

MORGAN HILL UNIFIED SCHOOL DISTRICT
COUNTY OF SANTA CLARA
MORGAN HILL, CALIFORNIA

AUDIT REPORT

JUNE 30, 2000

MORGAN HILL UNIFIED SCHOOL DISTRICT

JUNE 30, 2000

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	<u>Page</u>
Independent Auditor's Report on Financial Statements	1
Combined Statements:	
Combined Balance Sheet-All Fund Types and Account Group	4
Combined Statement of Revenues, Expenditures and changes in fund balances-All Governmental Fund types and Expendable Trust Fund	7
Combined Statement of Revenues, Expenditures and Changes in Fund Balances-budget and actual-all budgeted Governmental Fund types	8
Notes to Financial Statements	10
Combining Financial Statements:	
Special Revenue Funds	
Combining Balance Sheet	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	26
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-budget and actual	27
Debt Service Funds	
Combining Balance Sheet	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-budget to actual	35

MORGAN HILL UNIFIED SCHOOL DISTRICT

JUNE 30, 2000

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Capital Projects Funds	
Combining Balance Sheet	37
Combining Statement of Revenues, Expenditures and changes in Fund Balances	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	39
Agency Fund	
Combining Balance Sheet – Trust and Agency Funds	44
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Independent Auditor's Report on Supplementary Information	45
Organization	46
Schedule of Average Daily Attendance	47
Schedule of Instructional Time	48
Schedule of Expenditures of Federal Awards	49
Reconciliation of Annual Financial and Budgeted Report (J-200 With Audited Financial Statements)	50
Schedule of Financial Trends and Analysis	51
Notes to Supplementary Information	52

MORGAN HILL UNIFIED SCHOOL DISTRICT

JUNE 30, 2000

TABLE OF CONTENTS

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Independent Auditor's Report on State Compliance	53
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit Of Financial Statements performed in Accordance with Government Auditing Standards	55
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	57
<u>FINDINGS AND RECOMMENDATIONS SECTION</u>	
Schedule of Findings and Questioned Costs	59
Status of Prior Year Findings and Recommendations	66

FINANCIAL SECTION

GOODELL,
PORTER &
FREDERICKS, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

RICHARD J. GOODELL, CPA
JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
PAUL D. FREDERICKS, CPA

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Morgan Hill Unified School District
Morgan Hill, California

We have audited the combined and combining financial statements of Morgan Hill Unified School District as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. 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.

Lack of certain internal control procedures and supporting records limits us to expressing an independent accountant's opinion on recorded transactions of the Student Body Fund (see Note 10).

The District does not maintain a complete record of the historical cost of its fixed assets. Accordingly, the financial statements do not include the general fixed assets group of accounts, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

Live Oak High School did not maintain sufficient records to substantiate the balance in the school's student body account. The amounts have not been audited and the amounts that should be recorded are not known. For the Student Body Fund, the financial statements do not include amounts for Live Oak High School. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these amounts.

In our opinion, except for any adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding the Student Body revenues, and except for effect on the financial statements of the omission of the general fixed asset account group and except for the scope limitation described in the preceding paragraph, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Morgan Hill Unified School District at June 30, 2000, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of each individual fund of the Morgan Hill Unified School District at June 30, 2000, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 9, 2000 on our consideration of Morgan Hill Unified School District's internal controls over financial reporting and 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.


GOODELL, PORTER & FREDERICKS, LLP
Certified Public Accountants

November 9, 2000

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash in County Treasury (Note 2)	\$ 4,067,367	\$ 2,300,796	\$ 4,187,117	\$ 8,316,870
Cash on Hand and in Bank (Note 2)	89,564	4,246		177,858
Cash in Revolving Fund (Note 2)	14,500	6,000		
Investments (Note 2)		243,383	2,362,294	
Accounts Receivable (Note 4)				
Federal Government	504,402	254,980		
State Governments	706,042	312,350		
Local Governments	853,282	5,167		
Interest	337,515	34,038		135,975
Miscellaneous	100,166			
Due from Other Funds (Note 5)	257,663	5,068		16,611
Stores Inventory	218,954	27,865		
Prepaid Expenditures	13,654			
Amount Available in Debt Service				
Amount to be Provided for:				
Retirement of General Long-Term Debt				
Total Assets	\$ 7,163,109	\$ 3,193,893	\$ 6,549,411	\$ 8,647,314
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,762,640	\$ 156,468		\$ 918,335
Due to Other Funds (Note 5)	5,093	186,491		87,758
Deferred Income (Note 1L)	961,959	86,138		
Due to Student Groups				
Compensated Absences (Note 1H)				
Certificates of Participation (Note 6)				
Capital Lease Obligations (Note 7)				
Total Liabilities	2,729,692	429,097		1,006,093
Fund Balances (Note 1I)				
Legally Restricted	1,216,565			
Reserved	247,108	33,865		
Unreserved:				
Designated Fund Balances	1,724,667	126,217	\$ 6,549,411	
Undesignated Fund Balances	1,245,077	2,604,714		7,641,221
Total Fund Balance	4,433,417	2,764,796	6,549,411	7,641,221
Total Liabilities and Fund Balance	\$ 7,163,109	\$ 3,193,893	\$ 6,549,411	\$ 8,647,314

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
		June 30 (Restated Note 13)	
Trust and Agency	General Long-Term Debt	2000	1999
\$ 61,583		\$ 18,872,150	\$ 20,872,393
		333,251	394,547
		20,500	20,500
		2,605,677	2,602,782
		759,382	695,112
		1,018,392	1,321,399
		858,449	331,939
		507,528	720,331
		100,166	129,363
		279,342	355,366
		246,819	201,150
		13,654	10,027
	\$ 5,046,359	5,046,359	6,521,285
			2,607,000
<u>\$ 61,583</u>	<u>\$ 5,046,359</u>	<u>\$ 30,661,669</u>	<u>\$ 36,783,194</u>
\$ 52,091		\$ 2,837,443	\$ 2,736,404
		279,342	355,366
		1,048,097	732,507
		52,091	189,215
	\$ 227,000	227,000	198,868
	4,660,000	4,660,000	8,765,000
	159,359	159,359	164,417
<u>52,091</u>	<u>5,046,359</u>	<u>9,263,332</u>	<u>13,141,777</u>
9,492		1,216,565	1,016,998
		280,973	231,677
		8,400,295	5,623,799
		11,500,504	16,798,150
<u>9,492</u>	<u>0</u>	<u>21,398,337</u>	<u>23,641,417</u>
<u>\$ 61,583</u>	<u>\$ 5,046,359</u>	<u>\$ 30,661,669</u>	<u>\$ 36,783,194</u>

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	June 30	
						2000	(Restated Note 13) 1999
REVENUES							
Revenue Limit Sources:							
State Apportionments	\$ 6,380,708	\$ 374,455				\$ 6,755,163	\$ 9,054,224
Local Sources	29,151,730					29,151,730	26,172,767
Total Revenue Limit	35,532,438	374,455				35,906,893	35,226,991
Federal Revenue	1,348,266	923,718				2,271,984	2,171,570
Other State Revenue	8,176,939	724,660	\$ 80,051	\$ 280,000		9,261,650	11,610,967
Other Local Revenue	4,205,194	1,289,043	4,496,251	3,829,883	\$ 214	13,820,585	11,005,454
Total Revenues	49,262,837	3,311,876	4,576,302	4,109,883	214	61,261,112	60,014,982
EXPENDITURES							
Certificated Salaries	26,684,824	329,103		957		27,014,884	25,764,716
Classified Salaries	7,418,086	637,386		383		8,055,855	7,605,979
Employee Benefits	6,465,477	207,428		48		6,672,953	6,685,987
Books and Supplies	2,558,164	1,039,285		751	400	3,598,600	3,099,250
Services and Other							
Operating Expenditures	4,446,440	501,369	10,506	4,774,608		9,732,923	7,376,842
Capital Outlay	843,578	289,301		1,893,369		3,026,248	4,717,934
Debt Service:							
Principal Retirement	49,315		4,105,000			4,154,315	4,745,378
Interest and Fiscal Charges	1,663		366,976			368,639	605,566
Other Outgo	816,976	178,179				995,155	842,526
Total Expenditures	49,284,523	3,182,051	4,482,482	6,670,116	400	63,619,572	61,444,178
Excess of Revenues Over (Under) Expenditures	(21,686)	129,825	93,820	(2,560,233)	(186)	(2,358,460)	(1,429,196)
Other Financing Sources (Uses):							
Operating Transfers In	87,808	538,327	4,379,946	16,636		5,022,717	5,133,108
Operating Transfers Out	(538,327)	(16,636)	(4,379,946)	(87,808)		(5,022,717)	(5,133,108)
Other Sources	174,832			16,517		191,349	1,717
Other Uses			(65,694)	(10,275)		(75,969)	(171,897)
Total Other Financing Sources (Uses)	(275,687)	521,691	(65,694)	(64,930)	0	115,380	(170,180)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(297,373)	651,516	28,126	(2,625,163)	(186)	(2,243,080)	(1,599,376)
Fund Balances - July 1, 1999 (Restated Note 13)	4,730,790	2,113,280	6,521,285	10,266,384	9,678	23,641,417	25,240,793
Fund Balances - June 30, 2000	\$ 4,433,417	\$ 2,764,796	\$ 6,549,411	\$ 7,641,221	\$ 9,492	\$ 21,398,337	\$ 23,641,417

