



**MENIFEE UNION ELEMENTARY
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2002

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

OF RIVERSIDE COUNTY

MENIFEE, CALIFORNIA

JUNE 30, 2002

GOVERNING BOARD

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Governing Board
Menifee Union Elementary School District
Menifee, California

We have audited the accompanying general-purpose financial statements of the Menifee Union Elementary School District, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Menifee Union Elementary School District at June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2002, 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.

The accompanying financial and statistical 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 States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

Vavinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
August 30, 2002

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MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 3,769	\$ 20,480	\$ -	\$ 43,141
Investments	3,872,308	686,895	1,192,620	10,173,011
Accounts receivable	1,441,782	86,482	-	36,140
Due from other funds	67,253	20,105	-	8,000
Stores inventory	-	18,791	-	-
General fixed assets	-	-	-	-
Amount available for the retirement of general long-term debt	-	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-
Total Assets	\$ 5,385,112	\$ 832,753	\$ 1,192,620	\$ 10,260,292
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	421,662	83,123	-	1,101,966
Due to other funds	13,680	74,962	-	6,716
Deferred revenue	155,696	-	-	-
General long-term debt	-	-	-	-
Total Liabilities	591,038	158,085	-	1,108,682
FUND EQUITY				
Investment in general fixed assets	-	-	-	-
Fund balances				
Reserved	902,194	18,791	-	-
Unreserved				
Designated	3,891,880	655,877	-	6,631,224
Undesignated	-	-	1,192,620	2,520,386
Total Fund Equity	4,794,074	674,668	1,192,620	9,151,610
Total Liabilities and Fund Equity	\$ 5,385,112	\$ 832,753	\$ 1,192,620	\$ 10,260,292

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

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Long-Term Debt	General Fixed Assets	
\$ 24,741	\$ -	\$ -	\$ 92,131
-	-	-	15,924,834
-	-	-	1,564,404
-	-	-	95,358
-	-	-	18,791
-	-	49,302,394	49,302,394
-	1,192,620	-	1,192,620
-	11,214,431	-	11,214,431
<u>\$ 24,741</u>	<u>\$ 12,407,051</u>	<u>\$ 49,302,394</u>	<u>\$ 79,404,963</u>
-	-	-	1,606,751
-	-	-	95,358
-	-	-	155,696
-	12,407,051	-	12,407,051
-	12,407,051	-	14,264,856
-	-	49,302,394	49,302,394
-	-	-	920,985
-	-	-	11,178,981
24,741	-	-	3,737,747
<u>24,741</u>	<u>-</u>	<u>49,302,394</u>	<u>65,140,107</u>
<u>\$ 24,741</u>	<u>\$ 12,407,051</u>	<u>\$ 49,302,394</u>	<u>\$ 79,404,963</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Revenue Limit Sources				
State apportionments	\$17,649,402	\$ -	\$ -	\$ -
Local sources	3,866,731	-	-	-
Total Revenue Limit Sources	<u>21,516,133</u>	<u>-</u>	<u>-</u>	<u>-</u>
Federal revenues	787,286	447,828	-	-
Other state revenues	5,502,285	434,398	-	-
Other local revenues	387,215	611,208	394,487	4,248,433
Tuition and transfers	1,883,109	-	-	-
Total Revenues	<u>30,076,028</u>	<u>1,493,434</u>	<u>394,487</u>	<u>4,248,433</u>
EXPENDITURES				
Current Expenditures				
Certificated salaries	15,851,893	83,896	-	-
Classified salaries	4,153,020	530,092	-	-
Employee benefits	4,549,490	87,317	-	-
Books and supplies	1,578,343	630,878	-	355,277
Services and operating expenditures	1,925,904	129,049	143,396	206,564
Other outgo	9,126	(9,126)	-	-
Capital outlay	112,515	185,801	-	12,172,647
Debt service - principal	-	-	185,000	-
Debt service - interest and other	-	-	699,536	-
Total Expenditures	<u>28,180,291</u>	<u>1,637,907</u>	<u>1,027,932</u>	<u>12,734,488</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>1,895,737</u>	<u>(144,473)</u>	<u>(633,445)</u>	<u>(8,486,055)</u>
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	-	118,601	571,973	-
Operating transfers out	(690,574)	-	-	-
Other sources	101,000	-	142,185	1,783,313
Total Other Financing Sources/(Uses)	<u>(589,574)</u>	<u>118,601</u>	<u>714,158</u>	<u>1,783,313</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>1,306,163</u>	<u>(25,872)</u>	<u>80,713</u>	<u>(6,702,742)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>3,487,911</u>	<u>700,540</u>	<u>1,111,907</u>	<u>15,854,352</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,794,074</u>	<u>\$ 674,668</u>	<u>\$1,192,620</u>	<u>\$9,151,610</u>

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

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
\$ -	\$ 17,649,402
-	3,866,731
-	21,516,133
-	1,235,114
-	5,936,683
124,542	5,765,885
-	1,883,109
<u>124,542</u>	<u>36,336,924</u>
-	15,935,789
-	4,683,112
-	4,636,807
-	2,564,498
148,095	2,553,008
-	-
-	12,470,963
-	185,000
-	699,536
<u>148,095</u>	<u>43,728,713</u>
<u>(23,553)</u>	<u>(7,391,789)</u>
-	690,574
-	(690,574)
-	2,026,498
<u>-</u>	<u>2,026,498</u>
(23,553)	(5,365,291)
48,294	21,203,004
<u>\$ 24,741</u>	<u>\$ 15,837,713</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 17,935,738	\$ 17,649,402	\$ (286,336)
Local sources	3,549,904	3,866,731	316,827
Total Revenue Limit Sources	21,485,642	21,516,133	30,491
Federal revenues	774,454	787,286	12,832
Other state revenues	5,494,888	5,502,285	7,397
Other local revenues	348,688	387,215	38,527
Tuition and transfers	1,936,139	1,883,109	(53,030)
Total Revenues	30,039,811	30,076,028	36,217
EXPENDITURES			
Current Expenditures			
Certificated salaries	15,866,642	15,851,893	14,749
Classified salaries	4,104,862	4,153,020	(48,158)
Employee benefits	4,709,990	4,549,490	160,500
Books and supplies	2,451,793	1,578,343	873,450
Services and operating expenditures	2,256,219	1,925,904	330,315
Other outgo	(52,637)	9,126	(61,763)
Capital outlay	319,352	112,515	206,837
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	29,656,221	28,180,291	1,475,930
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	383,590	1,895,737	1,512,147
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(693,917)	(690,574)	3,343
Other sources	101,000	101,000	-
Total Other Financing Sources/(Uses)	(592,917)	(589,574)	3,343
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(209,327)	1,306,163	1,515,490
FUND BALANCE, BEGINNING OF YEAR	3,487,911	3,487,911	-
FUND BALANCE, END OF YEAR	\$ 3,278,584	\$ 4,794,074	\$ 1,515,490

