPENDITURES</b>			
Current			
Instruction	191,892	-	-
Instruction-related activities:			
Supervision of instruction	87,246	-	-
Pupil Services:			
Food services	-	1,317,137	-
All other pupil services	3,555	-	-
General administration:			
All other general administration	9,652	45,573	-
Plant services	-	-	390,215
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>292,345</b>	<b>1,362,710</b>	<b>390,215</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>20,349</b>	<b>155,957</b>	<b>(188,518)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	326,528
Other sources	-	-	-
Transfers out	-	-	-
Other uses	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>326,528</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>20,349</b>	<b>155,957</b>	<b>138,010</b>
<b>Fund Balance - Beginning</b>	<b>12,148</b>	<b>77,840</b>	<b>59,358</b>
<b>Fund Balance - Ending</b>	<b>\$ 32,497</b>	<b>\$ 233,797</b>	<b>\$ 197,368</b>

See accompanying note to supplementary information - unaudited.

<b>Special Reserve Fund for Other than Capital Outlay</b>	<b>Bond Interest and Redemption Fund</b>	<b>Debt Service for Blended Component Units</b>	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 567,227
-	14,552	-	-	558,497
1,084	692,431	1,468,830	101,813	3,186,044
1,084	706,983	1,468,830	101,813	4,311,768
-	-	-	-	191,892
-	-	-	-	87,246
-	-	-	-	1,317,137
-	-	-	-	3,555
-	-	-	-	55,225
-	-	-	-	390,215
-	115,000	210,000	-	325,000
-	395,083	1,578,238	816,956	2,790,277
-	510,083	1,788,238	816,956	5,160,547
1,084	196,900	(319,408)	(715,143)	(848,779)
-	8,252	66,879	473,905	875,564
-	32,808	3,511,599	8,135,000	11,679,407
(60,000)	-	(366,324)	-	(426,324)
-	-	-	(7,905,734)	(7,905,734)
(60,000)	41,060	3,212,154	703,171	4,222,913
(58,916)	237,960	2,892,746	(11,972)	3,374,134
91,290	416,959	3,004,483	620,677	4,282,755
\$ 32,374	\$ 654,919	\$ 5,897,229	\$ 608,705	\$ 7,656,889

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED  
JUNE 30, 2005**

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**NOTE 1 – PURPOSE OF SCHEDULES**

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

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

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***OTHER SUPPLEMENTARY INFORMATION -  
UNAUDITED***

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT  
CAPITAL PROJECTS FOR BLENDED COMPONENT UNITS  
COMBINING BALANCE SHEET – UNAUDITED  
JUNE 30, 2005**

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	<u>CFD 99-1 (Zone 1 A&amp;B)</u>	<u>CFD 99-1 (2003 Series)</u>	<u>CFD 2002-1 (2002 Series)</u>	<u>CFD 2002-2 (2004 Series)</u>	<u>CFD 2002-3 (2003 Series)</u>
<b>ASSETS</b>					
Deposits and investments	<u>\$ 2,193,897</u>	<u>\$ 3,101,651</u>	<u>\$ 1,598,627</u>	<u>\$ 6,876,016</u>	<u>\$ 318,860</u>
<b>FUND BALANCE</b>					
Designated	<u>\$ 2,193,897</u>	<u>\$ 3,101,651</u>	<u>\$ 1,598,627</u>	<u>\$ 6,876,016</u>	<u>\$ 318,860</u>

See accompanying note to other supplementary information - unaudited.



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<b>CFD 2002-4 (2004 Series)</b>	<b>CFD 2002-5 (2004 Series)</b>	<b>CFD 2003-1 (2005 Series)</b>	<b>CFD 2003-3 (2003 Series)</b>	<b>CFD 2004-3 (2003 Series)</b>	<b>CFD 2004-4 (2003 Series)</b>	<b>Total Capital Projects Blended Component Units</b>
<u>\$ 1,401,657</u>	<u>\$ 2,375,569</u>	<u>\$ 1,772,594</u>	<u>\$ 98,457</u>	<u>\$ 655,726</u>	<u>\$ 1,642,788</u>	<u>\$ 22,035,842</u>
<u>\$ 1,401,657</u>	<u>\$ 2,375,569</u>	<u>\$ 1,772,594</u>	<u>\$ 98,457</u>	<u>\$ 655,726</u>	<u>\$ 1,642,788</u>	<u>\$ 22,035,842</u>