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Revenue Limit Sources:						
State Apportionments	\$ 6,323,077	\$ 6,380,708	\$ 57,631	\$ 374,455	\$ 374,455	\$
Local Sources	29,151,730	29,151,730				
Total Revenue Limit	35,474,807	35,532,438	57,631	374,455	374,455	
Federal Revenue	1,456,660	1,348,266	(108,394)	925,037	923,718	(1,319)
Other State Revenue	9,064,249	8,176,939	(887,310)	867,955	724,660	(143,295)
Other Local Revenue	4,428,759	4,205,194	(223,565)	1,304,171	1,289,043	(15,128)
Total Revenues	50,424,475	49,262,837	(1,161,638)	3,471,618	3,311,876	(159,742)
EXPENDITURES						
Certificated Salaries	26,882,633	26,684,824	197,809	424,796	329,103	95,693
Classified Salaries	7,591,088	7,418,086	173,002	643,558	637,386	6,172
Employee Benefits	6,651,989	6,465,477	186,512	224,746	207,428	17,318
Books and Supplies	4,575,848	2,558,164	2,017,684	1,093,908	1,039,285	54,623
Services and Other						
Operating Expenditures	5,050,108	4,446,440	603,668	575,252	501,369	73,883
Capital Outlay	965,988	843,578	122,410	289,341	289,301	40
Debt Service:						
Principal Retirement	49,315	49,315				
Interest and Fiscal Charges	1,663	1,663				
Other Outgo	812,447	816,976	(4,529)	183,310	178,179	5,131
Total Expenditures	52,581,079	49,284,523	3,296,556	3,434,911	3,182,051	252,860
Excess of Revenues Over (Under) Expenditures	(2,156,604)	(21,686)	2,134,918	36,707	129,825	93,118
Other Financing Sources (Uses):						
Operating Transfers In	87,808	87,808		538,327	538,327	
Operating Transfers Out	(538,327)	(538,327)		(16,636)	(16,636)	
Other Sources	135,027	174,832	39,805			
Other Uses						
Total Other Financing Sources (Uses)	(315,492)	(275,687)	39,805	521,691	521,691	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (2,472,096)</u>	<u>(297,373)</u>	<u>\$ 2,174,723</u>	<u>\$ 558,398</u>	<u>651,516</u>	<u>\$ 93,118</u>
Fund Balances - July 1, 1999		4,730,790			2,113,280	
Fund Balances - June 30, 2000		<u>\$ 4,433,417</u>			<u>\$ 2,764,796</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Debt Service Funds			Capital Projects Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
						\$ 6,697,532	\$ 6,755,163	\$ 57,631
						29,151,730	29,151,730	
						35,849,262	35,906,893	57,631
						2,381,697	2,271,984	(109,713)
\$ 80,000	\$ 80,051	\$ 51	\$ 280,000	\$ 280,000		10,292,204	9,261,650	(1,030,554)
4,668,377	4,496,251	(172,126)	4,146,642	3,829,883	\$ (316,759)	14,547,949	13,820,371	(727,578)
4,748,377	4,576,302	(172,075)	4,426,642	4,109,883	(316,759)	63,071,112	61,260,898	(1,810,214)
			1,914	957	957	27,309,343	27,014,884	294,459
			2,807	383	2,424	8,237,453	8,055,855	181,598
			209	48	161	6,876,944	6,672,953	203,991
			772	751	21	5,670,528	3,598,200	2,072,328
10,506	10,506		6,183,231	4,774,608	1,408,623	11,819,097	9,732,923	2,086,174
			2,153,497	1,893,369	260,128	3,408,826	3,026,248	382,578
	4,105,000	(4,105,000)				49,315	4,154,315	(4,105,000)
	366,976	(366,976)				1,663	368,639	(366,976)
						995,757	995,155	602
10,506	4,482,482	(4,471,976)	8,342,430	6,670,116	1,672,314	64,368,926	63,619,172	749,754
4,737,871	93,820	(4,644,051)	(3,915,788)	(2,560,233)	1,355,555	(1,297,814)	(2,358,274)	(1,060,460)
(4,479,571)	4,379,946	4,379,946	16,636	16,636		642,771	5,022,717	4,379,946
	(4,379,946)	99,625	(91,658)	(87,808)	3,850	(5,126,192)	(5,022,717)	103,475
	(65,694)	(65,694)	16,517	16,517		151,544	191,349	39,805
			(10,275)	(10,275)		(10,275)	(75,969)	(65,694)
(4,479,571)	(65,694)	4,413,877	(68,780)	(64,930)	3,850	(4,342,152)	115,380	4,457,532
\$ 258,300	28,126	\$ (230,174)	\$ (3,984,568)	(2,625,163)	\$ 1,359,405	\$ (5,639,966)	(2,242,894)	\$ 3,397,072
	6,521,285			10,266,384			23,631,739	
\$ 6,549,411			\$ 7,641,221			\$ 21,388,845		

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The Morgan Hill Unified School District (the "District") and the Morgan Hill Unified School District School Building Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the accompanying financial statements of the District.

The Corporation

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on April 30, 1973. The Corporation was formed for the sole purpose of providing financing assistance to the District for the construction and acquisition of major capital facilities. Upon completion, the District intends to occupy all corporation facilities under a lease-purchase agreement effective through the year 2000. At the end of the lease term, title of all corporation property will pass to the District for no additional consideration.

Due to the nature of the Corporation's accounting methods, it was not practicable to integrate each separate fund of the corporation with other funds of the District. Accordingly, in the accompanying financial statements the Corporation's financial activity has been restated to conform with school fund accounting and is presented as the Corporation Debt Service Fund and the Tax Override Fund under the Debt Service fund category.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered 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 equity, revenues, and expenditures, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be sent and the means by which spending activities are controlled. The District's accounts are organized into three broad categories which in aggregate include six fund types and one account group 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 require to be accounted for in another fund.

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 five special revenue funds:

1. Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
2. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.
3. Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
4. Child Development Fund is used to account for resources committed to child development programs maintained by the District.
5. Special Reserve Fund is used to account for revenues reserved by the Board of Trustees for a specific program or project.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Continued)

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 two debt service funds:

1. Tax Override Fund is used to account for the accumulation of resources from ad valorem tax levies for the repayment of certificates of participation and general bonded indebtedness. These taxes will continue to be levied until the indebtedness is fully paid.
2. Corporation Debt Service Fund - COPs is used to account for the interest and redemption of principal of certificates of participation issued by the Morgan Hill Unified School district School Building Corporation.

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

1. Mello-Roos Fund is used to account for the accumulation of resources received from the Mello-Roos Assessment District.
2. Building Fund is used to account for the acquisition of major governmental capital facilities and building from the sale of bond proceeds.
3. Capital Facilities Fund is use to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
4. Roof Replacement Fund is used to account for the proceeds from the State Lease-Purchase Roof Replacement program allocation and the District's match, to be used for roof replacement.

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by the District as trustee. The District maintains one expendable trust fund. The Scholarship Fund, which is used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains agency funds to account for the activities of the various student body clubs and activities at the High School and both middle schools.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (Concluded)

ACCOUNT GROUP

The accounting and reporting treatment applied to the 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 long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account group of the District.

General Long-Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses 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).

Trust and agency type fund assets and liabilities are also accounted for on the modified accrual basis.

E. Budgets and Budgetary Accounting

By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated revenue and expenditures. It is this final revised budget that is presented in the financial statements.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. (See Note 3.) The District did not adopt budgets for the Corporation Debt Service – COPs.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

G. Inventories

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held 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.

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. This liability is recognized in the General Long-Term Debt Account Group. The value of accumulated vacation at June 30, 2000 was estimated at \$227,000.

Accumulated sick leave benefits are not recognized as liabilities of the District as rights to these benefits do not rest with the employee. Therefore, sick leave benefits are recorded as an operating expense in the period taken. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

I. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The Reserve for Revolving Fund, Reserve for Prepaid Expenses and Reserve for Stores Inventory reflect the portions of fund balance represented by revolving fund cash, prepaid expenses and store inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Balance Reserves and Designations (Concluded)

The legally restricted fund balances include amounts received but not yet spent for the following programs:

Instructional Materials	\$ 1,202,129
Tenth Grade Counseling	4,317
Gifted and Talented	4,468
Other	<u>5,651</u>
Total	<u>\$ 1,216,565</u>

Fund balances are reserved as follows:

	General Fund	Cafeteria Fund	Adult Education Fund	Totals
Reserved for Revolving Cash	\$ 14,500	\$ 1,000	\$5,000	\$ 20,500
Reserved for Stores Inventory	218,954	27,865		246,819
Reserved for Prepaid Assets	<u>13,654</u>	<u></u>	<u></u>	<u>13,654</u>
Total	<u>\$247,108</u>	<u>\$28,865</u>	<u>\$5,000</u>	<u>\$280,973</u>

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

The designation for debt service represents that portion of the fund balance which the District plans to expend on debt repayment in the ensuing year.

