



**MENIFEE UNION ELEMENTARY  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2003**

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT  
OF RIVERSIDE COUNTY  
MENIFEE, CALIFORNIA  
JUNE 30, 2003**

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**GOVERNING BOARD**

| <u>MEMBER</u>       | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|---------------------|---------------|---------------------|
| Rita J. Peters      | President     | 2006                |
| Patricia Hanson     | Clerk         | 2004                |
| Victor Giardinelli  | Member        | 2004                |
| Chester W. Morrison | Member        | 2006                |
| Robert O'Donnell    | Member        | 2004                |

**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                          |

**ORGANIZATION**

The Meniffee Union Elementary School District was established on December 7, 1951, by combining the Meniffee and Antelope School Districts; and is comprised of an area of approximately 60 square miles located in Riverside County. There were no changes in the boundaries of the District during the current year. The District is currently operating four elementary schools and two intermediate schools.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## TABLE OF CONTENTS JUNE 30, 2003

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### ***FINANCIAL SECTION***

|   |    |
|---|----|
| Independent Auditors' Report  | 2  |
| Management's Discussion and Analysis  | 4  |
| Basic Financial Statements  |    |
| Government-Wide Financial Statements  |    |
| Statement of Net Assets   | 11 |
| Statement of Activities   | 12 |
| Fund Financial Statements   |    |
| Governmental Funds - Balance Sheet  | 13 |
| Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  | 14 |
| Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance   | 15 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities | 16 |
| Fiduciary Funds - Statement of Net Assets   | 17 |
| Notes to Financial Statements   | 18 |

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

|  |    |
|--|----|
| General Fund - Budgetary Comparison Schedule | 42 |
|--|----|

### ***SUPPLEMENTARY INFORMATION***

|  |    |
|--|----|
| Schedule of Expenditures of Federal Awards   | 44 |
| Schedule of Average Daily Attendance   | 45 |
| Schedule of Instructional Time   | 46 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 47 |
| Schedule of Financial Trends and Analysis  | 48 |
| Combining Statements - Non-Major Governmental Funds                                    |    |
| Combining Balance Sheet  | 49 |
| Combining Statements of Revenues, Expenditures, and Changes in Fund Balance            | 51 |
| Note to Supplementary Information  | 53 |

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

|   |    |
|---|----|
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 55 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133                                | 57 |
| Report on State Compliance  | 59 |

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

|   |    |
|---|----|
| Summary of Auditors' Results                | 62 |
| Financial Statement Findings                | 63 |
| Federal Award Findings and Questioned Costs | 65 |
| State Award Findings and Questioned Costs   | 66 |
| Summary Schedule of Prior Audit Findings    | 67 |
| Management Letter                           | 68 |

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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, the aggregate blended component units, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. 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.

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, 2003, 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.

As discussed in Note 1B to the financial statements, the District recognized certain deferred State appropriations as revenue in the current fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 34 for the year ended June 30, 2003. This results in a change to the format and content of the basic financial statements.

The required supplementary information, such as management's discussion and analysis on pages 4 through 10 and budgetary comparison information on page 42 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). 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 other 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.

*Vavrinek, Trimi, Day & Co, LLP*

Rancho Cucamonga, California  
September 19, 2003





# MENIFEE UNION SCHOOL DISTRICT

30205 Menifee Road, Menifee, California 92584  
(909) 672-1851 • FAX (909) 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 District's financial performance during the fiscal year that ended on June 30, 2003. 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 Number 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, 2003

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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, 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 District, 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, 2003

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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 \$57,361,981 million for the fiscal year ended June 30, 2003. Of this amount, \$26,625,618 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

|  | Governmental<br>Activities |
|--|----------------------------|
| Current and other assets                           | \$ 43,340,771              |
| Capital assets                                     | 48,226,011                 |
| <b>Total Assets</b>                                | <b>\$ 91,566,782</b>       |
| Current liabilities                                | \$ 2,366,816               |
| Long-term debt                                     | 31,837,985                 |
| <b>Total Liabilities</b>                           | <b>34,204,801</b>          |
| Net assets   |                            |
| Invested in capital assets,<br>net of related debt | 16,271,808                 |
| Restricted   | 14,464,555                 |
| Unrestricted                                       | 26,625,618                 |
| <b>Total Net Assets</b>                            | <b>\$ 57,361,981</b>       |

The \$26,625,618 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, 2003

### 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

|                                    | <u>Governmental<br/>Activities</u> |
|------------------------------------|------------------------------------|
| <b>Revenues</b>                    |                                    |
| Program revenues:                  |                                    |
| Charges for services               | \$ 1,427,140                       |
| Operating grants and contributions | 5,603,696                          |
| Capital grants and contributions   | 5,099,077                          |
| General revenues:                  |                                    |
| State revenue limit sources        | 27,898,583                         |
| Property taxes                     | 4,299,041                          |
| Other general revenues             | 3,290,767                          |
| <b>Total Revenues</b>              | <b>\$ 47,618,304</b>               |
| <b>Expenses</b>                    |                                    |
| Instruction related                | 24,605,797                         |
| Student support services           | 2,672,543                          |
| Administration                     | 1,672,904                          |
| Maintenance and operations         | 875,575                            |
| Other                              | 2,185,138                          |
| <b>Total Expenses</b>              | <b>32,011,957</b>                  |
| <b>Excess (Deficiency)</b>         | <b>15,606,347</b>                  |
| <b>Change in Net Assets</b>        | <b>\$ 15,606,347</b>               |

### Governmental Activities

As reported in the *Statement of Activities* on page 12, the cost of all of our governmental activities this year was \$32,011,957. However, \$19,882,044 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 (\$1,427,140) or by the other governments and organizations who subsidized certain programs with grants and contributions (\$10,702,773). Of the \$19,882,044, local taxpayers paid \$4,299,041.

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 other governmental activities. 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, 2003**

Table 3

|                                       | Total Cost<br>of Services | Net Cost<br>of Services * |
|---------------------------------------|---------------------------|---------------------------|
| Instruction                           | \$ 21,420,254             | \$ 12,462,854             |
| Instruction-related activities        | 3,185,543                 | 2,801,664                 |
| Home-to-school transportation         | 934,906                   | 528,540                   |
| Other pupil services                  | 1,737,637                 | 343,907                   |
| General administration                | 1,672,904                 | 1,436,217                 |
| Plant services                        | 401,611                   | 241,929                   |
| Facility acquisition and construction | 473,964                   | 473,964                   |
| Other                                 | 2,185,138                 | 1,592,969                 |
| <b>Totals</b>                         | <b>\$ 32,011,957</b>      | <b>\$ 19,882,044</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 \$41,521,733 as detailed below:

|                                    | Fund Balance<br>June 30, 2003 |
|------------------------------------|-------------------------------|
| General                            | \$ 5,859,929                  |
| Building                           | 9,438,467                     |
| Capital Facilities                 | 11,624,028                    |
| CFD 99-1, 2003 Series              | 4,950,910                     |
| Cafeteria                          | 75,524                        |
| Deferred Maintenance               | 354,025                       |
| Special Reserve (Non Capital)      | 68,561                        |
| Special Reserve (Capital Outlay)   | 81,143                        |
| CFD 99-1, Zone 1 A&B               | 2,787,734                     |
| CFD 2002-1                         | 3,474,071                     |
| Bond Interest and Redemption       | 62,771                        |
| CFD 99-1, 2003 Series Debt Service | 737,672                       |
| COP Debt Service                   | 635,164                       |
| CFD 99-1, Zone 1 A&B Debt Service  | 560,280                       |
| CFD 2002-1 Debt Service            | 811,454                       |
| <b>Totals</b>                      | <b>\$ 41,521,733</b>          |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

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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 2003. (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 42.)

- Revisions made to the 2002-2003 Budget were due to mid-year budget reductions announced by the Governor after the budget adoption.

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

#### Capital Assets

At June 30, 2003, the District had \$48,226,044 in a broad range of capital assets, including land, buildings, and furniture and equipment.

|                                  | Governmental<br>Activities |
|----------------------------------|----------------------------|
| Land and construction in process | \$ 7,801,404               |
| Buildings and improvements       | 40,059,366                 |
| Equipment                        | 365,241                    |
| <b>Totals</b>                    | <b>\$ 48,226,011</b>       |

This year's major additions included (in millions):

|   |                      |
|---|----------------------|
| Land  | \$ 1,798,000         |
| Completion of Freedom Crest Elementary School | 8,991,176            |
| Purchase of furniture and equipment           | 187,830              |
|   | <b>\$ 10,977,006</b> |

#### Long-term Debt

At the end of this year, the District had \$32,104,909 in long-term debt outstanding versus \$12,407,051 last year. Those long-term debt liabilities consisted of:

|   | Governmental<br>Activities |
|---|----------------------------|
| General obligation bonds (Financed with property taxes) | \$ 9,429,203               |
| Community facilities district                           | 14,895,000                 |
| Certificates of participation                           | 7,630,000                  |
| Other   | 150,706                    |
| <b>Totals</b>   | <b>\$ 32,104,909</b>       |

# **MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003**

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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 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$9,429,203 is significantly below this statutorily-imposed limit.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2002-2003***

#### **The District:**

- Completed construction of elementary school #5, Freedom Crest Elementary.
- Passed a general obligation bond election for \$14.5 million, the first successful District-wide bond election in the District's history.
- Formed three new Community Facilities Districts.

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

At the time these financial statements were prepared for printing, the District had been made aware of a severe deficit in the California state budget. This could affect the District's financial health in fiscal year 2003-2004, as well as subsequent years.

Although the budget for 2003-2004 will inevitably be changing, following are some of the key budget assumptions made at time of budget development:

- Average Daily Attendance projected at 5450, growth of 5 percent.
- Revenue Limit and Categorical COLA estimated at zero 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
- Salaries based on 2002-2003 salary schedule, plus step and column, plus one percent salary increase.
- Ten percent reductions in site and department budgets are continued into 2003-2004.
- An increase of \$1,000 added to H&W Cap increasing to \$7,400/FTE.