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
442,400	447,828	5,428	-	-	-
436,405	434,398	(2,007)	-	-	-
586,965	611,208	24,243	-	394,487	394,487
-	-	-	-	-	-
<u>1,465,770</u>	<u>1,493,434</u>	<u>27,664</u>	<u>-</u>	<u>394,487</u>	<u>394,487</u>
83,995	83,896	99	-	-	-
530,137	530,092	45	-	-	-
112,577	87,317	25,260	-	-	-
631,434	630,878	556	-	-	-
130,471	129,049	1,422	-	143,396	(143,396)
(29,107)	(9,126)	(19,981)	-	-	-
220,700	185,801	34,899	-	-	-
-	-	-	-	185,000	(185,000)
-	-	-	-	699,536	(699,536)
<u>1,680,207</u>	<u>1,637,907</u>	<u>42,300</u>	<u>-</u>	<u>1,027,932</u>	<u>(1,027,932)</u>
<u>(214,437)</u>	<u>(144,473)</u>	<u>69,964</u>	<u>-</u>	<u>(633,445)</u>	<u>(633,445)</u>
118,601	118,601	-	-	571,973	571,973
-	-	-	-	-	-
-	-	-	-	142,185	142,185
<u>118,601</u>	<u>118,601</u>	<u>-</u>	<u>-</u>	<u>714,158</u>	<u>714,158</u>
(95,836)	(25,872)	69,964	-	80,713	80,713
700,540	700,540	-	1,111,907	1,111,907	-
<u>\$ 604,704</u>	<u>\$ 674,668</u>	<u>\$ 69,964</u>	<u>\$ 1,111,907</u>	<u>\$ 1,192,620</u>	<u>\$ 80,713</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002**

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Local sources	-	-	-
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	-	-	-
Other local revenues	1,501,873	4,248,433	2,746,560
Tuition and transfers	-	-	-
Total Revenues	<u>1,501,873</u>	<u>4,248,433</u>	<u>2,746,560</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	619,250	355,277	263,973
Services and operating expenditures	52,600	206,564	(153,964)
Other outgo	-	-	-
Capital outlay	11,047,514	12,172,647	(1,125,133)
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>11,719,364</u>	<u>12,734,488</u>	<u>(1,015,124)</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(10,217,491)</u>	<u>(8,486,055)</u>	<u>1,731,436</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Other sources	50,000	1,783,313	1,733,313
Total Other Financing Sources/(Uses)	<u>50,000</u>	<u>1,783,313</u>	<u>1,733,313</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(10,167,491)</u>	<u>(6,702,742)</u>	<u>3,464,749</u>
FUND BALANCE, BEGINNING OF YEAR	<u>15,854,352</u>	<u>15,854,352</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,686,861</u>	<u>\$ 9,151,610</u>	<u>\$ 3,464,749</u>

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

Total (Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 17,935,738	\$ 17,649,402	\$ (286,336)
3,549,904	3,866,731	316,827
<u>21,485,642</u>	<u>21,516,133</u>	<u>30,491</u>
1,216,854	1,235,114	18,260
5,931,293	5,936,683	5,390
2,437,526	5,641,343	3,203,817
1,936,139	1,883,109	(53,030)
<u>33,007,454</u>	<u>36,212,382</u>	<u>3,204,928</u>
15,950,637	15,935,789	14,848
4,634,999	4,683,112	(48,113)
4,822,567	4,636,807	185,760
3,702,477	2,564,498	1,137,979
2,439,290	2,404,913	34,377
(81,744)	-	(81,744)
11,587,566	12,470,963	(883,397)
-	185,000	(185,000)
-	699,536	(699,536)
<u>43,055,792</u>	<u>43,580,618</u>	<u>(524,826)</u>
<u>(10,048,338)</u>	<u>(7,368,236)</u>	<u>2,680,102</u>
118,601	690,574	571,973
(693,917)	(690,574)	3,343
<u>151,000</u>	<u>2,026,498</u>	<u>1,875,498</u>
<u>(424,316)</u>	<u>2,026,498</u>	<u>2,450,814</u>
(10,472,654)	(5,341,738)	5,130,916
21,154,710	21,154,710	-
<u>\$ 10,682,056</u>	<u>\$ 15,812,972</u>	<u>\$ 5,130,916</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Menifee Union Elementary School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Menifee Union Elementary School District accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity (Component Units)

The District includes all funds, account groups, and other entities that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The Menifee Union District and the Riverside County Financing Corporation have a financial and operational relationship that meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the corporation as a component unit of the District. Accordingly, the financial activities of the corporation have been included in the financial statements of the District.

For financial presentation purposes, the proportionate interest of the Menifee Union Elementary School District in the Riverside County Schools Financing Corporation's financial activity has been blended, or combined, with the financial data of the Districts. The financial statements present the Corporation's financial activity within the Corporation's Building Fund and the Corporation's Debt Service Fund. The 1996 Certificates of Participation issued by the Corporation are included in the General Long-Term Debt Account Group. Fixed assets acquired or constructed by the Corporation are included in the General Fixed Assets Account Group.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures (or expenses), as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

- Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

Fiduciary Funds

- Expendable Trust Funds are used to account for assets held by the District as trustee.

Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, the fixed assets and long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the District.

- The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of the donation. No depreciation is recorded on general fixed assets.
- The General Long-term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred when goods are received or services rendered, except for unmatured interest on general long-term debt, which is recognized when due.

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except for those funds associated with the District's component unit. The District's governing board adopts an operating budget no later than July 1 in accordance with state law. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. The Board of Trustees revises this budget during the year to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

F. Stores Inventory

Inventory is valued at lower of cost or market utilizing the weighted average cost method. Inventory in the cafeteria fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

G. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is not significant and therefore has not been recorded in the funds.

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, therefore, 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 classified member will receive .004 year of service credit for each day of unused sick leave. Certificated members will receive from .004 to .0057 year of service credit for each day of unused sick leave, based on the contract base service days formula.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

H. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

I. Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Fixed assets acquired or constructed for general governmental operations is recorded as an expenditure in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group.

Fixed assets are stated at cost. Where cost could not be determined from available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Depreciation is not required for governmental fund type acquisitions.

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes for the District. The District recognizes tax revenues when received.

K. Deferred Revenue

Deferred revenue arises when a 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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

L. Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

M. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE #2 – CASH

Cash at June 30, 2002, consisted of the following:

	<u>Carrying Amount</u>
Cash on hand and in banks	\$ 89,631
Cash in revolving fund	2,500
Total	<u>\$ 92,131</u>

The Federal Depository Insurance Corporation insures cash balances held in banks and in revolving funds up to \$100,000. At June 30, 2002, the carrying amount of the District's deposits was \$92,131, and the bank balance was \$70,005. All cash held by financial institutions is fully insured.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE #3 – INVESTMENTS

Investments at June 30, 2002, held on behalf of the Menifee Union Elementary School District and the Riverside County School Financing Corporation are presented below, categorized separately to give an indication of the level of risk associated with each investment:

*These categories are as follows:

	Category *			Reported Amount	Fair Value
	1	2	3		
Bayerische Landesbank 6.85% due 9/1/25			\$635,154	\$ 635,154	\$ 635,154
Uncategorized:					
Federated Treasury Obligations				3,076,898	3,076,898
Federated Money Market Obligations				954	954
Deposits with county treasurer				12,211,828	12,235,961
Total Investments				<u>\$15,924,834</u>	<u>\$ 15,948,967</u>

- Category 1: Insured or registered, or securities held by the District/Corporation or its agent in the Corporation's name.
- Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's/Corporation's name.
- Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the District's/Corporation's name.

A. Authorized Investments

The District is authorized to make direct investments in state registered bonds, notes or warrants; State Treasurer's Investment Pool; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; and time deposits 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 with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of Riverside. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for those deposits.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2002, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Federal Government				
Categorical aid	\$ 154,914	\$ 77,866	\$ -	\$ 232,780
State Government				
Categorical aid	362,536	-	-	362,536
Other state				
Lottery	363,265	-	-	363,265
Other	249,565	4,961	-	254,526
Local Government				
Interest	33,666	3,341	36,140	73,147
Other Local Sources	277,836	314	-	278,150
Total	<u>\$ 1,441,782</u>	<u>\$ 86,482</u>	<u>\$ 36,140</u>	<u>\$ 1,564,404</u>

NOTE #5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2002, are as follows:

Funds:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 67,253	\$ 13,680
Cafeteria	6,425	40,203
Child Development	13,680	34,759
Capital Facilities	8,000	6,716
Total	<u>\$ 95,358</u>	<u>\$ 95,358</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2002, are as follows:

The General fund transferred to the Child Development fund to pay back grant money	\$ 13,601
The General fund transferred to the Deferred Maintenance fund for state match	105,000
The General fund transferred to the COP debt service fund for COP payment	<u>571,973</u>
Total	<u><u>\$ 690,574</u></u>

NOTE #6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2002, consists of the following:

	General	Special Revenue	Capital Projects	Total
Apportionment	\$ 226,275	\$ -	\$ -	\$ 226,275
Construction	-	29,218	873,672	902,890
Other payables	<u>195,387</u>	<u>53,905</u>	<u>228,294</u>	<u>477,586</u>
Total	<u><u>\$ 421,662</u></u>	<u><u>\$ 83,123</u></u>	<u><u>\$ 1,101,966</u></u>	<u><u>\$ 1,606,751</u></u>

NOTE #7 – DEFERRED REVENUE

Deferred revenue at June 30, 2002, consists of the following:

Federal financial assistance	<u>\$ 64,093</u>
State categorical aid	<u>91,603</u>
Total	<u><u>\$ 155,696</u></u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #8 – FUND BALANCES

Fund balances is are composed of the following elements:

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trusts
Reserved					
Revolving Cash	\$ 2,500	\$ -	\$ -	\$ -	\$ -
Stores Inventory	-	18,791	-	-	-
Legally Restricted	899,694	-	-	-	-
Total Reserved	<u>902,194</u>	<u>18,791</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unreserved					
Designated					
Economic Uncertainties	1,461,676	87,746	-	-	-
Equalization	33,199	-	-	-	-
Equipment	150,000	-	-	-	-
Grants	705,252	-	-	-	-
Pers Reduction	24,910	-	-	-	-
Technology	105,000	-	-	-	-
Safety	50,000	-	-	-	-
Special Ed Mandates	199,598	-	-	-	-
Site Carryover	257,245	-	-	-	-
Staffing	400,000	-	-	-	-
Step/Column Costs	150,000	-	-	-	-
Capital Projects	254,000	-	-	-	-
Land Sale	101,000	-	-	-	-
Library Resources	-	46,943	-	-	-
Textbooks	-	60,000	-	-	-
Other	-	461,188	-	6,631,224	-
Total Designated	<u>3,891,880</u>	<u>655,877</u>	<u>-</u>	<u>6,631,224</u>	<u>-</u>
Undesignated	-	-	1,192,620	2,520,386	24,741
Total Unreserved	<u>3,891,880</u>	<u>655,877</u>	<u>1,192,620</u>	<u>9,151,610</u>	<u>24,741</u>
Total	<u>\$4,794,074</u>	<u>\$ 674,668</u>	<u>\$1,192,620</u>	<u>\$ 9,151,610</u>	<u>\$ 24,741</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #9 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2002, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
Certificates of participation	\$ 7,950,000	\$ -	\$ (155,000)	\$ 7,795,000
Accumulated vacation - net	113,776	13,275	-	127,051
Community Facilities District 99-1	2,585,000	1,930,000	(30,000)	4,485,000
	<u>\$ 10,648,776</u>	<u>\$ 1,943,275</u>	<u>\$ (185,000)</u>	<u>12,407,051</u>
Amount currently available for retirement of general long-term debt				
Certificate of Participation			636,108	
CFD 99-1 Debt Service fund			556,512	1,192,620
Amount to be provided for retirement of general long-term debt				<u>\$ 11,214,431</u>