The Designated Fund Balance represents the following:

	General Fund	Cafeteria Fund	Adult Education Fund	Tax Override Fund	Corporation Debt Service COPS	Totals
Designated for Economic Uncertainties	\$1,489,441	\$ 56,445	\$19,862			\$1,565,748
Designated for Medi-Cal	8,089					8,089
Designated for Lottery	115,081					115,081
Designated for Renaissance Learning Center	23,059					23,059
Designated for Donations	72,597					72,597
Designated for Maintenance and Operations Improvements	16,400					16,400
Designated for Loan Repayment			\$49,910			49,910
Designated for Debt Service	<u></u>	<u></u>	<u></u>	<u>\$4,187,117</u>	<u>\$2,362,294</u>	<u>6,549,411</u>
Total	<u>\$1,724,667</u>	<u>\$ 56,445</u>	<u>\$69,772</u>	<u>\$4,187,117</u>	<u>\$2,362,294</u>	<u>\$8,400,295</u>

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 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 Santa Clara bills and collects taxes for the District. Tax revenues are recognized by the District when received.

K. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "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 generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

L. Deferred Income

The District received funds for certain programs for which qualifying expenditures have not been made, resulting in income that cannot be recognized until such expenditures are incurred.

NOTE 2 – CASH AND INVESTMENTS

Cash at June 30, 2000 consisted of the following:

Deposits:

Cash on Hand and in Banks	\$ 333,251
Cash in Revolving Fund	20,500
Pooled Fund:	
Cash in County Treasury	18,872,150

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

The District maintains substantially all of its cash in the Santa Clara County Treasury. The County pools these funds with those of other Santa Clara County schools and special districts. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly in the participating funds. Any investment losses are proportionately shared by all funds in the pool. Governmental Accounting Standards Board statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* requires adjustment of investments to fair value. However, the District's financial statements do not reflect such an adjustment as the difference between total investment cost and fair value has been determined to be immaterial.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 2 – CASH AND INVESTMENTS (CONCLUDED)

The County may invest in accordance with Section 53601 and 53635 of the California Government Code:

- Local agency bonds, notes or warrants within the state
- United States Treasury instruments
- Registered state warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers acceptances
- Commercial paper
- Certificates of deposit (or 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
- Collateralized mortgage obligations

Investments at June 30, 2000, held on behalf of the Morgan Hill Unified School District, are presented below, categorized separately to give an indication of the level of risk associated with each investment:

	<u>Category*</u>		<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>Amount</u>	<u>Value</u>
Local Agency				
Investment Fund	\$ 243,383	\$ -	\$ 243,383	\$ 243,383
Government Securities	<u>2,362,294</u>	<u>\$ -</u>	<u>2,362,294</u>	<u>2,362,294</u>
Total Investments	<u>\$ 2,605,677</u>	<u>\$ 0</u>	<u>\$ 2,605,677</u>	<u>\$ 2,605,677</u>

* Category 1 includes investments that are insured or collateralized.

Category 2 includes investments that are not insured or collateralized.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

General Fund:

Other Outgo \$ 4,529

The District incurred unanticipated expenditures and operating transfers out for which the budget was not revised.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 4 – ACCOUNTS RECEIVABLE

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects</u>	<u>Totals</u>
Federal Government				
Categorical Aid Programs	<u>\$ 504,402</u>	<u>\$254,980</u>		<u>\$ 759,382</u>
State Government				
Categorical Aid Programs	\$ 27,302	\$ 26,973		\$ 54,275
State Aid		30,364		30,364
Lottery	536,077	-		536,077
Deferred Maintenance	-	255,013		255,013
Other	<u>142,663</u>	<u>-</u>		<u>142,663</u>
Total State	<u>\$ 706,042</u>	<u>\$312,350</u>		<u>\$1,018,392</u>
Local Governments	<u>\$ 853,282</u>	<u>\$ 5,167</u>		<u>\$ 858,449</u>
Interest	<u>\$ 337,515</u>	<u>\$ 34,038</u>	<u>\$135,975</u>	<u>\$ 507,528</u>
Miscellaneous	<u>\$ 100,166</u>			<u>\$ 100,166</u>

NOTE 5 – INTERFUND TRANSACTIONSInterfund Receivables and Payables

Individual fund interfund receivables and payables balances as of June 30, 2000 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$257,663	\$ 5,093
Deferred Maintenance	4,602	476
Cafeteria		111,170
Adult Education	466	48,776
Child Development		26,069
Capital Facilities Fund	<u>16,611</u>	<u>87,758</u>
Total	<u>\$279,342</u>	<u>\$279,342</u>

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 5 – INTERFUND TRANSACTIONS (CONCLUDED)

Interfund 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, 2000 were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund to meet the state match requirements	\$ 518,327
Transfer from the General Fund to the Adult Education Fund to cover operating expenses	20,000
Transfer from the Capital Facilities Fund to the General Fund for indirect costs for impact fee collection	87,808
Transfer from the Adult Education Fund to the Capital Facilities Fund for partial payment of capital loan	16,636
Transfer from the Tax Override Fund to the Corporate Debt Service – COPs Fund to provide resources for debt principal and interest payments	<u>4,379,946</u>
Total Transfers	<u>\$5,022,717</u>

NOTE 6 – CERTIFICATES OF PARTICIPATION

The District has issued the following Certificates of Participation:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 1999</u>	<u>Current Year Redeemed</u>	<u>Outstanding June 30, 2000</u>
1991	5.0 – 6.0	2001	\$ 6,595,000	\$ 2,150,000	\$1,045,000	\$1,105,000
1992	4.5 – 5.9	2001	6,850,000	2,225,000	1,080,000	1,145,000
1993	3.1 – 5.0	2001	7,470,000	3,345,000	1,510,000	1,835,000
1994	3.75 – 5.3	2001	<u>2,155,000</u>	<u>1,045,000</u>	<u>470,000</u>	<u>575,000</u>
			<u>\$23,070,000</u>	<u>\$ 8,765,000</u>	<u>\$4,105,000</u>	<u>\$4,660,000</u>

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 6 – CERTIFICATES OF PARTICIPATION (CONCLUDED)

The last payments on the Certificates of Participation will be made in August 2000. Annual maturities of Certificates as of June 30, 2000 are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1991 Issue:			
2001	<u>\$1,105,000</u>	<u>\$ 66,300</u>	<u>\$1,171,300</u>
1992 Issue:			
2001	<u>\$1,145,000</u>	<u>\$ 67,555</u>	<u>\$1,212,555</u>
1993 Issue:			
2001	<u>\$1,835,000</u>	<u>\$ 91,750</u>	<u>\$1,926,750</u>
1994 Issue:			
2001	<u>\$ 575,000</u>	<u>\$ 30,475</u>	<u>\$ 605,475</u>

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The District leases equipment under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease Payment</u>
2001	\$ 131,057
2002	16,125
2003	10,863
2004	10,863
2005	<u>1,147</u>
Total	170,055
Less portion representing interest	<u>(10,696)</u>
Present value of net minimum lease payments	<u>\$ 159,359</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2000 is shown below:

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
Certificates of Participation (Note 6)	\$ 8,765,000	\$ -	\$4,105,000	\$ 4,660,000
Capital lease obligations (Note 7)	164,417	44,257	49,315	159,359
Compensated absences (Note 1H)	<u>198,868</u>	<u>28,132</u>	<u> </u>	<u>227,000</u>
Totals	<u>\$ 9,128,285</u>	<u>\$72,389</u>	<u>\$4,154,315</u>	<u>\$ 5,046,359</u>

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing 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 California Public Employees' Retirement System (CalPERS).

Plan Description and Provisions

State Teachers' Retirement System (STRS)

Plan Description. The Morgan Hill Unified School District contributes to the 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, disability, 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 the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the Morgan Hill Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 1999-2000 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Morgan Hill Unified School District's contributions to STRS for the fiscal year ending June 30, 2000, 1999, and 1998 were \$2,089,446, \$2,189,302 and \$1,785,984, respectively, and equal 100% of the required contributions for each year.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

California Public Employees Retirement System (CalPERS)

Plan Description. The Morgan Hill Unified School 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 Law. 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% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security) and the Morgan Hill Unified School 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 1999/2000 was 0% of annual payroll. The contribution requirements of the plan members are established by State statute. The Morgan Hill Unified School District's contributions to CalPERS for the fiscal year ending June 30, 2000, 1999 and 1998 were \$398,629, \$0 and \$591,103, respectively and equal 100% of the required contributions for each year.

Other Information

Under STRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligation to STRS for early retirement incentives granted to terminated employees.

NOTE 10 - STUDENT BODY FUND

The Student Body Funds often engage in activities which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 11 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowance, Award, 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, it is believed that any required reimbursement will not be material.

NOTE 12 – JOINT VENTURES

The District participates in a joint power authority ("JPA"), the Santa Clara County Schools Insurance Group ("SIG"). The relationship between the District and the JPA is such that the JPA is not a component unit of the Morgan Hill Unified School District for financial reporting purposes.

Santa Clara County Schools Insurance Group – The JPA arranges for and provides workers' compensation, property and liability, and employee benefits insurance for its thirty member school districts. Each member school district has a representative on the Joint Powers Board which governs the management and financing of JPA activities. Each member District pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Unaudited condensed financial information for the year ended June 30, 2000 is as follows:

Total assets	\$23,839,261
Total liabilities	<u>10,020,049</u>
Fund balance	<u>\$13,819,212</u>
Total revenues	\$17,130,779
Total expenditures	<u>16,386,210</u>
Net increase in fund balance	<u>\$ 744,569</u>

The JPA did not have long-term debt outstanding at June 30, 2000. The District's share of year-end assets, liabilities, or accumulated deficit has not been calculated.