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT  
CAPITAL PROJECTS FOR BLENDED COMPONENT UNITS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>CFD 99-1 (Zone 1 A&amp;B)</b>	<b>CFD 99-1 (2003 Series)</b>	<b>CFD 2002-1 (2002 Series)</b>	<b>CFD 2002-2 (2004 Series)</b>	<b>CFD 2002-3 (2003 Series)</b>
<b>REVENUES</b>					
Other local sources	\$ 33,169	\$ 49,205	\$ 31,208	\$ 94,014	\$ 12,701
<b>Total Revenues</b>	<b>33,169</b>	<b>49,205</b>	<b>31,208</b>	<b>94,014</b>	<b>12,701</b>
<b>EXPENDITURES</b>					
Facility acquisition and construction	73,799	32,088	902,235	376,494	1,528,170
<b>Total Expenditures</b>	<b>73,799</b>	<b>32,088</b>	<b>902,235</b>	<b>376,494</b>	<b>1,528,170</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(40,630)</b>	<b>17,117</b>	<b>(871,027)</b>	<b>(282,480)</b>	<b>(1,515,469)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	55,855	40,151	36,609	5,292	224,094
Other sources				7,153,204	-
Transfers out	-	(66,871)	-	-	(8)
<b>Net Other Financing Sources (Uses)</b>	<b>55,855</b>	<b>(26,720)</b>	<b>36,609</b>	<b>7,158,496</b>	<b>224,086</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>15,225</b>	<b>(9,603)</b>	<b>(834,418)</b>	<b>6,876,016</b>	<b>(1,291,383)</b>
<b>Fund Balance - Beginning</b>	<b>2,178,672</b>	<b>3,111,254</b>	<b>2,433,045</b>	<b>-</b>	<b>1,610,243</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,193,897</b>	<b>\$ 3,101,651</b>	<b>\$ 1,598,627</b>	<b>\$ 6,876,016</b>	<b>\$ 318,860</b>

See accompanying note to other supplementary information - unaudited.

CFD 2002-4 (2004 Series)	CFD 2002-5 (2004 Series)	CFD 2003-1 (2005 Series)	CFD 2003-3 (2003 Series)	CFD 2004-3 (2003 Series)	CFD 2004-4 (2003 Series)	Total Capital Projects Blended Component Units
\$ 186,615	\$ 34,292	\$ 12,641	\$ 1,652	\$ 329,797	\$ 5,321	\$ 790,615
186,615	34,292	12,641	1,652	329,797	5,321	790,615
769,309	3,219,963	276,492	23,756	3,113,587	465,389	10,781,282
769,309	3,219,963	276,492	23,756	3,113,587	465,389	10,781,282
(582,694)	(3,185,671)	(263,851)	(22,104)	(2,783,790)	(460,068)	(9,990,667)
616	1,589	1,077	112	929	-	366,324
1,983,735	5,559,651	2,035,368	-	3,438,587	2,102,856	22,273,401
-	-	-	-	-	-	(66,879)
1,984,351	5,561,240	2,036,445	112	3,439,516	2,102,856	22,572,846
1,401,657	2,375,569	1,772,594	(21,992)	655,726	1,642,788	12,582,179
-	-	-	120,449	-	-	9,453,663
\$ 1,401,657	\$ 2,375,569	\$ 1,772,594	\$ 98,457	\$ 655,726	\$ 1,642,788	\$ 22,035,842

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT  
DEBT SERVICE BLENDED COMPONENT UNITS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2005**

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	<u>CFD 99-1 (Zone 1 A&amp;B)</u>	<u>CFD 99-1 (2003 Series)</u>	<u>CFD 2002-1 (2002 Series)</u>	<u>CFD 2002-2 (2004 Series)</u>	<u>CFD 2002-3 (2003 Series)</u>
<b>ASSETS</b>					
Deposits and investments	<u>\$ 605,512</u>	<u>\$ 720,903</u>	<u>\$ 542,299</u>	<u>\$ 846,064</u>	<u>\$ 499,482</u>
<b>FUND BALANCE</b>					
Designated	<u>\$ 605,512</u>	<u>\$ 720,903</u>	<u>\$ 542,299</u>	<u>\$ 846,064</u>	<u>\$ 499,482</u>

See accompanying note to other supplementary information - unaudited.