B. Certificates of Participation

On October 1, 1996, the Meniffee 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, 2002, the principal balance outstanding was \$7,795,000.

The certificates mature through 2025 as follows:

Year Ending June 30,	Principal	Interest*	Total
2003	\$ 165,000	\$ 449,941	\$ 614,941
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
Thereafter	6,880,000	4,422,771	11,302,771
Total	<u>\$ 7,795,000</u>	<u>\$ 6,575,138</u>	<u>\$ 14,370,138</u>

* A portion of the interest payment is paid out of the District's reserve fund, held at U.S. Trust. For the 2002-2003 fiscal year, the interest paid out of the reserve fund is \$42,513.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

C. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2002, amounted to \$127,051.

D. Community Facilities District 99-1

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. On July 10, 2001, Series B of the Special Tax Bonds were issued in the amount of \$1,930,000.

At June 30, 2002, the principal outstanding balance was \$4,485,000.

The bonds mature through 2032 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 45,000	\$ 286,665	\$ 331,665
2004	60,000	284,219	344,219
2005	65,000	281,210	346,210
2006	65,000	277,944	342,944
2007	70,000	274,445	344,445
Thereafter	4,180,000	4,332,586	8,512,586
Total	\$ 4,485,000	\$ 5,737,069	\$ 10,222,069

NOTE #10 – GENERAL FIXED ASSETS

A summary of general fixed assets for the year ended June 30, 2002, follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Sites and improvements	\$ 5,091,874	\$ 1,490,000	\$ -	\$ 6,581,874
Building and improvements	38,275,541	18,500	-	38,294,041
Equipment	4,579,591	339,325	(492,437)	4,426,479
Total	\$ 47,947,006	\$ 1,847,825	\$ (492,437)	\$ 49,302,394

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE #11 – 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 2001-2002 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, 2002, 2001, and 2000, were \$1,265,101, \$1,146,275 and \$1,007,011, respectively, and equal 100 percent of the required contributions for each year.

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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2001-2002 was -0- percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2002, 2001, and 2000 were \$-0-, \$-0-, and \$-0-, respectively, and equal 100 percent of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use social security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

D. 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 \$302,896 (1.975) percent of salaries subject to STRS) and \$-0- (zero) 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 (J-200). These amounts also have not been recorded in these financial statements.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #12 – RISK MANAGEMENT

Description

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 #13 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material.

B. Construction Commitments

As of June 30, 2002, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
CAPITAL PROJECT		
Menifee Lakes Elementary	<u>\$ 6,133,943</u>	<u>6/03</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 (WRCSIFE), 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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

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.

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

E. Condensed Audited Financial Information Follows

	<u>June 30, 2001*</u>	<u>September 30, 2000*</u>	<u>June 30, 2001*</u>
Assets	\$ 3,639,008	\$ 31,615,037	\$ 8,623,240
Liabilities	1,974,917	48,543,013	3,838,392
Fund Equity	<u>\$ 1,664,091</u>	<u>\$ (16,927,976)</u>	<u>\$ 4,784,848</u>
Revenues	268,835	281,447,921	4,825,810
Expenses	488,220	304,030,259	6,464,130
Equity Distribution	4,141,680	-	-
Net Increase/(Decrease) in Fund Equity	<u>\$ (4,361,065)</u>	<u>\$ (22,582,338)</u>	<u>\$ (1,638,320)</u>
F. <u>Payments for the Current Year</u>	<u>\$ 308,703</u>	<u>\$ 2,100,677</u>	<u>\$ 138,806</u>

*Most recent information available.

None of the JPAs had long-term debts outstanding at September 30, 2000 and June 30, 2001. 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, 2002

NOTE #15 – EXPENDITURES (BUDGET VERSUS ACTUAL)

Annual Budgets are not prepared for the Debt Service Funds or the Community Facilities District 99-1 Capital Projects Fund. The project is approved at the adoption of the project and budgeted to the scheduled term in total rather than annually.

NOTE #16 – TAX AND REVENUE ANTICIPATION NOTES

On July 3, 2001, the District issued \$3,000,000 Tax and Revenue Anticipation Notes bearing interest at 4.3 percent. Interest and principal were due and payable on July 3, 2002. By May 31, 2002, 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 \$3,000,000 and related accrued interest and cash held in trust are not included in these financial statements.

NOTE #17 – SUBSEQUENT EVENTS

The District issued \$4,375,000 of Tax And Revenue Anticipation Notes dated July 3, 2002. The notes mature on July 3, 2003, and yield 1.67 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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

NOTE #18 – NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" as amended by GASB Statement No. 37 and No. 38. This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school Districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

A. Management's Discussion and Analysis (MD&A)

B. Basic Financial Statements which include:

- Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
- Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
- Required supplementary information.