Due to an error in the Experience Modification calculations prepared for the School's Insurance Group for the 1999-2000 fiscal year, some member districts are overpaying their premiums while other member districts are underpaying their premiums. During 1999-2000, it was determined the Morgan Hill Unified District was under-assessed approximately \$84,910. Upon receipt of the final assessment amount, the District will make-up the underpayment over a five-year period. No provision has been made in these financial statements for this obligation.

MORGAN HILL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 13 – RESTATEMENT OF FUND BALANCES

A balance in investments was reported in error at June 30, 1999 in the Corporation Debt Service-Bonds Fund. The bonds were paid during the 1998-1999 fiscal year and the fund should have been closed. The June 30, 1999 fund balance has been restated to reflect the correction as follows:

	Corporation Debt Service- Bonds Fund
Fund Balance, June 30, 1999 as originally reported	\$ 29,027
Overstatement of investments	<u>(29,027)</u>
Fund Balance, June 30, 1999 as restated	<u>\$ 0</u>

NOTE 14 – SUBSEQUENT EVENTS

A. Tax Revenue Anticipation Notes

On July 2, 2000, the District issued \$7,710,000 in tax revenue anticipation notes at a premium of \$64,687. The notes mature on July 3, 2001 and bear interest at 4.27%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

B. General Obligations Bonds

On June 26, 1999 the District Board approved the issuance of \$38,000,000 in general obligation bonds during fiscal year 2000-2001. On July 27, 2000 the District sold \$24,160,000 Current Interest Bonds that mature annually through August 1, 2021 with interest of 4.6% to 5.5%. Additionally, the District sold \$13,840,000 Term Bonds maturing August 1, 2025 with interest of 5.5%. Proceeds from the Bonds will be used for capital projects in the District.

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2000

	Deferred Maintenance	Cafeteria	Adult Education	Child Development	Special Reserve	Totals
ASSETS						
Cash in County Treasury	\$ 766,628	\$ 428,837	\$ 173,190	\$ 122,881	\$ 809,260	\$ 2,300,796
Cash on Hand and in Bank		4,246				4,246
Cash in Revolving Fund		1,000	5,000			6,000
Investments		243,383				243,383
Accounts Receivable						
Federal Government		171,530	83,450			254,980
State Government	255,013	11,731	30,364	15,242		312,350
Local Governments			5,167			5,167
Interest	7,794	5,799	1,604	6,944	11,897	34,038
Due from Other Funds	4,602		466			5,068
Stores Inventory		27,865				27,865
Total Assets	<u>\$ 1,034,037</u>	<u>\$ 894,391</u>	<u>\$ 299,241</u>	<u>\$ 145,067</u>	<u>\$ 821,157</u>	<u>\$ 3,193,893</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 122	\$ 6,151	\$ 31,197	\$ 118,998		\$ 156,468
Due to Other Funds	476	111,170	48,776	26,069		186,491
Deferred Income			86,138			86,138
Total Liabilities	<u>598</u>	<u>117,321</u>	<u>166,111</u>	<u>145,067</u>		<u>429,097</u>
Fund Balances:						
Reserved		28,865	5,000			33,865
Unreserved						
Designated		56,445	69,772			126,217
Undesignated	1,033,439	691,760	58,358		\$ 821,157	2,604,714
Total Fund Balances	<u>1,033,439</u>	<u>777,070</u>	<u>133,130</u>	<u>0</u>	<u>821,157</u>	<u>2,764,796</u>
Total Liabilities and Fund Balances	<u>\$ 1,034,037</u>	<u>\$ 894,391</u>	<u>\$ 299,241</u>	<u>\$ 145,067</u>	<u>\$ 821,157</u>	<u>\$ 3,193,893</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Deferred Maintenance	Cafeteria	Adult Education	Child Development	Special Reserve	Totals
REVENUES						
Revenue Limit Sources:						
State Apportionment			\$ 374,455			\$ 374,455
Federal Sources:						
Child Nutrition Program		\$ 732,827				732,827
Other			190,891			190,891
Other State Sources:						
State Nutrition Program		50,188				50,188
Other	\$ 238,210		15,424	\$ 420,838		674,472
Other Local Sources:						
Food Service Sales		1,064,289				1,064,289
Interest	24,032	34,394	3,455	14,608	\$ 43,882	120,371
Other			104,383			104,383
Total Revenues	262,242	1,881,698	688,608	435,446	43,882	3,311,876
EXPENDITURES						
Certificated Salaries			329,103			329,103
Classified Salaries	4,124	514,972	118,290			637,386
Employee Benefits	658	143,034	63,736			207,428
Books and Supplies	758	999,594	35,036	3,897		1,039,285
Services and Other						
Operating Expenditures	5,619	42,888	47,383	405,479		501,369
Capital Outlay	207,960	64,524	16,817			289,301
Other Outgo	537	116,499	35,073	26,070		178,179
Total Expenditures	219,656	1,881,511	645,438	435,446		3,182,051
Excess of Revenues Over Expenditures	42,586	187	43,170	0	43,882	129,825
Other Financing Sources (Uses):						
Operating Transfers In	518,327		20,000			538,327
Operating Transfers Out			(16,636)			(16,636)
Total Other Financing Sources (Uses)	518,327	0	3,364	0	0	521,691
Excess of Revenues and Other Sources Over Expenditures and Other Uses	560,913	187	46,534		43,882	651,516
Fund Balances - July 1, 1999	472,526	776,883	86,596	0	777,275	2,113,280
Fund Balances - June 30, 2000	\$ 1,033,439	\$ 777,070	\$ 133,130	\$ 0	\$ 821,157	\$ 2,764,796

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	DEFERRED MAINTENANCE		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other State Revenue	\$ 238,210	\$ 238,210	
Interest Income	25,000	24,032	\$ (968)
Total Revenues	263,210	262,242	(968)
EXPENDITURES			
Classified Salaries	4,124	4,124	
Employee Benefits	659	658	1
Books and Supplies	758	758	
Services and Other			
Operating Expenditures	5,620	5,619	1
Capital Outlay	208,000	207,960	40
Other Outgo	537	537	
Total Expenditures	219,698	219,656	42
Excess of Revenues Over Expenditures	43,512	42,586	(926)
Other Financing Sources (Uses):			
Operating Transfers In	518,327	518,327	
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ 561,839	560,913	\$ (926)
Fund Balance - July 1, 1999		472,526	
Fund Balance - June 30, 2000		\$ 1,033,439	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	CAFETERIA		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Federal Revenue	\$ 732,827	\$ 732,827	
Other State Revenue	50,188	50,188	
Other Local Revenue	1,064,291	1,064,289	\$ (2)
Interest Income	34,394	34,394	
Total Revenues	1,881,700	1,881,698	(2)
<u>EXPENDITURES</u>			
Classified Salaries	514,972	514,972	
Employee Benefits	143,034	143,034	
Books and Supplies	999,594	999,594	
Services and Other			
Operating Expenditures	42,890	42,888	2
Capital Outlay	64,524	64,524	
Other Outgo	116,500	116,499	1
Total Expenditures	1,881,514	1,881,511	3
Excess of Revenues Over (Under) Expenditures	<u>\$ 186</u>	187	<u>\$ 1</u>
Fund Balance - July 1, 1999		776,883	
Fund Balance - June 30, 2000		<u>\$ 777,070</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	ADULT EDUCATION		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources:			
State Apportionments	\$ 374,455	\$ 374,455	\$
Federal Revenue	192,210	190,891	(1,319)
Other State Revenue	110,200	15,424	(94,776)
Other Local Revenue	118,423	104,383	(14,040)
Interest Income	3,455	3,455	
Total Revenues	798,743	688,608	(110,135)
EXPENDITURES			
Certificated Salaries	424,796	329,103	95,693
Classified Salaries	124,462	118,290	6,172
Employee Benefits	81,053	63,736	17,317
Books and Supplies	89,659	35,036	54,623
Services and Other			
Operating Expenditures	76,703	47,383	29,320
Capital Outlay	16,817	16,817	
Other Outgo	36,244	35,073	1,171
Total Expenditures	849,734	645,438	204,296
Excess of Revenues Over (Under) Expenditures	(50,991)	43,170	94,161
Other Financing Sources (Uses):			
Operating Transfers In	20,000	20,000	
Operating Transfers Out	(16,636)	(16,636)	
Total Other Financing Sources (Uses)	3,364	3,364	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (47,627)</u>	46,534	<u>\$ 94,161</u>
Fund Balance - July 1, 1999		86,596	
Fund Balance - June 30, 2000		<u>\$ 133,130</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	CHILD DEVELOPMENT		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Other State Revenue	\$ 469,357	\$ 420,838	\$ (48,519)
Interest Income	14,608	14,608	
Total Revenues	483,965	435,446	(48,519)
<u>EXPENDITURES</u>			
Books and Supplies	3,897	3,897	
Services and Other			
Operating Expenditures	450,039	405,479	44,560
Other Outgo	30,029	26,070	3,959
Total Expenditures	483,965	435,446	48,519
Excess of Revenues Over (Under) Expenditures	<u>\$ 0</u>	0	<u>\$ 0</u>
Fund Balance - July 1, 1999		0	
Fund Balance - June 30, 2000		<u>\$ 0</u>	