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

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2003

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets</b>                                   |                                    |
| Deposits and investments                        | \$ 39,851,750                      |
| Receivables                                     | 3,469,946                          |
| Stores inventories                              | 19,075                             |
| Capital assets                                  |                                    |
| Land and construction in process                | 7,801,404                          |
| Other capital assets                            | 48,500,393                         |
| Less: Accumulated depreciation                  | (8,075,786)                        |
| Total Capital Assets                            | <u>48,226,011</u>                  |
| <b>Total Assets</b>                             | <u><u>\$ 91,566,782</u></u>        |
| <b>Liabilities</b>                              |                                    |
| Accounts payable                                | 924,398                            |
| Accrued interest                                | 280,854                            |
| Deferred revenue                                | 894,640                            |
| Long-term liabilities                           |                                    |
| Current portion of long-term obligations        | 266,924                            |
| Noncurrent portion of long-term obligations     | <u>31,837,985</u>                  |
| Total Long-term Liabilities                     | <u>32,104,909</u>                  |
| <b>Total Liabilities</b>                        | <u><u>34,204,801</u></u>           |
| <b>Net Assets</b>                               |                                    |
| Invested in capital assets, net of related debt | 16,271,808                         |
| Restricted for:                                 |                                    |
| Debt service                                    | 2,807,341                          |
| Capital projects                                | 11,212,715                         |
| Educational programs                            | 444,499                            |
| Unrestricted                                    | <u>26,625,618</u>                  |
| <b>Total Net Assets</b>                         | <u><u>\$ 57,361,981</u></u>        |

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



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**2003 MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003**

| Functions/Programs                           | Expenses             | Program Revenues               |                                    |                                  |
|--|----------------------|--------------------------------|------------------------------------|----------------------------------|
|  |                      | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental Activities:</b>              |                      |                                |                                    |                                  |
| Instruction                                  | \$ 21,420,254        | \$ 27,675                      | \$ 3,830,648                       | \$ 5,099,077                     |
| Instruction-related activities:              |                      |                                |                                    |                                  |
| Supervision of instruction                   | 561,734              | -                              | 380,503                            | -                                |
| Instructional library, media, and technology | 434,978              | -                              | 3,376                              | -                                |
| School site administration                   | 2,188,831            | -                              | -                                  | -                                |
| Pupil services:                              |                      |                                |                                    |                                  |
| Home-to-school transportation                | 934,906              | 149,192                        | 257,174                            | -                                |
| Food services                                | 1,108,841            | 623,714                        | 480,197                            | -                                |
| All other pupil services                     | 628,796              | -                              | 289,819                            | -                                |
| General administration:                      |                      |                                |                                    |                                  |
| Data processing                              | 67,578               | -                              | -                                  | -                                |
| All other general administration             | 1,605,326            | 34,390                         | 202,297                            | -                                |
| Plant services                               | 401,611              | -                              | 159,682                            | -                                |
| Facility acquisition and construction        | 473,964              | -                              | -                                  | -                                |
| Interest on long-term debt                   | 874,656              | -                              | -                                  | -                                |
| Other outgo                                  | 209,775              | 592,169                        | -                                  | -                                |
| Depreciation (unallocated)                   | 1,100,707            | -                              | -                                  | -                                |
| <b>Total Governmental-Type Activities</b>    | <b>\$ 32,011,957</b> | <b>\$ 1,427,140</b>            | <b>\$ 5,603,696</b>                | <b>\$ 5,099,077</b>              |

General revenues and subventions:  
 Property taxes, levied for general purposes  
 Property taxes, levied for debt service  
 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.

---

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

---

**Governmental  
Activities**

---

|           |                     |
|-----------|---------------------|
| \$        | (12,462,854)        |
|           | (181,231)           |
|           | (431,602)           |
|           | (2,188,831)         |
|           | (528,540)           |
|           | (4,930)             |
|           | (338,977)           |
|           | (67,578)            |
|           | (1,368,639)         |
|           | (241,929)           |
|           | (473,964)           |
|           | (874,656)           |
|           | 382,394             |
|           | (1,100,707)         |
| <u>\$</u> | <u>(19,882,044)</u> |
|           | 4,092,240           |
|           | 206,801             |
|           | 27,898,583          |
|           | 318,656             |
|           | <u>2,972,111</u>    |
|           | <u>35,488,391</u>   |
|           | <u>15,606,347</u>   |
|           | 15,606,347          |
|           | 41,755,634          |
| <u>\$</u> | <u>57,361,981</u>   |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2003**

|  | <b>General<br/>Fund</b> | <b>Building<br/>Funds</b> | <b>Capital<br/>Facilities<br/>Fund</b> | <b>County School<br/>Facilities<br/>Fund</b> |
|--|-------------------------|---------------------------|--|--|
| <b>ASSETS</b>                                  |                         |                           |  |  |
| Deposits and investments                       | \$ 3,840,273            | \$ 9,429,203              | \$ 11,975,456                          | \$ 933                                       |
| Receivables                                    | 3,331,242               | 9,264                     | 43,131                                 | -  |
| Due from other funds                           | 61,467                  | -                         | 933                                    | -  |
| Stores inventories                             | -                       | -                         | -                                      | -  |
| <b>Total Assets</b>                            | <b>\$ 7,232,982</b>     | <b>\$ 9,438,467</b>       | <b>\$ 12,019,520</b>                   | <b>\$ 933</b>                                |
| <b>LIABILITIES AND FUND BALANCES</b>           |                         |                           |  |  |
| <b>Liabilities:</b>                            |                         |                           |  |  |
| Accounts payable                               | 476,904                 | -                         | 395,492                                | -  |
| Due to other funds                             | 1,509                   | -                         | -                                      | 933  |
| Deferred revenue                               | 894,640                 | -                         | -                                      | -  |
| <b>Total Liabilities</b>                       | <b>1,373,053</b>        | <b>-</b>                  | <b>395,492</b>                         | <b>933</b>                                   |
| <b>FUND BALANCES</b>                           |                         |                           |  |  |
| Reserved                                       | 446,999                 | -                         | -                                      | -  |
| Unreserved:                                    |                         |                           |  |  |
| Designated                                     | 4,418,260               | 9,438,467                 | 11,624,028                             | -  |
| Undesignated, reported in:                     |                         |                           |  |  |
| General Fund                                   | 994,670                 | -                         | -                                      | -  |
| Debt service funds                             | -                       | -                         | -                                      | -  |
| Capital projects funds                         | -                       | -                         | -                                      | -  |
| <b>Total Fund Balance</b>                      | <b>5,859,929</b>        | <b>9,438,467</b>          | <b>11,624,028</b>                      | <b>-</b>                                     |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 7,232,982</b>     | <b>\$ 9,438,467</b>       | <b>\$ 12,019,520</b>                   | <b>\$ 933</b>                                |

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

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| <b>CFD 99-1<br/>2003 Issue<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|---|
| \$ 4,950,910                            | \$ 9,654,975                                | \$ 39,851,750                           |
| -                                       | 86,309                                      | 3,469,946                               |
| -                                       | 5,873                                       | 68,273                                  |
| -                                       | 19,075                                      | 19,075                                  |
| <u>\$ 4,950,910</u>                     | <u>\$ 9,766,232</u>                         | <u>\$ 43,409,044</u>                    |
| -                                       | 52,002                                      | 924,398                                 |
| -                                       | 65,831                                      | 68,273                                  |
| -                                       | -   | 894,640                                 |
| -                                       | <u>117,833</u>                              | <u>1,887,311</u>                        |
| -                                       | 19,075                                      | 466,074                                 |
| -                                       | 560,178                                     | 26,040,933                              |
| -                                       | -   | 994,670                                 |
| -                                       | 2,807,341                                   | 2,807,341                               |
| 4,950,910                               | 6,261,805                                   | 11,212,715                              |
| <u>4,950,910</u>                        | <u>9,648,399</u>                            | <u>41,521,733</u>                       |
| <u>\$ 4,950,910</u>                     | <u>\$ 9,766,232</u>                         | <u>\$ 43,409,044</u>                    |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2003**

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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>\$ 41,521,733</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  | \$56,301,797       |                             |
| Accumulated depreciation is  | <u>(8,075,786)</u> |                             |
| <b>Total Capital Assets</b>  |                    | <b>48,226,011</b>           |
| 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. |                    | (280,854)                   |
| Long-term liabilities at year end consist of:  |                    |                             |
| General obligation bonds   | 9,429,203          |                             |
| Certificates of participation  | 7,630,000          |                             |
| Special tax revenue bonds  | 14,895,000         |                             |
| Compensated absences   | <u>150,706</u>     |                             |
| <b>Total Long-term Liabilities</b>   |                    | <b>(32,104,909)</b>         |
| <b>Total Net Assets - Governmental Activities</b>  |                    | <b><u>\$ 57,361,981</u></b> |

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

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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2003**

|  | <b>General<br/>Fund</b> | <b>Building<br/>Fund</b> | <b>Capital<br/>Facilities<br/>Fund</b> |
|--|-------------------------|--------------------------|--|
| <b>REVENUES</b>  |                         |                          |  |
| Revenue limit sources                                    | \$ 23,757,868           | \$ -                     | \$ -                                   |
| Federal sources  | 838,079                 | -                        | -                                      |
| Other State sources                                      | 4,850,976               | -                        | -                                      |
| Other local sources                                      | 2,538,182               | 9,264                    | 7,791,294                              |
| <b>Total Revenues</b>                                    | <u>31,985,105</u>       | <u>9,264</u>             | <u>7,791,294</u>                       |
| <b>EXPENDITURES</b>                                      |                         |                          |  |
| Current  |                         |                          |  |
| Instruction  | 21,191,462              | -                        | -                                      |
| Instruction-related activities:                          |                         |                          |  |
| Supervision of instruction                               | 490,239                 | -                        | -                                      |
| Instructional library, media, and technology             | 479,648                 | -                        | -                                      |
| School site administration                               | 2,189,253               | -                        | -                                      |
| Pupil Services:  |                         |                          |  |
| Home-to-school transportation                            | 971,527                 | -                        | -                                      |
| Food services  | -                       | -                        | -                                      |
| All other pupil services                                 | 626,785                 | -                        | -                                      |
| General administration:                                  |                         |                          |  |
| Data processing  | 88,786                  | -                        | -                                      |
| All other general administration                         | 1,561,164               | -                        | 29                                     |
| Plant services   | 3,024,544               | -                        | -                                      |
| Facility acquisition and construction                    | 128,333                 | 242,344                  | 2,244,140                              |
| Other outgo  | -                       | -                        | -                                      |
| Debt service   |                         |                          |  |
| Principal  | -                       | -                        | -                                      |
| Interest and other                                       | -                       | -                        | -                                      |
| <b>Total Expenditures</b>                                | <u>30,751,741</u>       | <u>242,344</u>           | <u>2,244,169</u>                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <u>1,233,364</u>        | <u>(233,080)</u>         | <u>5,547,125</u>                       |
| <b>Other Financing Sources (Uses):</b>                   |                         |                          |  |
| Transfers in   | 40,000                  | -                        | 101,000                                |
| Other sources  | -                       | 9,734,318                | -                                      |
| Transfers out  | (207,509)               | (62,771)                 | (651,846)                              |
| <b>Net Financing Sources (Uses)</b>                      | <u>(167,509)</u>        | <u>9,671,547</u>         | <u>(550,846)</u>                       |
| <b>NET CHANGE IN FUND BALANCES</b>                       | 1,065,855               | 9,438,467                | 4,996,279                              |
| <b>Fund Balance - Beginning</b>                          | 4,794,074               | -                        | 6,627,749                              |
| <b>Fund Balance - Ending</b>                             | <u>\$ 5,859,929</u>     | <u>\$ 9,438,467</u>      | <u>\$ 11,624,028</u>                   |