C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2003. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002**

	<u>Cafeteria</u>	<u>Child Development</u>	<u>Deferred Maintenance</u>	<u>Special Reserve</u>	<u>Total</u>
ASSETS					
Cash	\$ 20,480	\$ -	\$ -	\$ -	\$ 20,480
Investments	64,197	21,610	494,630	106,458	686,895
Accounts receivable	83,380	192	2,425	485	86,482
Due from other funds	6,425	13,680	-	-	20,105
Stores inventory	18,791	-	-	-	18,791
Total Assets	<u>\$ 193,273</u>	<u>\$ 35,482</u>	<u>\$ 497,055</u>	<u>\$ 106,943</u>	<u>\$ 832,753</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	46,532	723	35,868	-	83,123
Due to other funds	40,203	34,759	-	-	74,962
Total Liabilities	<u>86,735</u>	<u>35,482</u>	<u>35,868</u>	<u>-</u>	<u>158,085</u>
FUND EQUITY					
Fund balances					
Reserved	18,791	-	-	-	18,791
Unreserved					
Designated	87,747	-	461,187	106,943	655,877
Total Fund Equity	<u>106,538</u>	<u>-</u>	<u>461,187</u>	<u>106,943</u>	<u>674,668</u>
Total Liabilities and Fund Equity	<u>\$ 193,273</u>	<u>\$ 35,482</u>	<u>\$ 497,055</u>	<u>\$ 106,943</u>	<u>\$ 832,753</u>

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	Cafeteria	Child Development	Deferred Maintenance
REVENUES			
Federal revenues	\$ 447,828	\$ -	\$ -
Other state revenues	27,903	283,329	123,166
Other local revenues	593,735	1,577	13,206
Total Revenues	<u>1,069,466</u>	<u>284,906</u>	<u>136,372</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	83,896	-
Classified salaries	434,473	95,619	-
Employee benefits	43,722	43,595	-
Books and supplies	577,829	17,634	35,415
Services and operating expenditures	18,435	42,877	67,737
Other outgo	(20,812)	11,686	-
Capital outlay	-	3,200	182,601
Total Expenditures	<u>1,053,647</u>	<u>298,507</u>	<u>285,753</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>15,819</u>	<u>(13,601)</u>	<u>(149,381)</u>
OTHER FINANCING SOURCES			
Operating transfers in	-	13,601	105,000
Total Other Financing Sources	<u>-</u>	<u>13,601</u>	<u>105,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	15,819	-	(44,381)
FUND BALANCE, BEGINNING OF YEAR	<u>90,719</u>	<u>-</u>	<u>505,568</u>
FUND BALANCE, END OF YEAR	<u>\$ 106,538</u>	<u>\$ -</u>	<u>\$ 461,187</u>

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

<u>Special Reserve</u>	<u>Total</u>
\$ -	\$ 447,828
-	434,398
2,690	611,208
2,690	1,493,434
-	83,896
-	530,092
-	87,317
-	630,878
-	129,049
-	(9,126)
-	185,801
-	1,637,907
2,690	(144,473)
-	118,601
-	118,601
2,690	(25,872)
104,253	700,540
\$ 106,943	\$ 674,668

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	Cafeteria		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Federal revenues	\$ 442,400	\$ 447,828	\$ 5,428
Other state revenues	27,900	27,903	3
Other local revenues	569,700	593,735	24,035
Total Revenues	<u>1,040,000</u>	<u>1,069,466</u>	<u>29,466</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	434,476	434,473	3
Employee benefits	68,883	43,722	25,161
Books and supplies	577,938	577,829	109
Services and operating expenditures	18,500	18,435	65
Other outgo	(40,872)	(20,812)	(20,060)
Capital outlay	-	-	-
Total Expenditures	<u>1,058,925</u>	<u>1,053,647</u>	<u>5,278</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(18,925)</u>	<u>15,819</u>	<u>34,744</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(18,925)</u>	<u>15,819</u>	<u>34,744</u>
FUND BALANCE, BEGINNING OF YEAR	<u>90,719</u>	<u>90,719</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 71,794</u>	<u>\$ 106,538</u>	<u>\$ 34,744</u>

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

Child Development			Deferred Maintenance		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
285,339	283,329	(2,010)	123,166	123,166	-
1,576	1,577	1	13,000	13,206	206
<u>286,915</u>	<u>284,906</u>	<u>(2,009)</u>	<u>136,166</u>	<u>136,372</u>	<u>206</u>
83,995	83,896	99	-	-	-
95,661	95,619	42	-	-	-
43,694	43,595	99	-	-	-
17,996	17,634	362	35,500	35,415	85
44,205	42,877	1,328	67,766	67,737	29
11,765	11,686	79	-	-	-
3,200	3,200	-	217,500	182,601	34,899
<u>300,516</u>	<u>298,507</u>	<u>2,009</u>	<u>320,766</u>	<u>285,753</u>	<u>35,013</u>
<u>(13,601)</u>	<u>(13,601)</u>	<u>-</u>	<u>(184,600)</u>	<u>(149,381)</u>	<u>35,219</u>
<u>13,601</u>	<u>13,601</u>	<u>-</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>
<u>13,601</u>	<u>13,601</u>	<u>-</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>
-	-	-	(79,600)	(44,381)	35,219
-	-	-	505,568	505,568	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,968</u>	<u>\$ 461,187</u>	<u>\$ 35,219</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002**

	Special Reserve		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Federal revenues	\$ -	\$ -	\$ -
Other state revenues	-	-	-
Other local revenues	2,689	2,690	1
Total Revenues	<u>2,689</u>	<u>2,690</u>	<u>1</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	-	-	-
Services and operating expenditures	-	-	-
Other outgo	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>2,689</u>	<u>2,690</u>	<u>1</u>
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
Total Other Financing Sources/	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	2,689	2,690	1
FUND BALANCE, BEGINNING OF YEAR	104,253	104,253	-
FUND BALANCE, END OF YEAR	<u>\$ 106,942</u>	<u>\$ 106,943</u>	<u>\$ 1</u>

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

Total		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 442,400	\$ 447,828	\$ 5,428
436,405	434,398	(2,007)
586,965	611,208	24,243
<u>1,465,770</u>	<u>1,493,434</u>	<u>27,664</u>
83,995	83,896	99
530,137	530,092	45
112,577	87,317	25,260
631,434	630,878	556
130,471	129,049	1,422
(29,107)	(9,126)	(19,981)
220,700	185,801	34,899
<u>1,680,207</u>	<u>1,637,907</u>	<u>42,300</u>
<u>(214,437)</u>	<u>(144,473)</u>	<u>69,964</u>
118,601	118,601	-
<u>118,601</u>	<u>118,601</u>	<u>-</u>
(95,836)	(25,872)	69,964
700,540	700,540	-
<u>\$ 604,704</u>	<u>\$ 674,668</u>	<u>\$ 69,964</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002**