MORGAN HILL UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	SPECIAL RESERVE		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Interest Income	\$ 44,000	\$ 43,882	\$ (118)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 44,000</u>	<u>43,882</u>	<u>\$ (118)</u>
Fund Balance - July 1, 1999		<u>777,275</u>	
Fund Balance - June 30, 2000		<u>\$ 821,157</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	TOTAL SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources:			
State Apportionments	\$ 374,455	\$ 374,455	\$
Federal Revenue	925,037	923,718	(1,319)
Other State Revenue	867,955	724,660	(143,295)
Other Local Revenue	1,182,714	1,168,672	(14,042)
Interest Income	121,457	120,371	(1,086)
Total Revenues	<u>3,471,618</u>	<u>3,311,876</u>	<u>(159,742)</u>
EXPENDITURES			
Certificated Salaries	424,796	329,103	95,693
Classified Salaries	643,558	637,386	6,172
Employee Benefits	224,746	207,428	17,318
Books and Supplies	1,093,908	1,039,285	54,623
Services and Other			
Operating Expenditures	575,252	501,369	73,883
Capital Outlay	289,341	289,301	40
Other Outgo	183,310	178,179	5,131
Total Expenditures	<u>3,434,911</u>	<u>3,182,051</u>	<u>252,860</u>
Excess of Revenues Over (Under) Expenditures	<u>36,707</u>	<u>129,825</u>	<u>93,118</u>
Other Financing Sources (Uses):			
Operating Transfers In	538,327	538,327	
Operating Transfers Out	(16,636)	(16,636)	
Total Other Financing Sources (Uses)	<u>521,691</u>	<u>521,691</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 558,398</u>	<u>651,516</u>	<u>\$ 93,118</u>
Fund Balance - July 1, 1999		<u>2,113,280</u>	
Fund Balance - June 30, 2000		<u>\$ 2,764,796</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2000

	<u>Tax Override</u>	<u>COPS</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash in County Treasury	\$ 4,187,117		\$ 4,187,117
Investments		\$ 2,362,294	\$ 2,362,294
Total Assets	<u>\$ 4,187,117</u>	<u>\$ 2,362,294</u>	<u>\$ 6,549,411</u>
<u>FUND BALANCES</u>			
Fund Balances:			
Unreserved			
Designated	\$ 4,187,117	\$ 2,362,294	\$ 6,549,411
Total Liabilities and Fund Balances	<u>\$ 4,187,117</u>	<u>\$ 2,362,294</u>	<u>\$ 6,549,411</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Tax Override	COPS	Totals
<u>REVENUES</u>			
Other State Sources:			
Other	\$ 80,051		\$ 80,051
Local Sources:			
Interest		\$ 147,324	147,324
Other	4,348,927		4,348,927
Total Revenues	4,428,978	147,324	4,576,302
<u>EXPENDITURES</u>			
Services and Other			
Operating Expenditures	10,506		10,506
Debt Service:			
Principal Retirement		4,105,000	4,105,000
Interest and Fiscal Charges		366,976	366,976
Total Expenditures	10,506	4,471,976	4,482,482
Excess of Revenues Over (Under) Expenditures	4,418,472	(4,324,652)	93,820
Other Financing Sources (Uses):			
Operating Transfers In		4,379,946	4,379,946
Operating Transfers Out	(4,379,946)		(4,379,946)
Other Uses		(65,694)	(65,694)
Total Other Financing Sources (Uses):	(4,379,946)	4,314,252	(65,694)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	38,526	(10,400)	28,126
Fund Balances - July 1, 1999	4,148,591	2,372,694	6,521,285
Fund Balances - June 30, 2000	<u>\$ 4,187,117</u>	<u>\$ 2,362,294</u>	<u>\$ 6,549,411</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 DEBT SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	TAX OVERRIDE		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Other State Revenue	\$ 80,000	\$ 80,051	\$ 51
Other Local Revenue	4,668,377	4,348,927	(319,450)
Total Revenues	4,748,377	4,428,978	(319,399)
<u>EXPENDITURES</u>			
Services and Other Operating Expenditures	10,506	10,506	0
Excess of Revenues Over (Under) Expenditures	4,737,871	4,418,472	(319,399)
Other Financing Sources (Uses): Operating Transfers Out	(4,479,571)	(4,379,946)	99,625
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 258,300</u>	38,526	<u>\$ (219,774)</u>
Fund Balances - July 1, 1999		<u>4,148,591</u>	
Fund Balances - June 30, 2000		<u>\$ 4,187,117</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	TOTAL DEBT SERVICE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other State Revenue	\$ 80,000	\$ 80,051	\$ 51
Other Local Revenue	4,668,377	4,348,927	(319,450)
Interest Income		147,324	147,324
Total Revenues	4,748,377	4,576,302	(172,075)
EXPENDITURES			
Services and Other			
Operating Expenditures	10,506	10,506	
Debt Service:			
Principal Retirement		4,105,000	(4,105,000)
Interest and Fiscal Charges		366,976	(366,976)
Total Expenditures	10,506	4,482,482	(4,471,976)
Excess of Revenues Over (Under) Expenditures	4,737,871	93,820	(4,644,051)
Other Financing Sources (Uses):			
Operating Transfers In		4,379,946	4,379,946
Operating Transfers Out	(4,479,571)	(4,379,946)	99,625
Other Uses		(65,694)	(65,694)
Total Other Financing Sources (Uses)	(4,479,571)	(65,694)	4,413,877
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 258,300	28,126	\$ (230,174)
Fund Balances - July 1, 1999		6,521,285	
Fund Balances - June 30, 2000		\$ 6,549,411	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2000