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



| <b>County<br/>School<br/>Facilities<br/>Fund</b> | <b>CFD 99-1<br/>2003 Series<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|--|---|---|
| \$ -   | \$ -                                     | \$ -  | \$ 23,757,868                           |
| -  | -  | 451,333                                     | 1,289,412                               |
| 5,099,077  | -  | 486,338                                     | 10,436,391                              |
| 250  | 1,183                                    | 1,156,242                                   | 11,496,415                              |
| <u>5,099,327</u>                                 | <u>1,183</u>                             | <u>2,093,913</u>                            | <u>46,980,086</u>                       |
| -  | -  | 212,354                                     | 21,403,816                              |
| -  | -  | 75,672                                      | 565,911                                 |
| -  | -  | -   | 479,648                                 |
| -  | -  | -   | 2,189,253                               |
| -  | -  | -   | 971,527                                 |
| -  | -  | 1,114,131                                   | 1,114,131                               |
| -  | -  | 2,011                                       | 628,796                                 |
| -  | -  | -   | 88,786                                  |
| -  | -  | 60,032                                      | 1,621,225                               |
| -  | -  | 537,864                                     | 3,562,408                               |
| 5,100,770  | 295,223                                  | 143,859                                     | 8,154,669                               |
| -  | -  | 209,775                                     | 209,775                                 |
| -  | -  | 210,000                                     | 210,000                                 |
| -  | -  | 593,802                                     | 593,802                                 |
| <u>5,100,770</u>                                 | <u>295,223</u>                           | <u>3,159,500</u>                            | <u>41,793,747</u>                       |
| <u>(1,443)</u>                                   | <u>(294,040)</u>                         | <u>(1,065,587)</u>                          | <u>5,186,339</u>                        |
| -  | -  | 880,534                                     | 1,021,534                               |
| -  | 5,244,950                                | 5,543,153                                   | 20,522,421                              |
| -  | -  | (99,408)                                    | (1,021,534)                             |
| -  | 5,244,950                                | 6,324,279                                   | 20,522,421                              |
| <u>(1,443)</u>                                   | <u>4,950,910</u>                         | <u>5,258,692</u>                            | <u>25,708,760</u>                       |
| 1,443  | -  | 4,389,707                                   | 15,812,973                              |
| <u>\$ -</u>                                      | <u>\$ 4,950,910</u>                      | <u>\$ 9,648,399</u>                         | <u>\$ 41,521,733</u>                    |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2003**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 25,708,760**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

|                      |                    |           |
|----------------------|--------------------|-----------|
| Capital outlays      | \$ 10,977,006      |           |
| Depreciation expense | <u>(1,100,707)</u> | 9,876,299 |

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) 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, there are no special termination benefits. Vacation used was more than the amounts earned by \$23,655.

(23,655)

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  |  | (9,429,203)  |
| Sale of special tax revenue bonds |  | (10,455,000) |

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:

|                               |  |         |
|-------------------------------|--|---------|
| Certificates of participation |  | 165,000 |
| Special tax revenue bonds     |  | 45,000  |

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/special tax revenue bonds increased by \$280,854 .

(280,854)

|  |  |                                    |
|--|--|------------------------------------|
| <b>Change in Net Assets of Governmental Activities</b> |  | <b><u><u>\$ 15,606,347</u></u></b> |
|--|--|------------------------------------|

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

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2003**

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|                          | <u>Agency<br/>Funds</u> |
|--------------------------|-------------------------|
| <b>ASSETS</b>            |                         |
| Deposits and investments | \$ 31,030               |
| <b>Total Assets</b>      | <u>\$ 31,030</u>        |
| <br><b>LIABILITIES</b>   |                         |
| Due to student groups    | \$ 31,030               |
| <b>Total Liabilities</b> | <u>\$ 31,030</u>        |

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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

#### **A. Financial Reporting Entity**

The Menifee Union Elementary School 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 four 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 Menifee Union Elementary School District, this includes general operations, food service, and student related activities of the District.

#### **B. State Deferred Appropriations**

As part of its plan to address the budget crisis facing the State of California, Senate Bill (SB) XI 18 (the Bill) was signed into law during the year ended June 30, 2003. The provisions of the Bill significantly altered funding for California local educational agencies (LEAs). The Bill, among other things, shifted the appropriation for and the payment of the June 2003 principal apportionment for the general and adult funds into the 2003-04 fiscal year. The Bill allowed LEAs to recognize for budgetary and financial reporting purposes any amount of State appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current-year costs as a receivable in the current year. In addition, Assembly Bill 2781 deferred the 2002-03 appropriations for the Home-to-School Transportation, School Improvement, Targeted Instructional Improvement, and Supplemental Grant programs into the 2003-04 fiscal year. Exclusion of the apportionments would have resulted in a decrease in receivables, revenue and available reserves of \$1,949,688.

#### **C. 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 #99-1, Zone A and B, 99-1, 2003 Series, and CFD 2002-1, 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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

---

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 account group.

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

### 1. Manifestations of Oversight

- a. The Community Facilities Districts and the District have common boards.
- b. The Community Facilities Districts have no employees. The District's Superintendent functions as an agent of the Community Facilities District.
- c. The District exercises significant influence over operations of the Community Facilities Districts as all projects of the Community Facilities Districts involve the Menifee Union Elementary School District.

### 2. Accountability for Fiscal Matters

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

### 3. Scope of Public Service

The Community Facilities Districts were created specifically to finance capital improvements for the Menifee 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 99-1, Zone 1 A and B, CFD 2002-1, and CFD 99-1, Series 2003 Debt Service and Capital Projects Funds.

**Joint Powers Agencies and Public Entity Risk Pools** The District is associated with three joint powers agencies. These organizations do not meet the criteria for inclusion as component units of the District. Summarized audited financial 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)

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

---

### D. Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

**General Fund** The General Fund 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 Fund** The County School 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).

**Community Facilities District 99-1, Series 2003** The Community Facilities District 99-1, Series 2003 accumulate proceeds from Bond issuance to be used for acquisition construction or improvement of major capital facilities.

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

---

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

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

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

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

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

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

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

**Special Reserve Fund** The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

**Community Facilities District Funds** The Community Facilities District accumulate proceeds from bond issuance to be used for acquisition construction of improvement to major capital facilities.

**Fiduciary Funds** Fiduciary fund 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).

### **E. 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. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach. 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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

---

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 or business 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.

**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 60 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.



# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

---

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

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as part of stores inventory. 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.

### F. 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.

### G. Investments

Investments held at June 30, 2003, 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.

### H. 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.

### I. Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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### J. Stores Inventory

Inventories consist of expendable food and supplies held for consumption and unused donated commodities. 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.

### K. 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 as a whole. 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. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

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

### L. 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.

### M. Compensated Absences

Accumulated unpaid employee 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 the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

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

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

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### **N. 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 a liability on the fund financial statements when due.

### **O. 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, prepaid expenditures (expenses), and legally restricted grants and entitlements. Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, unrealized gains of investments and cash in county treasury, and other purposes.

### **P. 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### **Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

### **R. 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.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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### S. 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.

### T. 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.

### U. 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.

### ***NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES***

For the fiscal year ended June 30, 2003, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, GASB Statement No. 36, "Receipt Reporting for Certain Shared Nonexchange Revenues", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Difference". As a result, the financial statements for the first time include 1) A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and, results of operations, 2) Financial Statements prepared using full accrual accounting for all of the District's activities, and 3) a change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

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### NOTE 3 – DEPOSITS AND INVESTMENTS

#### A. Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of moneys with their county treasurer (Education Code Section 41001). In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000.

The District is also authorized 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.

#### B. Deposits

At year-end, the carrying amounts of the District's deposits were \$2,500 for government activities and \$31,030 held in fiduciary funds. Of the bank balances, \$64,864 was covered by Federal deposit insurance. All cash held by financial institutions is fully insured.

#### C. Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the County Treasury and Investments in the State Treasurer's Investment Pool are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with county treasury and the state pool's investments are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county for their pools.

The investments at June 30, 2003, were as follows:

|                                     | Reported<br>Amount  | Fair<br>Value        |
|-------------------------------------|---------------------|----------------------|
| Uncategorized:                      |                     |                      |
| First American Treasury Obligations | \$13,322,121        | \$ 13,322,121        |
| Bayerische Landesbank               | 635,164             | 635,164              |
| Deposits with County Treasurer      | 25,891,965          | 25,907,596           |
| Total Investments                   | <u>\$39,849,250</u> | <u>\$ 39,864,881</u> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2003, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

|                     | General            | Building Fund   | Capital Facilities | Non-Major Governmental Funds | Total Governmental Activities |
|---------------------|--------------------|-----------------|--------------------|------------------------------|-------------------------------|
| Federal Government  |                    |                 |                    |                              |                               |
| Categorical aid     | \$2,059,428        | \$ -            | \$ -               | \$ 77,169                    | \$ 2,136,597                  |
| State Government    |                    |                 |                    |                              |                               |
| Apportionment       | 256,905            | -               | -                  | -                            | 256,905                       |
| Categorical aid     | 508,619            | -               | -                  | -                            | 508,619                       |
| Lottery             | 281,574            | -               | -                  | -                            | 281,574                       |
| Other State         | 131,262            | -               | -                  | 4,814                        | 136,076                       |
| Local Government    |                    |                 |                    |                              |                               |
| Interest            | 51,614             | 9,264           | 40,060             | 2,145                        | 103,083                       |
| Other Local Sources | 41,840             | -               | 3,071              | 2,181                        | 47,092                        |
| Total               | <u>\$3,331,242</u> | <u>\$ 9,264</u> | <u>\$ 43,131</u>   | <u>\$ 86,309</u>             | <u>\$ 3,469,946</u>           |

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

|   | Balance July 1, 2002 | Additions          | Deductions  | Balance June 30, 2003 |
|---|----------------------|--------------------|-------------|-----------------------|
| <b>Governmental Activities</b>              |                      |                    |             |                       |
| Capital Assets Not Being Depreciated        |                      |                    |             |                       |
| Land  | \$ 6,003,404         | \$ 1,798,000       | \$ -        | \$ 7,801,404          |
| Total Capital Assets Not Being Depreciated  | 6,003,404            | 1,798,000          | -           | 7,801,404             |
| Capital Assets Being Depreciated            |                      |                    |             |                       |
| Buildings and improvements                  | 37,773,753           | 8,991,176          | -           | 46,764,929            |
| Furniture and equipment                     | 1,547,634            | 187,830            | -           | 1,735,464             |
| Total Capital Assets Being Depreciated      | 39,321,387           | 9,179,006          | -           | 48,500,393            |
| Less Accumulated Depreciation               |                      |                    |             |                       |
| Buildings and improvements                  | 5,685,221            | 1,020,342          | -           | 6,705,563             |
| Furniture and equipment                     | 1,289,858            | 80,365             | -           | 1,370,223             |
| Total Accumulated Depreciation              | 6,975,079            | 1,100,707          | -           | 8,075,786             |
| Governmental Activities Capital Assets, Net | <u>\$38,349,712</u>  | <u>\$9,876,299</u> | <u>\$ -</u> | <u>\$ 48,226,011</u>  |