	<u>Certificates of Participation</u>	<u>Community Facilities District 99-1</u>	<u>Total</u>
ASSETS			
Investments	<u>\$ 636,108</u>	<u>\$ 556,512</u>	<u>\$ 1,192,620</u>
Total Assets	<u>\$ 636,108</u>	<u>\$ 556,512</u>	<u>\$ 1,192,620</u>
FUND EQUITY			
Fund balances			
Unreserved			
Undesignated	<u>636,108</u>	<u>556,512</u>	<u>1,192,620</u>
Total Fund Equity	<u>\$ 636,108</u>	<u>\$ 556,512</u>	<u>\$ 1,192,620</u>

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	Certificates of Participation	Community Facilities District 99-1	Total
REVENUES			
Other local revenues	\$ 45,498	\$ 348,989	\$ 394,487
Total Revenues	<u>45,498</u>	<u>348,989</u>	<u>394,487</u>
EXPENDITURES			
Current Expenditures			
Services and operating expenditures	-	143,396	143,396
Debt service- principal	155,000	30,000	185,000
Debt service- interest	458,616	240,920	699,536
Total Expenditures	<u>613,616</u>	<u>414,316</u>	<u>1,027,932</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(568,118)</u>	<u>(65,327)</u>	<u>(633,445)</u>
OTHER FINANCING SOURCES			
Operating transfers in	571,973	-	571,973
Other sources	-	142,185	142,185
Total other Financing Sources/(Uses)	<u>571,973</u>	<u>142,185</u>	<u>714,158</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	3,855	76,858	80,713
FUND BALANCE, BEGINNING OF YEAR	<u>632,253</u>	<u>479,654</u>	<u>1,111,907</u>
FUND BALANCE, END OF YEAR	<u>\$ 636,108</u>	<u>\$ 556,512</u>	<u>\$ 1,192,620</u>

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002**

	<u>Capital Facilities</u>	<u>Special Reserve</u>	<u>County School Facilities</u>
ASSETS			
Cash	\$ 43,141	\$ -	\$ -
Investments	7,175,302	188,796	288,527
Accounts receivable	30,028	3,229	2,883
Due from other funds	8,000	-	-
Total Assets	<u>\$ 7,256,471</u>	<u>\$ 192,025</u>	<u>\$ 291,410</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	622,006	189,993	289,967
Due to other funds	6,716	-	-
Total Liabilities	<u>628,722</u>	<u>189,993</u>	<u>289,967</u>
FUND EQUITY			
Fund balances			
Unreserved			
Designated	6,627,749	2,032	1,443
Undesignated	-	-	-
Total Fund Equity	<u>6,627,749</u>	<u>2,032</u>	<u>1,443</u>
Total Liabilities and Fund Equity	<u>\$ 7,256,471</u>	<u>\$ 192,025</u>	<u>\$ 291,410</u>

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

Community Facilities District 99-1	<u>Total</u>
\$ -	\$ 43,141
2,520,386	10,173,011
-	36,140
-	8,000
<u>\$2,520,386</u>	<u>\$10,260,292</u>

-	1,101,966
-	6,716
<u>-</u>	<u>1,108,682</u>

-	6,631,224
<u>2,520,386</u>	<u>2,520,386</u>
<u>2,520,386</u>	<u>9,151,610</u>
<u>\$2,520,386</u>	<u>\$10,260,292</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	Capital Facilities	Special Reserve	County School Facilities
REVENUES			
Other local revenues	\$ 4,057,633	\$ 57,879	\$ 71,873
Total Revenues	<u>4,057,633</u>	<u>57,879</u>	<u>71,873</u>
EXPENDITURES			
Current Expenditures			
Books and supplies	6,095	333,241	15,941
Services and operating expenditures	49,175	2,739	-
Capital outlay	1,875,458	3,846,077	5,165,579
Total Expenditures	<u>1,930,728</u>	<u>4,182,057</u>	<u>5,181,520</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>2,126,905</u>	<u>(4,124,178)</u>	<u>(5,109,647)</u>
OTHER FINANCING SOURCES			
Other sources	50,000	-	-
Total Other Financing Sources	<u>50,000</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>2,176,905</u>	<u>(4,124,178)</u>	<u>(5,109,647)</u>
FUND BALANCE, BEGINNING OF YEAR	4,450,844	4,126,210	5,111,090
FUND BALANCE, END OF YEAR	<u>\$ 6,627,749</u>	<u>\$ 2,032</u>	<u>\$ 1,443</u>

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

Community Facilities District 99-1	Total
\$ 61,048	\$ 4,248,433
<u>61,048</u>	<u>4,248,433</u>
-	355,277
154,650	206,564
<u>1,285,533</u>	<u>12,172,647</u>
<u>1,440,183</u>	<u>12,734,488</u>
<u>(1,379,135)</u>	<u>(8,486,055)</u>
<u>1,733,313</u>	<u>1,783,313</u>
<u>1,733,313</u>	<u>1,783,313</u>
354,178	(6,702,742)
2,166,208	15,854,352
<u>\$ 2,520,386</u>	<u>\$ 9,151,610</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	Capital Facilities		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Other local revenues	\$ 1,385,000	\$ 4,057,633	\$ 2,672,633
Total Revenues	<u>1,385,000</u>	<u>4,057,633</u>	<u>2,672,633</u>
EXPENDITURES			
Current Expenditures			
Books and supplies	6,100	6,095	5
Services and operating expenditures	49,800	49,175	625
Capital outlay	<u>1,877,600</u>	<u>1,875,458</u>	<u>2,142</u>
Total Expenditures	<u>1,933,500</u>	<u>1,930,728</u>	<u>2,772</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(548,500)</u>	<u>2,126,905</u>	<u>2,675,405</u>
OTHER FINANCING SOURCES			
Other sources	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Other Financing Sources	<u>50,000</u>	<u>50,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(498,500)</u>	<u>2,176,905</u>	<u>2,675,405</u>
FUND BALANCE, BEGINNING OF YEAR	<u>4,450,844</u>	<u>4,450,844</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 3,952,344</u></u>	<u><u>\$ 6,627,749</u></u>	<u><u>\$ 2,675,405</u></u>