	Mello Roos	Building Fund	Capital Facilities	Roof Replacement	Totals
ASSETS					
Cash in County Treasury	\$ 2,222,137	\$ 2,018,419	\$ 4,075,911	\$ 403	\$ 8,316,870
Cash on Hand in Bank	14,841		163,017		177,858
Accounts Receivable					
Interest	34,690	30,602	70,677	6	135,975
Due from Other Funds			16,611		16,611
Total Assets	<u>\$ 2,271,668</u>	<u>\$ 2,049,021</u>	<u>\$ 4,326,216</u>	<u>\$ 409</u>	<u>\$ 8,647,314</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 34,411	\$ 3,175	\$ 880,402	\$ 347	\$ 918,335
Due to Other Funds			87,758		87,758
Total Liabilities	<u>34,411</u>	<u>3,175</u>	<u>968,160</u>	<u>347</u>	<u>1,006,093</u>
Fund Balances:					
Unreserved					
Undesignated	<u>2,237,257</u>	<u>2,045,846</u>	<u>3,358,056</u>	<u>62</u>	<u>7,641,221</u>
Total Fund Balances	<u>2,237,257</u>	<u>2,045,846</u>	<u>3,358,056</u>	<u>62</u>	<u>7,641,221</u>
Total Liabilities and Fund Balances	<u>\$ 2,271,668</u>	<u>\$ 2,049,021</u>	<u>\$ 4,326,216</u>	<u>\$ 409</u>	<u>\$ 8,647,314</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Mello Roos	Building Fund	Capital Facilities	Roof Replacement	Totals
REVENUES					
Other State Sources:					
Other			\$ 280,000		\$ 280,000
Local Sources:					
Interest	\$ 141,064	\$ 130,836	265,412	\$ 22	537,334
Other	631,026		2,661,523		3,292,549
Total Revenues	772,090	130,836	3,206,935	22	4,109,883
EXPENDITURES					
Certificated Salaries			957		957
Classified Salaries			383		383
Employee Benefits			48		48
Books and Supplies	751				751
Services and Other					
Operating Expenditures	646,795	2,154	4,125,659		4,774,608
Capital Outlay	100,833	947,463	845,073		1,893,369
Total Expenditures	748,379	949,617	4,972,120	0	6,670,116
Excess of Revenues Over (Under) Expenditures	23,711	(818,781)	(1,765,185)	22	(2,560,233)
Other Financing Sources (Uses):					
Operating Transfers In			16,636		16,636
Operating Transfers Out			(87,808)		(87,808)
Other Sources		16,517			16,517
Other Uses		(10,275)			(10,275)
Total Other Financing Sources (Uses)	0	6,242	(71,172)	0	(64,930)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	23,711	(812,539)	(1,836,357)	22	(2,625,163)
Fund Balances - July 1, 1999	2,213,546	2,858,385	5,194,413	40	10,266,384
Fund Balances - June 30, 2000	<u>\$ 2,237,257</u>	<u>\$ 2,045,846</u>	<u>\$ 3,358,056</u>	<u>\$ 62</u>	<u>\$ 7,641,221</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	MELLO ROOS		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other Local Revenue	\$ 798,920	\$ 631,026	\$ (167,894)
Interest Income	170,000	141,064	(28,936)
Total Revenues	968,920	772,090	(196,830)
EXPENDITURES			
Books and Supplies	772	751	21
Services and Other			
Operating Expenditures	651,207	646,795	4,412
Capital Outlay	102,386	100,833	1,553
Total Expenditures	754,365	748,379	5,986
Excess of Revenues Over (Under) Expenditures	<u>\$ 214,555</u>	23,711	<u>\$ (190,844)</u>
Fund Balances - July 1, 1999		2,213,546	
Fund Balances - June 30, 2000		<u>\$ 2,237,257</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	BUILDING FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Interest Income	\$ 250,000	\$ 130,836	\$ (119,164)
<u>EXPENDITURES</u>			
Services and Other			
Operating Expenditures	5,000	2,154	2,846
Capital Outlay	1,047,630	947,463	100,167
Total Expenditures	1,052,630	949,617	103,013
Excess of Revenues Over (Under) Expenditures	(802,630)	(818,781)	(16,151)
Other Financing Sources (Uses):			
Other Sources	16,517	16,517	
Other Uses	(10,275)	(10,275)	
Total Other Financing Sources (Uses)	6,242	6,242	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (796,388)</u>	<u>(812,539)</u>	<u>\$ (16,151)</u>
Fund Balances - July 1, 1999		2,858,385	
Fund Balances - June 30, 2000		<u>\$ 2,045,846</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	CAPITAL FACILITIES		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Other State Revenue	\$ 280,000	\$ 280,000	
Other Local Revenue	2,661,700	2,661,523	\$ (177)
Interest Income	266,000	265,412	(588)
Total Revenues	3,207,700	3,206,935	(765)
<u>EXPENDITURES</u>			
Certificated Salaries	1,914	957	957
Classified Salaries	2,807	383	2,424
Employee Benefits	209	48	161
Services and Other			
Operating Expenditures	5,527,024	4,125,659	1,401,365
Capital Outlay	1,003,481	845,073	158,408
Total Expenditures	6,535,435	4,972,120	1,563,315
Excess of Revenues Over (Under) Expenditures	(3,327,735)	(1,765,185)	1,562,550
Other Financing Sources (Uses):			
Operating Transfers In	16,636	16,636	
Operating Transfers Out	(91,658)	(87,808)	3,850
Total Other Financing Sources (Uses)	(75,022)	(71,172)	3,850
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (3,402,757)</u>	(1,836,357)	<u>\$ 1,566,400</u>
Fund Balances - July 1, 1999		5,194,413	
Fund Balances - June 30, 2000		<u>\$ 3,358,056</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	ROOF REPLACEMENT		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Interest Income	\$ 22	\$ 22	
Total Revenues	<u>\$ 22</u>	22	<u>\$ 0</u>
Fund Balances - July 1, 1999		40	
Fund Balances - June 30, 2000		<u>\$ 62</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	TOTAL CAPITAL PROJECTS FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other State Revenue	\$ 280,000	\$ 280,000	
Other Local Revenue	3,460,620	3,292,549	\$ (168,071)
Interest Income	686,022	537,334	(148,688)
Total Revenues	4,426,642	4,109,883	(316,759)
EXPENDITURES			
Certificated Salaries	1,914	957	957
Classified Salaries	2,807	383	2,424
Employee Benefits	209	48	161
Books and Supplies	772	751	21
Services and Other			
Operating Expenditures	6,183,231	4,774,608	1,408,623
Capital Outlay	2,153,497	1,893,369	260,128
Total Expenditures	8,342,430	6,670,116	1,672,314
Excess of Revenues Over (Under) Expenditures	(3,915,788)	(2,560,233)	1,355,555
Other Financing Sources (Uses):			
Operating Transfers In	16,636	16,636	
Operating Transfers Out	(91,658)	(87,808)	3,850
Other Sources	16,517	16,517	
Other Uses	(10,275)	(10,275)	
Total Other Financing Sources (Uses)	(68,780)	(64,930)	3,850
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (3,984,568)</u>	(2,625,163)	<u>\$ 1,359,405</u>
Fund Balances - July 1, 1999		10,266,384	
Fund Balances - June 30, 2000		<u>\$ 7,641,221</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORGAN HILL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2000</u>
<u>MARTIN MURPHY MIDDLE SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ <u>19,927</u>	<u>\$116,284</u>	<u>\$118,252</u>	<u>\$ 17,959</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ <u>19,927</u>	<u>\$116,284</u>	<u>\$118,252</u>	<u>\$ 17,959</u>
<u>BRITTON MIDDLE SCHOOL</u>				
<u>ASSETS</u>				
Cash	\$ <u>32,596</u>	<u>\$179,284</u>	<u>\$177,748</u>	<u>\$ 34,132</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ <u>32,596</u>	<u>\$179,284</u>	<u>\$177,748</u>	<u>\$ 34,132</u>
<u>TOTAL – ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ <u>52,523</u>	<u>\$295,568</u>	<u>\$296,000</u>	<u>\$ 52,091</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$ <u>52,523</u>	<u>\$295,568</u>	<u>\$296,000</u>	<u>\$ 52,091</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SUPPLEMENTARY INFORMATION

GOODELL,
PORTER &
FREDERICKS, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

RICHARD J. GOODELL, CPA
JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
PAUL D. FREDERICKS, CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Morgan Hill Unified School District
Morgan Hill, California

We have audited the combined and combining financial statements of the Morgan Hill Unified School District as of and for the year ended June 30, 2000, and have issued our report thereon dated November 9, 2000. These financial statements are the responsibility of the District's management. Our responsibility was to express an opinion on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards; the standards for financial and compliance 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 evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary financial and statistical information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Morgan Hill Unified School District. The accompanying schedule of expenditures of Federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements of the Morgan Hill Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, as fairly presented in all material respects in relation to the financial statements taken as a whole.

GoodeLL, Porter & Fredericks, LLP

GOODELL, PORTER & FREDERICKS, LLP
Certified Public Accountants

November 9, 2000

MORGAN HILL UNIFIED SCHOOL DISTRICT

MORGAN HILL, CALIFORNIA

JUNE 30, 2000

ORGANIZATION

The Morgan Hill Unified School District was founded on July 1, 1966 and is comprised of an area of approximately 296 square miles located in Santa Clara County. There were no changes in the boundaries of the District during the current year. The District operates eleven elementary school, two middle schools, one regular and one continuation high school, and an adult education school.

The Board of Trustees for the year ended June 30, 2000, was composed of the following members:

Board of Education

<u>Name</u>	<u>Office</u>	<u>Term expires</u>
Del Foster	President	November 2000
John Kennett	Vice-President	November 2002
Larry D. Carr	Member	November 2000
Susan Martimo Choi	Member	November 2002
Rick Herder	Member	November 2002
Tom Kinoshita	Member	November 2002
Jan Masuda	Member	November 2000

ADMINISTRATION

Dr. Carolyn McKennan
Superintendent

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Elementary</u>		
Kindergarten	657	659
First through Third	2,047	2,046
Fourth through Sixth	1,975	1,971
Seventh through Eighth	1,232	1,227
Opportunity Schools	6	6
Home and Hospital	1	1
Special Education	117	118
Extended year	<u>6</u>	<u>6</u>
Subtotals	<u>6,041</u>	<u>6,034</u>
<u>Secondary</u>		
Regular Classes	2,456	2,425
Special Education	39	38
Compulsory Continuation Education	82	82
Opportunity Schools	9	9
Home & Hospital	<u>1</u>	<u>1</u>
Subtotals	<u>2,587</u>	<u>2,555</u>
<u>Classes for Adults</u>		
Concurrently Enrolled	1	1
Not concurrently Enrolled	<u>189</u>	<u>186</u>
Totals	<u>8,818</u>	<u>8,776</u>
		Hours of Attendance
<u>Summer School</u>		
Elementary		42,970
High School		<u>41,392</u>
Totals		<u>84,362</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>1999-2000 Actual Minutes</u>	<u>Status</u>
Kindergarten	36,000	31,680	36,000	In Compliance
Grade 1 to 3	50,400	48,130	51,025	In Compliance
Grade 4 to 6	54,000	51,920	54,550	In Compliance
Grade 7 to 8	54,000	55,715	64,801	In Compliance
Grade 9	64,800	55,715	64,801	In Compliance
Grade 10 to 12	64,800	60,849	64,850	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

<u>Program Name:</u>	<u>Federal Catalog Number</u>	<u>Program Expenditures</u>
Federal:		
US Department of Agriculture:		
Passed through the California Department of Education (CDE):		
National School Lunch	10.555	\$ 515,420
Especially Needy Breakfast	10.553	185,458
Basic School Breakfast	10.553	31,949
US Department of Education:		
Passed through CDE:		
IASA - Title I	84.010	460,862
IASA - Title VI	84.151	32,207
Special Education		
Discretionary	84.027	5,315
Preschool Expansion	84.173	63,433
Preschool Staff Development	84.173	431
Local Assistance	84.027	568,376
Vocational Education Act	84.048	30,710
EESA PL 98-377	84.168	15,676
Drug Free Schools and Communities Act of 1986	84.186	50,683
Adult Education		
Job Training Partnership Act	17.250	140,723
Adult Basic Education	84.002	45,001
Vocational Education Act	84.048	5,167
Migrant Education	84.011	74,197
Migrant Summer School	84.011	35,462
Even Start	84.213	10,914
Total Federal Programs		<u>\$ 2,271,984</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

MORGAN HILL UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT (J-200) WITH
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>General Fund</u>
June 30, 2000 Annual Financial and Budget Report (J-200) Fund Balance	<u>\$4,429,315</u>
Adjustments and Reclassifications:	
Increase (Decrease) in Fund Balance:	
Overstatement of Other State Revenue	(1,009)
Understatement of Federal Revenue	<u>5,111</u>
Net Adjustments and Reclassifications	<u>4,102</u>
June 30, 2000, Audited Financial Statement General Fund Balance	<u>\$4,433,417</u>
	 <u>General Long-Term Debt Account Group</u>
June 30, 2000 Annual Financial and Budget Report (J-249) Total Liabilities	<u>\$4,660,000</u>
Adjustments and Reclassifications:	
Increase (Decrease) in Total Liabilities:	
Understatement of Capital Leases Obligations	159,359
Understatement of Compensated Absences	<u>227,000</u>
Net Adjustments and Reclassifications	<u>386,359</u>
June 30, 2000, Audited Financial Statement General Long-Term Debt Total Liabilities	<u>\$5,046,359</u>

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report (J-200) for the year ended June 30, 2000.