Depreciation expense was charged to governmental functions as follows:

|             |                     |
|-------------|---------------------|
| Unallocated | <u>\$ 1,100,707</u> |
|-------------|---------------------|

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 6 – INTERFUND TRANSACTIONS**

**A. 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, 2003, between major and non-major governmental funds are as follows:

| Due To                   | Due From  |                    |                        | Total     |
|--------------------------|-----------|--------------------|------------------------|-----------|
|                          | General   | Capital Facilities | Non-Major Governmental |           |
| General                  | \$ -      | \$ -               | \$ 1,509               | \$ 1,509  |
| County School Facilities | -         | 933                | -                      | 933       |
| Non-Major Governmental   | 61,467    | -                  | 4,364                  | 65,831    |
| Total                    | \$ 61,467 | \$ 933             | \$ 5,873               | \$ 68,273 |

The balance of \$61,647 due to the General Fund from the non-major governmental funds resulted from costs paid by the General Fund but incurred to other funds. All remaining balances resulted from the time lag between the date that interfund goods and services are provided or reimbursable expenditures occur, transaction are recorded in the accounting system, and payments between funds are made.

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2003, consisted of the following:

| Transfer To            | Transfer From |           |                    |                        | Total        |
|------------------------|---------------|-----------|--------------------|------------------------|--------------|
|                        | General       | Building  | Capital Facilities | Non-Major Governmental |              |
| General                | \$ -          | \$ -      | \$ -               | \$ 40,000              | \$ 40,000    |
| Capital Facilities     | 101,000       | -         | -                  | -                      | 101,000      |
| Non-Major Governmental | 106,509       | 62,771    | 651,846            | 59,408                 | 880,534      |
| Total                  | \$ 207,509    | \$ 62,771 | \$ 651,846         | \$ 99,408              | \$ 1,021,534 |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

|  |                           |
|--|---------------------------|
| The General Fund transferred to the Child Development Fund for money transferred in error.                                       | \$ 1,509                  |
| The General Fund transferred to the Deferred Maintenance Fund for match.   | 105,000                   |
| The General Fund transferred to the Capital Facilities Funds for money that was transferred in error.                            | 101,000                   |
| Special Reserve (Other than Capital Projects) transferred to the General Fund for Library Reserve.                               | 40,000                    |
| Capital Facilities Fund transferred to the Special Reserve (Capital Outlay) for board designated reserves that were transferred. | 80,607                    |
| Capital Facilities Fund transferred to the COP Debt Service Fund for COP Principal and Interest payments.                        | 571,239                   |
| Building Fund transferred funds to the Bond Interest and Redemption Fund of Interest Payment.                                    | 62,771                    |
| CFD 99-1 Zone 1 A & B Debt Service Fund transferred to the CFD 99-1 Zone 1 A & B Capital Projects Fund.                          | 58,165                    |
| CFD 2002-1 Debt Service Fund transferred to the CFD 2002-1 Capital Projects Fund.  | 1,243                     |
| Total  | <u><u>\$1,021,534</u></u> |

**NOTE 7 – ACCOUNTS PAYABLE**

Accounts payable at June 30, 2003, consisted of the following:

|                     | General           | Capital<br>Facilities | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Activities |
|---------------------|-------------------|-----------------------|------------------------------------|-------------------------------------|
| State apportionment | \$ 333,485        | \$ -                  | \$ -                               | \$ 333,485                          |
| Construction        | -                 | 336,601               | 39,496                             | 376,097                             |
| Other               | 143,419           | 58,891                | 12,506                             | 214,816                             |
| Total               | <u>\$ 476,904</u> | <u>\$ 395,492</u>     | <u>\$ 52,002</u>                   | <u>\$ 924,398</u>                   |

**NOTE 8 – DEFERRED REVENUE**

Deferred revenue at June 30, 2003, consists of the following:

|                              |                          |
|------------------------------|--------------------------|
| Federal financial assistance | <u>\$ 637,031</u>        |
| State categorical aid        | 257,609                  |
| Total                        | <u><u>\$ 894,640</u></u> |



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**NOTE 9 – FUND BALANCES**

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

|                         | General            | Building<br>Fund   | Capital<br>Facilities | CFD 99-1<br>2003 Series | Non-Major<br>Governmental<br>Funds |
|-------------------------|--------------------|--------------------|-----------------------|-------------------------|------------------------------------|
| <b>Reserved</b>         |                    |                    |                       |                         |                                    |
| Revolving cash          | \$ 2,500           | \$ -               | \$ -                  | \$ -                    | \$ -                               |
| Stores inventory        | -                  | -                  | -                     | -                       | 19,075                             |
| Restricted programs     | 444,499            | -                  | -                     | -                       | -                                  |
| <b>Total Reserved</b>   | <b>446,999</b>     | <b>-</b>           | <b>-</b>              | <b>-</b>                | <b>19,075</b>                      |
| <b>Unreserved</b>       |                    |                    |                       |                         |                                    |
| <b>Designated</b>       |                    |                    |                       |                         |                                    |
| Economic uncertainties  | 2,125,006          | -                  | -                     | -                       | 56,449                             |
| Other designation       | 2,293,254          | 9,438,467          | 11,624,028            | -                       | 503,729                            |
| <b>Total Designated</b> | <b>4,418,260</b>   | <b>9,438,467</b>   | <b>11,624,028</b>     | <b>-</b>                | <b>560,178</b>                     |
| <b>Undesignated</b>     | 994,670            | -                  | -                     | 4,950,910               | 9,069,146                          |
| <b>Total Unreserved</b> | <b>5,412,930</b>   | <b>9,438,467</b>   | <b>11,624,028</b>     | <b>4,950,910</b>        | <b>9,629,324</b>                   |
| <b>Total</b>            | <b>\$5,859,929</b> | <b>\$9,438,467</b> | <b>\$11,624,028</b>   | <b>\$4,950,910</b>      | <b>\$9,648,399</b>                 |

**NOTE 10 – LONG-TERM LIABILITIES**

**A. Long-Term Debt Summary**

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

|                                | Balance<br>Beginning<br>of Year | Additions and<br>Adjustments | Deductions        | Balance<br>End of Year | Due in<br>One Year |
|--------------------------------|---------------------------------|------------------------------|-------------------|------------------------|--------------------|
| General Obligation Bonds       | \$ -                            | \$ 9,429,203                 | \$ -              | \$ 9,429,203           | \$ -               |
| Certificates of participation  | 7,795,000                       | -                            | 165,000           | 7,630,000              | 175,000            |
| Accumulated vacation - net     | 127,051                         | 23,655                       | -                 | 150,706                | 31,924             |
| Community Facilities Districts | 4,485,000                       | 10,455,000                   | 45,000            | 14,895,000             | 60,000             |
|                                | <b>\$12,407,051</b>             | <b>\$19,907,858</b>          | <b>\$ 210,000</b> | <b>\$32,104,909</b>    | <b>\$ 266,924</b>  |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

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**B. 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, 2003, 2002 Election General Obligation Bond, Series A totaled \$9,429,203. The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding Beginning of Year | Issued      | Redeemed | Bonds Outstanding End of Year |
|------------|---------------|---------------|----------------|-------------------------------------|-------------|----------|-------------------------------|
| 2002-2003  | 2027-2028     | 2.37-7.40%    | \$9,429,203    | \$ -                                | \$9,429,203 | \$ -     | \$9,429,203                   |

**C. Debt Service Requirements to Maturity**

| Fiscal Year | Principal Including Accreted Interest to Date | Accreted Interest | Current Interest to Maturity | Total 2002 Series A |
|-------------|---|-------------------|------------------------------|---------------------|
| 2004        | \$ -  | \$ 17,100         | \$ 260,995                   | \$ 278,095          |
| 2005        | 115,000                                       | 27,581            | 395,083                      | 537,664             |
| 2006        | 150,000                                       | 29,657            | 391,936                      | 571,593             |
| 2007        | 175,000                                       | 31,890            | 388,077                      | 594,967             |
| 2008        | -   | 34,291            | 385,999                      | 420,290             |
| 2009-2013   | 225,000                                       | 214,301           | 1,920,875                    | 2,360,176           |
| 2014-2018   | 824,203                                       | 145,978           | 1,863,750                    | 2,833,931           |
| 2019-2023   | 2,740,000                                     | -                 | 1,559,134                    | 4,299,134           |
| 2024-2028   | 5,200,000                                     | -                 | 698,884                      | 5,898,884           |
| Total       | \$ 9,429,203                                  | \$ 500,798        | \$ 7,864,733                 | \$ 17,794,734       |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**D. Certificates of Participation**

On October 1, 1996, the Menifee Union Elementary School District, through the Riverside County Schools Financing Corporation, issued certificates of participation in the amount of \$8,235,000 with interest rates ranging from 5 percent to 6.125 percent. At June 30, 2003, the principal balance outstanding was \$7,630,000. The certificates mature through 2025 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total                |
|-------------------------|---------------------|---------------------|----------------------|
| 2004                    | \$ 175,000          | \$ 440,738          | \$ 615,738           |
| 2005                    | 180,000             | 431,049             | 611,049              |
| 2006                    | 190,000             | 420,813             | 610,813              |
| 2007                    | 205,000             | 409,826             | 614,826              |
| 2008                    | 215,000             | 398,078             | 613,078              |
| 2009-2013               | 1,275,000           | 1,785,011           | 3,060,011            |
| 2014-2018               | 1,690,000           | 1,351,500           | 3,041,500            |
| 2019-2023               | 2,255,000           | 772,594             | 3,027,594            |
| 2023-2026               | 1,445,000           | 115,488             | 1,560,488            |
| Total                   | <u>\$ 7,630,000</u> | <u>\$ 6,125,097</u> | <u>\$ 13,755,097</u> |