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<b>CFD 2002-4 (2004 Series)</b>	<b>CFD 2002-5 (2004 Series)</b>	<b>CFD 2003-1 (2005 Series)</b>	<b>CFD 2003-3 (2003 Series)</b>	<b>CFD 2004-3 (2003 Series)</b>	<b>CFD 2004-4 (2003 Series)</b>	<b>Total Debt Service Blended Component Units</b>
\$ 421,742	\$ 578,228	\$ 280,545	\$ 318,317	\$ 726,012	\$ 358,125	\$ 5,897,229
\$ 421,742	\$ 578,228	\$ 280,545	\$ 318,317	\$ 726,012	\$ 358,125	\$ 5,897,229

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT  
DEBT SERVICE BLENDED COMPONENT UNITS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2005**

	CFD 99-1 (Zone 1 A&B)	CFD 99-1 (2003 Series)	CFD 2002-1 (2002 Series)	CFD 2002-2 (2004 Series)	CFD 2002-3 (2003 Series)
<b>REVENUES</b>					
Other local sources	\$ 415,508	\$ 125,615	\$ 338,613	\$ 13,608	\$ 333,202
<b>Total Revenues</b>	<u>415,508</u>	<u>125,615</u>	<u>338,613</u>	<u>13,608</u>	<u>333,202</u>
<b>EXPENDITURES</b>					
Current					
Debt service					
Principal	65,000	90,000	55,000	-	-
Interest and other	281,210	337,118	276,368	259,048	211,788
<b>Total Expenditures</b>	<u>346,210</u>	<u>427,118</u>	<u>331,368</u>	<u>259,048</u>	<u>211,788</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>69,298</u>	<u>(301,503)</u>	<u>7,245</u>	<u>(245,440)</u>	<u>121,414</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	66,871	-	-	8
Other sources	-	-	-	1,096,796	-
Transfers out	(55,855)	(40,151)	(36,609)	(5,292)	(224,094)
<b>Net Other Financing Sources (Uses)</b>	<u>(55,855)</u>	<u>26,720</u>	<u>(36,609)</u>	<u>1,091,504</u>	<u>(224,086)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>13,443</u>	<u>(274,783)</u>	<u>(29,364)</u>	<u>846,064</u>	<u>(102,672)</u>
<b>Fund Balance - Beginning</b>	592,069	995,686	571,663		602,154
<b>Fund Balance - Ending</b>	<u>\$ 605,512</u>	<u>\$ 720,903</u>	<u>\$ 542,299</u>	<u>\$ 846,064</u>	<u>\$ 499,482</u>

See accompanying note to other supplementary information - unaudited.

CFD 2002-4 (2004 Series)	CFD 2002-5 (2004 Series)	CFD 2003-1 (2005 Series)	CFD 2003-3 (2003 Series)	CFD 2004-3 (2003 Series)	CFD 2004-4 (2003 Series)	Total Debt Service Blended Component Units
\$ 23,897	\$ 3,226	\$ 1,990	\$ 206,662	\$ 5,528	\$ 981	\$ 1,468,830
23,897	3,226	1,990	206,662	5,528	981	1,468,830
-	-	-	-	-	-	210,000
22,804	58,758	-	131,144	-	-	1,578,238
22,804	58,758	-	131,144	-	-	1,788,238
1,093	(55,532)	1,990	75,518	5,528	981	(319,408)
-	-	-	-	-	-	66,879
421,265	635,349	279,632	-	721,413	357,144	3,511,599
(616)	(1,589)	(1,077)	(112)	(929)	-	(366,324)
420,649	633,760	278,555	(112)	720,484	357,144	3,212,154
421,742	578,228	280,545	75,406	726,012	358,125	2,892,746
-	-	-	242,911	-	-	3,004,483
\$ 421,742	\$ 578,228	\$ 280,545	\$ 318,317	\$ 726,012	\$ 358,125	\$ 5,897,229

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **NOTE TO OTHER SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2005**

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### **NOTE 1 – PURPOSE OF SCHEDULES**

#### **Community Facilities District - Capital Project for Blended Component Units and Debt Service Blended Component Units – Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Unaudited**

These statements provide detail information on each Community Facilities District funds. These funds are reported here in detail and reported in a condensed form in the combining statements. Each fund was evaluated individually to determine if they met the criteria to be included in the major-fund reporting section of this report. If any of these funds had met this criteria they would be reported there, if not they are included in the combining statements of Community Facilities Districts Capital Project for Blended Component Units and Debt Service for Blended Component Units.