The Mello Roos Fund is classified as a capital projects fund in the audit report. However, it was reported as an agency fund on Form J-228.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	(Budget) 2000-2001	1999-2000	1998-1999	1997-1998
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 52,386,313	\$ 49,525,477	\$ 48,629,812	\$ 44,855,899
Expenditures	50,588,232	49,284,523	47,631,286	43,928,680
Other Uses and Transfers Out	10,000	538,327	249,137	346,607
Total Outgo	50,598,232	49,822,850	47,880,423	44,275,287
Change in Fund Balance (Deficit)	1,788,081	(297,373)	749,389	580,612
Ending Fund Balance	\$ 6,217,396	\$ 4,433,417	\$ 4,730,790	\$ 3,981,401
Available Reserves	\$ 4,518,497	\$ 2,734,518	\$ 2,199,940	\$ 2,496,839
Designated for Economic Uncertainties	\$ 1,517,947	\$ 1,489,441	\$ 1,502,369	\$ 1,330,167
Undesignated Fund Balance	\$ 3,000,550	\$ 1,245,077	\$ 697,571	\$ 1,166,672
Available reserves as a percentage of total outgo	8.9%	5.5%	4.6%	5.6%
Total long-term debt	\$ 38,374,602	\$ 5,046,359	\$ 9,128,285	\$ 13,848,556
Average daily attendance at P-2 (excluding Adult Education)	8,704	8,628	8,742	9,149

Available reserves includes General Fund designated for economic uncertainty and General Fund unrestricted, undesignated fund balance. The general fund balance has increased by \$1,032,628 over the past three years. The fiscal year 2000-2001 budget projects an increase of \$1,788,081 in the general fund balance. 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 long-term debt has decreased by \$12,462,187 over the past three years, however, the District Board approved the issuance of \$38,000,000 in general obligation bonds during the 2000-2001 fiscal year.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MORGAN HILL UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance 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.

B. 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 complied with the provisions of Education Code Sections 46201 through 46206.

C. Schedule of Federal Financial Assistance

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 requirements, this schedule was prepared for the District.

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds, and the total liabilities balance of the general long-term debt account group as reported on the Form J-200, to the audited financial statements.

E. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past year's 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.

GOODELL,
PORTER &
FREDERICKS, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

RICHARD J. GOODELL, CPA
JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
PAUL D. FREDERICKS, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Morgan Hill Unified School District
Morgan Hill, California

We have audited the general purpose financial statements of the Morgan Hill Unified School District, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 9, 2000. Our audit was made in accordance with generally accepted auditing standards, the standards for 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 District's management 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 District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	4	Yes
Staff development days	3	Yes
Kindergarten Enrollment	4	Yes
Independent study	13	Yes
Continuation education	13	Yes
Adult education	8	Yes
Regional Occupational Center/Programs	5	Not Applicable
County Office of Education programs	9	Not Applicable

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Incentives for longer instructional day	3	Yes
GANN limit calculation	2	Yes
Early retirement incentive program	5	Not Applicable
Community Day Schools	8	Not Applicable
Class Size Reduction:		
Option One classes	8	Yes
Option Two classes	5	Not Applicable
Option One and Two classes	4	Not Applicable
Program to Reduce Class Size in Grade 9	8	Yes
State Instructional Materials Fund (K through 8)	8	Yes
Schiff-Bustamante Standards-Based Instructional Materials	4	Yes
Digital High School Education Technology Grant Program	5	Not Applicable

Based on our audit, we found that, for the items tested, the Morgan Hill Unified School District complied with the state laws and regulations of the state programs referred to above, except as described in the Findings and Recommendations Section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Morgan Hill Unified School District had not complied with the state laws and regulations.

Goode, Porter & Fredericks, LLP
GOODELL, PORTER & FREDERICKS, LLP
Certified Public Accountants

November 9, 2000

GOODELL,
PORTER &
FREDERICKS, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

RICHARD J. GOODELL, CPA
JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
PAUL D. FREDERICKS, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Morgan Hill Unified School District
Morgan Hill, California

We have audited the combined and combining financial statements of Morgan Hill Unified School District as of and for the year ended June 30, 2000, and have issued our report thereon dated November 9, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Morgan Hill Unified 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 Standard*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Morgan Hill Unified 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 Morgan Hill Unified 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 included in the Findings and Recommendations Section of the report.

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.

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

Goodell, Porter & Fredericks, LLP

GOODELL, PORTER & FREDERICKS, LLP
Certified Public Accountants

November 9, 2000

GOODELL,
PORTER &
FREDERICKS, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

RICHARD J. GOODELL, CPA
JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
PAUL D. FREDERICKS, CPA

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

Board of Education
Morgan Hill Unified School District
Morgan Hill, CA

Compliance

We have audited the compliance of Morgan Hill Unified 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, 2000. Morgan Hill Unified School District's major federal programs are identified in the summary of the auditor's 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 Morgan Hill Unified School District's management. Our responsibility is to express an opinion on Morgan Hill Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Morgan Hill Unified 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 reasonable basis for our opinion. Our audit does not provide a legal determination of Morgan Hill Unified School District's compliance with those requirements.

Morgan Hill Unified 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, 2000.

Internal Control Over Compliance

The management of Morgan Hill Unified 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 Morgan Hill Unified 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 of 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 controls over compliance and its operation that we consider to be material weaknesses.

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


GOODELL, PORTER & FREDERICKS, LLP
Certified Public Accountants

November 9, 2000

FINDINGS AND RECOMMENDATIONS SECTION

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2000

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Reporting condition(s) identified not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Reporting condition(s) identified not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 ☐ Yes ☒ No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch
10.553	Especially Needy Breakfast
10.553	Basic School Breakfast
84.010	IASA - Title I
84.027	Special Education

Dollar threshold used to distinguish between Type A and Type B programs: 300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

State Awards

Internal control over state programs:

Material weakness(es) identified? ☐ Yes ☒ No

Reporting conditions(s) identified not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for state programs: Unqualified

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2000

Section II - Financial Statements Findings

2000 - 1 - STUDENT BODY FINANCIAL ACTIVITY - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require financial activity reports to be completed at least twice each year and records maintained in an auditable form. In addition to financial reports, bank statements should be reconciled on a monthly basis with differences promptly resolved.

Finding: During our testing of internal controls for the student body accounts at Live Oak High School, we observed that financial activity reports were not generated and account balances were not reconciled to bank statements. Because records, in the form of financial reports and bank reconciliations, were not maintained, the financial position of the student body account could not be substantiated and was not auditable.

Effect: Without monthly bank reconciliations and without adequate maintenance of financial reports, errors may occur and not be detected in a timely manner. Also, the lack of accountability may lead to misappropriation of assets.

The financial position of the Live Oak High School student body account was not audited and therefore not presented in the audit report. The amount due to student groups was reported as \$136,692 at June 30, 1999. Amounts reported as Cash on Hand and in Bank and Due to Student Groups are not comparable between fiscal years 1998-1999 and 1999-2000.

Recommendation: We recommend each student body fund prepare a financial activity report at least twice each year and maintain records in an auditable form. In addition, monthly bank reconciliations should be performed timely with differences promptly resolved.

District Response: During the prior year a new Associated Body accounting system was purchased. The full benefit on this system is not being utilized. Live Oak High School has committed that the ASB director will oversee the timely financial report of the ASB conversion of the Blue Bear Financial system for record-keeping and monthly reconciliation.

2000 - 2 - STUDENT BODY CASH RECEIPTS - SEGREGATION OF DUTIES - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require receipts to student body accounts to have supporting documentation.

Finding: During our testing of ticket control and cash management at Britton Middle School, we noted the student body director reconciles cash and also prepares the deposits for the bank.

Effect: Inadequate segregation of duties increases the risk of employee misappropriation of district assets.

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2000

Section II - Financial Statements Findings (Continued)

2000 - 2 – STUDENT BODY CASH RECEIPTS - SEGREGATION OF DUTIES – 30000
(CONCLUDED)

Recommendation: We recommend separating the responsibilities of receipting cash, preparing deposits, and maintaining accounting records.

District Response: To implement the required internal control process needed will require additional staff involvement. We have reviewed the process that will allow a third individual to assist in the preparation and deposit of school site funds. This will avoid having one individual involved in all aspects of the flow of funds through ASB. Britton's ASB director will have the responsibility of oversight.

2000 – 3 - STUDENT BODY CASH DISBURSEMENTS - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require funds from student body accounts be used for student body purposes only.

Finding: During our testing of internal controls at Live Oak High School, we observed student body funds were loaned to a staff member. A district employee issued a post-dated check in exchange for borrowing cash from undeposited ASB receipts.

Effect: Using student body funds for purposes other than student body activities could result in a shortage of cash available for student body purposes and reduces accountability over ASB transactions.