**E. Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2003, amounted to \$150,706.

**F. Community Facilities District 99-1, Zone 1, Series A**

On August 1, 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 to 6.875 percent. At June 30, 2003, the principal outstanding balance was \$2,520,000. The bonds mature through 2031 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2004                    | \$ 35,000           | \$ 167,280          | \$ 202,280          |
| 2005                    | 40,000              | 165,365             | 205,365             |
| 2006                    | 40,000              | 163,255             | 203,255             |
| 2007                    | 40,000              | 161,085             | 201,085             |
| 2008                    | 45,000              | 158,725             | 203,725             |
| 2009-2013               | 260,000             | 751,245             | 1,011,245           |
| 2014-2018               | 350,000             | 651,406             | 1,001,406           |
| 2019-2023               | 490,000             | 508,063             | 998,063             |
| 2023-2028               | 685,000             | 307,484             | 992,484             |
| 2029-2031               | 535,000             | 56,891              | 591,891             |
| Total                   | <u>\$ 2,520,000</u> | <u>\$ 3,090,799</u> | <u>\$ 5,610,799</u> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**G. Community Facilities District 99-1, Zone 1, Series B**

On July 10, 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 to 6.4 percent. At June 30, 2003, the principal outstanding balance was \$1,920,000. The bonds mature through 2032 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2004                    | \$ 25,000           | \$ 116,939          | \$ 141,939          |
| 2005                    | 25,000              | 115,845             | 140,845             |
| 2006                    | 25,000              | 114,689             | 139,689             |
| 2007                    | 30,000              | 113,360             | 143,360             |
| 2008                    | 30,000              | 111,875             | 141,875             |
| 2009-2013               | 170,000             | 533,277             | 703,277             |
| 2014-2018               | 235,000             | 476,360             | 711,360             |
| 2019-2023               | 310,000             | 393,900             | 703,900             |
| 2023-2028               | 420,000             | 278,720             | 698,720             |
| 2029-2032               | 650,000             | 104,640             | 754,640             |
| Total                   | <u>\$ 1,920,000</u> | <u>\$ 2,359,605</u> | <u>\$ 4,279,605</u> |

**H. Community Facilities District 99-1, Zone 2**

On April 1, 2003, the Community Facilities District No.99-1 of the Menifee 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 to 6.3 percent. At June 30, 2003, the principal outstanding balance was \$4,990,000. The bonds mature through 2034 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total                |
|-------------------------|---------------------|---------------------|----------------------|
| 2004                    | \$ -                | \$ 223,165          | \$ 223,165           |
| 2005                    | 75,000              | 286,924             | 361,924              |
| 2006                    | 80,000              | 284,693             | 364,693              |
| 2007                    | 80,000              | 282,192             | 362,192              |
| 2008                    | 85,000              | 279,341             | 364,341              |
| 2009-2013               | 465,000             | 1,340,019           | 1,805,019            |
| 2014-2018               | 595,000             | 1,205,666           | 1,800,666            |
| 2019-2023               | 785,000             | 1,008,535           | 1,793,535            |
| 2023-2028               | 1,055,000           | 730,068             | 1,785,068            |
| 2029-2033               | 1,430,000           | 343,350             | 1,773,350            |
| 2034                    | 340,000             | 10,710              | 350,710              |
| Total                   | <u>\$ 4,990,000</u> | <u>\$ 5,994,663</u> | <u>\$ 10,984,663</u> |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

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

On May 22, 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 to 6.3 percent. At June 30, 2003, the principal outstanding was \$875,000. The Bond matures through 2034 as follows:

| Year Ending<br>June 30, | Principal         | Interest            | Total               |
|-------------------------|-------------------|---------------------|---------------------|
| 2004                    | \$ -              | \$ 39,060           | \$ 39,060           |
| 2005                    | 15,000            | 50,194              | 65,194              |
| 2006                    | 15,000            | 49,763              | 64,763              |
| 2007                    | 15,000            | 49,294              | 64,294              |
| 2008                    | 15,000            | 48,776              | 63,776              |
| 2009-2013               | 80,000            | 234,277             | 314,277             |
| 2014-2018               | 105,000           | 210,565             | 315,565             |
| 2019-2023               | 135,000           | 176,324             | 311,324             |
| 2023-2028               | 185,000           | 127,467             | 312,467             |
| 2029-2033               | 250,000           | 60,165              | 310,165             |
| 2034                    | 60,000            | 1,890               | 61,890              |
| Total                   | <u>\$ 875,000</u> | <u>\$ 1,047,775</u> | <u>\$ 1,922,775</u> |

**J. Community Facilities District No. 2002-1**

On October 1, 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 to 6.4 percent. At June 30, 2003, the principal outstanding balance was \$4,590,000. The bonds mature through 2034 as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total                |
|-------------------------|---------------------|---------------------|----------------------|
| 2004                    | \$ -                | \$ 277,083          | \$ 277,083           |
| 2005                    | 55,000              | 276,367             | 331,367              |
| 2006                    | 60,000              | 274,693             | 334,693              |
| 2007                    | 65,000              | 272,523             | 337,523              |
| 2008                    | 70,000              | 269,792             | 339,792              |
| 2009-2013               | 385,000             | 1,295,802           | 1,680,802            |
| 2014-2018               | 500,000             | 1,174,696           | 1,674,696            |
| 2019-2023               | 675,000             | 998,389             | 1,673,389            |
| 2023-2028               | 910,000             | 750,254             | 1,660,254            |
| 2029-2033               | 1,250,000           | 408,000             | 1,658,000            |
| 2034                    | 620,000             | 40,320              | 660,320              |
| Total                   | <u>\$ 4,590,000</u> | <u>\$ 6,037,919</u> | <u>\$ 10,627,919</u> |

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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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 public entity risk pools 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).

#### **A. 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 2002-2003 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, 2003, 2002, and 2001 were \$1,413,678, \$1,265,101, and \$1,146,275, respectively, and equal 100 percent of the required contributions for each year.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

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### B. 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 2002-2003 was 2.894 percent of annual payroll (decreasing to 2.771 percent of pay under a special funding situation effective with the February 2003 payroll period due to the State's direct reimbursement to CalPERS of the cost for certain legislated benefit increases in the plan). 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, 2003, 2002, and 2001 were \$101,028, \$-0-, and \$-0-, respectively, and equal 100 percent of the required contributions for each year.

### C. 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 \$775,222 (4.475 percent of salaries subject to STRS) and \$45,719 (.092 percent of salaries subject to PERS). 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 recorded in these financial statements.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

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**NOTE – 13 COMMITMENTS AND CONTINGENCIES**

**A. 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, 2003.

**B. 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, 2003.

**C. Construction Commitments**

As of June 30, 2003, the District had the following commitments with respect to the unfinished capital projects:

| CAPITAL PROJECT                         | Remaining<br>Construction<br>Commitment | Expected<br>Date of<br>Completion |
|---|---|-----------------------------------|
| Mapleton Elementary School              | \$ 1,834,834                            | 07/01/05                          |
| Various District Modernization Projects | 440,014                                 | 07/01/05                          |
|   | <u>\$ 2,274,848</u>                     |                                   |

**NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

The District is a member of the Western Riverside County Self-Insurance Program for Employees (WRCSIPE), the Self-Insured Schools of California III (SISC III) and the Riverside Schools Insurance Authority (RSIA) public entity risk pool. The District pays an annual premium to the entities for its workers' compensation coverage, health and welfare benefits, and property and liability coverage. The relationships between the District, the pools, and the JPA are such that they are not a component unit 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 entity and the District are included in these statements. Audited financial statements are available from the respective entities.



**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2003**

|                                  |   |  |  |
|----------------------------------|---|--|--|
| <b>A. <u>Entity</u></b>          | <b>WRCSIPE</b>  | <b>SISC III</b>                                      | <b>RSIA</b>                                    |
| <b>B. <u>Purpose</u></b>         | To provide a self-insurance program for workers' compensation | To provide health and welfare benefits for employees | To provide property and liability coverage.    |
| <b>C. <u>Participants</u></b>    | Various school districts with Riverside County                | Various districts in California                      | Various school districts with Riverside County |
| <b>D. <u>Governing Board</u></b> | Elected by participating districts                            | Elected by participating districts                   | Elected by participating districts             |

**E. Condensed Audited Financial Information Follows**

|  |   | WRCSIPE        | SISC III            | RSIA           |
|--|---|----------------|---------------------|----------------|
|  |   | June 30, 2002* | September 30, 2002* | June 30, 2002* |
| Assets   |   | \$ 8,456,426   | \$ 47,454,478       | \$ 8,456,426   |
| Liabilities                                    |   | 3,588,844      | 70,208,540          | 3,588,844      |
|  | Fund Equity                               | \$ 4,867,582   | \$ (22,754,062)     | \$ 4,867,582   |
| Revenues                                       |   | 4,960,444      | 405,650,676         | 4,960,444      |
| Expenses                                       |   | 4,877,710      | 398,343,838         | 4,877,710      |
|  | Net Increase/(Decrease)<br>in Fund Equity | \$ 82,734      | \$ 7,306,838        | \$ 82,734      |
| <b>F. <u>Payments for the Current Year</u></b> |   | \$ 391,497     | \$ 2,331,608        | \$ 138,806     |

\* Most recent information available.

None of the JPA's had long-term debts outstanding at June 30, 2002 and 2001, and September 30, 2002. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2003**

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***NOTE 15 – TAX AND REVENUE ANTICIPATION NOTES***

On July 3, 2002, the District issued \$4,375,000 Tax and Revenue Anticipation Notes bearing interest at 1.67 percent. Interest and principal were due and payable on July 3, 2003. By May 31, 2003, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$4,375,000 and related accrued interest and cash held in trust are not included in these financial statements.

***NOTE 16 – SUBSEQUENT EVENTS***

- A. The District issued \$2,070,000 of Tax And Revenue Anticipation Notes dated July 3, 2003. The notes mature on July 6, 2004, and yield 2.00 percent interest. The notes were sold to supplement cash flow.

Repayment requirements are that only draws are to be deposited with the Fiscal Agent, and then a schedule of repayment is determined by the fiscal agent.