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

Special Reserve			County School Facilities		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 45,000	\$ 57,879	\$ 12,879	\$ 71,873	\$ 71,873	\$ -
45,000	57,879	12,879	71,873	71,873	-
597,200	333,241	263,959	15,950	15,941	9
2,800	2,739	61	-	-	-
4,004,314	3,846,077	158,237	5,165,600	5,165,579	21
4,604,314	4,182,057	422,257	5,181,550	5,181,520	30
(4,559,314)	(4,124,178)	435,136	(5,109,677)	(5,109,647)	30
-	-	-	-	-	-
-	-	-	-	-	-
(4,559,314)	(4,124,178)	435,136	(5,109,677)	(5,109,647)	30
4,126,210	4,126,210	-	5,111,090	5,111,090	-
\$ (433,104)	\$ 2,032	\$ 435,136	\$ 1,413	\$ 1,443	\$ 30

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Community Facilities District 99-1</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Other local revenues	\$ -	\$ 61,048	\$ 61,048
Total Revenues	<u>-</u>	<u>61,048</u>	<u>61,048</u>
EXPENDITURES			
Current Expenditures			
Books and supplies	-	-	-
Services and operating expenditures	-	154,650	(154,650)
Capital outlay	-	1,285,533	(1,285,533)
Total Expenditures	<u>-</u>	<u>1,440,183</u>	<u>(1,440,183)</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>-</u>	<u>(1,379,135)</u>	<u>(1,379,135)</u>
OTHER FINANCING SOURCES			
Other sources	-	1,733,313	1,733,313
Total Other Financing Sources	<u>-</u>	<u>1,733,313</u>	<u>1,733,313</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	-	354,178	354,178
FUND BALANCE, BEGINNING OF YEAR	<u>2,166,208</u>	<u>2,166,208</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,166,208</u>	<u>\$ 2,520,386</u>	<u>\$ 354,178</u>

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

Total		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,501,873	\$ 4,248,433	\$ 2,746,560
<u>1,501,873</u>	<u>4,248,433</u>	<u>2,746,560</u>
619,250	355,277	263,973
52,600	206,564	(153,964)
<u>11,047,514</u>	<u>12,172,647</u>	<u>(1,125,133)</u>
<u>11,719,364</u>	<u>12,734,488</u>	<u>(1,015,124)</u>
<u>(10,217,491)</u>	<u>(8,486,055)</u>	<u>1,731,436</u>
50,000	1,783,313	1,733,313
<u>50,000</u>	<u>1,783,313</u>	<u>1,733,313</u>
(10,167,491)	(6,702,742)	3,464,749
<u>15,854,352</u>	<u>15,854,352</u>	<u>-</u>
<u>\$ 5,686,861</u>	<u>\$ 9,151,610</u>	<u>\$ 3,464,749</u>

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SUPPLEMENTARY INFORMATION

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Entitlements		
			Current Year	Prior Year	Total Entitlement
U.S. DEPARTMENT OF EDUCATION					
Drug-Free Schools	84.184	03340	\$ 19,793	\$ -	\$ 19,793
Eisenhower Math and Science	84.164	03699	19,338	9,616	28,954
Title I	84.010	03797	210,461	37,191	247,652
Title VI Innovative Strategies	84.298	04135	21,754	13,932	35,686
Title VI Federal Class Size Reduction	84.298		56,320	18,637	74,957
Special Education					
Preschool IDEA	84.027	03430	58,957	-	58,957
Preschool Local Assistance	84.027	03682	330,594	-	330,594
Local Assistance	84.027	03379	39,553	-	39,553
Low Incidence	84.027	03459	18,637	-	18,637
Personnel Staff Development	84.027	03613	1,169	-	1,169
Subtotal					
U.S. DEPARTMENT OF AGRICULTURE					
Especially Needy Breakfast [2]	10.553	03526			[1]
National School Lunch Program [2]	10.555	03391			[1]
Basic School Breakfast Program [2]	10.553	03390			[1]
Food Distribution	10.550	03389			[1]
Subtotal					
Total Federal Programs					

[1] Entitlement column not applicable

[2] Major Program

See accompanying note to supplementary information.

Program Revenues				Program Expenditures
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
\$ 19,793	\$ -	\$ -	\$ 19,793	\$ 19,793
28,954	-	21,205	7,749	7,749
247,653	-	34,191	213,462	213,462
35,686	-	8,697	26,989	26,989
55,031	15,352	-	70,383	70,383
30,864	28,093	-	58,957	58,957
247,944	82,650	-	330,594	330,594
29,664	9,889	-	39,553	39,553
	18,637	-	18,637	18,637
876	293	-	1,169	1,169
<u>696,465</u>	<u>154,914</u>	<u>64,093</u>	<u>787,286</u>	<u>787,286</u>
46,881	10,955	-	57,836	57,836
317,531	66,911	-	384,442	384,442
191	-	-	191	191
5,359	-	-	5,359	5,359
<u>369,962</u>	<u>77,866</u>	<u>-</u>	<u>447,828</u>	<u>447,828</u>
<u>\$ 1,066,427</u>	<u>\$ 232,780</u>	<u>\$ 64,093</u>	<u>\$ 1,235,114</u>	<u>\$ 1,235,114</u>

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	428	433
First through third	1,545	1,559
Fourth through sixth	1,718	1,727
Seventh and eighth	1,015	1,024
Opportunity schools	10	10
Home and hospital	1	2
Special education	81	81
Total Elementary	<u>4,798</u>	<u>4,836</u>
		<u>Hours of Attendance</u>
SUMMER SCHOOL		
Elementary		<u>37,342</u>

See accompanying note to supplementary information.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Grade Level</u>	1982-83 Actual Minutes	1986-87 Minutes Requirement	2001-02 Actual Minutes	Number of Days Multitrack Calendar	<u>Status</u>
Kindergarten	31,500	36,000	38,055	177	Complied
Grades 1 - 3	50,750	50,400	52,659	177	Complied
Grades 4 - 6	50,750	54,000	54,411	177	Complied
Grades 7 - 8	50,750	54,000	63,297	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, 2002**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report Unaudited Actuals and the audited financial statements.