Recommendation: We recommend that cash in the student body funds not be used for personal expenditures by staff members or students. Receipts should be recorded in the ASB books and deposited into the bank account promptly and intact.

District Response: Corrective action was taken last year when this was brought to light. It is against district policy to loan funds. The District office has provided guidance to the site personnel for implementing procedures to ensure District policies are followed.

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2000

Section II - Financial Statements Findings (Continued)

2000 - 4 – REVOLVING CASH – 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require revolving cash accounts to be reconciled on a monthly basis to the bank statement and authorized balance.

Finding: During our testing of the District's revolving cash accounts for the General and Adult Education Funds, we noted the accounts are not reconciled to the authorized balance on a timely basis.

Effect: Without monthly reconciliations to the bank statement and authorized balance, errors may occur and not be detected in a timely manner.

Recommendation: Bank reconciliations should be prepared on a monthly basis, including a reconciliation of the bank account balance back to the authorized balance each time the account is reimbursed by a County Treasury warrant.

District Response: We agree that reconciling of bank statements is good accounting practice and have adhered to completing the monthly reconciliation in the past. However, we have been suffering with a staff shortage, which has required that work be redistributed. As of this November, we are currently fully staffed for the first time in over 2 years. We have begun the training of our new staff in their respective duties and we will return to timely monthly reconciliation's of the bank statements.

2000 - 5 – CLEARING ACCOUNTS - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require District bank accounts to be reconciled on a monthly basis.

Finding: During our audit of the District's clearing accounts, we noted the Health and Welfare clearing accounts maintained by the Personnel Department were not being reconciled properly.

Effect: Without proper monthly reconciliations, errors may occur and not be detected in a timely manner.

Recommendation: All clearing accounts utilized by the District should be reconciled on a monthly basis to identify potential discrepancies in a timely manner.

District Response: Health & Welfare providers demand full payment and make adjustments on an ongoing basis. The desk responsible is 20 hours per week. The reconciliation on a monthly basis cannot be realized given the demands of the providers and the hours assigned to the task. The District will continue to work to fully implement this recommendation. The Human Resource Department will work with a consultant to develop remedies that address the situation.

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2000

Section II - Financial Statements Findings (Continued)

2000-6 - PAYROLL - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require that employees do not carry more vacation than allow by district policy. District policy is to allow employees to carryover one-year vacation earnings.

Finding: During our testing of internal control procedures over payroll transactions, we determined many employees have vacation balances at June 30, 2000 that exceed the allowed carryover by district.

Effect: If an employee accrues a large amount of vacation and leaves the district, the payment to the employee could have a significant financial impact to the district. This risk is increased if many employees with large vacation balances left the district at the same time.

Recommendation: We recommend that all employees with excessive vacation time be required to submit a plan to management for using the vacation in excess of the allowable amount by June 30, 2001. In the future managers should monitor accumulated vacation to ensure employees do not carry over balances that exceed the amounts allowed by the district.

District Response: The lack of staff in certain positions places burdens on the administrators to complete their assigned tasks. Those departments that have employees with accumulated vacation time have been short staffed. In one department, the absence of an employee results in that administrator to substitute. In some departments, the use of substitute personnel will not work due to training that is required. Administrators will meet with their staff to ensure that excess vacation hours are eliminated.

Section III - Federal Award Findings and Questioned Costs

No matters are reported

Section IV - State Award Findings and Questioned Costs

2000 - 7 - ATTENDANCE - REGISTERS - 10000

Specific Requirement That Was Not Complied With: The California State Attendance Accounting Manual requires the original daily attendance register to be signed by the responsible certificated employee.

Finding: During our testing of attendance at Las Paseos Elementary School we noted that six of twenty-six teacher attendance registers tested were not signed by the teachers.

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2000

Section IV - State Award Findings and Questioned Costs (Continued)

2000 - 7 - ATTENDANCE – REGISTERS – 10000 (CONCLUDED)

Effect: Unless the responsible certificated employee reviews and signs the original attendance record, accurate attendance information may not be reported for the district.

Recommendation: The original daily attendance registers prepared by the teachers should be signed before it is submitted to the school secretary at the end of the month.

District Response: An intensive training on attendance accounting is scheduled for December 2000 for all principals and attendance clerk. We are currently updating our policies and procedures.

2000 – 8 – ATTENDANCE – REGISTERS – 10000

Specific Requirement Not Complied With: Sound reporting practices require that teachers in secondary schools record attendance for each period a class is held.

Finding: During our testing of the computer scantron reports at Live Oak High School, we determined some teachers were not taking attendance each period. We determined teachers would record attendance at the end of the day relying on their memory of which students had attended classes throughout the day.

Effect: Students could be marked absent when they are actually present or they could be marked present when they are actually absent. During our testing, such instances were noted. Failure to take attendance for each period can result in either an overstatement or understatement of attendance reported for apportionment purposes.

Recommendation: We recommend that all teachers at Live Oak High School complete the scantron reports each period. We also recommend that the scantron reports be picked up from the teachers by attendance office personnel after each period. We applied additional audit procedures to the extent we considered necessary to satisfy ourselves that the attendance at Live Oak High School was not misstated and therefore do not recommend that the District revise reported ADA.

District Response: An intensive training on attendance accounting is scheduled for December 200 for principals and attendance clerks. We are currently updating our policies and procedures. As part of the SASI XP attendance software, there are features that will allow online period attendance reporting. We will look at the feasibility of implementing this feature to expedite attendance record-keeping at the high school.

MORGAN HILL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2000

Section IV - State Award Findings and Questioned Costs (Continued)

2000 - 9 - KINDERGARTEN RETENTION FORM - 10000

Specific Requirement That Was Not Complied With: State Advisory 90-10 requires a state approval retention form to be completed prior to the beginning of the second year each kindergarten student was retained.

Finding: We determined that for the five kindergarten students retained at P.A. Walsh Elementary School from fiscal year 1998-1999 to fiscal year 1999-2000, there were no kindergarten retention forms completed and retained. Also, for one of three students retained at Nordstrom School, there was no retention form obtained and retention forms for the other two students were not state approved.

Effect: Kindergarten students, who are not eligible, may be claimed for apportionment attendance. All of the students retained for these schools are not eligible either because a retention form was not obtained or the retention form obtained was not the state approved format.

Amount of Questioned Cost: The approximate amount of questioned costs would be computed by multiplying 6 ADA (for the six students for which retention forms were not obtained) by the \$4,284 apportionment per ADA in the revenue limit calculation. The result would be an \$25,704 overstatement of state apportionment.

Recommendation: We recommend the district begin using the state approved kindergarten retention form for all kindergarten students retained. In addition, the district should file amended P-2 and annual attendance reports to omit the retained kindergarten students.

District Response: We have obtained the proper form and have passed it out to all elementary principals. We will have this form translated into Spanish. This item will be included in the attendance workshop to be conducted and included in our updated attendance procedures. Additionally, the District will revise the 1999-2000 attendance reports to omit the six (6) retained kindergarten students.

MORGAN HILL UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

JUNE 30, 2000

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
<u>99-1- STUDENT BODY DISBURSEMENTS – #30000</u>		
No disbursements should be made from student body accounts without prior approval from the three designated persons.	Accepted Implemented	
<u>99-2 – STUDENT BODY ACCOUNTS - LIVE OAK HIGH SCHOOL – #30000</u>		
Procedures should be developed and followed which prevent student groups from exceeding available resources and encroaching on other groups.	Accepted Current Status Not Determined	Recorded transactions for high school were not audited. See Current Year Finding 2000-1.
<u>99-3 – STUDENT BODY BANK RECONCILIATION – BRITTON MIDDLE SCHOOL - #30000</u>		
The student body personnel should receive training in using the student body accounting software program.	Accepted Implemented	

MORGAN HILL UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

JUNE 30, 2000

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
<p><u>99-4 –STUDENT BODY CASH RECEIPTS - SEGREGATION OF DUTIES – #30000</u></p> <p>Responsibilities should be separate for receipting cash, preparing deposits, and maintaining accounting records. In addition, the school should begin using ticket control logs that monitor the first and last ticket number sold at an event. There should also be a cash reconciliation sheet which has beginning and ending ticket numbers and also shows the cash collected reconciled to the number of tickets sold. The reconciliation should be signed by the individual collecting the cash.</p>	<p>Accepted Partially Implemented</p>	<p>See Current Year Finding 2000-3</p>
<p><u>99-5 – STUDENT BODY ACCOUNTS – #30000</u></p> <p>Purchases of instructional materials should not flow through the student body accounts at any school site. All expenditures for instructional supplies should be recorded in the general fund program account and charged to the appropriate site.</p>	<p>Accepted Implemented</p>	

MORGAN HILL UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

JUNE 30, 2000

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
<u>99-6 – REVOLVING CASH – #30000</u>		
Bank reconciliations should be prepared on a monthly basis, including a reconciliation of the bank account balance back to the authorized balance each time the account is reimbursed by a County Treasury warrant.	Accepted Partially Implemented	See Current Year Finding 2000-4 for General Fund and Adult Education Fund.
<u>99-7 – CLEARING ACCOUNTS - #30000</u>		
All clearing accounts utilized by the District should be reconciled on a monthly basis to identify potential discrepancies in a timely manner.	Accepted Not Implemented	See Current Year Finding 2000-5