- B. On July 22, 2003, the District issued \$3,885,000 of Special Revenue Tax Bonds from Community Facilities District No. 2002-3. The Special Revenue Bonds will be repaid solely through property taxes levied and collected by the County of Riverside. The bonds were sold to finance the new construction and modernization of school sites throughout the 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, 2003**

|  | Budgeted Amounts    |                     | Actual<br>(GAAP Basis) | Variances -                      |
|--|---------------------|---------------------|------------------------|----------------------------------|
|  | (GAAP Basis)        |                     |                        | Positive                         |
|  | Original            | Final               |                        | (Negative)<br>Final<br>to Actual |
| <b>REVENUES</b>                              |                     |                     |                        |                                  |
| Revenue limit sources                        | \$ 22,918,431       | \$ 23,713,414       | \$ 23,757,868          | \$ (44,454)                      |
| Federal sources                              | 750,025             | 1,472,028           | 838,079                | 633,949                          |
| Other State sources                          | 5,000,014           | 5,054,027           | 4,850,976              | 203,051                          |
| Other local sources                          | 2,208,628           | 2,394,229           | 2,538,182              | (143,953)                        |
| <b>Total Revenues</b>                        | <b>30,877,098</b>   | <b>32,633,698</b>   | <b>31,985,105</b>      | <b>648,593</b>                   |
| <b>EXPENDITURES</b>                          |                     |                     |                        |                                  |
| Current                                      |                     |                     |                        |                                  |
| Instruction                                  | 20,525,716          | 23,180,497          | 21,191,462             | 1,989,035                        |
| Instruction-related activities:              |                     |                     |                        |                                  |
| Supervision of instruction                   | 542,019             | 553,352             | 490,239                | 63,113                           |
| Instructional library, media, and technology | 434,692             | 522,200             | 479,648                | 42,552                           |
| School site administration                   | 2,178,956           | 2,189,952           | 2,189,253              | 699                              |
| Pupil services:                              |                     |                     |                        |                                  |
| Home-to-school transportation                | 980,069             | 983,925             | 971,527                | 12,398                           |
| All other pupil services                     | 603,190             | 607,621             | 626,785                | (19,164)                         |
| General administration:                      |                     |                     |                        |                                  |
| Data processing                              | 127,000             | 127,000             | 88,786                 | 38,214                           |
| All other general administration             | 1,660,490           | 1,787,647           | 1,561,164              | 226,483                          |
| Plant services                               | 3,449,935           | 3,491,618           | 3,024,544              | 467,074                          |
| Facility acquisition and construction        | 143,509             | 324,961             | 128,333                | 196,628                          |
| Other outgo                                  | 576,891             | -                   | -                      | -                                |
| <b>Total Expenditures</b>                    | <b>31,222,467</b>   | <b>33,768,773</b>   | <b>30,751,741</b>      | <b>3,017,032</b>                 |
| <b>Excess (Deficiency) of Revenues</b>       |                     |                     |                        |                                  |
| <b>Over Expenditures</b>                     | <b>(345,369)</b>    | <b>(1,135,075)</b>  | <b>1,233,364</b>       | <b>(2,368,439)</b>               |
| <b>Other Financing Sources (Uses):</b>       |                     |                     |                        |                                  |
| Transfers in                                 | -                   | 40,000              | 40,000                 | -                                |
| Transfers out                                | (143,989)           | (244,989)           | (207,509)              | 37,480                           |
| <b>Net Financing Sources (Uses)</b>          | <b>(143,989)</b>    | <b>(204,989)</b>    | <b>(167,509)</b>       | <b>37,480</b>                    |
| <b>NET CHANGE IN FUND BALANCES</b>           | <b>(489,358)</b>    | <b>(1,340,064)</b>  | <b>1,065,855</b>       | <b>(2,330,959)</b>               |
| <b>Fund Balance - Beginning</b>              | <b>4,794,074</b>    | <b>4,794,074</b>    | <b>4,794,074</b>       | <b>4,794,074</b>                 |
| <b>Fund Balance - Ending</b>                 | <b>\$ 4,304,716</b> | <b>\$ 3,454,010</b> | <b>\$ 5,859,929</b>    | <b>\$ 2,463,115</b>              |

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

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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, 2003**

| Federal Grantor/Pass-Through<br>Grantor/Program | Federal<br>Catalog<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|---|------------------------------|---|-------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>             |                              |   |                         |
| Drug-Free Schools                               | 84.186A                      | 13340   | \$ 18,925               |
| Title I   | 84.010                       | 3453  | 216,533                 |
| Title II - Improving Teacher Quality            | 84.367                       | [2]   | 50,297                  |
| Title III Eisenhower Math and Science           | 84.281A                      | 13207   | 21,205                  |
| Title VI Innovative Strategies                  | 84.298                       | 04135   | 19,727                  |
| Special Education                               |                              |   |                         |
| Local Assistance [1]                            | 84.027                       | 24314   | 415,097                 |
| Preschool Local Assistance [1]                  | 84.027                       | 03682   | 38,579                  |
| Preschool Local Entitlements [1]                | 84.027                       | 8682  | 44,962                  |
| Low Incidence [1]                               | 84.027                       | 03459   | 11,524                  |
| Personnel Staff Development [1]                 | 84.027                       | 03613   | 1,230                   |
| Total U.S. Department of Education              |                              |   | <u>838,079</u>          |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>           |                              |   |                         |
| National School Lunch Program                   | 10.555                       | 3396  | 397,761                 |
| Especially Needy Breakfast                      | 10.553                       | 3390  | 53,572                  |
| Basic Breakfast                                 | 10.553                       | 3390  | 9,445                   |
| Total U.S. Department of Agriculture            |                              |   | <u>460,778</u>          |
| Total Expenditures of Federal Awards            |                              |   | <u>\$ 1,298,857</u>     |

[1] Tested as a major program.

[2] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2003**

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|                          | <u>Second<br/>Period<br/>Report</u> | <u>Annual<br/>Report</u> |
|--------------------------|-------------------------------------|--------------------------|
| <b>ELEMENTARY</b>        |                                     |                          |
| Kindergarten             | 472                                 | 477                      |
| First through third      | 1,615                               | 1,626                    |
| Fourth through sixth     | 1,799                               | 1,817                    |
| Seventh and eighth       | 1,212                               | 1,230                    |
| Home and hospital        | 3                                   | 3                        |
| Special education        | 89                                  | 92                       |
| Total Elementary         | <u>5,190</u>                        | <u>5,245</u>             |
| <br><b>SUMMER SCHOOL</b> |                                     |                          |
| Elementary               |                                     | <u>29,145</u>            |

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2003

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| <u>Grade Level</u> | <u>1982-83<br/>Actual<br/>Minutes</u> | <u>1986-87<br/>Minutes<br/>Requirement</u> | <u>2002-03<br/>Actual<br/>Minutes</u> | <u>Number of Days<br/>Multitrack<br/>Calendar</u> | <u>Status</u> |
|--------------------|---------------------------------------|--|---------------------------------------|---|---------------|
| Kindergarten       | 31,500                                | 36,000                                     | 38,055                                | 177   | Complied      |
| Grades 1 - 3       | 50,750                                | 50,400                                     | 52,693                                | 177   | Complied      |
| Grades 4 - 6       | 50,750                                | 54,000                                     | 54,450                                | 177   | Complied      |
| Grades 7 - 8       | 50,750                                | 54,000                                     | 63,270                                | 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, 2003**

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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, 2003.

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2003**

|  | (Budget)<br>2004 <sup>1</sup> | 2003                 | 2002                 | 2001                 |
|--|-------------------------------|----------------------|----------------------|----------------------|
| <b>GENERAL FUND</b>  |                               |                      |                      |                      |
| Revenues   | \$ 32,099,310                 | \$ 31,985,105        | \$ 30,076,028        | \$ 29,034,536        |
| Other sources  | -                             | 40,000               | 101,000              | -                    |
| <b>Total Revenues<br/>    and Other Sources</b>              | <u>32,099,310</u>             | <u>32,025,105</u>    | <u>30,177,028</u>    | <u>29,034,536</u>    |
| Expenditures   | 33,107,843                    | 30,751,741           | 28,180,291           | 26,565,452           |
| Other uses and transfers out                                 | 105,000                       | 207,509              | 690,574              | 1,318,945            |
| <b>Total Expenditures<br/>    and Other Uses</b>             | <u>33,212,843</u>             | <u>30,959,250</u>    | <u>28,870,865</u>    | <u>27,884,397</u>    |
| <b>INCREASE/(DECREASE)<br/>IN FUND BALANCE</b>               | <u>\$ (1,113,533)</u>         | <u>\$ 1,065,855</u>  | <u>\$ 1,306,163</u>  | <u>\$ 1,150,139</u>  |
| <b>ENDING FUND BALANCE</b>                                   | <u>\$ 4,746,396</u>           | <u>\$ 5,859,929</u>  | <u>\$ 4,794,074</u>  | <u>\$ 3,487,911</u>  |
| <b>AVAILABLE RESERVES<sup>2</sup></b>                        | <u>\$ 2,006,143</u>           | <u>\$ 3,119,676</u>  | <u>\$ 1,461,676</u>  | <u>\$ 1,323,480</u>  |
| <b>AVAILABLE RESERVES AS A<br/>PERCENTAGE OF TOTAL OUTGO</b> | <u>6.0%</u>                   | <u>10.1%</u>         | <u>5.1%</u>          | <u>4.7%</u>          |
| <b>LONG-TERM DEBT</b>  | Not Applicable                | <u>\$ 32,104,909</u> | <u>\$ 12,407,051</u> | <u>\$ 10,648,776</u> |
| <b>AVERAGE DAILY<br/>ATTENDANCE AT P-2<sup>3</sup></b>       | <u>5,450</u>                  | <u>5,190</u>         | <u>4,798</u>         | <u>4,554</u>         |

The General Fund balance has increased by \$2,372,018 over the past two years. The fiscal year 2003-04 budget projects a decrease of \$1,113,533 (19 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in three of the past three years, and anticipates incurring an operating deficit during the 2002-03 fiscal year. Total long-term debt has increased by \$21,456,133 over the past two years.

Average daily attendance has increased by 636 over the past two years. Additional growth is anticipated during fiscal year 2003-04.

1 Budget 2004 is included for analytical purposes only and has not been subjected to audit.

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

See accompanying note to supplementary information.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2003**

|  | <b>Special Revenue Funds</b> |                   |                    |                    |
|--|------------------------------|-------------------|--------------------|--------------------|
|  | <b>Child</b>                 |                   | <b>Deferred</b>    | <b>Special</b>     |
|  | <b>Development</b>           | <b>Cafeteria</b>  | <b>Maintenance</b> | <b>Reserve</b>     |
|  | <b>Fund</b>                  | <b>Fund</b>       | <b>Fund</b>        | <b>Non-Capital</b> |
|  | <b>Fund</b>                  | <b>Fund</b>       | <b>Fund</b>        | <b>Fund</b>        |
| <b>ASSETS</b>                              |                              |                   |                    |                    |
| Deposits and investments                   | \$ 32,600                    | \$ 11,877         | \$ 392,170         | \$ 68,305          |
| Receivables                                | 141                          | 84,295            | 1,351              | 256                |
| Due from other funds                       | 1,509                        | 4,364             | -                  | -                  |
| Stores inventories                         | -                            | 19,075            | -                  | -                  |
| <b>Total Assets</b>                        | <b>\$ 34,250</b>             | <b>\$ 119,611</b> | <b>\$ 393,521</b>  | <b>\$ 68,561</b>   |
| <b>LIABILITIES AND FUND BALANCES</b>       |                              |                   |                    |                    |
| <b>Liabilities:</b>                        |                              |                   |                    |                    |
| Accounts payable                           | 1,922                        | 10,584            | 39,496             | -                  |
| Due to other funds                         | 32,328                       | 33,503            | -                  | -                  |
| <b>Total Liabilities</b>                   | <b>34,250</b>                | <b>44,087</b>     | <b>39,496</b>      | <b>-</b>           |
| <b>Fund Balances:</b>                      |                              |                   |                    |                    |
| Reserved for:                              |                              |                   |                    |                    |
| Stores inventories                         | -                            | 19,075            | -                  | -                  |
| Unreserved:                                |                              |                   |                    |                    |
| Designated                                 | -                            | 56,449            | 354,025            | 68,561             |
| Undesignated, reported in:                 |                              |                   |                    |                    |
| Debt service funds                         | -                            | -                 | -                  | -                  |
| Capital projects funds                     | -                            | -                 | -                  | -                  |
| <b>Total Fund Balances</b>                 | <b>-</b>                     | <b>75,524</b>     | <b>354,025</b>     | <b>68,561</b>      |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 34,250</b>             | <b>\$ 119,611</b> | <b>\$ 393,521</b>  | <b>\$ 68,561</b>   |