	<u>General Long- Term Debt Account Group</u>
GENERAL LONG-TERM LIABILITIES	
Total Liabilities, June 30, 2002, (Form 97)	\$ 7,922,051
Adjustments	
Increase in:	
Community Facilities District	<u>4,485,000</u>
Total Liabilities, June 30, 2002, Audited Financial Statement	<u>\$ 12,407,051</u>

See accompanying note to supplementary information.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2002

	(Budget) 2003 ¹	2002	2001	2000
GENERAL FUND				
Revenues	\$ 30,877,098	\$ 30,076,028	\$ 29,034,536	\$ 24,469,712
Other sources	-	101,000	-	-
Total Revenues and Other Sources	30,877,098	30,177,028	29,034,536	24,469,712
Expenditures	31,222,467	28,180,291	26,565,452	23,217,323
Other uses and transfers out	143,989	690,574	1,318,945	2,150,015
Total Expenditures and Other Uses	31,366,456	28,870,865	27,884,397	25,367,338
INCREASE/(DECREASE) IN FUND BALANCE	\$ (489,358)	\$ 1,306,163	\$ 1,150,139	\$ (897,626)
ENDING FUND BALANCE	\$ 4,304,716	\$ 4,794,074	\$ 3,487,911	\$ 2,337,772
AVAILABLE RESERVES ²	\$ 985,467	\$ 1,461,676	\$ 1,323,480	\$ 1,492,701
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.1%	5.1%	4.7%	5.9%
LONG-TERM DEBT	N/A	\$ 12,407,051	\$ 10,648,776	\$ 9,218,087
AVERAGE DAILY ATTENDANCE AT P-2	5,021	4,798	4,554	4,410

The general fund balance has increased by \$2,456,302 over the past two years. The fiscal year 2002-03 budget projects a decrease of \$489,358 (11 percent). For a district this size, the State recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2002-03 fiscal year. Total long-term debt has increased by \$3,188,964 over the past two years.

Average daily attendance has increased by 388 over the past two years. Additional growth in ADA is anticipated during fiscal year 2002-03.

¹ Budget 2003 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, special reserve fund, or within any Article XIII-B trust funds.

See accompanying note to supplementary information.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2002

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 accrued 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 the schedule may differ from amounts presented in, or used in the preparation of, the general-purpose 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 apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The 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 4620

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 Annual Financial and Budget Report Unaudited Actuals 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.



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 general-purpose financial statements of Menifee Union Elementary School District as of and for the year ended June 30, 2002, and have issued our report thereon dated August 30, 2002. 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 general-purpose 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 general-purpose 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 general-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as item 2002-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose 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.

This report is intended solely for the information and use of the Governing Board, audit committee, management, California Department of Education, State Controllers Office, federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Daga Co. LLP
Rancho Cucamonga, California
August 30, 2002



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, 2002. 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 on 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, 2002.

Internal Control Over Compliance

The management of Menifee Union Elementary School District is responsible for establishing and maintaining effective internal control over compliance with 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, California Department of Education, State Controllers Office, federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Varinek, Trine, Dy & Co. LLP

Rancho Cucamonga, California
August 30, 2002



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Menifee Union Elementary School District
 Menifee, California

We have audited the general-purpose financial statements of the Menifee Union Elementary School District as of and for the year ended June 30, 2002, and have issued our report thereon dated August 30, 2002. 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose 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 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 laws and regulations of the following items:

	Procedures in Controller's Audit Guide	Procedures 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 districts	3	Yes
County offices of education	3	Not applicable
GANN limit calculation	2	Yes
Early retirement incentive program	5	Not applicable

	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Community day schools	8	Not applicable
Class size reduction program:		
Option one classes	11	Yes
Option two classes	10	Not applicable
Option one and two classes	16	Not applicable
Program to reduce class size in two courses in grade 9	8	Not applicable
Instructional Materials Fund	10	Yes
State Instructional Materials		
K-8	10	Yes
9-12	10	Not applicable
Schiff-Bustamante Standards-Based Instructional Materials	9	Yes
Digital High School Education Technology Grant Program	5	Not applicable
California Public School Library Act of 1998	4	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, State Controller's Office, Department of Finance, Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Doyle & Co. LLP
Rancho Cucamonga, California
August 30, 2002

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2002**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555, 10.550</u>	<u>National School Lunch Cluster</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

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

STATE AWARDS

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

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.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

There were no findings representing instances of noncompliance and 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, 2002

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

DISTRICT OFFICE

Revolving Cash

2001-1 Finding (30000)

It was noted during testing of the revolving cash account that request forms are being completed without all required signatures. Revolving checks are being issued for requests that do not contain all required elements.

Recommendation

The District needs to ensure there is a policy in place to ensure revolving cash request forms are not being paid until all required signatures needed have been obtained. This will help to ensure the budget to be used for reimbursement to the revolving fund had adequate funds, and that expenditures are authorized.

Current Status

Implemented

ASSOCIATED STUDENT BODIES

Menifee Valley Middle School

2001-2 Findings (30000)

We noted the following items during our testing of the student body account:

- Three of eight receipts had no backup.
- Five of twenty-eight disbursements had blanket purchase orders for events that paid multiple vendors.
- Faxed copies of invoices are being used to generate payments.
- Purchase orders remaining for prior fiscal year are not being re-approved at the beginning of next fiscal year.

MENIFEE UNION ELEMENTARY SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Recommendation

The District needs to more closely monitor internal controls at the sites to ensure adequate internal controls are being implemented and followed. This will allow the District to more easily monitor site activity and set new District policies that should be applied uniformly at all sites.

Current Status

Implemented