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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, 2005, which collectively comprise the Menifee Union Elementary School District's basic financial statements and have issued our report thereon dated September 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Menifee Union Elementary School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Menifee Union Elementary School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Menifee Union Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is 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.

Vavrenik, Tume, Day & Co., LLP

Rancho Cucamonga, California  
September 23, 2005



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

Governing Board  
Menifee Union Elementary School District  
Menifee, California

**Compliance**

We have audited the compliance of Menifee Union Elementary School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. Menifee Union Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Menifee Union Elementary School District's management. Our responsibility is to express an opinion on Menifee Union Elementary School District's compliance based on our audit.

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

In our opinion, Menifee Union Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as item 2005-2.

## Internal Control Over Compliance

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

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

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

*Vavrenik, Teme, Day & Co., LLP*

Rancho Cucamonga, California  
September 23, 2005



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Menifee Union Elementary School District  
 Menifee, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee Union Elementary School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 23, 2005. 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 *2004-05 Standards and Procedures for Audits of California K-12 Local Educational Agencies* prescribed in the California Code of Regulations, Title 5, Section 19810 and following. 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 opinion.

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

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	22	Not Applicable
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional time and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school servicing K-3	4	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	2	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes

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

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

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

Rancho Cucamonga, California  
September 23, 2005



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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, 2005**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553 and 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

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

**STATE AWARDS**

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

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

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

2005-1 30000

### CAPITAL ASSETS

#### Findings

During our audit of the Districts capital assets we noted the following:

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

#### Recommendation

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

#### District Response

The District has developed Capital Asset Accounting Procedures which include proper coding and treatment of asset records. Specific object codes, class codes and depreciation along with estimated useful lives are detailed. A reconciliation form has also been developed to reconcile the capital asset system to the District's financial ledger on a monthly basis. The procedures require that manual adjustments not be made without discussion between both the Purchasing and Business Departments to ensure changes are handled properly on both sides in maintaining the integrity of the reconciliation for year end.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## FEDERAL FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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

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

2005-2    50000

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

#### **Finding**

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

#### **Recommendation**

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

#### **District Response**

Upon contacting the grantor agency, the response provided from Title I staff at CDE indicated no corrective action was necessary for fiscal year 2004-05. The District has correctly identified the eligible sites on the 2005-06 Consolidated Application.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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None reported.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

*Financial Statement Findings*

**2004-1     30000**

**CAPITAL ASSETS – MATERIAL WEAKNESS**

*District*

**Finding**

The District has not accounted for the additions and deletions within the fixed asset system during the year. During the year, the District switched to a County run fixed assets system; during this transition it was noted that many items within the fixed asset system were either improperly recorded or assets lives were not properly stated. Furthermore, it was noted during testing of the fixed asset system that the District is including items under the Board approved \$5,000 capitalization threshold. Due to the conversion, several errors were noted that resulted a restatement of balance beginning balance to the fixed assets at June 30, 2004.

**Recommendation**

The District should implement a process that insures that all capital assets of the District have been properly recorded on the Districts fixed asset ledger. The District should develop polices and procedures to verify that all accounts have been reconciled at year-end.

**Current Status**

Implemented

**2004-2     30000**

**CAPITAL ASSETS**

*Community Facilities District Disbursements*

**Finding**

We noted, when testing the internal control procedures of the Community Facility Districts internal control procedures, several transactions lacked approval of the Assistant Superintendent of Business. Several transactions also lacked payment request forms and approval by the Facilities Director.

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005**

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### **Recommendation**

During the audit, the District adopted and put in place procedures relating to CFD accounting and improving the set internal control structure. To strengthen internal controls over the purchasing function for the Community Facilities District, payment requests should be prepared prior to purchasing or ordering merchandise. All disbursements should be pre-approved by the Facilities Director and the Assistant Superintendent of Business, as specified by the District's CFD disbursement policies. In addition, payment requests should be accompanied by verification that the bank had received the request, such as fax transmittal confirmations or a fax log.

### **Current Status**

Implemented