See accompanying note to supplementary information.

| Capital Projects Funds              |                          |                     | Debt Service Funds                |  |                       |  |
|-------------------------------------|--------------------------|---------------------|-----------------------------------|--|-----------------------|--|
| Special Reserve Capital Outlay Fund | CFD 99-1 Zone 1 A&B Fund | CFD 2002-1 Fund     | Bond Interest and Redemption Fund | CFD 99-1 2003 Series Debt Service Fund | COP Debt Service Fund |  |
| \$ 80,877                           | \$ 2,787,734             | \$ 3,474,071        | \$ 62,771                         | \$ 737,672                             | \$ 635,164            |  |
| 266                                 | -                        | -                   | -                                 | -                                      | -                     |  |
| -                                   | -                        | -                   | -                                 | -                                      | -                     |  |
| -                                   | -                        | -                   | -                                 | -                                      | -                     |  |
| <u>\$ 81,143</u>                    | <u>\$ 2,787,734</u>      | <u>\$ 3,474,071</u> | <u>\$ 62,771</u>                  | <u>\$ 737,672</u>                      | <u>\$ 635,164</u>     |  |
| -                                   | -                        | -                   | -                                 | -                                      | -                     |  |
| -                                   | -                        | -                   | -                                 | -                                      | -                     |  |
| -                                   | -                        | -                   | -                                 | -                                      | -                     |  |
| -                                   | -                        | -                   | -                                 | -                                      | -                     |  |
| 81,143                              | -                        | -                   | -                                 | -                                      | -                     |  |
| -                                   | -                        | -                   | 62,771                            | 737,672                                | 635,164               |  |
| -                                   | 2,787,734                | 3,474,071           | -                                 | -                                      | -                     |  |
| <u>81,143</u>                       | <u>2,787,734</u>         | <u>3,474,071</u>    | <u>62,771</u>                     | <u>737,672</u>                         | <u>635,164</u>        |  |
| <u>\$ 81,143</u>                    | <u>\$ 2,787,734</u>      | <u>\$ 3,474,071</u> | <u>\$ 62,771</u>                  | <u>\$ 737,672</u>                      | <u>\$ 635,164</u>     |  |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET, Continued  
JUNE 30, 2003**

|  | <b>Debt Service Funds</b>                                    |   |   |
|--|--|---|---|
|  | <b>CFD 99-1<br/>Zone 1 A&amp;B<br/>Debt Service<br/>Fund</b> | <b>CFD 2002-1<br/>Debt Service<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> |
| <b>ASSETS</b>                                  |  |   |   |
| Deposits and investments                       | \$ 560,280   | \$ 811,454                                  | \$ 9,654,975                                |
| Receivables                                    | -  | -   | 86,309                                      |
| Due from other funds                           | -  | -   | 5,873                                       |
| Stores inventories                             | -  | -   | 19,075                                      |
| <b>Total Assets</b>                            | <b>\$ 560,280</b>  | <b>\$ 811,454</b>                           | <b>\$ 9,766,232</b>                         |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>       |  |   |   |
| <b>Liabilities:</b>                            |  |   |   |
| Accounts payable                               | -  | -   | 52,002                                      |
| Due to other funds                             | -  | -   | 65,831                                      |
| <b>Total Liabilities</b>                       | <b>-</b>   | <b>-</b>                                    | <b>117,833</b>                              |
| <b>Fund Balances:</b>                          |  |   |   |
| Reserved for:                                  |  |   |   |
| Stores inventories                             | -  | -   | 19,075                                      |
| Unreserved:                                    |  |   |   |
| Designated                                     | -  | -   | 560,178                                     |
| Undesignated, reported in:                     |  |   |   |
| Debt service funds                             | 560,280  | 811,454                                     | 2,807,341                                   |
| Capital projects funds                         | -  | -   | 6,261,805                                   |
| <b>Total Fund Balances</b>                     | <b>560,280</b>   | <b>811,454</b>                              | <b>9,648,399</b>                            |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 560,280</b>  | <b>\$ 811,454</b>                           | <b>\$ 9,766,232</b>                         |

See accompanying note to supplementary information.



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**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2003**

|  | <b>Special Revenue Funds</b>          |                           |  |   |
|--|---------------------------------------|---------------------------|--|---|
|  | <b>Child<br/>Development<br/>Fund</b> | <b>Cafeteria<br/>Fund</b> | <b>Deferred<br/>Maintenance<br/>Fund</b> | <b>Special<br/>Reserve<br/>Non-Capital<br/>Fund</b> |
| <b>REVENUES</b>  |                                       |                           |  |   |
| Federal sources  | \$ -                                  | \$ 451,333                | \$ -                                     | \$ -  |
| Other State sources  | 300,911                               | 28,202                    | 157,225                                  | -   |
| Other local sources  | 410                                   | 650,821                   | 6,770                                    | 1,618   |
| <b>Total Revenues</b>  | <b>301,321</b>                        | <b>1,130,356</b>          | <b>163,995</b>                           | <b>1,618</b>  |
| <b>EXPENDITURES</b>  |                                       |                           |  |   |
| <b>Current</b>   |                                       |                           |  |   |
| Instruction  | 212,354                               | -                         | -  | -   |
| Instruction-related activities:                              |                                       |                           |  |   |
| Supervision of instruction                                   | 75,672                                | -                         | -  | -   |
| Pupil Services:  |                                       |                           |  |   |
| Food services  | -                                     | 1,114,131                 | -  | -   |
| All other pupil services                                     | 2,011                                 | -                         | -  | -   |
| General administration:                                      |                                       |                           |  |   |
| All other general administration                             | 12,793                                | 47,239                    | -  | -   |
| Plant services   | -                                     | -                         | 376,157                                  | -   |
| Facility acquisition and construction                        | -                                     | -                         | -  | -   |
| Other outgo  | -                                     | -                         | -  | -   |
| <b>Debt service</b>  |                                       |                           |  |   |
| Principal  | -                                     | -                         | -  | -   |
| Interest and other   | -                                     | -                         | -  | -   |
| <b>Total Expenditures</b>                                    | <b>302,830</b>                        | <b>1,161,370</b>          | <b>376,157</b>                           | <b>-</b>  |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | <b>(1,509)</b>                        | <b>(31,014)</b>           | <b>(212,162)</b>                         | <b>1,618</b>  |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                                       |                           |  |   |
| Transfers in   | 1,509                                 | -                         | 105,000                                  | -   |
| Other sources  | -                                     | -                         | -  | -   |
| Transfers out  | -                                     | -                         | -  | (40,000)  |
| <b>Net Other Financing<br/>Sources (Uses)</b>                | <b>1,509</b>                          | <b>-</b>                  | <b>105,000</b>                           | <b>(40,000)</b>                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>-</b>                              | <b>(31,014)</b>           | <b>(107,162)</b>                         | <b>(38,382)</b>                                     |
| <b>Fund Balance - Beginning</b>                              | <b>-</b>                              | <b>106,538</b>            | <b>461,187</b>                           | <b>106,943</b>                                      |
| <b>Fund Balance - Ending</b>                                 | <b>\$ -</b>                           | <b>\$ 75,524</b>          | <b>\$ 354,025</b>                        | <b>\$ 68,561</b>                                    |

See accompanying note to supplementary information.

| Capital Projects Funds              |                          |                 | Debt Service Funds                |  |                       |
|-------------------------------------|--------------------------|-----------------|-----------------------------------|--|-----------------------|
| Special Reserve Capital Outlay Fund | CFD 99-1 Zone 1 A&B Fund | CFD 2002-1 Fund | Bond Interest and Redemption Fund | CFD 99-1 2003 Series Debt Service Fund | COP Debt Service Fund |
| \$ -                                | \$ -                     | \$ -            | \$ -                              | \$ -                                   | \$ -                  |
| -                                   | -                        | -               | -                                 | -                                      | -                     |
| 1,060                               | 29,261                   | 15,093          | -                                 | 174                                    | 42,766                |
| 1,060                               | 29,261                   | 15,093          | -                                 | 174                                    | 42,766                |
| -                                   | -                        | -               | -                                 | -                                      | -                     |
| -                                   | -                        | -               | -                                 | -                                      | -                     |
| -                                   | -                        | -               | -                                 | -                                      | -                     |
| -                                   | -                        | -               | -                                 | -                                      | -                     |
| -                                   | -                        | 161,707         | -                                 | -                                      | -                     |
| 2,556                               | 35,733                   | 105,570         | -                                 | -                                      | -                     |
| -                                   | -                        | -               | -                                 | -                                      | -                     |
| -                                   | -                        | -               | -                                 | -                                      | 165,000               |
| -                                   | -                        | -               | -                                 | -                                      | 449,949               |
| 2,556                               | 35,733                   | 267,277         | -                                 | -                                      | 614,949               |
| (1,496)                             | (6,472)                  | (252,184)       | -                                 | 174                                    | (572,183)             |
| 80,607                              | 58,165                   | 1,243           | 62,771                            | -                                      | 571,239               |
| -                                   | 215,655                  | 3,725,012       | -                                 | 737,498                                | -                     |
| -                                   | -                        | -               | -                                 | -                                      | -                     |
| 80,607                              | 273,820                  | 3,726,255       | 62,771                            | 737,498                                | 571,239               |
| 79,111                              | 267,348                  | 3,474,071       | 62,771                            | 737,672                                | (944)                 |
| 2,032                               | 2,520,386                | -               | -                                 | -                                      | 636,108               |
| \$ 81,143                           | \$ 2,787,734             | \$ 3,474,071    | \$ 62,771                         | \$ 737,672                             | \$ 635,164            |

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE, Continued  
FOR THE YEAR ENDED JUNE 30, 2003**

|  | <b>Debt Service Funds</b>                       |   |   |
|--|---|---|---|
|  | <b>CFD 99-1</b>                                 |   |   |
|  | <b>Zone 1 A&amp;B<br/>Debt Service<br/>Fund</b> | <b>CFD 2002-1<br/>Debt Service<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> |
| <b>REVENUES</b>  |   |   |   |
| Federal sources  | \$ -  | \$ -  | \$ 451,333                                  |
| Other State sources  | -   | -   | 486,338                                     |
| Other local sources  | 393,598   | 14,671                                      | 1,156,242                                   |
| <b>Total Revenues</b>  | <u>393,598</u>                                  | <u>14,671</u>                               | <u>2,093,913</u>                            |
| <b>EXPENDITURES</b>  |   |   |   |
| Current  |   |   |   |
| Instruction  | -   | -   | 212,354                                     |
| Instruction-related activities:                              |   |   |   |
| Supervision of instruction                                   | -   | -   | 75,672                                      |
| Pupil Services:  |   |   |   |
| Food services  | -   | -   | 1,114,131                                   |
| All other pupil services                                     | -   | -   | 2,011                                       |
| General administration:                                      |   |   |   |
| All other general administration                             | -   | -   | 60,032                                      |
| Plant services   | -   | -   | 537,864                                     |
| Facility acquisition and construction                        | -   | -   | 143,859                                     |
| Other outgo  | 142,813   | 66,962                                      | 209,775                                     |
| Debt service   |   |   |   |
| Principal  | 45,000  | -   | 210,000                                     |
| Interest and other   | 143,853   | -   | 593,802                                     |
| <b>Total Expenditures</b>                                    | <u>331,666</u>                                  | <u>66,962</u>                               | <u>3,159,500</u>                            |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | <u>61,932</u>                                   | <u>(52,291)</u>                             | <u>(1,065,587)</u>                          |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |   |   |   |
| Transfers in   | -   | -   | 880,534                                     |
| Other sources  | -   | 864,988                                     | 5,543,153                                   |
| Transfers out  | (58,165)  | (1,243)                                     | (99,408)                                    |
| <b>Net Other Financing<br/>Sources (Uses)</b>                | <u>(58,165)</u>                                 | <u>863,745</u>                              | <u>6,324,279</u>                            |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <u>3,767</u>                                    | <u>811,454</u>                              | <u>5,258,692</u>                            |
| <b>Fund Balance - Beginning</b>                              | 556,513   | -   | 4,389,707                                   |
| <b>Fund Balance - Ending</b>                                 | <u>\$ 560,280</u>                               | <u>\$ 811,454</u>                           | <u>\$ 9,648,399</u>                         |

See accompanying note to supplementary information.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2003

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

#### **A. 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.

#### **B. 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 apportionment's 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.

#### **C. 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.

#### **D. 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.

#### **E. 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.

#### **F. Combining Statements**

These statements provide information on the District's non-major funds.

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*INDEPENDENT AUDITORS' REPORTS*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING 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 Menifee Union Elementary School District as of and for the year ended June 30, 2003, and have issued our report thereon dated September 19, 2003. 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.

Compliance

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 grants, 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 are required to be reported under *Government Auditing Standards*.

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 opinion on the financial statements and not to provide assurance 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 items 2003-1 through 2003-2.

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 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 none of the reportable conditions described above is a material weakness. We did note other matters involving the internal control over financial reporting that we have reported to management of Menifee Union School District in a separate letter dated September 19, 2003.

This report is intended solely for the information and use of the Governing Board, audit committee, 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.

*Vavumik, Trmie, Day: Co, LLP*

Rancho Cucamonga, California  
September 19, 2003



**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, 2003. 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, 2003.

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 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, audit committee, 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.

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

Rancho Cucamonga, California  
September 19, 2003



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Menifee Union Elementary School District  
 Menifee, California

We have audited the financial statements of the Menifee Union Elementary School District as of and for the year ended June 30, 2003, and have issued our report thereon dated September 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. 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.

The management of Menifee Union Elementary School District is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Menifee Union Elementary School District's compliance with the State laws and regulations applicable to the following items:

|  | Procedures in<br>Controller's<br>Audit Guide | Procedures<br>Performed |
|--|--|-------------------------|
| Attendance accounting                    |  |                         |
| Attendance reporting                     | 4  | Yes                     |
| Kindergarten continuation                | 3  | Yes                     |
| Independent study                        | 13   | Not Applicable          |
| Continuation education                   | 11   | Not Applicable          |
| Adult education                          | 8  | Not Applicable          |
| Regional occupational centers/programs   | 4  | Not Applicable          |
| Staff development days                   | 3  | Yes                     |
| Incentives for longer instructional day: |  |                         |
| School district                          | 4  | Yes                     |
| County Offices of Education              | 4  | Not Applicable          |
| GANN limit calculation                   | 1  | Yes                     |
| Early retirement incentive program       | 5  | Not Applicable          |

|   | <u>Procedures in<br/>Controller's<br/>Audit Guide</u> | <u>Procedures<br/>Performed</u> |
|---|---|---------------------------------|
| Community day schools                                     | 8   | Not Applicable                  |
| Class size reduction program:                             |   |                                 |
| Option one classes  | 10  | Yes                             |
| Option two classes  | 9   | Not Applicable                  |
| Option one and two classes                                | 14  | Not Applicable                  |
| Program to reduce class size in two courses in grade 9    | 8   | Not Applicable                  |
| State Instructional Materials Fund:                       |   |                                 |
| Instructional Materials Funding Realignment Program       | 9   | Yes                             |
| Schiff-Bustamante Standards-Based Instructional Materials | 9   | Not Applicable                  |
| Digital High School Education Technology Grant Program    | 5   | Not Applicable                  |
| California Public School Library Act of 1998              | 4   | Yes                             |
| Ratios of Administrative Employees to Teachers            | 3   | Yes                             |
| Office of Criminal Justice Planning                       | -   | Not Applicable                  |

Based on our audit, we found that for the items tested, the Menifee Union Elementary School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Menifee Union Elementary School District had not complied with the laws and regulations.

This report is intended solely for the information and use of the Governing Board, audit committee, 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.

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

Rancho Cucamonga, California  
September 19, 2003

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

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# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

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The following findings represent reportable conditions related to the financial statements that are required to be reported in accordance with generally accepted government audit standards. The findings have been coded as follows:

| <u>Five Digit Code</u> | <u>AB 3627 Finding Type</u> |
|------------------------|-----------------------------|
| 20000                  | Inventory of Equipment      |
| 30000                  | Internal Control            |
| 60000                  | Miscellaneous               |

### REPORTIBLE CONDITIONS

#### *Community Facilities District Disbursements*

#### 2003-1 Finding (30000)

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

#### 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.

#### District Response

As of May 13, 2003, the District's Business Office adopted a procedure for processing and reconciling CFD payment requests. All disbursements will be requested by the Director of Facilities and approved by the Assistant Superintendent of Business Services. Payment requests, invoices, and fax confirmations are maintained separately by CFD and are reconciled against monthly bank statements by the Business Office.

# MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

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### ASSOCIATED STUDENT BODY (ASB)

#### *All Sites*

#### 2003-2 Finding (30000)

There appears to be a lack of separation of duties at the ASB sites. The ASB bookkeepers appear to have the majority of control over several important internal control systems at the ASB's including, but not limited to, the cash receipts function, reconciliation of bank accounts, preparation of checks and financial statements.

#### Recommendation

The District should work with the ASB sites to ensure that a separation of duties is maintained for the important internal control systems.

#### District Response

To respond to a lack of internal control procedures for District ASB sites, we offer the following processes already in place and some procedures we have implemented to improve our system.

In most cases, fundraisers for the middle school ASB's are planned well in advance and allow for tickets to be purchased directly through the ASB clerk. Since the District uses the Blue Bear Software at each site, a receipt is given for each individual transaction, however, for those fundraising events where receipts are not able to be given, the District has provided a currency count form for the ASB advisor to use to account for monies collected prior to submission to the ASB clerk for verification and deposit. Signatures of both are required, as well as the actual date of deposit.

ASB clerks currently provide financial statements to each club advisor which shows deposits and expenditures made, as well as the current balance. We have now directed that club advisors sign and date these statements if they are in agreement and return them to the ASB clerk for auditing backup.

Bank statements are currently reconciled by the ASB clerk on a monthly basis and verified by the site principal. We have taken steps to ensure that both the ASB clerk (preparer) and the principal (verifier) signatures appear on each bank statement.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**FEDERAL FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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There were no findings representing instances of noncompliance or questioned costs relating to state program laws and regulations.

**MENIFEE UNION ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2003**

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The following findings represent reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government audit standards. The findings have been coded as follows:

| <u>Five Digit Code</u> | <u>AB 3627 Finding Type</u> |
|------------------------|-----------------------------|
| 20000                  | Inventory of Equipment      |
| 30000                  | Internal Control            |
| 60000                  | Miscellaneous               |

**2002-1 Finding (30000)**

During our audit, we noted the Food Service Department is not reconciling ending inventory to the food usage logs. This will ensure that all items purchased have been properly accounted for.

**Recommendation**

An annual physical inventory should be taken and reconciled to the usage and or waste reports to ensure all items have been accounted for. The prior year's ending inventory plus purchases less usage and or waste should equal to the current physical inventory count.

**District Response**

The District concurs with the auditor's finding and recommendation. The District now has a shortage of personnel trained in the inventory system for food service. The District will train necessary personnel on the inventory system by December 2, 2002. The training will enable food service to account for all items and to compare properly the paper inventory to the physical inventory at year end.

**Status**

Implemented



September 19, 2003

Governing Board  
Menifee Union Elementary School District  
Menifee, California

In planning our audit of the financial statements of Menifee Union Elementary School District, for the year ended June 30, 2003, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted a matter that is an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated September 19, 2003, on the financial statements of Menifee Union Elementary School District.

***INTERNAL CONTROLS***

**BANK RECONCILIATIONS**

**Finding**

Bank reconciliations for the Revolving, Transportation, and Food Services accounts are reconciled to check book balance as of the date the bank statement is received. The bank statements should be reconciled as of month ending date.

**Recommendation**

When bank statements and District books are reconciled to the month end instead of the date the bank statement was received, this gives the District a better picture of what the District has available in their cash accounts. Furthermore, supervisory personnel in Fiscal Services should review bank reconciliation to ensure accuracy.

Governing Board  
Menifee Union Elementary School District  
September 19, 2003

**CREDIT CARDS**

**Finding**

The District did not have adopted policies and procedures concerning the use of its credit cards. However, during the course of the audit, the District adopted procedures for the use of credit cards.

**Recommendation**

The District should have written policies and procedures regarding use of credit cards.

We will review the status of the current year comments during our next audit engagement.

Yours very truly,



Kevin T. Pulliam  
of VAVRINEK, TRINE, DAY & CO., LLP

KTP:mcr